

REPORT ON
NINTH SOCIALLY RESPONSIBLE BUSINESS
DEVELOPMENT NETWORK

THEME: “SUPPLY CHAIN MANAGEMENT AND
CSR”

June 23, 2006

Socially Responsible Business Development Network (SRBDN)

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ACKNOWLEDGEMENT

On behalf of Socially Responsible Business Development Network (SRBDN) we would like to thank the presenters of the session, Mr. G. B. Banjara, Coordination Private Sector Promotion, GTZ for sharing the concept on Supply Chain and Value Chain Management and Mr. Chandra Pd. Kachhipati, Executive Director of Sana Hastakala for experience on supply chain as a fair trade organization. We also like to express our sincere gratitude to Mr. Pradeep Maharjan, Marketing Team Leader, BDS MaPS for moderating the forum.

We also appreciate the lively participation of all the members who attended the Ninth SRBDN on June 23, 2006 and we extend our gratitude for sharing their views and perceptions.

We thank Ms. Rachana Tuladhar of Lotus Opportunities for the support in the forum.

EXECUTIVE SUMMARY

The Ninth SRBDN forum took place at Yala Maya Kendra on June 23, 2006. The theme of ninth forum was **“Supply Chain Management and CSR”**.

Mr. G. B. Banjara, Coordination Private Sector Promotion, GTZ presented his perspective on supply chain and value chain. He also explained the difference between supply chain and value chain where the objective of supply chain is to increase profit, sales and to be better than competitors while the objective of value chain is the development of sub-sector and clusters of businesses. He mentioned that the development organization like GTZ is engaged in value chain promotion because it applies in any process leading to income generation. It provides employment and income for the poor people.

Mr. Chandra Pd. Kachhipati, Executive Director, Sana Hastakala shared his organization supply chain. He stated that it sells wider selection of handicrafts produced by more than 80 groups of producers from different parts of the country, providing craft related services to more than 1000 craft person directly or indirectly. He mentioned the problems faced in the supply chain which were low production capacity and quality inequality due to small and various working groups and also untimely delivery of products due to transportation problem.

The objective of the forum was to create awareness on supply chain and value chain and also to share experiences of effective supply chain management. As supply chain management and CSR is a complex issue and have to be tackle by all the businesses. Effective management of the supply chain is important for the sustainability of the business and the businesses have to be responsible to the suppliers.

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ACRONYMS

AAN	ActionAid Nepal
AFTF	Asia Fair Trade Forum.
CSR	Corporate Social Responsibility
GRI	Global Reporting Initiative
IFAT	International Federation for Alternative Trade
INGO	International Non Government Organization
LO	Lotus Opportunities
NGO	Non Government Organization
SME	Small Medium Enterprise
SRBDN	Socially Responsible Business Development Network

1. RATIONALE BEHIND THE MEETING

Corporate Social Responsibility (CSR) is part of an international drive towards transparency and accountability of business activities and a way of monitoring how business perform against environmental, ethical and social. A platform to share information, knowledge and experience on CSR was felt. The rationale behind the meeting was to have a well functioning knowledge and information-sharing network on CSR.

Objective of SRBDN

- Facilitate sharing information, experiences and ideas on Corporate Social Responsibility in Nepal.
- Facilitate identification of common interests and development of joint efforts and create synergy among facilitators, providers and donors.
- Awareness raising
- Cooperation between large organization and SME.
- Integrating CSR in education

2. OBJECTIVE OF THE NINTH FORUM

When we talk about stakeholders of an organization suppliers are one of the major stakeholders. Supply chain management and CSR is a complex issue and have to be tackle by all the businesses. Effective management of the supply chain is important for the sustainability of the business and the businesses have to be responsible to the suppliers.

