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# **Best Practices and Policy Options in the Promotion of SME-TNC Business Linkages**

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# BASF At a glance



## BASF – The Chemical Company

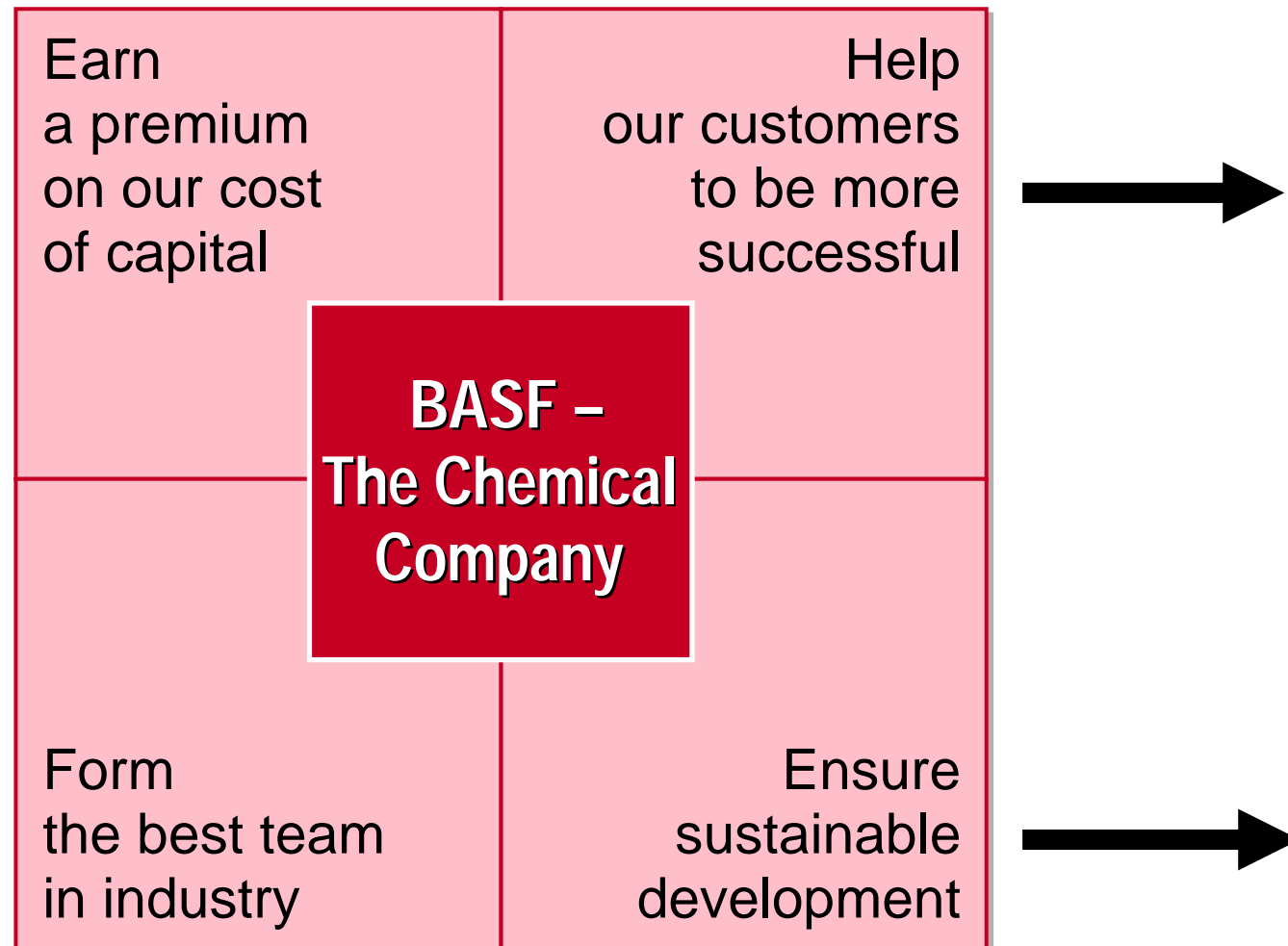


- The world's leading chemical company
- Our portfolio ranges from chemicals, plastics, performance products, agricultural products and fine chemicals to crude oil and natural gas

