

Keynote Speech 1

# “Innovations for Human Development in Global Value Chains”

Michael Kuhndt

Head of the Centre  
UNEP/Wuppertal Institute Collaborating Centre on  
Sustainable Consumption and Production (CSCP)



Good afternoon, ladies and gentlemen. I'm happy to be here on a very special day for all of us in this room. I'm happy to present you with some thoughts today about very vulnerable people out there, and by this I mean poor people around the

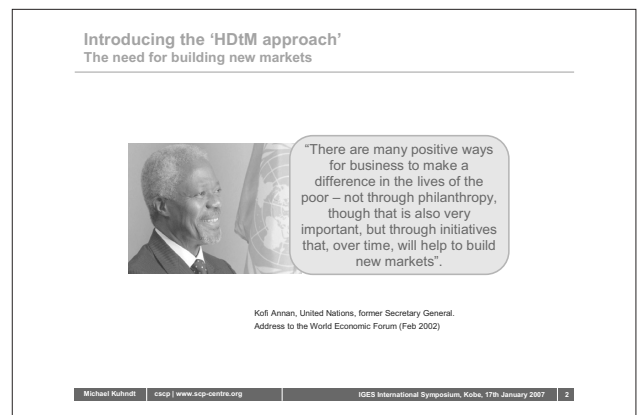
Nations. He said that business, basically, can contribute in many positive ways. They can look into philanthropy as one issue, but they can also



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world. I would like to look a bit into what business can actually do to help poor people, to enable them to access products and services and to fulfil their basic needs. My presentation is titled, “Innovations for Human Development in Global Value Chains.” “Global” means what we are producing today, sourcing products quite globally. If you look at our lifestyles, our consumption patterns are also quite global today. I just had a working lunch some minutes ago, and I had Italian food on the plate. You see also that on the consumption side a lot of globalization has happened. Both of these themes are the issues I am trying to address in my presentation.

I would like to start with a quote, actually, from the former Secretary General of the United



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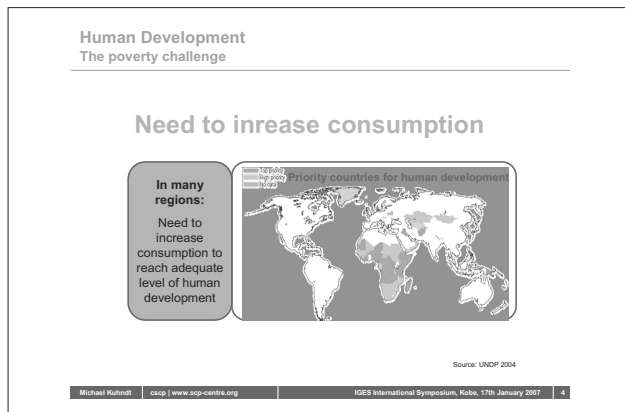
actually look beyond this. You can look into what this symposium is about, and into new initiatives that are also based on new business ideas. Human Development through the Market (HDtM) is one of these new business ideas I would like to introduce you to today.



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My presentation has four major parts. I would like to start with looking at the linkages between the environment and poverty. After this, I would like to ask if we understand the nature of the linkages, how they might be overcome, what both you and business can do, and also what government institutions can do. Then I would like to turn again to the issue of global value chains and ask how companies can incorporate this idea of Human Development through the Market into their corporate social responsibility strategies. I would like at the end of the presentation to outline some next steps.

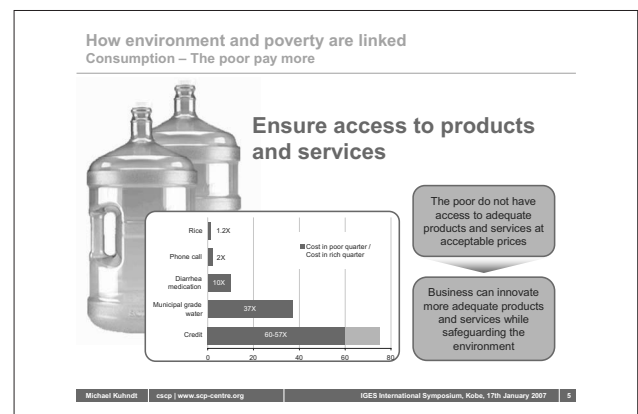
If we talk about human development, the first question, of course, is what we mean by human development. We relate it to the Human Development Index, which means that you can at least access and serve your basic needs. The Human Development Index, of course, measures how much people can access their basic needs and to what degree they can go beyond these basic needs.



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If you look on this map of the earth, you can see there are a number of countries which are presently very poor according to the Human Development Index. These countries still need to increase consumption. Often we tend to discuss the issue of over-consumption -that we have a

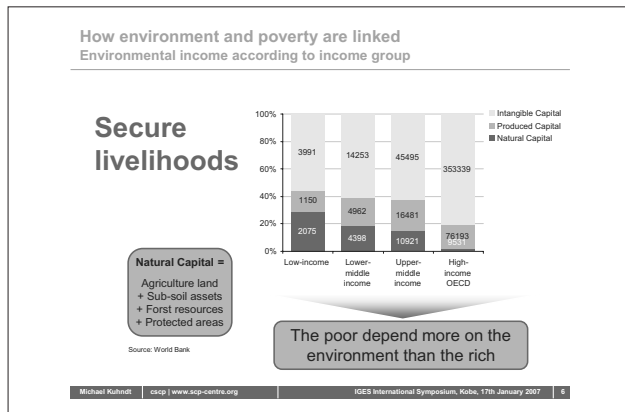
lot, and we may need to reduce consumption or perhaps we need to be more efficient. Here, the issue is that we need first of all to consume. Of course, we want to also look into this from the most efficient standpoint. If you look on this map, you will see Africa and several other areas, including some countries in Asia, where there is a clear need for human development.



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One basic problem of human development is enabling access to products and services. Here, you see a slide where we look into the same city or the same region, and compare how much the poorest and richest portions of the population pay to access certain products and services. Let's take water first. You can see that the poor are paying much more for their water than the rich do. That means, for example, that a poor person is living in conditions where actually the water quality is so poor that they can't drink the available water right away and need to get their water from other sources. For example, they may have to buy bottled drinking water. For this, they have to pay far more than the cost of normal municipal water and may even pay extra for the bottled water because they might be in a remote area as well. If you look at financial services, if the poor want to obtain access to credit, it's also much more expensive for them than for the rest of the population. If a bank looks at the

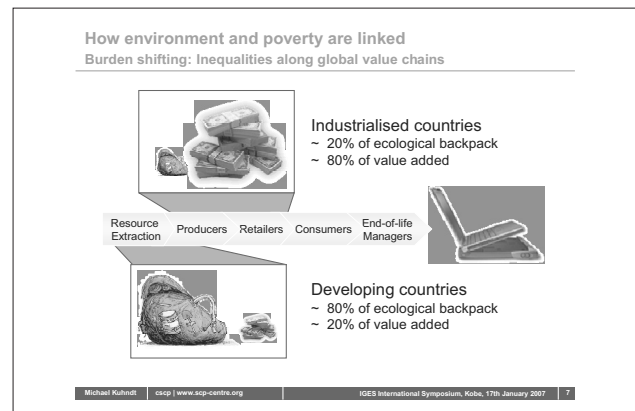
poor they are seen as being of a much higher risk for a loan. They might be thinking that the poor will be unable to repay their debts and will consequently charge an interest premium when dealing with the poor.



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If you actually look at the poor and compare how much they rely on different forms of capital, here you will see intangible capital play a comparatively smaller role for the poor. It can be said that intangible capital is a lot about knowledge. I would say Japan, for example, depends very much on intangible capital. You're producing a lot of products that need a lot of knowledge to produce such as electronic products. You will see that Japan, like my own country, Germany, falls into this high income category. There again, knowledge is very important. On the other hand, if you look at the poor income groups on the very left of the slide, you will see they rely far more heavily on natural capital. For example, the poor are not normally involved to a large degree in the ICT business. They are involved perhaps in fishery and forestry. Again, here you see the poor rely far more heavily on natural capital than the rich. If we destroy natural capital such as forests, or soil by erosion or by applying too many pesticides, we are drawn into the problem that the poor become even poorer over time because we are systematically destroying the natural

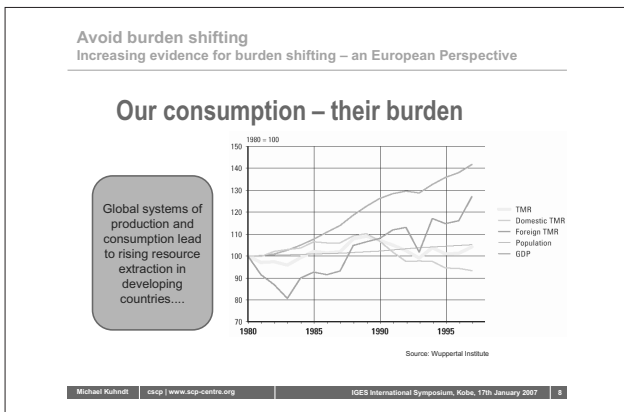
capital upon which they base their livelihoods.



