How to Engage and Support SME Suppliers in their Commitment to Sustainability

Thursday 14 May 2015 at 10am EDT
Technical Difficulties: If you have technical issues, please let us know by typing a message in the Questions pane (A). You can raise your hand (B) if we do not respond.

Q&A: We will be taking questions on content at the end, but you can send them to us throughout the webinar by using the Questions pane (A). Please specify to whom the question should be directed.

Example: Question for John Doe: What is Human Trafficking?
Agenda

**Welcome and Introduction**
*Anita Househam*, Senior Manager, Supply Chain Sustainability, UN Global Compact

**Local Network’s Engagement with SME Members**
*Isabel Garro*, Managing Director, Global Compact Network Spain
Comments from: Ana Benavente Rodriguez, Sustainability Manager, Acciona

**Sustainable Supplier Development: Partnerships for Sustainability**
*Gerardo Patacconi*, Chief, Cluster and Business Linkages Unit, UNIDO

**Business Engagement with SME Suppliers**
*Gustavo Pérez Berlanga*, Vice President, Corporate Social Responsibility, Toks
Member of the UN Global Compact’s Board and of the Advisory Group on Supply Chain Sustainability

**Q & A: Remaining Time**
“How to Engage and Support SME Suppliers in their Commitment to Sustainability”

Isabel Garro
General Manager
What are we doing with SMEs and Suppliers?

- **Training & tools**
- **Publications**: Supply Chain Management
- **E-Learning**

**Engagement Projects**

[Logos of Iberdrola, Red Electrica de España, Mapfre, Mahou San Miguel, Acciona]
What are we doing with SMEs and Suppliers?

Training & tools

Publications: Supply Chain Management

E-Learning

Engagement Projects

Network Spain

La empresa y su cadena de suministro: una alternativa de gestión

Claves para la Gestión Responsable de la... 100%

Iberdrola

Red Eléctrica de España

Mapfre

Heineken

Mahou San Miguel

Acciona
Objectives

• Promote engagement to Global Compact within SMEs suppliers in different activity sectors.
• Advise in the implementation of CSR policies, actions and monitoring
• Encourage suppliers to submit their sustainability report based on the Ten Principles
• Adjust the project to the needs of each large company and its supply chain

Actions

• Online and in-person training sessions
• Access to reporting tools
• Access to an analyst specialized in CRS

More than 1,000 suppliers as new GC Participants!
Current Projects

Supply Chain Training Program

Assisting its most of 15,000 suppliers in the responsible management of its own supply chain through online training on Responsible Management of the Supply Chain

Project Timeline: April- October 2015

Extend CSR issues as part of its supply chain:
- Training on Global Compact issues and CSR in-person meetings
- Ongoing advice by a team of analysts

Project Timeline: January- December 2015
Benefits for large companies

- Assisting the companies in identifying risks in their supply chains
- Promoting CSR in their supply chains and providing tools for the development of Sustainability Reports
- Achieving their own CSR goals
Benefits for SME suppliers

1. Learning about CSR and the 10 Principles
2. Creating their own Communication on Progress
3. Increasing their business opportunities
Thanks.
Global Compact Webinar: How to Engage and Support SME Suppliers in their Commitment to Sustainability
Sustainable Supplier Development: Partnerships for sustainability

Gerardo Pataconni
Chief, Clusters & Business Linkages Unit
UNIDO
1. **UNIDO mandate and SDGs**
2. **Commodity-base value chain development**
3. **The Sustainable Supplier Development Programme (SSDP)**
4. **PPP model for SSDP**
UNIDO’S Mandate

The Lima Declaration, adopted by UNIDO’s Member States in December 2013, set the foundation for a new vision of inclusive and sustainable industrial development (ISID) and highlighted the role of industrialization as a driver for development.

