

UNDP and the Global Compact

Promoting Inclusive Markets

**The opportunity and importance
of CSR in supply chains**

Session objectives

- ✓ Discuss the issue of implementation of CSR and GC principles in supply chains
- ✓ Discuss proposal to organize a policy dialogue on responsible supply chains with participants from GC local networks

Why responsible supply chains are crucial for development

- ✓ SMEs and small producers majority of local private sector and key generator of employment and economic growth
- ✓ Trade is recognized as key for development
- ✓ Nature of production processes is changing:
 - ✓ Geographically – outsourcing to low cost countries
 - ✓ Improving competitiveness now means far more than just the productivity and cost reduction - emphasis on information, quality control, meeting customer needs and CSR standards.
- ✓ Booming demand for “sustainable” products

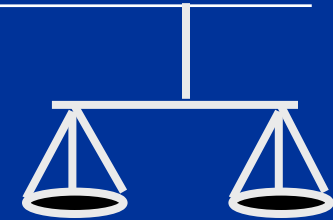
Codes and tools for responsible supply chain management

- ✓ CSR standards relevant for value chains beyond GC principles:
 - ✓ Individual company codes and quality requirements
 - ✓ Industry based standards (e.g. Eurepgap)
 - ✓ NGO-led codes / standards
 - ✓ Multi stakeholder codes and certification schemes
- ✓ Many actors take an increasing interest in responsible supply chain approaches and its role in development
 - ✓ Development agencies (GTZ, USAID, DFID, EU/EC, WB, UN agencies, Donor Committee etc)
 - ✓ Business organizations (ICC, WBCSD, BSR)
 - ✓ Third party certification organizations (e.g. ISEAL members)

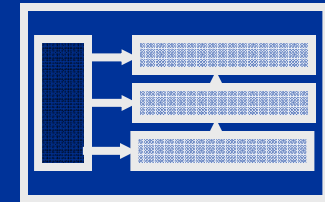
UNDP Private Sector Strategy: Five Priority Areas

Inclusive Market Development

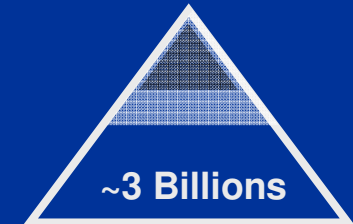
Priority 1 – Establishing the Policy and Institutional Infrastructure



Priority 2 - Facilitating Pro-Poor Value Chain Integration



Priority 3 - Facilitating Investments in Pro-Poor Goods and Services



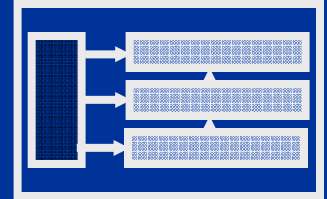
Priority 4 - Fostering Inclusive Entrepreneurship



Priority 5 - Promoting Corporate Social Responsibility in support of the MDGs and Inclusive Markets