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I would also like to show another slide that illustrates the global value chain. You may have seen this figure before. If you look now at the distribution of environmental loads and value added across the value chain starting from the resource extraction up to the end of life or recycling, you will see there is in fact an unequal distribution of the environmental load and the value added. If you look first at the developing countries, normally resources are tending to an increasing degree to be sourced in developing countries. We have done many studies on this issue. You will see that 80 % of the total environmental load, which we have expressed here in terms of “ecological backpack,” is occurring in developing countries while these regions gain only 20% of the value added. In the industrialized world, it's the opposite way around. The question here is “how can you cope with 80% of the environmental problem with only 20 % of the value added?” and “how much responsibility is out there if you own 80% of the value added to help reduce the 80% of the environmental load?”

This picture also shows statistical information. This graph looks a bit more complex. I want to explain it to you. Here we are looking at the European Union. The study looked into resource



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consumption in Europe. You will see this yellow line. Europe has over time consumed more or less a constant quantity of resources. We haven't become more resource-efficient over the years but we also haven't consumed substantially more resources over the last few years either. This is expressed as the total material requirement. (TMR)

This is not actually the message I want to deliver to you. The real message is that we looked into where these resources are coming from for Europe. If we look at the orange line, which is declining over time, we see the domestic resource consumption. Europe is consuming less and less from domestic sources, as you can see it's going down, of natural resources like oil, aluminium, gold and different kinds of metals from Europe. If you consider the red line, which represents foreign material consumption, we can see that resources coming from foreign sources are increasing. It means that we are using more and more foreign resources in order to fulfil our basic needs and our lifestyles. Again, I think there is a responsibility based on this. If you look at this picture, you see the gap is getting bigger and bigger. I assume that the situation for Japan would be very similar. Japan is also sourcing an increasing share of its resources from other

countries. With this new model of resource use come new responsibilities.

**Human Development through the Market**  
Contributing to the Millennium Development Goals

**Setting the course**  
Introducing the 'HDtM approach'

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Introducing the 'HDtM approach'

Drawing the map  
How environment and poverty are linked

Setting the Sails  
Poverty reduction along value chains

Getting on board  
Next steps

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**Introducing the 'HDtM approach'**  
Overview

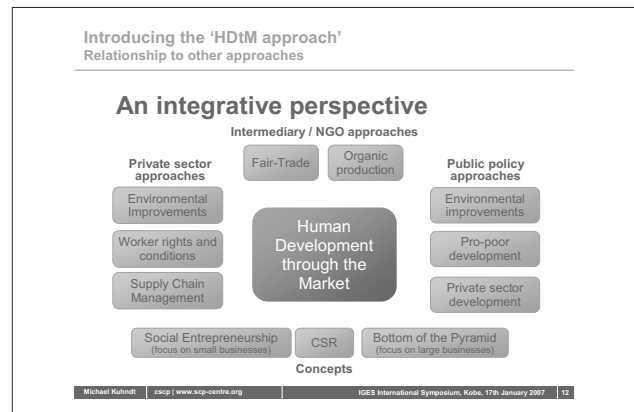
**Introducing Human Development through the Market**

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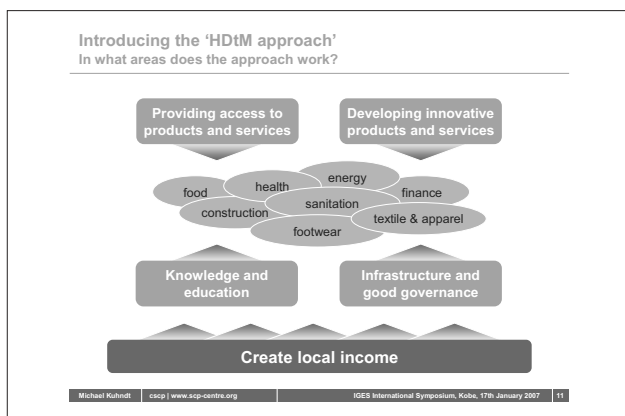
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Having said this, I would like to look at how to change this, how to actually express and assume our responsibility for countries from which we source resources, that is, the countries which actually suffer the high environmental load. Production processes still impose a large environmental impact globally. I would like to introduce the concept of “Human Development through the Market”, which is now heavily discussed within the United Nations Environment Program. We just held a seminar where we introduced the concept in Africa in November last year and we are at present working with different institutions on the concept. Human Development through the Market has the basic idea of delivering tangible benefits for the poor. That means to help them

gain access to necessary products and services. We would also like to address social and environmental issues at the same time. We say that it is to provide access to products and services to the poor, but at the same time, we pay attention to environmental and social issues. As you can imagine, “through the market” also means the concept is intended to function primarily through the market. It aims to create new business opportunities in developing countries and help them to actually also access new business models.



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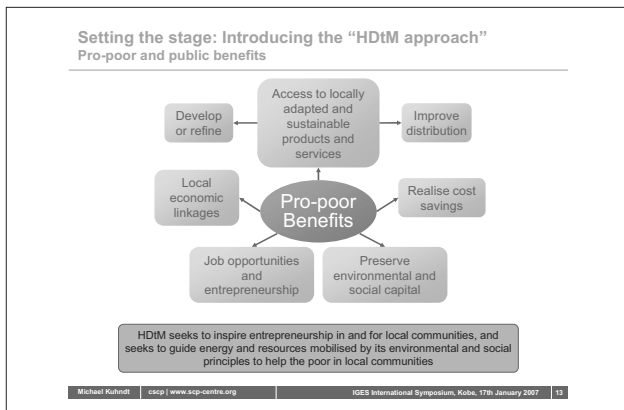
All in all, Human Development through the Market aims to help to create local income for poor people. It has been seen that the poor still suffer in terms of income, and only if their income exists, can they also gain access to the other points shown here. They still require knowledge and education. They still require infrastructure and good governance in order to come to the point where basic needs can be fulfilled; needs like sanitation, construction, food and health. Human Development through the Market, again, is asking what the role of business and government should be in order to organize the addressing of the needs of the poor and to help fulfil these basic needs.

In order to fulfil these basic needs, as I said earlier, it is necessary for a broad array of stakeholders to looking into the issue. You need to

work with the private sector. You need to work with public policy institutions, but also with intermediate organizations or NGOs. NGOs can, for example, help to make production more efficient. In environmentally friendly terms, they can also help to bring to developing countries the concepts of organic production or Fair Trade. Fair Trade looks very much into social issues as well. NGOs are also trying to bring socially sound production patterns to developing countries.

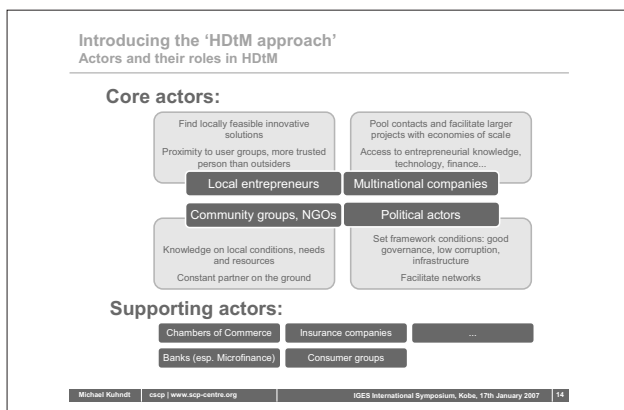
On the other side, it is also necessary to have academia looking into the issue in terms of examining different concepts. How do the poor and relationships with the poor fit into concepts of corporate social responsibility? How much social entrepreneurship is required in developing countries? How can small and medium-sized companies initiate and take advantage of new business opportunities, but also what about large companies? One often hears the term “bottom of the pyramid.” What can multinational companies do in order to also serve the poor?

The benefits for the poor can be very diverse. They could be access to products and services but also can centre on issues of business opportunities and creating jobs. They can also be simply about realizing cost savings. Many companies in



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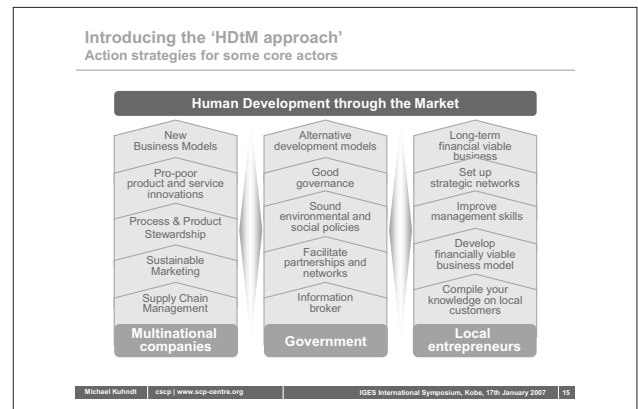
developing countries often face the problem remaining viable because they are comparatively resource-inefficient. There can also be the notion of transferring our knowledge in the developed countries about resource efficiency to the organizations and companies in the developing countries.