**ISID** Implies that no one is left behind and all parts of society benefit from industrial progress, which also provides the means for tackling critical social and humanitarian needs.

https://isid.unido.org
Role of ISID in the global development landscape
Targeted SDGs

GOAL 9
BUILD RESILIENT INFRASTRUCTURE, PROMOTE INCLUSIVE AND SUSTAINABLE INDUSTRIALIZATION AND FOSTER INNOVATION

Supplier Development and role of Private sector in the implementation of SDGs……..
Value Chains in Development

- **Business Objectives**
  - Attract investment and increase value addition and local content
  - Market Access and Profitability
  - Linking to Buyers (manufacturers or retailers)
  - Attraction of potential “pioneers” firms and developing vertical/horizontal linkages from such firms including buyers and suppliers integration
  - Increase tax revenues…

- **Development objective**
  - improving income, jobs and safety/security
  - Diversification, value addition, waste reduction
  - Consumer protection
  - Climate Change….

- **Inclusive**
- **Sustainable/CSR**
- **Pro-Poor**
- **Ethical/Human Rights**
- **Gender-balanced**
- **Market-driven**
Concerted effort by governments, NGOs, civil society, the private sector and the donor community to create an enabling environment for their development.

Value chains are becoming shorter with higher standards and stronger, vertical integration and information flows.
Value Chains in Development - Problem to be addressed

• Poor supplier base
• Low added-value of local produce (bulk trade of commodities);
• Losses during harvesting, collection, processing and distribution;
• Weak infrastructure of the chains (links between the value chains production-processing-marketing and logistics);
• Uneven quality, safety and limited traceability of products;
• Lack of diversification (product type, packaging, marks and labels, ...)
• Gap between the regulatory framework and their actual implementation;
• Scattered SMEs producers versus large estates/companies, clusters
• Low attention to social and environmental issues
• Lack of skills, access to know-how and knowledge of markets…
• Gender unbalance.…
• Cultural resistance in farmers…
Focus on holistic VC analysis and development

- Most value chain development approaches have **specific purpose** (e.g., market access, inclusion of the poor, enterprise development, or compliance with standards) - *not holistic in nature*;
- **No sufficient analysis** and understanding of systemic challenges
- UNIDO targets **7 dimensions** for **diagnostics**: i) inputs and supplies, ii) production capacity and technology, iii) markets and trade, iv) value chain governance, v) value chain finance, vi) quality/safety cleaner production and energy, vii) business environment and policies.

- **Goals:**
  - LED, poverty reduction, income and employment creation
  - Market access and, economic growth,
  - Firms/ cooperatives/ consortia/ clusters development and upgrading
  - Streamlining and reduce non-value added actors in VC
  - Economic, social and environmental sustainability…
Global value chain dynamics and the role of clusters

<table>
<thead>
<tr>
<th>Type of value chain</th>
<th>Input supplies</th>
<th>Primary production</th>
<th>Processing</th>
<th>Retail &amp; marketing</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Buyer-driven value chain</strong></td>
<td>Technology supply and quality standards through buyers</td>
<td><img src="image1.png" alt="Image" /></td>
<td><img src="image2.png" alt="Image" /></td>
<td><img src="image3.png" alt="Image" /></td>
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<td><strong>Supplier-driven value chain</strong></td>
<td>Technology supply to producers through suppliers</td>
<td><img src="image4.png" alt="Image" /></td>
<td><img src="image5.png" alt="Image" /></td>
<td><img src="image6.png" alt="Image" /></td>
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</table>
Holistic value chain & Cluster mapping
Quality matters: Focus on standards/quality infrastructure

- How to **comply** with market demand, quality/safety management/sustainability standards (public and private)
- Countries are required to operate **laboratories**, which are able to test products and samples for compliance to international standards.
- Assistance need for:
  - Enabling **national standards bodies** to offer services for industrial compliance with WTO agreements, while taking into account private sector, exporter and consumer needs;
  - Developing local **capacities in metrology, calibration and product testing**, in order to provide services to local testers, producers and exporters according to international best practices, and also to enhance consumer protection;
  - Enabling **national and regional accreditation schemes** to assess the performance of local and regional laboratories, inspection units and certification bodies; and
  - Building the capacities of **consumer associations** to promote consumer rights based on national policies and in line with international best practices.
Quantity matters: Focus on cluster development