- Sales 2005: €42,745 million
- Income from operations (EBIT) 2005: €5,830 million
- Employees as of August, 2006: about 94,000

Shaping the future

# BASF Strategy 2015



# Sustainability Tool: Evaluation of suppliers



## Global Guidelines for Supply (auditing system)

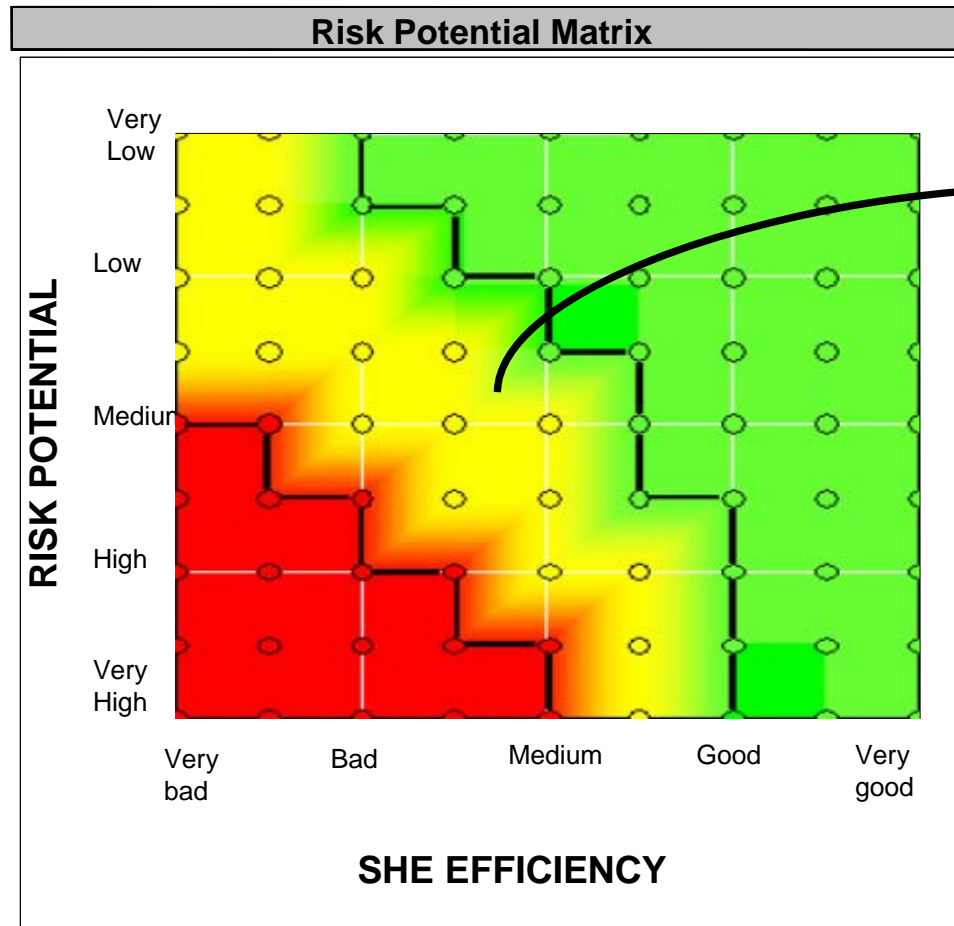
Our suppliers

- are checked with our 'Safety Matrix Concept'
- have to comply with the Safety, Health, and Environmental Standards under the terms of Responsible Care®
- do not use child or forced labour (Global Compact)
- have to comply with BASF-Quality Requirements .

| Product Risk | Risk by Supplier |                 |                     |
|--------------|------------------|-----------------|---------------------|
|              | 1                | 2               | 3                   |
| A            | Save (Range I)   |                 |                     |
| B            |                  | Save (Range II) | Low Risk            |
| C            |                  |                 | Potential High Risk |