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Again, I would like to make the point that Human Development through the Market has a multi-actor approach. We say often it is a place-based approach. You are going into a local situation. You are trying to understand the local situation. Based on this, you are looking at the strengths and weaknesses of the local situation. You are looking at what kinds of resources are available and the strengths of the region, but also at which actors in the region are strong.

How can we in fact support Human Development through the Market in the end? You could look at local entrepreneurs, at multinational companies, at community groups, NGOs, and other political actors. You can also, of course, have the other supporting actors who might be active in a region.



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In terms of Human Development through the Market, I would like to look into the possibilities for action by three groups: multinational companies, governments and local entrepreneurs. Multinational companies could very easily look into supply chain management and that is something that many multinational companies are already doing. They might say, “In our supply chain management, for example, we also pay attention to the fair trade issue” or “resources from companies which are producing environmentally-friendly products and services.” This, of course, will also help to strengthen those entrepreneurs who are acting responsibly up to the point that multinational companies can create new business models. I will show you soon what this could mean.

On the governmental side, they could start just with managing information. They can help provide access to some companies in developing countries that may be in the organic products



or the fair trade business. Also they could help through supporting alternative development models. Just after this symposium I will travel to China. We are working with the Chinese government on this alternative development model for a region in south-western China. This region currently relies extensively on an industrial and heavy industry-based economy, with heavy pollution at the moment. The government in that region is trying to understand what the strengths of the region are; for example, in tourism or in herbal medicine. There is a lot of intangible knowledge in traditional medicine. How can we achieve a mixture of heavy industry plus alternative development models? How can we also bring the poor into these development models? This region is suffering and has a lot of poor people as well. That could be our contribution.

Then, in terms of local entrepreneurs, they are very important because they have the local knowledge. What we saw from the case studies we looked into was that joint ventures between government, local entrepreneurs and multinational companies are often quite helpful. Multinational companies might have the access to certain funding sources. Local government might build or support the right framework conditions in those countries. Local entrepreneurs might have intangible knowledge on what the consumer needs actually are in the region.

We have thus far looked at four case studies in very different areas in terms of Human Development through the Market. We looked into different key sectors like energy, food & agriculture, tourism and waste management. There are already a lot of good examples out there of how you can combine economic profitability and environmental issues.

Having a close look: HDtM in practice  
Lessons from successful HDtM businesses

**HDtM Case studies: Four key sectors**

Energy	Food & Agriculture	Tourism	Waste
<ul style="list-style-type: none"> <li>Drying fruit using Solar Power - USISS (Mali)</li> <li>Providing Energy to the Poor - Eskom (South Africa)</li> </ul>	<ul style="list-style-type: none"> <li>Growing organic cotton - LOCP (Uganda)</li> <li>Marketing the Agai berry - Sambazon (Brazil)</li> </ul>	<ul style="list-style-type: none"> <li>Vacation, wine and local communities - Spier (South Africa)</li> <li>Eco-tourism in Africa-CC Africa (throughout Africa)</li> </ul>	<ul style="list-style-type: none"> <li>Converting e-waste into income - Desco (South Africa)</li> <li>Decentralised composting - Waste Concern (Bangladesh)</li> </ul>

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I cannot go through all of the cases. Later on today, you will see a specific case example for waste management. We will talk about this in a later presentation about waste pickers. There, you will also see how collection of waste can help local people to earn an income.

Putting it into action: The HDtM toolbox  
Scoping and defining HDtM businesses

**'Solar-powered Rural Business Centres'**

- Considered the needs of the poor:** its objective is to reduce the "digital gap" between urban and rural areas
- Involving the poor:** supports entrepreneurship by the poor in its very structure – set up, running and maintaining the Rural Business Centers is done by the locals
- Fosters local capacities:** the programme includes trainings and support materials
- Awareness of local limitations:** the RBCs are powered by solar panels

e-Care in Ghana

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I would like to address three of the case studies very briefly given that time is short and provide you with some ideas. For example, a good case study we found was e-Care in Ghana where there was a solar powered rural business centre. The centre was a joint venture between a multinational company and local entrepreneurs. The issue there was to fill a service gap between the urban and rural areas. Particularly in rural areas, ICT communication was previously not possible. They set up this business centre together with

some larger companies. They involved local people right away in the set-up, running and maintaining of the centre. Here is a good example of where you can create local income in a manner that provides further development and income potential to the region.

**Putting it into action: The HDtM toolbox**  
Scoping and defining HDtM businesses

**'Eco-tourism to African wilderness'**

- Uses an "umbrella" organisation concept: CC Africa owns and manages lodges and camps across six African countries
- **Used its expertise to broaden the operations:**  
Four divisions:
  - one that maintains the lodges;
  - one that offers guided camping safaris;
  - one that oversees its tour operators;
  - One that provides all-inclusive conference tours
- **Uses its extensive network to ensure success:**  
maintains strong partnerships with the property operators, transporters, service providers, local government and communities

CC Africa

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Another example is eco-tourism in the African wilderness. Here, multinational companies worked together with African organizations looking for quality tourist destinations in Africa. They looked at how you can build lodges or provide camping safaris, train tour operators on environmental issues, and help create local income.

**Putting it into action: The HDtM toolbox**  
Scoping and defining HDtM businesses

**'Converting e-waste into income'**

- **Identified a clear need:** accumulation of ever greater amounts of e-waste
  - It now processes 400 tons of PC boards
  - And 2000 tons of other e-waste
- **Developed a unique solution:** created an incineration-free process to extract valuable materials
- **Understands the resources of its customers:** collects electronic scrap from customers and purchases boards from scrap dealers

Desco in South Africa

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Another example is converting e-waste into income. We find more and more e-waste out there from PCs and other electronic products. These products are often shipped to developing coun-

tries as second hand or waste goods. There is an opportunity to establish centres that extract valuable materials from this e-waste, which are then collecting these materials from electronic scrap and selling it to other organizations. Again, here you find an example of cooperation between multinational companies, local entrepreneurs and government institutions.

**Human Development through the Market**  
Contributing to the Millennium Development Goals

Drawing the map  
How environment and poverty are linked

Setting the course  
Introducing the 'HDtM approach'

**Setting the Sails**  
CSR along value chains

Setting the Sails  
CSR along value chains

Getting on board  
Next steps

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**CSR along value chains**  
Opportunities in value chains

**Sustainability impact along value chains**

Potential contribution to sustainability

high

low

Raw material extraction | Supplier production | In-house production | Distribution | Usage | End-of-life

Value Chain

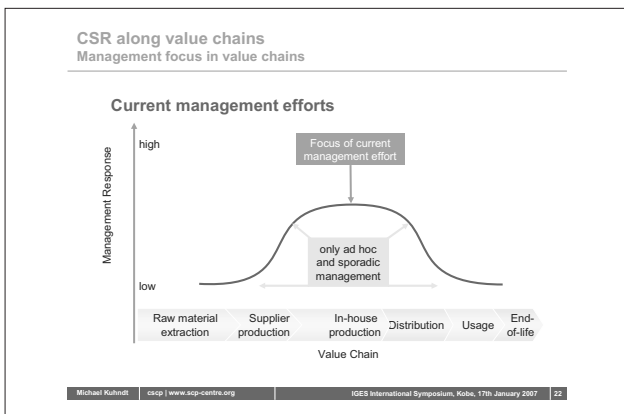
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Having said this, I would like to look at the broader scheme of Corporate Social Responsibility in global value chains and ask where our priorities are. Where should we set priorities in multinational companies? If you look at multinational companies you usually ask about their sustainability issues in terms of, for example, environmental load. You take the case of a European company, for example, Siemens, or a Japanese



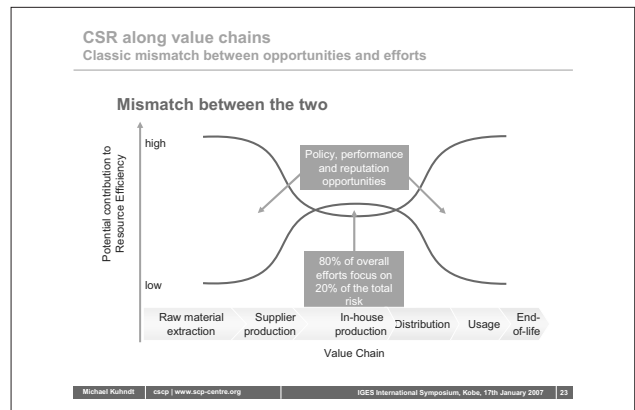
company to look over the whole lifecycle. We have done many LCAs now. I think we can summarize it like this: You will see that in comparison to the whole supply chain the manufacturing in countries like Japan or Germany scores very low in terms of overall environmental footprint and environmental load. Most of the high impact activities have been outsourced. A lot of heavy polluting stuff in all kinds of different sectors, such as the textiles or electronics sectors has been outsourced to the supply chain. The supply chain is often happening in developing countries.