Approach

– Work with existing clusters and foster new aggregations of suppliers
– Private-sector-oriented
– Pro-poor growth,
– Collective efficiency through **joint actions**

Measures

1) Foster linkages between cluster stakeholders,
2) facilitate consensus building,
3) build relationships,
4) encourage trust building,
5) strengthen governance mechanism
6) support the cluster’s institutional network and
7) strengthen cluster governance mechanisms
Supply Chains matters: Focus on supplier development

Local suppliers (farms and firms in developing countries) face difficulties in complying with market requirements and lack technical and financial means to produce sustainably goods with appropriate quality at required quantity:

- **Gradual capacity building** among suppliers in developing countries with a continuous improvement focus at heart:
- Develop **partnerships** for responsible supply chain development and promote appropriate and feasible **cost sharing** among different partners:
- **Adapt to country or region:**
- Engage in **harmonization of standards**
- Promote **networking** among firms
- Stronger **bargaining power**
- **Continuous Improvements**…
Challenges for suppliers

SMEs/farms are particularly affected by the following factors:

- **Disappearance** of informal outlets/retailing
- Strong **competition** to enter modern-segment value chains
- Access to **finance and modern technology**
- Inadequate **volume/quantity** to “enter” the supply chain
- **Compliance** with international standards and market requirements (private standards) : Quality, Safety, Sustainability (Environmental, ethical and social)
- Need to prove **reliability**, consistent production volumes and quality, product diversity, fast delivery, and competitive pricing…..
THE UNIDO APPROACH TO SUSTAINABLE SUPPLIER DEVELOPMENT
Rationale:
Build Public-Private Partnerships, which integrates quality and food/product safety with sustainability and business objectives and operates as an inclusive and sustainable development scheme

Objective:
Work with farms/firms/clusters/cooperatives in developing countries that face difficulties complying with market requirements and lack technical and financial means to integrate supply chains by producing sustainably goods with appropriate quality at required quantity
UNIDO Sustainable Supplier Development Programme (SSDP)

- Gradual **capacity building** of suppliers/local support institutions in through **continuous improvement**
- Develop **partnerships for responsible supply chain development** and promote appropriate and fair **cost sharing** among different partners:
- Promote **networking/clustering** among firms and stronger **bargaining power** for the small producers
- Establish long-lasting **business linkages** with buyers
- Engage in **harmonization of standards/practices**
  - Implement the GFSI Global market protocol (training, assessments, mentoring)
  - Implement social and environmental sustainability practices
  - Localize standards/practices
- **Upgrade suppliers** management and productivity
- Increase **availability of sustainable and safe goods**
- Generate new **jobs** and **income** opportunities
UNIDO Sustainable Supplier Development Programme (SSDP)

Fiat/Marelli
Automotive Suppliers in India

Fresh Produce
Burkina Faso
Coop Italy

H&M
garment Suppliers in Turkey

Cluster-to-Cluster
Automotive VC
Slovenia and Russia/Serbia

METRO AG
Food Suppliers in Egypt, Russia, India

Olam Group
Suppliers/clusters/SEZ in Gabon

H&M
Consumer Goods Council suppliers in Zambia

South Africa

Cluster-to-Cluster
Furniture VC
Vietnam/Italy

METRO AG
CCI Suppliers in MENA Region

AEON
Suppliers in Malaysia

Heineken
Sugar and Barley Suppliers
DRC/Ivory Coast

Illy Coffee
Coffee suppliers in Ethiopia

Habitat stores
CCI Suppliers in MENA Region

OLAM Group
Suppliers/clusters/SEZ in Gabon

Slovenia and Russia/Serbia

WFP suppliers
Development Myanmar/Africa

Inclusive and Sustainable Industrial Development
UNIDO and METRO started in 2009 and focused on joint technical assistance, awareness and competency-building programmes on supplier upgrading and compliance.

It responds to the need of farms and SMEs to access profitable new market opportunities by being accepted as reliable suppliers and establishing long-lasting business linkages with potential buyers such as the METRO Group.