# SME Suppliers Evaluation and Qualification

## (Brazilian Example)

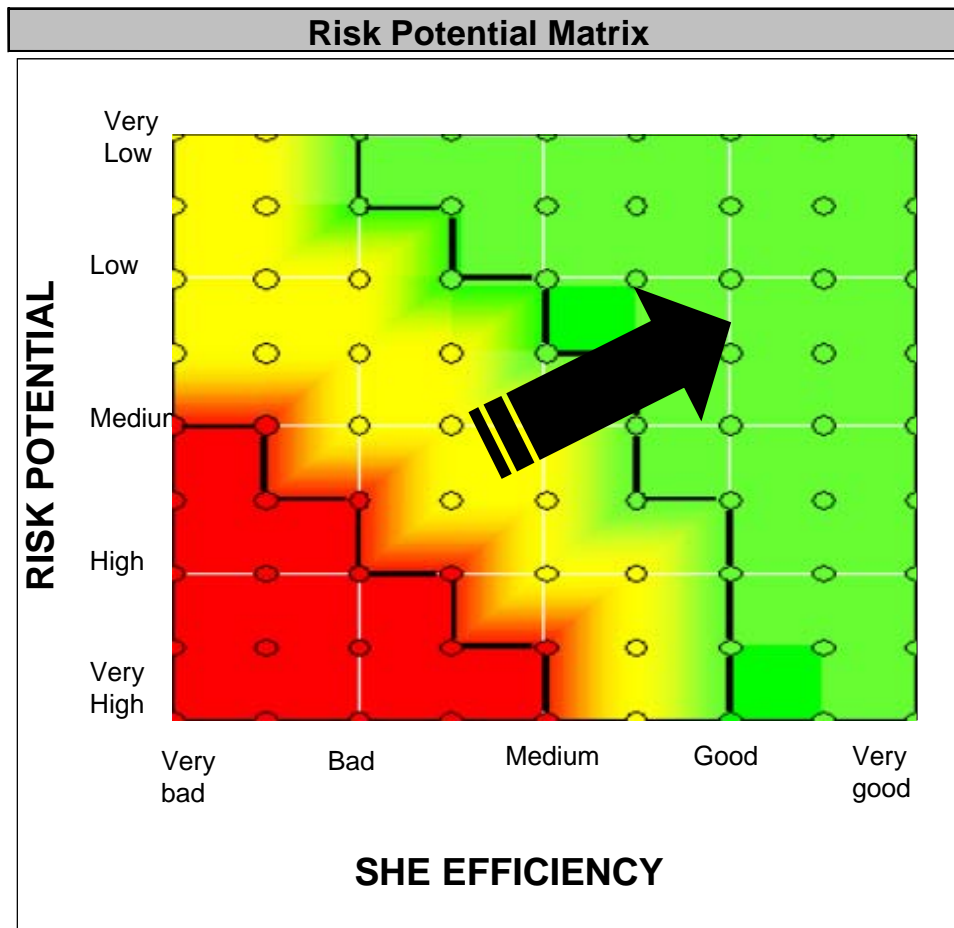


We have some partners approved with restriction (yellow zone) that are strategic for BASF Brazil.

The main reasons are:

- They do not conform completely to:
  - ✓ Legal requirements
  - ✓ Safety, Health and Environmental (SHE) requirements
- They do not have an efficient control of risky products
- Only have a low performance in their SHE-Management

# Upgrading local suppliers



Select some strategic suppliers and support them to move from yellow to green situation, promoting business linkages, improving Qualification.

Partnership with



## Espaço ECO: a project in partnership with the UN “Global Compact”



### Eco-efficiency competence center inaugurated in Latin America



- BASF founded the Espaço ECO foundation in collaboration with German and Brazilian organizations
- Foundation is located in the UNESCO “Mata Atlântica” Biosphere Reserve
- Expertise in the areas of eco-efficiency analysis, environmental education and reforestation

# Global Compact: BASF's joint eco-efficiency project with UNIDO and UNEP



- BASF helps textile dye companies in Africa to work more efficiently and at the same time in a more environmentally friendly manner
- The implementation of the program is accompanied by the UNEP/UNIDO National Cleaner Production Centres (NCPC)