The objective of the ninth forum on SRBDN was as follows:

- To create awareness on supply chain and value chain
- To share experiences of effective supply chain management

3. PROCEEDINGS OF THE PROGRAM

3.1 Programme Overview

The Ninth Socially Responsible Business Development Network initiated by ActionAid Nepal and Lotus Opportunities was taken place at Yala Maya Kendra, Patan Dhoka on June 23, 2006. The theme for the forum was “Supply Chain Management and CSR”. In previous forums different stakeholders of a business were addresses, such as consumers, employees, environment (to download the reports please log on to "<http://www.srbdn.org.np/resources.php>") and this forum focused on the supply chain issues and how to manage it effectively as part of CSR. The forum was moderated by Mr. Pradeep Maharjan, Marketing Team Leader of BDS MaPS.

3.2. Understanding “Supply Chains” and “Value Chains” - Some Perspectives

- Mr. G. B. Banjara, Coordination Private Sector Promotion of GTZ

Mr. Banjara presentation focused on the concept about Supply Chain Management, Value Chain Management and GTZ/PSP’s experience on Value Chains. He briefed that concept about Supply Chain Management helps in linking rural chain with larger commodity chain, markets and distributing channels and is consolidating. According to Michael Porter’s Five Forces Analysis plus, it shows that threats from substitutive products are most challenging. He further said that Supply Chain Management is basically those activities, which are linked to the process while transforming goods and services from the raw material to the form used by the customers and the consumer satisfaction. However the central theme of supply chain management is how to increase efficiency cut cost and gain competitive advantages.

Mr. Banjara made clear the elements and basic functions of value chain management with an example of value chain of Orthodox Tea Sub-sector. He gave an example of income distribution and market orientation from the farmer’s level till domestic consumers. The development organization like GTZ is engaged in value chain promotion because it applies in any process leading to income generation. It provides employment and income for the poor people. He then distinguished the tea concepts that the objective of supply chain is to increase profits, sales and be better than competitors whereas, in value chain, it is the development of sub-sector clusters of

businesses.

He further discussed about value chain related projects of GTZ/PSP –RUFIN especially about Orthodox Tea. He said that the detailed chain mapping and analysis of the chain finding constraints and opportunities, having good communication with the sub-sector stakeholders and formulation of strategies, implementing the activities, and monitoring and evaluation of it are the basic steps of value chain promotion.

Discussion:

Participants appreciated the presentation of Mr. Banjara. During the discussion session, a participant wanted to know why value chain is still not given priority in businesses in a sustainable way and what can GTZ do about this. On this Mr. Banjara said that the macro political situation is a problem due to which the export has decreased and also the conflict between entrepreneurs in the same sub-sector is another problem. Mr. Banjara informed that Value chain helps the businessmen differentiate the priorities. It gives easy working environment. They had 247% increment in the demand of Tea due to proper branding of tea in Europe. While in the case of carpet sub-sector it is not as good as there are too many carpet associations. GTZ is only facilitators; they give exposure to the entrepreneurs.

Mr. Banjara also mentioned that GTZ role on the sub-sector is of a facilitator only and it helps in the chain build up with the big businesses and SMEs. Businesses are evolving, awareness in transparency and long-term gain is also slowly increasing. In Nepal we need to have successful model of business, which could be replicated.

Also, another participant asked how does value chain benefits the business. In answer to this Mr. Banjara said that value chain helps to build trust among customers. It helps in the sustainability of the business. It can be applied in the firm level and also applicable in service sector such as labor supply, utility supply and even service sector.

Mr. Banjara added that a Code of Code has been developed for the Orthodox tea in the Eastern region which has four pillars which are respect to nature, people, transparency and quality.

Our participant from IEDI informed that if anybody interested there is a training on “Supply Chain Management” in ITC.

3.3. Supply Chain Management of Sana Hastakala

- Mr. Chandra Pd. Kachhipati, Executive Director, Sana Hastakala

The presentation was focused on how Sana Hastakala, a non profit organization is working as a Fair Trade organization and his experience on Supply Chain. Mr. Kachhipati briefly described about the background of the organization. Sana Hastakala is a founder member of FTG Nepal. Currently, it is the member secretary of FTG Nepal. It is also a member of IFAT and AFTF. Fair Trade is a trading partnership, based on dialogue, transparency and respect that seek greater equity in international trade through sustainable development and securing the rights of marginalized producers and workers.