UNIDO-METRO joint activities have been guided by an “inclusiveness” principle to integrate “less-developed businesses” into “formal” trade, which in turn can positively impact the livelihood of producers, workers and their families and increase the availability of safer, higher quality and more affordable products for consumers and create new job opportunities.

The programme expanded to other retailers and implemented in the areas of agribusiness and technology, quality and conformity, supplier development and sustainability;
Partnership Example: UNIDO – METRO Group

- **PARTNERSHIP CATEGORY:** Core Business Operations & Value Chains
- **INDUSTRY:** Retail
- **PARTNERSHIP OBJECTIVE:** Enable suppliers to gain access to new market opportunities, making supply lines more efficient, inclusive and sustainable
- **GEOGRAPHIC SCOPE:** Pilot projects in Egypt, India, Russia
- **RESULTS & OUTLOOK:**
  - Cost-sharing business model developed and implemented
  - Improvement in compliance with basic food safety standards (GFSI) + individual performances of over 90 SMEs and 800 farms
  - Basis to develop a global Sustainable Supplier Development Programme (SSDP)
  - 34 supply contracts have been signed
Partnership Example: UNIDO-AEON Group

• **PARTNERSHIP CATEGORY:** Core Business Operations & Value Chains
• **INDUSTRY:** Retail
• **PARTNERSHIP OBJECTIVE:** Facilitating suppliers’ access to new markets; Increasing safety and sustainability of products
• **GEOGRAPHIC SCOPE:** Malaysia

**RESULTS:**
- Strengthened compliance with food safety standards and sustainability requirements.
- Companies upgraded: 25
- Companies with higher productivity: 15
- Companies improving productivity and sustainability: 3

**OUTLOOK:**
- Planned roll-out to reach 100 food processors, also covering primary production
- Malaysia to become a regional hub for sustainable supplier development and expand to ASEAN
Malaysia: Supplier development & Food Safety

Pilot phase

Roll-out phase

Develop capacity building platform

Global Markets Programme
- Manufacturing

Basic Level
- Supplier Selection
- Train the Trainers
- Supplier Training
- Supplier mentoring
- Supplier assessment

Intermediate Level
UNIDO Sustainable Supplier Development Programme (SSDP)

Benefits for buyers:
- Tailored training and capacity-building
- Qualification pre-audit
- Risk mitigation
- Reduction of NCs
- Work on NCs
- Replicability
- Sustainability
- Scalability

Benefits for suppliers:
- Tailored training and capacity-building
- Market Access
- Productivity/sustainability
- Autonomy
- Better management of their supply chain
- More balanced relationship with buyers

With Potential Suppliers

With Current Suppliers
**Sustainable capacity**
- A structured localized methodology in place with all tools and materials.
- A pool of local trainers, mentors and assessors qualified.

**Success stories**
- Proved to improve food safety performance with pilot enterprises
- Proved trade performance with pilot enterprises

**Internship**
- A functioning internship methodology in place to support local scale up and professional development with fresh graduates

**National scale up**
- Local ownership by government and private sector
- Fully aligned with the national FS regulations of the MOH
Supplier development – Food Safety

- A pool of **32 local experts trained** and qualified against the GFSI Protocol – **Basic level**
- A pool of 19 local experts trained and qualified against the GFSI Protocol – **Intermediate level**
- **25 suppliers** identified, selected and received intensive **training and mentoring** support through a pool of trained and qualified local experts.
- **3 suppliers training programmes** organized and implemented for the target suppliers in 3 different locations
- The **GFSI protocol localized and customized** to the Malaysian context (training materials, requirements and checklists)
- An **internship programme** piloted with 2 suppliers under where fresh graduates were trained and attached to the suppliers.
- A 3-month **mentoring programme implemented** for the target suppliers followed by the 1st assessments for the compliance against the Basic level requirements.
- **13 suppliers achieved compliance and improvement against the GFSI basic level.**
- **8 suppliers enrolled the intermediate level and successfully completed it.**
From Pilots to Capacity Building Programs
The South Africa Story