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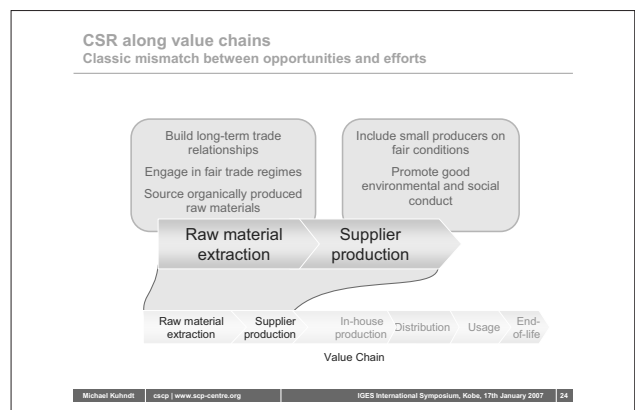
On the other side, you find consumption. Here, you also find a lot of improvement opportunities. For example, how are consumers using electronic products? How are they using food products? There are a lot of improvement possibilities on the consumption side as well, and there is also a large environmental load. If you look at most companies, especially in developed countries, they are still more concerned and taking action on managing their in-house affairs. That's what they know, where they are located. They look first at the in-house manufacturing sites before they tend to go to the supply chain and the consumption side.

If you put both curves together, actually you find a funny situation. 80% of the overall efforts



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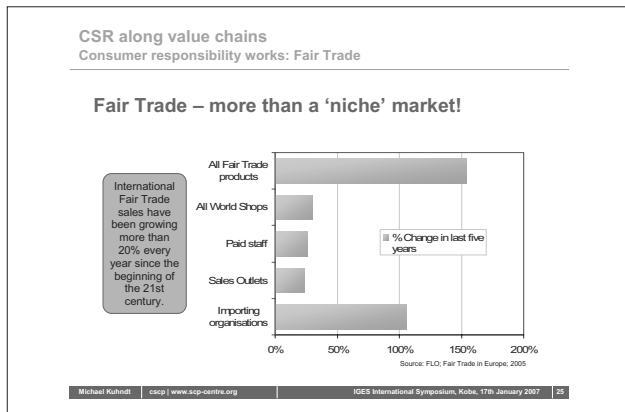
of the companies are focusing on 20% of the risk. This is actually unusual for business. Normally they tend to focus on the larger risk. The larger risk might lie in the supply chain on the left side and also on the right side on the consumption side.



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Quite a few companies are already aware of this, and that is why they are starting to look into the supply chain side. In the supply chain, they will find many small and medium-sized companies, once again often located in developing countries, which they can work with. Also, they are looking at the consumption side. In terms of the supply chain side, you could look into how and from where raw materials are sourced. How can you actually build towards also looking at poor countries? How can you build long-term

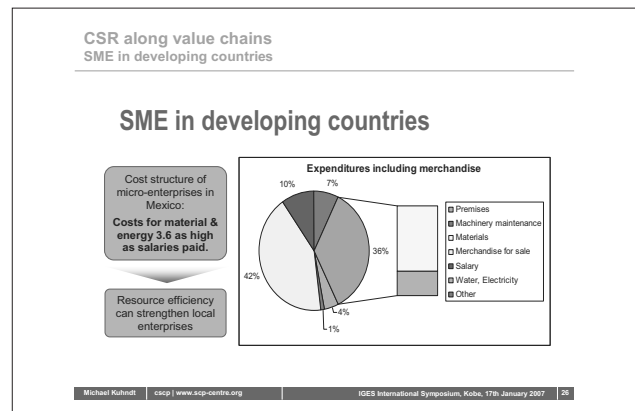
trade relationships as well? How can you engage yourself and your supply chain in fair trade regimes? On the other side, you can look at your direct suppliers. How can they produce products and services from an environmentally and socially sound perspective?



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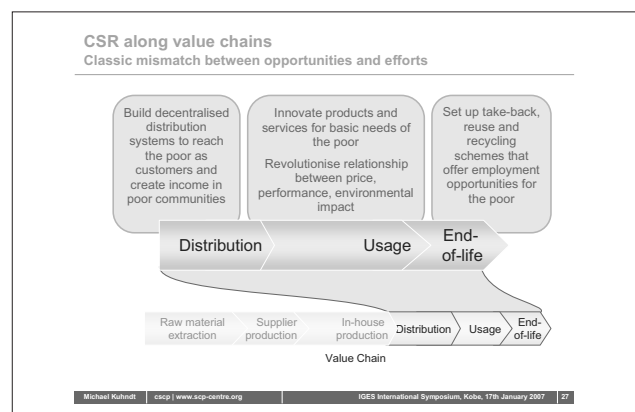
I discussed fair trade this afternoon. I actually think it is not such a big concern at the moment here in Japan. In Europe, Fair Trade is a success story at the moment. They have seen sales growth of 20% year upon year. At the moment it is the market segment with the greatest sales growth. “Fair Trade” means that the products are produced according to socially sound criteria. Normally fair trade products are slightly more expensive than the mainstream products. This premium charge that is paid on products is earmarked for going back to the local community from which products are sourced. Earlier I presented this picture of the global value chain. I said 80% of the value added remains in developed countries. More of this 80% is actually going back to the developing country in the case of Fair Trade products. Let’s say only 50% is staying in the developed countries and 50% of the value added activity is going back to the developing countries. With this, of course, the developing country also has the necessary resources to develop. Again, at the moment this scheme is quite

well known and growing fast in Europe.



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There is also another reason to work with small and medium-sized companies in supply chains. Now they face very similar problems as many developed countries face. If you look at the cost structure of small and medium-sized companies, you will also find that material and energy costs are now already higher than salaries. With the knowledge of developed countries, we work together with them and help them to save costs for material and energy. We might also make them more competitive, so the whole supply chain can become more competitive. In the end, the product also might become more competitive on the market.

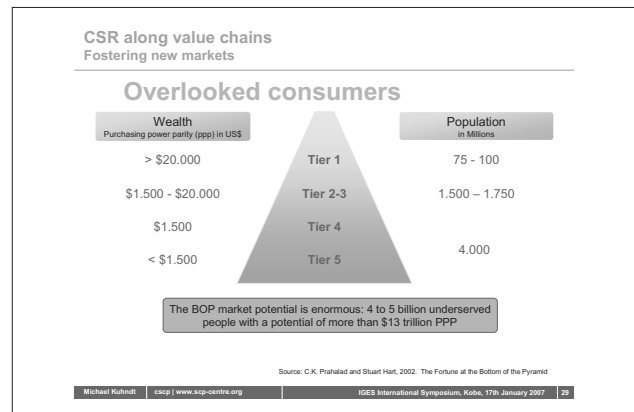


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On the other side, on the consumption side, if you have poor people in mind, the question

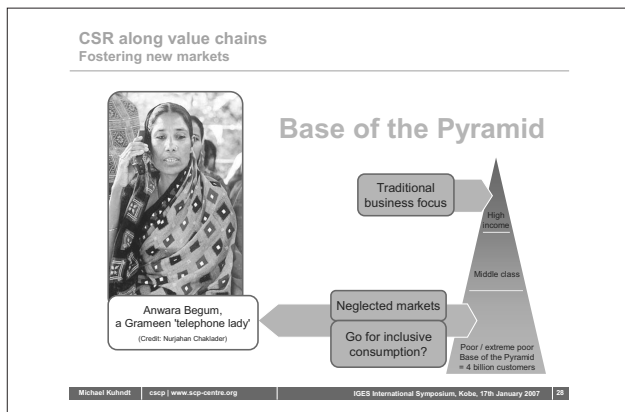
would be how to actually build a decentralized distribution system. The problem with poor people is they often do not necessarily live in big cities. They live in remote areas. How can they access products and services like the health system? There is a good example from the Philips company. Philips worked in India. They built a concept together with local NGOs and local companies on developing a bus. This bus travels to remote areas to deliver health services. Phillips is involved in putting the technology there. Another company is involved in putting the bus there. It's a profitable business model as well. It is also distributing the business to remote areas.

Then of course you can look into product and service innovation for the poor and how to look into a new relationship between price, performance and environmental impact. You could set up reuse schemes. Later on in a further presentation from my colleague, he will look into how the benefits might be delivered to the poor.



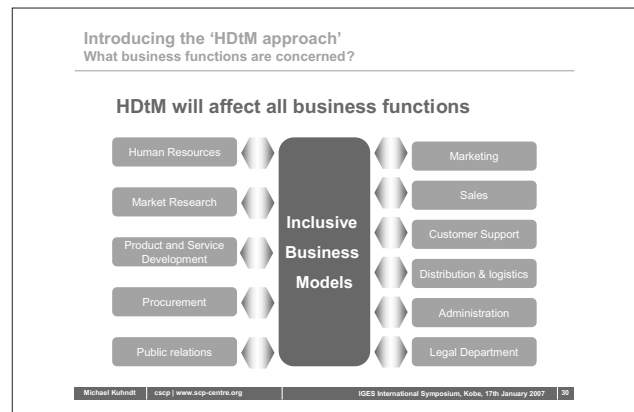
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This is the base of the pyramid. If you look into what the base of the pyramid might include in terms of population, on the top you have the high income class. There is a large part of the population which is still based in this low income group. In Japan, you will also find people in the low income group. Of course, while it is not a situation comparable to developing countries, there are still a number of people are also to be considered in the low income group.



