

UNIDO-METRO GROUP

Improving livelihoods and sustainable food supplies through inclusive value chains

THE CHALLENGE

Small suppliers in developing countries and economies in transition often face difficulties complying with market requirements. These small producers and manufacturers frequently lack the technical and financial means to produce cost-effective goods that are of sufficient quantity and required high-quality. As a result, when profitable new market opportunities with major retailers and manufacturers arise, they are unable to be accepted as suppliers and new sources of income. These challenges are shared by companies like the METRO Group, which are committed to making their supply chains not only more efficient but also more inclusive and sustainable, especially as they expand their operations in emerging markets.

THE RESPONSE

In 2009, UNIDO and the METRO Group, one of the world's largest retailers, joined forces in a strategic alliance for safe and sustainable food supplies. Through the first full-scale application of the Global Markets Protocol, established by the Global Food Safety Initiative (GFSI), the joint capacity building programme was developed and successfully implemented enabling clusters of suppliers to meet METRO and GFSI market requirements in terms of food safety and quality. The success was also due to the adoption of a cost-sharing business model where all involved parties contributed in an inclusive Public Private Partnership.

MILESTONES	SOURCE OF FUNDING
Adaptation / development of training packages, assessment tools, translation of materials	UNIDO / Donors / Academia
Local capacity building and training of trainers	UNIDO / Donors / METRO (in kind- Human Resources/ logistics)
Pilot implementation (training, assessment, mentoring, coaching, upgrading)	UNIDO / Donors, cost-sharing with METRO, suppliers and local insitutions / schemes
Roll out	METRO, suppliers and local institutions / schemes and UNIDO technical guidance
CSR projects for local communities	METRO Group

UNIDO carried out an initial pilot project in Egypt (2009–2010), in cooperation with the ETRACE/ATC Centre in Egypt and METRO (locally branded as MAKRO) to test the GFSI Global Markets Protocol – Basic and Intermediate Level – and to upgrade clusters of local suppliers in Egypt, where the METRO Group had two new stores opening.

The METRO Group initially selected 18 potential suppliers. Then together with UNIDO and its local partner, ETRACE/ATC, assessments of the capacity and competences of local food processors (e.g. fish, meat and dairy products) were carried out.



METRO GROUP

BUSINESS PARTNER

METRO GROUP

WEBSITE

www.metrogroup.de

INDUSTRY

Retail

PARTNERSHIP OBJECTIVE

Enable clusters of suppliers in developing countries to gain access to profitable new market opportunities and establish long-lasting business linkages with potential buyers

RESULTS & OUTLOOK

- Cost-sharing business model developed and implemented
- Egypt: 90 suppliers upgraded; India: 10 suppliers upgraded; Russia: 22 suppliers upgraded
- Upgraded SMEs have shown a significant improvement in the compliance with basic food safety standards (45% increase) as well as in their individual competencies (14% increase in performance) and were accepted as reliable METRO suppliers
- The partnership served as a basis to develop a global Sustainable Supplier Development Programme (SSDP) which UNIDO will also implement in partnership with other private sector companies and their suppliers throughout the world
- In line with the METRO Group's geographic expansion plans, scale up and roll out of the model is foreseen to other regions of South-East Asia and NIS countries and to non-food sector, also covering CSR/sustainability

GEOGRAPHIC SCOPE

Pilot projects in Egypt, India and Russia

PARTNERSHIP CATEGORY

Core Business and Value Chain Partnerships

PROGRAMME PARTNERS

Egyptian Traceability Centre for Agro-Industrial Exports (ETRA/ATC), established in 2004 by UNIDO and the Egyptian Ministry of Trade and Industry

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The local processors received intensive training and mentoring in aspects related to food safety management systems, good manufacturing practices and control of food hazards to ensure compliance with the GFSI Protocol. In less than 5 months, the suppliers passed the Basic Level and Intermediate Level requirements of the Global Markets Protocol and were considered suitable to become METRO suppliers.

Due to the success of the pilot project in Egypt, which garnered significant results for both the METRO Group and the upgraded suppliers, the project was expanded to cover 90 suppliers. In parallel, a project which focuses on primary production of 800 farmers was implemented jointly by UNIDO and ETRACE/ATC. In addition, similar pilots were implemented in Russia and India in 2011. The partners also expanded the scope of the cooperation to cover the non-food sector and include environmental and social aspects in the upcoming capacity building programmes. Based on the success of the partnership model with the METRO Group, UNIDO has developed a global Sustainable Supplier Development Programme (SSDP), whose objective is to enable clusters of suppliers in developing countries to gain access to profitable new market opportunities and establish long-lasting business linkages with potential buyers.

THE BENEFITS OF PARTNERING

Working in partnership with UNIDO, the METRO Group has been able to share knowledge and know-how and benefit from UNIDO knowledge of the local industry and of the GFSI Global Markets Protocol as UNIDO participated actively in its development. Furthermore, UNIDO has also been able to leverage the resources of its local facilities and of the expertise created in Egypt through the ETRACE/ATC, to ensure effective localization and the long-term sustainability of the programme.

By upgrading the supply capacity of local producers together with a global retail company like the METRO Group, UNIDO has ensured that clusters of local suppliers have established sustainable business linkages with potential buyers and have gained access to national and, at a later stage, international markets.

The suppliers upgraded through the capacity building programme have demonstrated a considerable improvement in their performance and compliance with food safety standards. As a result, the quality and volume of marketable products has improved. At the same time, consumers benefit from better and safer products and can expect more stable food prices as a result of the larger range of products.



THE IMPACT OF THE SUSTAINABLE SUPPLIER DEVELOPMENT PROGRAMME IN EGYPT, INDIA AND RUSSIA

	Egypt	India	Russia
Implementing Party	National Institution (non-profit)	METRO Staff	Individual Consultants
Scope	Basic and Intermediate	Basic	Basic
Numbers of Suppliers	18 Basic 25 Intermediate	10	22
Duration of Basic	3 Months	5 Months	8 Months
Up-scaling	90 Suppliers	Ongoing Discussions	120 Suppliers

The results of the three pilot projects demonstrate:

- › 45% improvement in compliance with food safety standards after the first assessment
- › Average increase of 16% in performance
- › Over 90% of the trained and upgraded suppliers entered into METRO's supply chain
- › Significant impact on local livelihoods