- working on a solution for enhancing food safety through a single audit.
- facing tough competition law.
- expanding into Africa – additional risk

- Global Platform for collaboration
- Developed a solution - GMP

- Trade capacity building and supplier development is core mandate
- Longstanding support to Africa in building NQIs.
- Neutral partner with – not commercially driven
- Part of GFSI network of partners

- Supplier - limited access to capacity building services
- Facing multiple audits - challenge to comply with certifications schemes
- Countries – lack of harmonized food safety systems
SMEs/farms in developing countries
Manufacturing & Agriculture
Current & potential suppliers
From member & non-member companies
Clusters of suppliers in Emerging economies and LDCs

<table>
<thead>
<tr>
<th>Clusters of suppliers in Emerging economies and LDCs</th>
<th>Buyers</th>
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<tbody>
<tr>
<td>Gain access to profitable new <strong>market opportunities</strong></td>
<td>Improve the Supply Chain</td>
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<tr>
<td>establish long-lasting <strong>business linkages</strong> with buyers</td>
<td>Increase local content</td>
</tr>
<tr>
<td>Generate new <strong>jobs and income</strong> opportunities</td>
<td>Achieve Sustainable sourcing</td>
</tr>
<tr>
<td>Increase availability of <strong>sustainable and safe products</strong></td>
<td>Ensure quality and reliability of Suppliers</td>
</tr>
<tr>
<td><strong>Access to finance, inputs and technology</strong></td>
<td>CSR impact and image</td>
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New Development Partnerships in Value Chains

SMALL FARMS - BIG BUSINESS
Engaging the Private Sector to Sustainable Agriculture Development

Origin and aim of the partnership

As a result of their solid cooperation during the EDD2012 event (Brussels, 16-17 October 2012), the co-organizers Europe-Africa-Caribbean-Pacific Liaison Committee (COLEACP), Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH (GIZ), SNV Netherlands Development Organisation (SNV), and United Nations Industrial Development Organization (UNIDO) decided to continue their cooperation. A platform structure was set up under the title 'Small Farmers, Big Business Partnership' with the aim to complement their intervention projects and to implement a joint approach that will more effectively tackle the essential obstacles responsible for recurrent hunger crisis in the developing world. The French development bank Agence Française de Développement (AFD) accepted to join the consortium as well. All these partners have a solid track record in rural development and private sector involvement and are well-wired in the EU arena. At the same time, the partners have different institutional backgrounds and approaches which creates useful complementarity.

The consortium partners will be working along the principles as formulated in the background paper for the EDD2012 High Level Panel below:

Small farmers - big business?

Engaging the Private Sector in Sustainable Agricultural Development

Discussions at the 2012 G8 meeting centered around the premise that development involves not only delivering aid, but also generating economic growth, and a pledge was made to encourage investment in agriculture as a route to alleviate poverty. This new policy environment promotes development through private sector investment, and agricultural programs are increasingly wrapped within a context of partnerships between donors, developing countries, and the private sector. However, these new initiatives must remain focused on the targets: food security and poverty alleviation, with small-scale farming and sustainability at the forefront.

Rural economies are changing fundamentally. In a process of profound private sector transformation, value chains are becoming shorter with higher standards and stronger, vertical integration and information flows. This is driven by the increasing participation of developing country players in global value chains, as well as domestic private and government investment in the South.

From a development policy perspective, inclusive business models are a promising tool for strengthening rural economic activity by improving income, jobs and food security.
### UNIDO Sustainable Supplier Development Programme (SSDP)

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<tr>
<th>ISSUE</th>
<th>BUYER</th>
<th>UNIDO</th>
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<tr>
<td>• Assessment/Forecast of demand and sourcing issues</td>
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<td>• VC analysis and suppliers/cluster mapping</td>
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<td>• Identification and assessment of suppliers</td>
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<tr>
<td>• Cooperation/MoU</td>
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<tr>
<td><strong>PILOT INTERVENTION/ROLL OUT</strong></td>
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<tr>
<td>• Fund raising, Communication M&amp;E system</td>
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<tr>
<td>• Localisation of tools/standards and local capacity building</td>
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<tr>
<td>• Upgrading of suppliers <em>(quality, safety, sustainability, productivity...)</em></td>
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<tr>
<td>• Linkages with other producers <em>(cooperatives/consortia/clusters)/supply chains</em></td>
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<tr>
<td>• Integration with national/regional quality/safety systems</td>
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**Main Responsibility**