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You will often find that this whole discussion is based on the term “Base of the Pyramid.” Again, what we are talking about here is not only to look at the high income group and the middle income class but also to look at the poor and the extreme poor.



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If you want to go for HDtM, that will mean you have to think through this issue in all of your business units. You have to start in terms of looking into product and service development. You have to go into the market research from a different point of view. You have to go and possibly hire local experts in developing countries.

You have to go and look into the distribution system, like Philips did, to work together with the bus company to access remote areas. There is a large opportunity out there to create and look into new business functions throughout the com-

**Human Development through the Market**  
Contributing to the Millennium Development Goals

Getting on board  
Next steps

- Drawing the map  
How environment and poverty are linked
- Setting the course  
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- Setting the Sails  
CSR along value chains
- Getting on board  
Next steps

**Getting on board**  
Next steps

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Getting on board  
Next steps

**Key questions**

**Innovations:**  
What role businesses can take to create product and service-innovations for HDtM?

**Business Strategy:**  
How does HDtM fit into business strategy?

**Business Models:**  
How to address social and environmental issues and improve profitability?

**How to implement Human Development through the Market**

**Networks:**  
How can business help to build strong networks? What role will different actors play in these?

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pany.

With this, I would like to come to the last part of my presentation and briefly outline some key questions. We are still in the beginning of Human Development through the Market movement. We haven't solved all the problems there. We're still trying to understand how the poor can really benefit, but also how large companies can benefit at the same time. We still need to look further into it. The United Nations is now working on a program on Human Development through the Market - HDtM - and is exploring some core questions. For example, what business roles can

there be to create new products and services for HDtM? Which companies have already created successful business models? How does HDtM fit into the conventional business strategy? We are aware that the conventional strategy is not to serve the poor. If you have the idea of addressing the poor, how can you address at the same time the social and environmental issues which might be related? Another question is the kind of networks that are needed? Like I showed at the beginning, if you want to serve the poor it is very advisable to work with the local government, local NGOs, and other stakeholders together in

The link between human development and environment  
What kind of development?

High demand on biosphere per person  
Developed Countries' leap frogging sustainable development  
Minimum acceptable level of Human Development  
High demand on biosphere per person  
Low human development  
World  
Within carrying capacity  
Low human development  
Ecological Footprint per person

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order to really address the needs of the poor.

We still have quite a large task in front of us. I would like to show this as the last slide in my presentation. Actually, this looks into the situation we are going to move toward. If you look at this slide, you have this small corner on the top right which is called "sustainable development." You will see almost no country is yet in the area of sustainable development. That is actually the bad news. If, for example, we take the ecological footprint as a measure most countries, especially the developed countries, have a high human development index. They score very high on human development, however, they also use quite a lot from nature to come to this point. Developing countries still use a small part of nature,

but some of these countries still have a very low achievement in terms of human development.



The question now is to where we are bringing the developing countries? Is it more the traditional model where we actually bring those countries into the direction of the developed countries? In that case, they don't end up in the sustainable development area. Or, are we trying to help them leapfrog with new business models to jump right away into this area of sustainable development? I think the whole research program of IGES is also looking into that issue. I'm looking forward today to discussing further business ideas on how to jump right away through leapfrogging like a frog jumping into the area of sustainable development. Thank you very much for your attention.

Human Development through the Market  
Contributing to the Millennium Development Goals

**Thank you for your attention !!!**

Michael Kuhndt  
CSCP

Michael.kuhndt@scp-centre.org  
Fon + 49 - 202 . 45 95 8 - 20  
Fax + 49 - 202 . 45 95 8 - 30  
www.scp-centre.org



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**Human Development through the Market**  
Contributing to the Millennium Development Goals



**Innovations for Human Development**  
**in Global Value Chains**

Contributing to the Millennium Development Goals

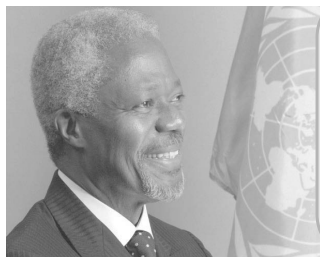
**Michael Kuhndt**

Head, UNEP / Wuppertal Institute Collaborating  
Centre on Sustainable Consumption and  
Production



Slide ①

**Introducing the ‘HDtM approach’**  
The need for building new markets



“There are many positive ways for business to make a difference in the lives of the poor – not through philanthropy, though that is also very important, but through initiatives that, over time, will help to build new markets”.

Kofi Annan, United Nations, former Secretary General.  
Address to the World Economic Forum (Feb 2002)

Slide ②

## Human Development through the Market Contributing to the Millennium Development Goals



**Drawing the map**  
How environment  
and poverty are linked

**Drawing the map**  
How environment and poverty are  
linked

**Setting the course**  
Introducing the 'HDtM approach'

**Setting the Sails**  
CSR along value chains

**Getting on board**  
Next steps



Slide ③

## Human Development The poverty challenge

### Need to increase consumption

**In many  
regions:**

Need to  
increase  
consumption to  
reach adequate  
level of human  
development



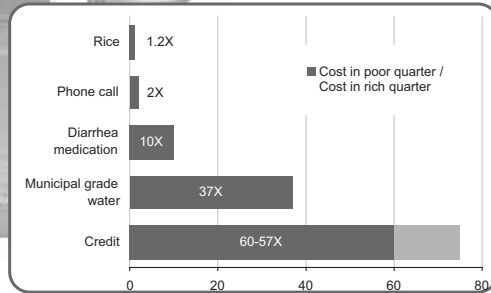
Source: UNDP 2004

Slide ④

**How environment and poverty are linked**  
Consumption – The poor pay more



**Ensure access to products and services**



The poor do not have access to adequate products and services at acceptable prices

Business can innovate more adequate products and services while safeguarding the environment

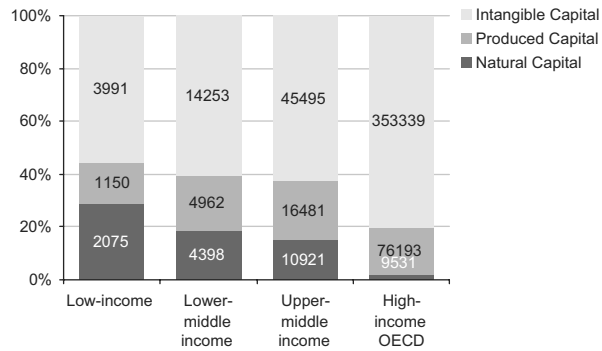
Slide ⑤

**How environment and poverty are linked**  
Environmental income according to income group

**Secure livelihoods**

**Natural Capital =**  
Agriculture land  
+ Sub-soil assets  
+ Forst resources  
+ Protected areas

Source: World Bank

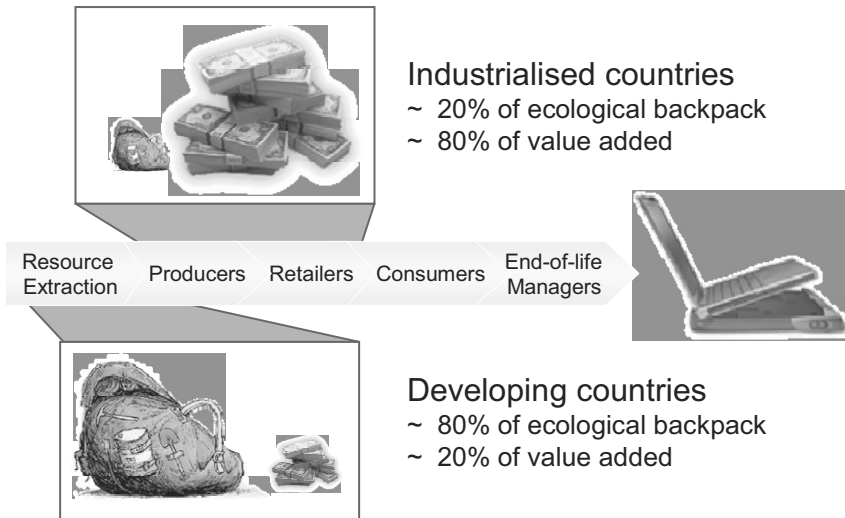


The poor depend more on the environment than the rich

Slide ⑥

## How environment and poverty are linked

### Burden shifting: Inequalities along global value chains



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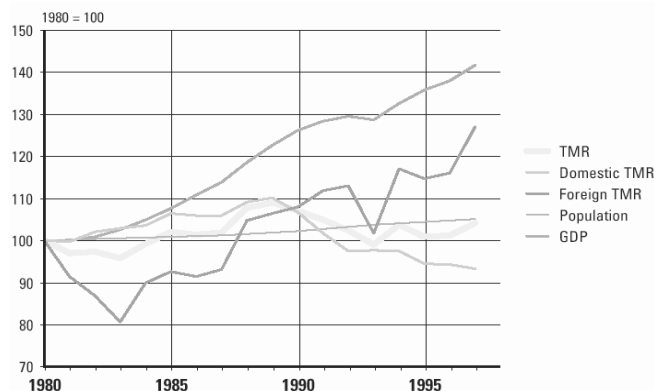
Slide ⑦

## Avoid burden shifting

### Increasing evidence for burden shifting – an European Perspective

## Our consumption – their burden

Global systems of production and consumption lead to rising resource extraction in developing countries....



