



World Environment Center

GREENING the SUPPLY CHAIN INITIATIVE FREQUENTLY ASKED QUESTIONS

What is this initiative all about?

USAID and the World Environment Center, together with PA Consulting designed the *Greening of the Supply Chain Initiative* in 2003 to drive environmentally sustainable development among Small and Medium-Sized Enterprises (SMEs) in the developing world.

The Initiative leverages the considerable influence of Multinational Enterprises (MNEs) which are members of WEC to promote Cleaner Production (CP) and Energy Efficiency (EE) improvements among the thousands of SMEs that supply them worldwide. Implementing CP and EE measures helps the SMEs to reduce water and energy consumption, generate less waste and pollution, increase efficiency and, in turn, become more profitable and competitive.

Trends indicate that MNEs will increase their already considerable purchases from supply chains. However, the benefits of these tens of billions of dollars in additional orders will not be for all suppliers. They will belong to those suppliers who can both improve their skills and sustainability capabilities and adopt the MNE's vision for continuous improvement.

What steps are involved in the GSC Initiative?

- Commitment and budget from MNE HQ
- Commitment from MNE in-country operations and the selection of a project manager
- Establishment of supplier selection criteria, program objectives, process, training agenda and materials, and environmental and operational policy requirements for suppliers
- Initial planning meetings with the directors and decision-makers within the chosen Tier 1 and Tier 2 suppliers
- Suppliers sign non-binding Memorandum of Agreement (MOU) committing to provide the personnel, technical and financial resources needed to make the initiative a success

- Suppliers send designates to a 2-day training course on CP/EE concepts and techniques
- Suppliers perform a self-audit from which they develop an action plan with the CP/EE steps that they plan to implement to become more competitive; the suppliers can submit this plan directly to the MNE client or to WEC and their in-country consultants for review and evaluation
- WEC in-country technical assistant consultants visit each plant for a one-day evaluation of the operations and the proposed action plan; the purpose is to help to fill gaps and make sure that the supplier has not overlooked any significant opportunities to improve
- Suppliers implement the most attractive and productive options over the ensuing 9-12 months

Who is eligible to participate in a GSC project?

Small and medium-sized suppliers to the participating MNE that are willing to dedicate the personnel and financial resources needed to make the project a success.

What will it cost me as an SME?

There is NO cost to participate. WEC and the sponsoring MNE cover all participation costs for training, training venue, training materials and technical assistance follow-up. However, WEC and the sponsoring MNE expect each SME to implement those process improvements that will make them more capable, cleaner, more efficient and more competitive. While implementing process improvements implies putting some capital at risk, these sort of cleaner production and energy efficiency projects that the Initiative promote, create their own cash flows that can service most debts incurred.

What does an SME need to do after the training?

The SME team members from the training are responsible to return to their factory and independently, or through assembling a wider team of co-workers, to perform an audit of their production processes to identify opportunities for cleaner production and energy efficiency. From this analysis, the SME must develop an action plan that they intend to follow. The action plan should lay out the clean production and energy efficiency improvements that they could implement to help them to become more competitive and to help them to comply with local and national environmental norms.

When should the SME start seeing results?

Quite often, team members will identify no-cost and low-cost improvements that they can implement almost immediately. Other opportunities might require more analysis and thought. A lot will depend upon your production processes, the Initiative Team Members, and the commitment of top management.

What are the benefits for the suppliers?

- Better relationships with one of their principal clients that is a big contributor to the national economy
- Reduced energy and raw material cost per unit of output
- Reduced cycle time
- Greater productivity
- Better environmental performance
- Reduced risk to human health and the environment

Who should the supplier nominate to be the project staff?

- A project director; an internal champion who knows the production processes details or who has access to those details
- One backup person
- Others are welcome and could come from the following areas:
 - Management
 - Operations
 - EHS
 - Maintenance
 - Purchasing

What is in it for the MNEs?

As we have mentioned earlier, the trends indicate MNEs need fewer but more capable suppliers to meet the challenges of profitably and quickly developing a wide array of products and services to compete in the global marketplace. The potential benefits for the MNEs are:

- Suppliers with a higher level of skill and management
- Suppliers that meet or exceed quality and delivery demands made by the MNE client
- Suppliers that are more responsive
- Suppliers that comply with local and national environmental, health and safety norms
- Suppliers that are financially stronger who will survive to better serve the MNE clients

Is there any financial assistance for the SME to make the investments in CP/EE improvements?

At this point in time, no, there are none available.

What is the Timeline for this project?

ACTION	TARGET DATE
Meeting with Directors of Selected Suppliers to lay out details of project and their commitment.	First week
Deadline for Suppliers to return signed, non-binding MOU	Second week
Two-day training workshop	Two weeks-1 month
Suppliers do self-audit for CP/EE opportunities and analyze the opportunities for feasibility. They develop an Action Plan that lists the improvements that they intend to implement along with the improvements that they do not intend to implement accompanied by a justification	1 month- 2,5 months
Review Suppliers' Action Plans for completeness and value and report their findings to the MNE headquarters.	2.5months- 3 months
Local partner performs one day, on-site evaluation of Suppliers' processes.	3 months-5 months
Suppliers are busy implementing process improvements	5 months-6 months
Suppliers provide first formal reporting of results (they may informally advise through local partner of early results, progress or barriers) for improvements implemented or about to be implemented or concerns about any obstacles encountered	Right after the 6 th month
Suppliers are busy implementing process improvements	Till the end of 1 st year of project
Suppliers formally report 1-year results to MNE headquarters	On the 1 st year anniversary of project start