Creating opportunities for economically disadvantaged producers, transparency and accountability, capacity building, promotion of fair trade and payment of a fair price are the core standards of Fair Trading organization. Also, gender equity, working conditions, child labor and environment are the major standards of it.

Currently, it sells wider selection of handicrafts produced by more than 80 groups of producers from different parts of the country, providing craft related services to more than 1000 craft person directly or indirectly. Sana Hastakala has wide range of products. It sells different products of silver jewellery, metal crafts, allo products, ceramic with hand paintings, paper products etc.

For the support activities to the producers, Sana Hastakala has organized trainings and small grant for small capital goods purchase. They have also done exposure visits to other factories for the information about better designs and interaction program. They also announce awards and

appreciation to the best handicraft producer frequently. Currently, out of their total sales, 70% of their product is exported in countries like USA, Japan, Canada, Australia, UK, Denmark, Germany, Belgium, France and Italy.

Mr. Kachhipati further stated that Sana Hastakala is still facing problems in designing better products. They lack information about international market. There is a problem of low production capacity and quality inequality due to small and various working groups. They are also facing timely delivery problems often due to transportation problem. He also presented the pricing mechanism of their product following the Fair Trade. The calculation showed that there is a vast difference in price of a product when it reaches to the final overseas consumer. The price of the product is 10 times more than when it is prepared by a local entrepreneur or a group.

Discussion

Participants appreciated the presentation of Mr. Kachhipati. During the discussion session, a participant queried that the Sana Hastakala is a not for profit fair trade organization so, is it possible for a private company to do the same, like be a fair trade organization as well as earn profit. To this Mr. Kachhipati answered that any organization can be ethical in their business if they follow the nine rules of Fair Trade.

Another participant asked why is the designs of their product same, is it because the consumers want the same or they are not able to give variety in their designs? He said that usually, the foreign consumers send them new design and order the product. But usually, they are buying what they produce. However, they have been making new designs and colors lately. One of the participant also commented on the price of the product that how fair is the Fair Trade. It seemed that the local entrepreneur is not benefited much as the same product price is ten times more once it reaches the international market and entrepreneurs are paid very little. He answered that in comparison to the Nepalese market there is a vast difference in international market. The transportation is expensive; the shop rent is more expensive than here. So, the price of the product has to be increased accordingly.

It was also inquired that Nepali products have its own uniqueness in the design as well as in the

way it is made. So is there any need to give new designs? On this he answered that there is no comparison in ethnic Nepali products like thanka and lokta products. But in the products like jewellery, baskets, papers etc, there are other competitors like Vietnam, so there is a need of new designs and colors.

There was a suggestion from a participant that Sana Hastakala should also focus beyond the social issues, like from Lokta management; they can have Forestry Certified products. By which they can gain more international market. Also, there was a suggestion that may be GTZ can help in the branding of their handicraft products. They cannot remove the mediators but may be remove the cheaters working in between.

5. CONCLUSION

Mr. Pradeep Maharjan, Marketing Team Leader of BDS MaPS concluded the session. He briefly reviewed the whole session. He thanked Mr. G. B. Banjara for his presentation in the theoretical and practical aspect about Supply Chain and Value Chain Management. He also thanked Mr. Chandra Pd. Kachhipati for sharing his experience in Supply Chain Management. He also thanked the coordinator of the forum for organizing such a fruitful program. The information given through the presentations were very much helpful. At last he informed that the 10th SRBDN forum would be held on August 2006.