Source: Wuppertal Institute

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## Human Development through the Market

### Contributing to the Millennium Development Goals



**Setting the course**  
Introducing the 'HDtM approach'

**Drawing the map**  
How environment and poverty are linked

---

**Setting the course**  
Introducing the 'HDtM approach'

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**Setting the Sails**  
Poverty reduction along value chains

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**Getting on board**  
Next steps

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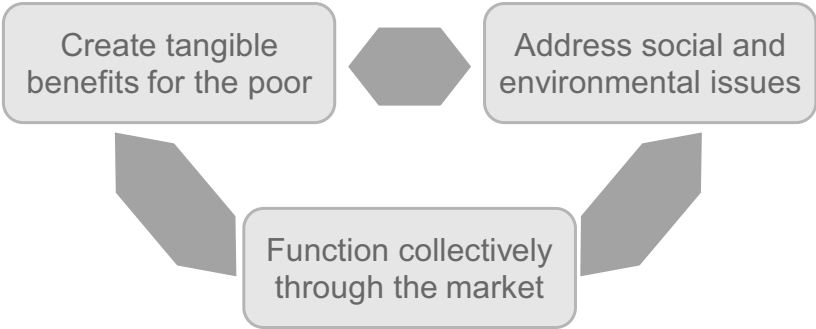
UNEP/WUPRETEL INSTITUTE COLLABORATING  
CENTRE ON SUSTAINABLE  
CONSUMPTION AND PRODUCTION

Slide ⑨

**Introducing the 'HDtM approach'**  
Overview

---

## Introducing Human Development through the Market



```

graph TD
    A[Create tangible benefits for the poor] --- B[Address social and environmental issues]
    A --- C[Function collectively through the market]
    B --- C
    
```

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## Introducing the ‘HDtM approach’ In what areas does the approach work?



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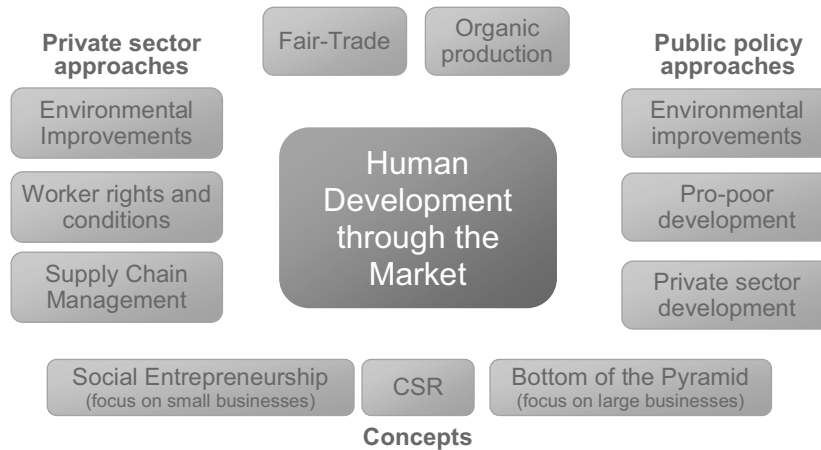
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## Introducing the ‘HDtM approach’ Relationship to other approaches

### An integrative perspective

Intermediary / NGO approaches



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### Setting the stage: Introducing the “HDtM approach” Pro-poor and public benefits

HDtM seeks to inspire entrepreneurship in and for local communities, and seeks to guide energy and resources mobilised by its environmental and social principles to help the poor in local communities

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### Introducing the ‘HDtM approach’ Actors and their roles in HDtM

**Core actors:**

<p>Find locally feasible innovative solutions Proximity to user groups, more trusted person than outsiders</p> <p><b>Local entrepreneurs</b></p>	<p>Pool contacts and facilitate larger projects with economies of scale Access to entrepreneurial knowledge, technology, finance...</p> <p><b>Multinational companies</b></p>
<p>Knowledge on local conditions, needs and resources Constant partner on the ground</p> <p><b>Community groups, NGOs</b></p>	<p>Set framework conditions: good governance, low corruption, infrastructure Facilitate networks</p> <p><b>Political actors</b></p>

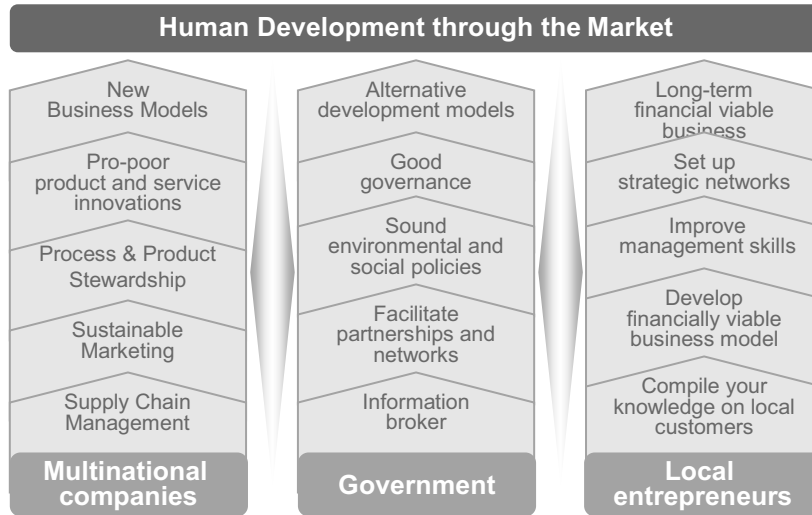
**Supporting actors:**

Chambers of Commerce	Insurance companies	...
Banks (esp. Microfinance)	Consumer groups	

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## Introducing the ‘HDtM approach’ Action strategies for some core actors



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## Having a close look: HDtM in practice Lessons from successful HDtM businesses

### HDtM Case studies: Four key sectors

Energy	Food & Agriculture	Tourism	Waste
<ul style="list-style-type: none"> <li>Drying fruit using Solar Power - USISS (Mali)</li> <li>Providing Energy to the Poor - Eskom (South Africa)</li> </ul>	<ul style="list-style-type: none"> <li>Growing organic cotton -LOCP (Uganda)</li> <li>Marketing the Açai berry - Sambazon (Brazil)</li> </ul>	<ul style="list-style-type: none"> <li>Vacation, wine and local communities – Spier (South Africa)</li> <li>Eco-tourism in Africa-CC Africa (throughout Africa)</li> </ul>	<ul style="list-style-type: none"> <li>Converting e-waste into income - Desco (South Africa)</li> <li>Decentralised composting - Waste Concern (Bangladesh)</li> </ul>
			

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## Putting it into action: The HDtM toolbox

### Scoping and defining HDtM businesses

#### ‘Solar-powered Rural Business Centres’



- **Considered the needs of the poor:** its objective is to reduce the “digital gap” between urban and rural areas
- **Involving the poor:** supports entrepreneurship by the poor in its very structure – set up, running and maintaining the Rural Business Centers is done by the locals
- **Fosters local capacities:** the programme includes trainings and support materials
- **Awareness of local limitations:** the RBCs are powered by solar panels



e-Care in Ghana

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## Putting it into action: The HDtM toolbox

### Scoping and defining HDtM businesses

#### ‘Eco-tourism to African wilderness’



- Uses an “umbrella” organisation concept: CC Africa owns and manages lodges and camps across six African countries
- **Used its expertise to broaden the operations:**  
Four divisions:
  - one that maintains the lodges;
  - one that offers guided camping safaris;
  - one that oversees its tour operators;
  - One that provides all-inclusive conference tours
- **Uses its extensive network to ensure success:** maintains strong partnerships with the property operators, transporters, service providers, local government and communities



CC Africa

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## Putting it into action: The HDtM toolbox Scoping and defining HDtM businesses

**'Converting e-waste into income'**

- **Identified a clear need:** accumulation of ever greater amounts of e-waste
  - It now processes 400 tons of PC boards
  - And 2000 tons of other e-waste
- **Developed a unique solution:** created an incineration-free process to extract valuable materials
- **Understands the resources of its customers:** collects electronic scrap from customers and purchases boards from scrap dealers

Desco in South Africa

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## Human Development through the Market Contributing to the Millennium Development Goals



**Setting the Sails**  
CSR along value chains

Drawing the map  
How environment and poverty are linked

Setting the course  
Introducing the 'HDtM approach'