# Eco-Efficiency Partnership Project: Textile manufactures



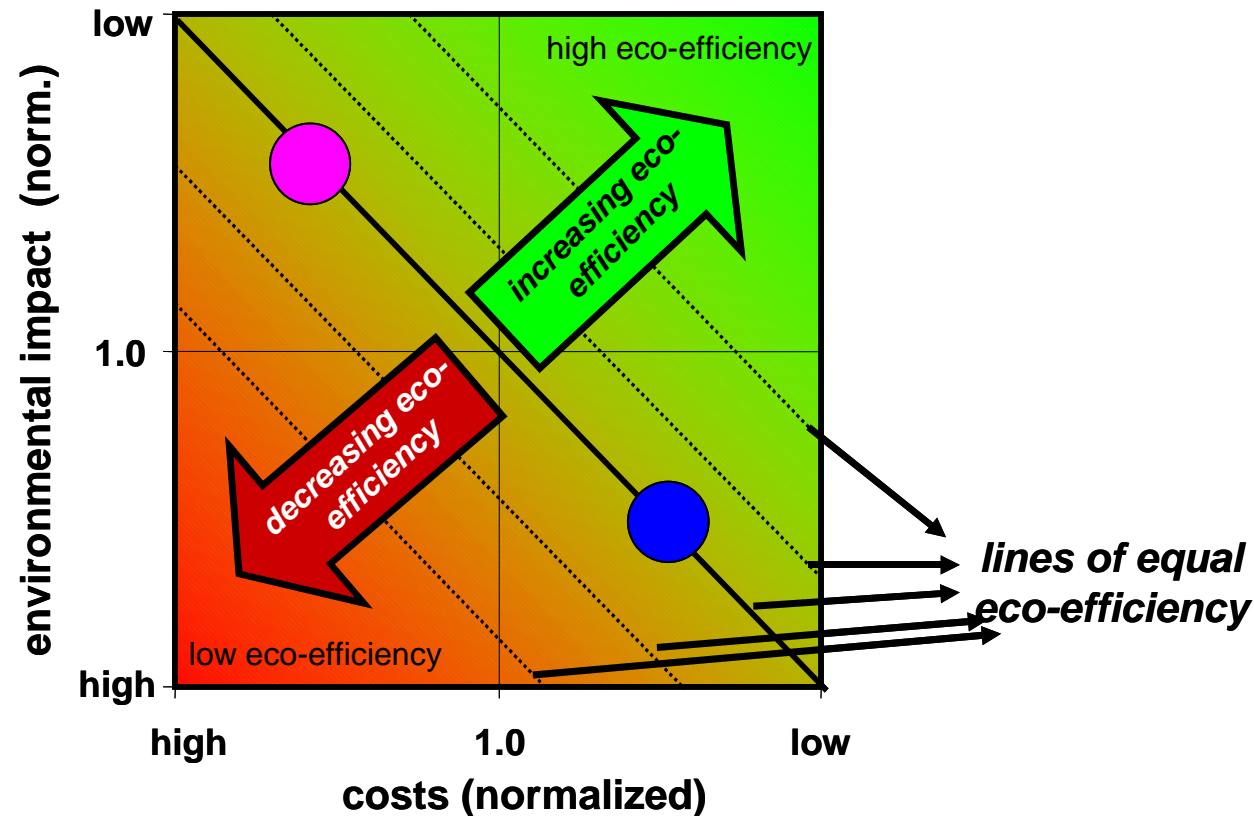
- Training for UNIDO employees in Ludwigshafen (BASF HQ)
- Workshops for African textile manufacturers in Morocco (2004) and Egypt (2006)



- A software package enables small and medium sized enterprises (SME's) to analyze their work processes and identify areas for improvement



# BASF eco-efficiency analysis



The BASF eco-efficiency analysis is a tool for quantifying sustainability of products and processes. It provides an assessment of the total costs and environmental impact that a product or process creates over its complete life cycle, starting with raw material extraction and continuing on to post-use disposal or recycling. The analysis includes an in-depth comparison of the pros and cons of various product alternatives, all of which fulfill the same customer need.