Facilitating Pro-Poor Value Chain (VC) Integration

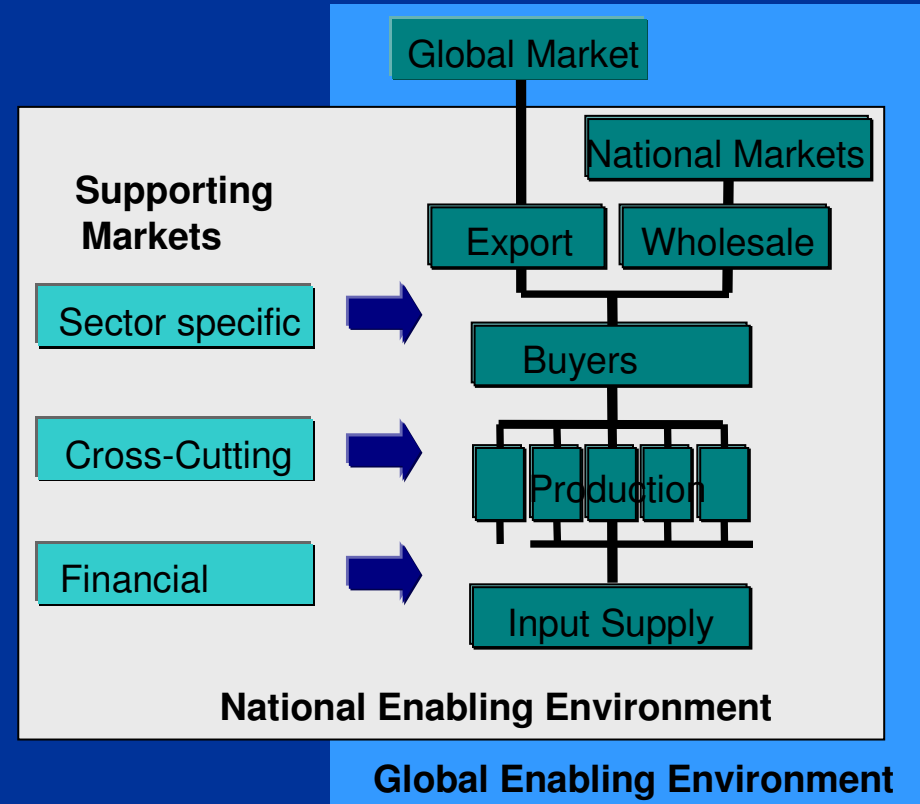


Rationale

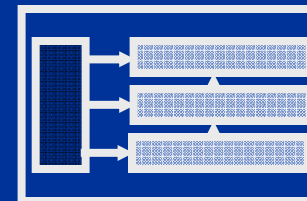
- Local small businesses prevented from integrating into value chains, limiting access of poor local producers to markets and hampering poverty reduction.

UNDP niche and focus

- Demand-side, market-driven, opportunities for industrial sectors at the country level
- Focus on sectors important for the poor
- Engage lead firms to “drive” VC integration
- Facilitate, support multi stakeholder platforms (PS, donors, governments) for VC related work
- Capacity development mandate



Facilitating Pro-Poor Value Chain (VC) Integration



Illustrative Example - Value chain for organic agriculture product

<u>Typical key constraints:</u>	<u>Supporting interventions</u>
Low quality of product of farmers, no economies of scale	Support organization of farmers for economies of scale
Inconsistent quality of technical support	Strengthen extension & technical support providers (or exporters, large farms)
Weak systems for organic certification	Strengthen certification bodies, link to int'l certification systems
Limited access to finance	Work with MFIs / banks
Limited access to market opportunities	Strengthen intermediaries, exporters, engage "lead" firms
Prohibitive government regulations (high export taxes, control of some input products)	Engage government in policy dialogue for more conducive regulation for the sector

Some UNDP value chain experiences

Growing Sustainable Business initiative:

- Allanblackia in Tanzania (Unilever)
- Premium coffee for export markets (Malawi)
- Pro-poor sourcing in Zambia (Spar supermarkets)
- Artemisinin in Madagascar (Bionexx)

Ghana Cadbury – sustainable cocoa

Latin America, Rainforest Alliance – sustainable coffee

ISEAL partnership – expanding use of certification

UNDP – ISEAL initiative
Voluntary certification systems and supply chains
Issues to be addressed

1. Proliferation of standards initiatives creates complications and increased costs for all actors in the value chain.
2. Producers in developing countries lack the information, capacity and access to finance needed to participate in VCS or industry standards.
3. The social and environmental outcomes of compliance with standards need to be clearly measured to assess impact and improve performance.

UNDP – ISEAL initiative

Country level support platforms / centers

- Providing of information about VCS, capacity building for producers and other relevant resources.
- Improving coordination and synergies between VCS capacity building programs and organizations.
- Brokering better access to finance and linking the finance sector to certification.
- Brokering and facilitating producer linkages to markets and value chains supportive of certification.

Proposal:
**UNDP / Global Compact workshop on integrating
GC principles in supply chains through
voluntary certification systems**

- Timing: Autumn 2008 in Europe, one day workshop
- Participants: Interested companies of Western European LNs, select development agencies, select CSR standard organizations (ISEAL members)
- Focus: Use of Voluntary Certification Systems (Should any other aspects of responsible be included?)
- Organizer: UNDP plus willing partners (host organization?)