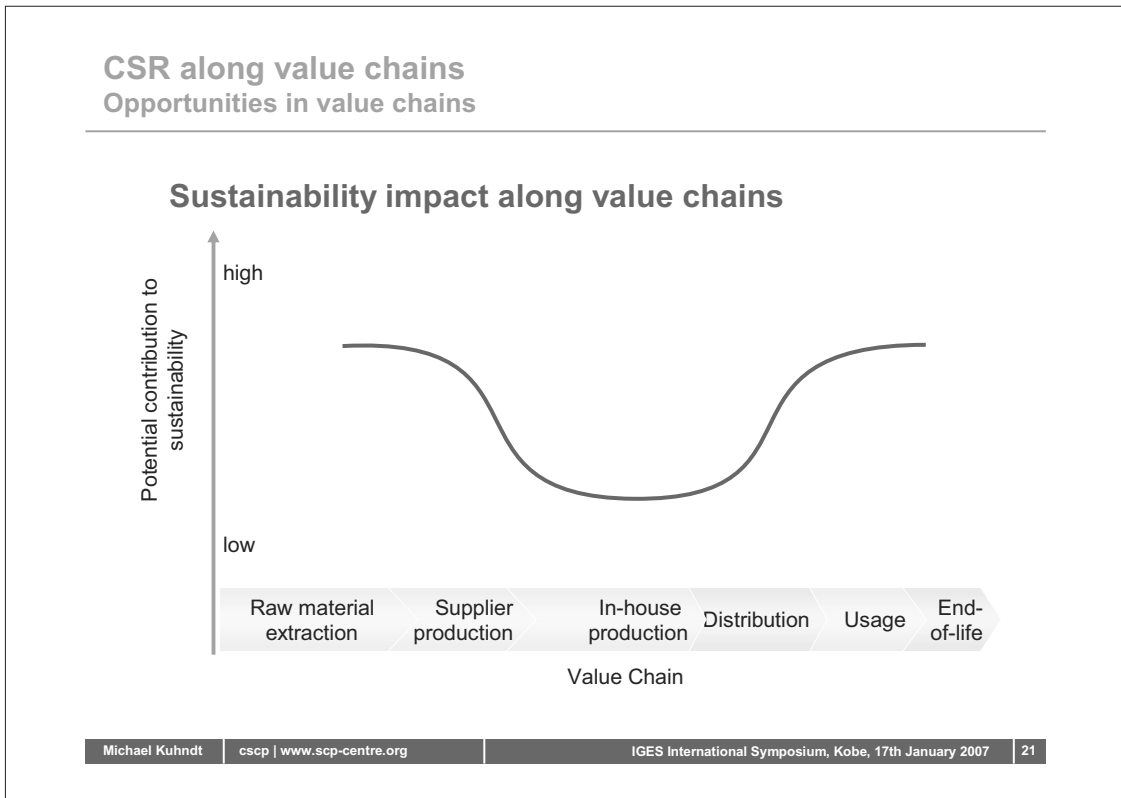
Setting the Sails  
CSR along value chains

Getting on board  
Next steps

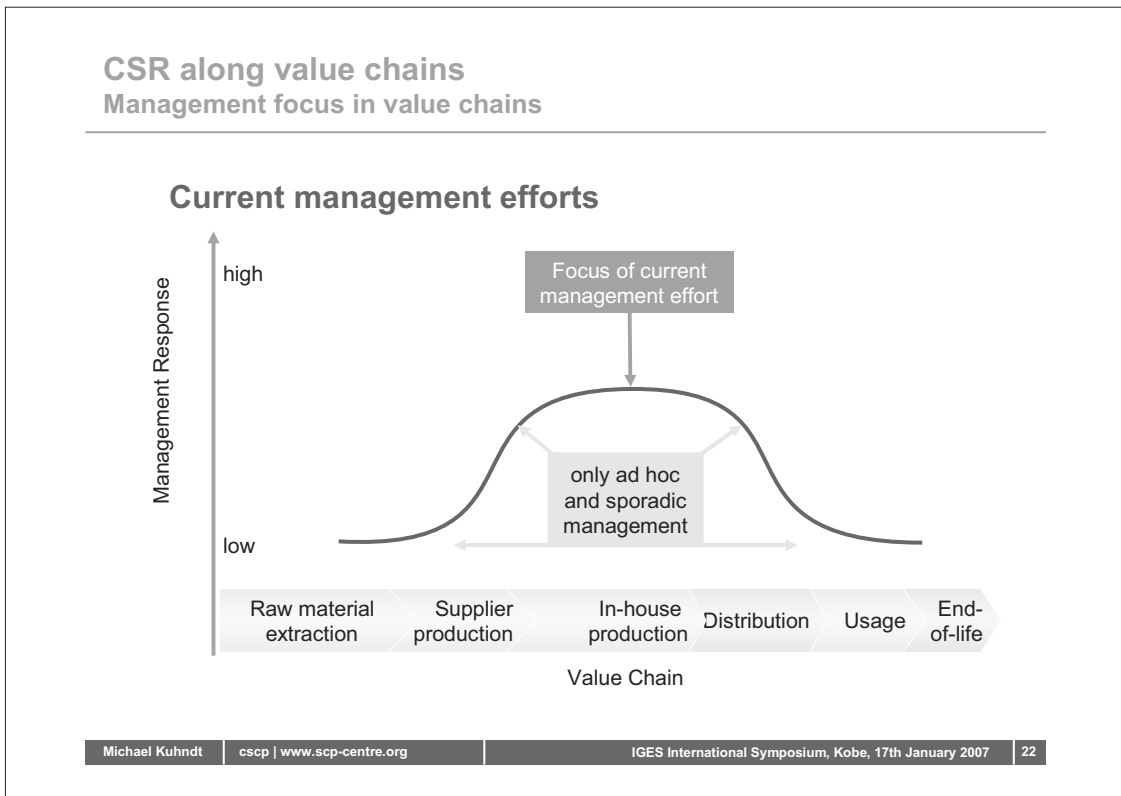


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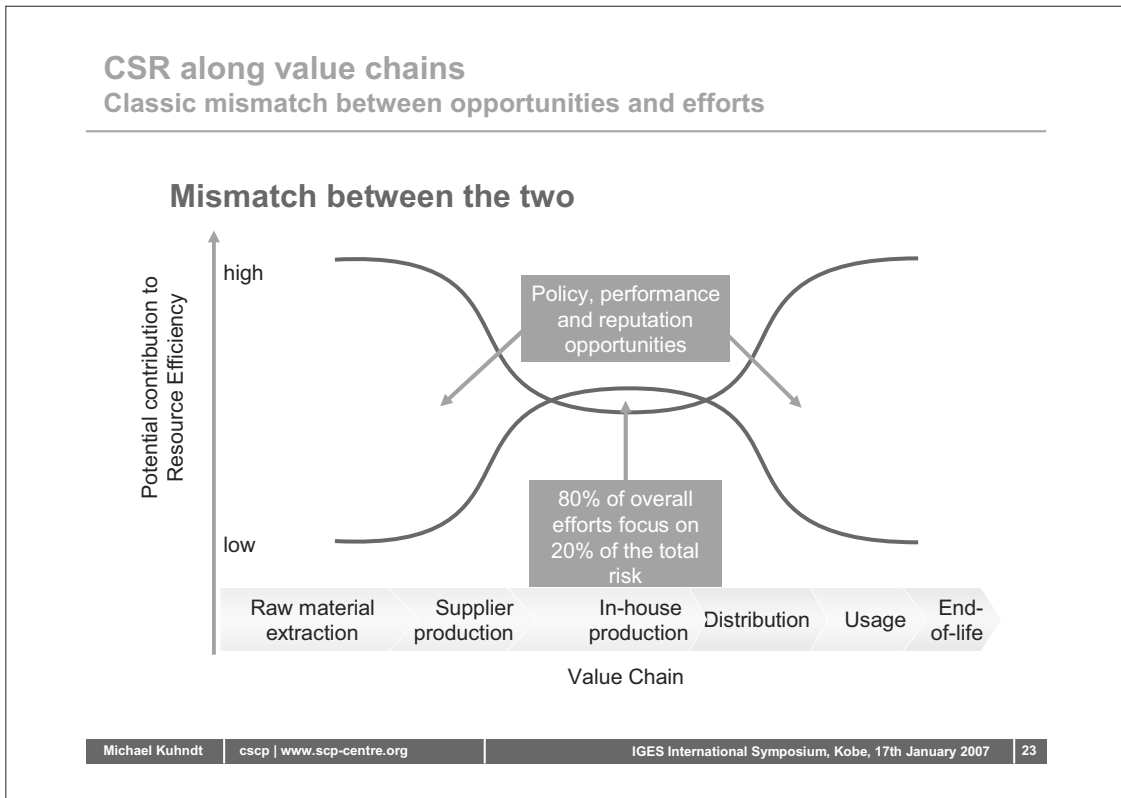