# A Vision for Africa:



## Ending Micronutrient Malnutrition by Year 2015

## The Engagement of BASF

# The Global Challenge: Micronutrient Malnutrition or ‘Hidden Hunger’

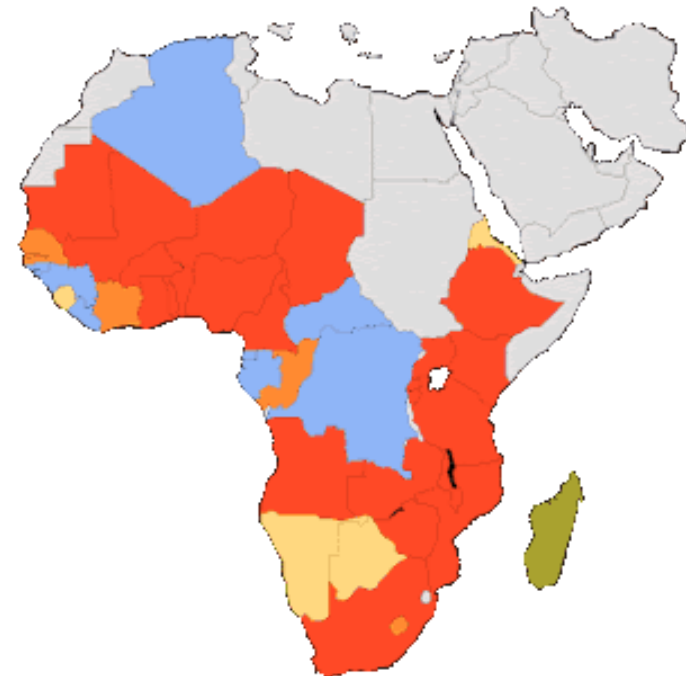
Globally, two billion humans suffer from vitamin- and mineral deficiencies resulting in:

- Diseases, irreversible disabilities, e.g. blindness, and mortality
- Lost learning capacity and educational opportunities
- Reduced cognitive and physical productivity
- Increased health system costs
- Ultimately a loss of up to 2% GDP per country

## Africa: Hotspots of Hidden Hunger ‘:

The example of Vitamin A Deficiency  
Country                      % of children deficient

|         |     |
|---------|-----|
| Kenya   | 70% |
| Uganda  | 66% |
| Ghana   | 60% |
| Senegal | 60% |



# Affordable and Proven Solutions: Food Fortification and Supplementation



## Well-established interventions:

Food Fortification: Enrichment of staple food consumed by the poor with essential micronutrients

Supplementation: Distribution of micronutrients through capsules, dispensers or sachets

Cost-benefit ratio: Food Fortification: 1:200 Supplementation: 1:43

*, Each Dollar invested in food fortification returns in 200 Dollar benefits for societies ‘*

## Contribution to the following MGDs:

MDG 1: Poverty reduction through improved productivity and health

MDG 2: Education: learning capacity and child health

MDG 3/5: Gender & maternal health: women and girls most affected from deficiencies

MDG 4: Child mortality: Decline of 25% by sufficient Vitamin A intake (UNICEF)

MDG 6: HIV/AIDS: Life expansion when living with HIV

## UN Global Compact:

Principle 1: Realization of the human right to food and right to health

Global Compact case study and engagement at Leaning Forum in Ghana planned

# Applying the Solutions: Concrete Engagement of BASF



## Collaboration with Partners, e.g. UNICEF and GAIN

### Current Forms of Engagement:

- **Technical capacity building for local industry**
- Multi-stakeholder dialogues
- Free analytic and testing capacity
- Investment in new applications (R&D)
- Major donations to emergency relief
- Financing of conferences and studies
- Awareness-raising with UN agencies
- Technical support for monitoring

### BASF's engagement in Africa:

#### Capacity building – conferences – country missions to:

Morocco (2002, 2003, 2004), Uganda (2004), Zambia (2006),  
Nigeria (2002), Kenya (2004), Senegal (2006), Sudan (2006), Ghana (2006, planned)

BASF is open to deepen and scale-up the engagement into ending micronutrient malnutrition in Africa under the *UN Global Compact*.

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# Creating opportunities in a globalized economy

- Linking TNC's and SME's will provide opportunities not only for the domestic markets
- Good governance to facilitate co-operation
- Multilateral agreement to liberalise international trade further
- Progressive trade opening is an essential factor in reducing poverty and promoting development