6. ANNEXURE

6.1 Program Schedule

Ninth SRBDN Forum Tentative Program Schedule

Date: 23rd June, 2006

Venue: Yala Maya Kendra (Baggikhana Hall), Phone No: 5553767
Patan Dhoka (near post office), Lalitpur

Theme: “Supply Chain Management and CSR”

2:45 - 3:00	Registration
3:00 - 3:10	Welcome by Ms. Reema Shrestha, SRBDN Coordinator
3:10 - 3:15	Self introduction round (Moderator Mr. Pradeep Maharjan, Marketing Team Leader, BDSMaps)
3:15 – 3:40	Concept on Supply Chain and Value Chain Management By Mr. G B Banjara, Coordination Private Sector Promotion GTZ 25 minutes
3:40 - 4:05	Discussion Round 25 minutes
4:05 - 4:30	Supply Chain Management of Sana Hastakala By Mr. Chandra Pd. Kachhipati, Executive Director Sana Hastakala 25 minutes
4:30 - 4: 55	Discussion Round 25 minutes
4:55 - 5: 00	Moderators wrap up
5:00 pm onwards	Networking / Tea Coffee

6.2 List of Participants

S.N.	Name	Designation	Organization
1	Ms. Purnima Rajbhandari	HR Manager	ACE Finance
2	Mr. Hema Raj Ranabhat	Manager	ACE Finance
3	Mr. Dina Mani Pokharel	Senior Theme Leader	Action Aid Nepal
4	Ms. Yamuna Shakya		Allied Food Industry
5	Mr. Ram P. Acharya	BDSO	ANSAB
6	Mr. Pradeep Maharjan	Marketing Team Leader	BDS MaPS
7	Mr. Deepak Khadka	DTL	BDS MaPS
8	Mr. Bishal Shrestha	Chairman	Colossus Inc. Nepal
9	Mr. Arun Rana		GTZ
10	Mr. G. B. Banjara	Coordinator PSP	GTZ
11	Mr. Sanjib Dangol		Himal Iron and Steel P Ltd
12	Ms. Geeta Shrestha	Executive Director	Hoste Hainse
13	Ms. Malina Shrestha	Sr. Business Promotion Officer	IEDI
14	Ms. Muna Shrestha	Organizer	Jamarko Handmade Paper Product
15	Mr. Rajan Lohani	Manager	JEEV
16	Ms. Sobha Pokharel	Student	Kathmandu School of Law
17	Mr. Jaganath Maharjan	Managing Director	Khajuri Foods Industry
18	Mr. M. M. Bajracharya	Proprietor	Kushal Trade Links
19	Mr. Binod K. Shrestha	Professor	KUSOM
20	Mr. Rajan Khadka	Account Officer	Lotus Bizport
21	Ms. Bindira Manandhar	General Manager	Lotus Bizport
22	Mr. Poshan KC	Executive Director	Lotus Intellect
23	Mr. Nirmal Chapagain	Assist. Manager - Market Linkages	Lotus Opportunities
24	Ms. Dominique Morel	Operational Coordinator	Lotus Opportunities
25	Ms. Muna Shrestha	Coordinator	Enterprise Development Network

26	Ms. Bishnu Ghartimagar		Nabin Hatekagat Udyog
27	Mr. Egaraj Pokharel	Coordinator	NELA
28	Mr. Shitoshna Timilsina	President	NELA
29	Mr. Deepak K. Shrestha	Relationship Manager	Nepal Industrial & Commercial Bank Ltd.
30	Mr. Pradeep K. Shrestha	Managing Director	Panchakanya Group
31	Mr. Chandra Pd. Kachhipati	Executive Director	Sana Hastakala
32	Mr. Subash Aryal	Student	Shankar Dev Campus
33	Mr. Satendra Shrestha		Souvenir Nepal
34	Mr. Siddha Raj Pant	Deputy Team Leader	Tara Management
35	Mr. Dhan Lal Shrestha	Consultant	
36	Mr. Roshan Maharjan	Individual	
37	Mr. Sanjay Shah	Director	Bank of Kathmandu Ltd.
38	Mr. Ashesh Dangol	Photographer	The BOSS