**Contribution**

**WHAT, WHEN, WHERE, HOW....**
THANK YOU FOR YOUR ATTENTION!

Contact details:
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SMEs Engagement
Our Brands

2nd. Largest Restaurant chain in Mexico
TYPES OF BUSINESS ACCORDING TO SOCIAL RESPONSABILITY

1971: BUSINESS
2001: RESPONSIBLE BUSINESS
2005: INCLUSIVE BUSINESS

SOCIAL AND ENVIRONMENTAL IMPACT
ENTIRE VALUE CHAIN
SOCIAL AND ECONOMIC PROGRESS
LONG TERM INVESTMENT
NGO NONPROFIT NO DIVIDEND
Inclusive Supply Chain
To offer our consumers recipes made with natural ingredients done by small producers in local communities
We have integrated to our supply chain 800+ small producers with benefits for more than 6,500+ people from 40 communities
Two visions

Small producers:
1. Poor people
2. Opportunity

We decided to take the second option
Coffee Project
Restaurants
Coffee
Shops
Hotels
Stores
We think about the size, sugar, etc., but we don’t think: Roaster, Trader, Logistics, Producer, Laborer, Process, etc.

The value chain is **invisible** for the majority of the people
Two pregnant women...same planet...different worlds
...and child labour...the *invisible* ones...
“family behaviour”
There are international and national regulations to protect their rights, so what?
They deserve a decent life...for them and their families...
Three options:

1. To migrate (to big cities in Mexico or USA)
2. To become members of the organized crime
3. To continue as coffee producers

We chose the last one… by increasing their productivity, adding value to their coffee and diversifying economic opportunities
In 2012, we started a Project with a phone call to our coffee supplier and visited coffee plantations within Mexico.
We decided to start a Project in Talquian, Chiapas, next to the border with Guatemala, close to Tacaná volcano.
Challenges Faced

1. Lack of productivity - nutrition, density of plants, age

2. Lack of competitiveness - high production costs

3. Traditional agricultural practices, non resistant to pests and diseases and climate change issues

4. Lack of public services
Is this enough?
Their average income is $80 USD per month

¿Why?
Talquian: 3 Quintal / Hectare
(380 Lb/Ha)

Guatemala: 25 Quintal

Brasil: 40 Quintal
So we decided to work as a team to increase productivity
We had some meetings with Talquian coffee producers
At the beginning, producers didn´t believe us
We have to trust each other, if you don´t want to, we will go to the next community.
So they decided to trust us...and started to work
Supply Chain (Inclusive Business Model)
Supply Chain (Inclusive Business Model)

Farmer Support Center:
- Build local capacity
- Microfinance and savings
- Adoption of Best Practices and diversification
- Successful and profitable farmers

Service providers of:
- Tech Assistance
- Certification
- Finance
- Risk Management
- Logistics
- R&D and transfer of technology

Catalyst of:
- New products
- New market opportunities
- Tolling services and logistics,
  - Training oriented to consumers
  - Branding

Demand Originator: 25 million of consumers a year
- Responsible Purchasing Guidelines
- Suppliers and clients
- Branding

Responsible consumers
- Before purchasing
- Consumption
- End of consumption

Food Safety, Quality Assurance and Efficiency Shared Goals
- Research and development
- Knowledge
- Consulting
- Training
- Follow up
- 29,700 new plants
- Organic Kits
- $14,000 USD
Amount of coffee plants per Hectare, Training, Organic Kits, Cultivation Processes, etc.
Hope, Real Hope
Thank you
Thank you for joining us today.
Presentation slides and a recording of the webinar will be available on the UNGC website.

If you have any additional questions, please contact:

Anita Househam: househam@un.org