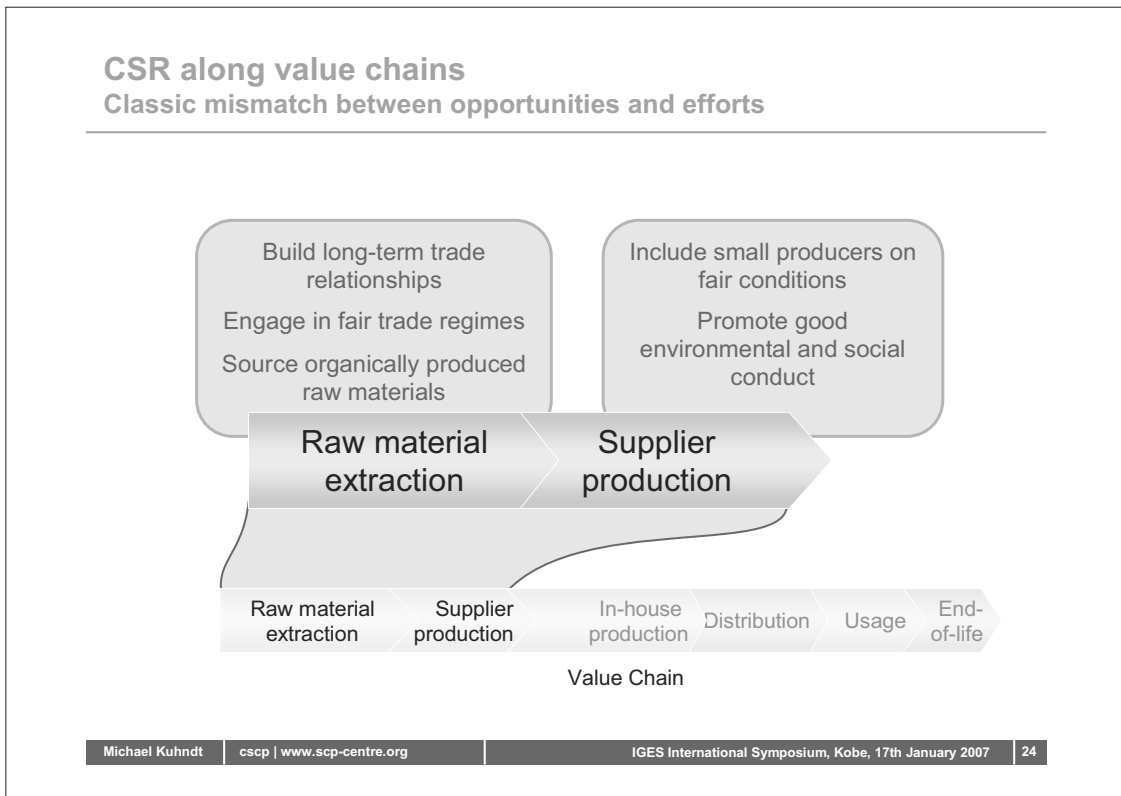
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Slide 22



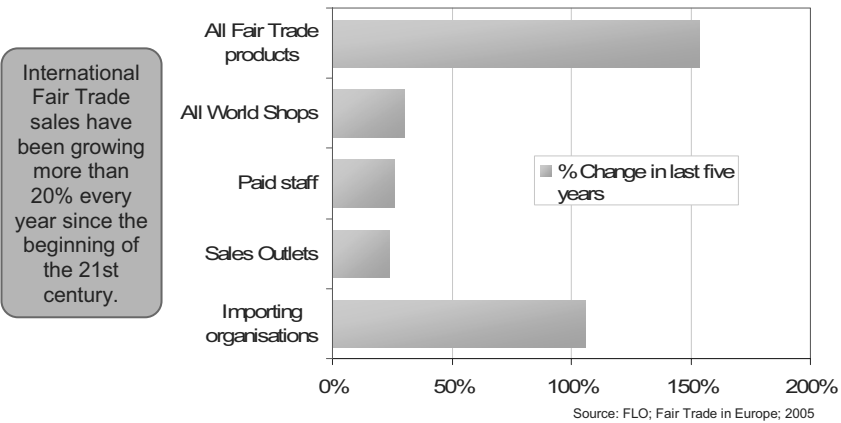
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**CSR along value chains**  
Consumer responsibility works: Fair Trade

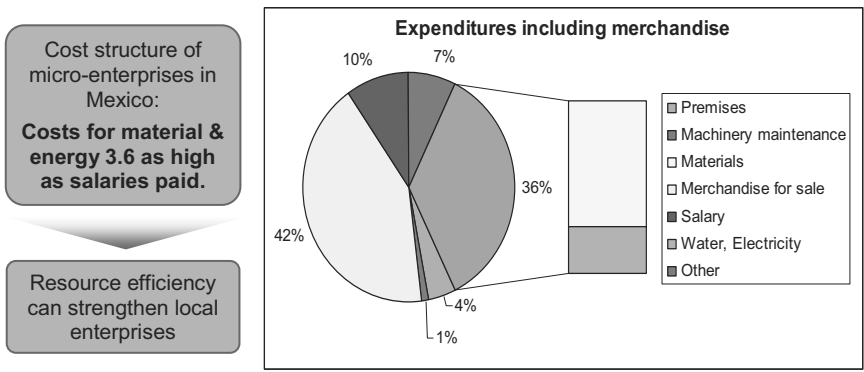
**Fair Trade – more than a ‘niche’ market!**



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**CSR along value chains**  
SME in developing countries

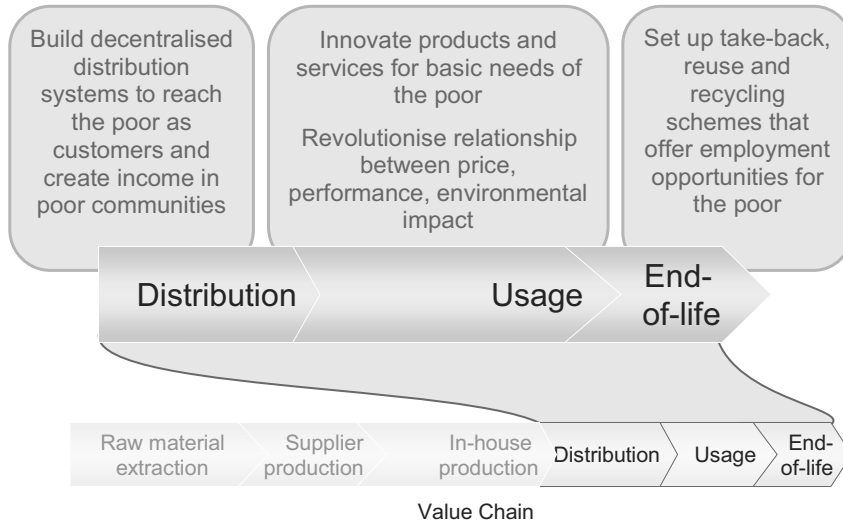
**SME in developing countries**



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### CSR along value chains

#### Classic mismatch between opportunities and efforts



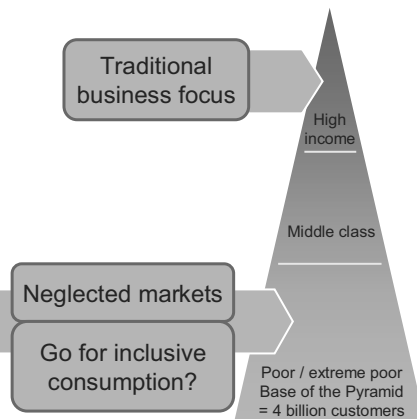
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### CSR along value chains

#### Fostering new markets



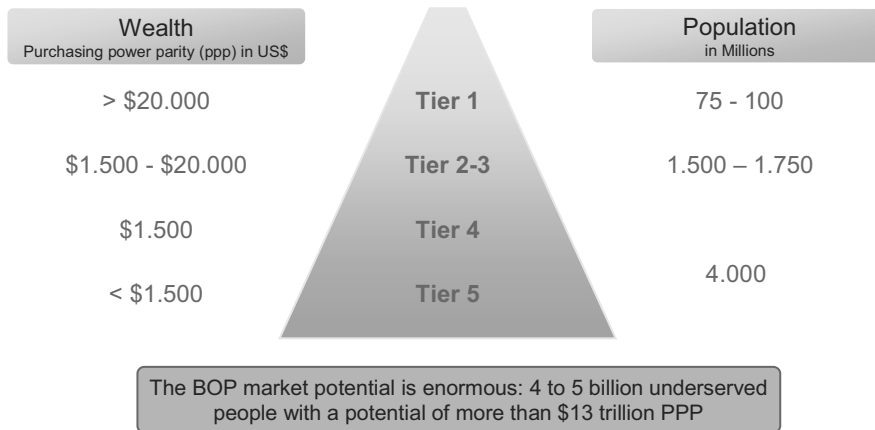
### Base of the Pyramid



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**CSR along value chains**  
Fostering new markets

**Overlooked consumers**



Source: C.K. Prahalad and Stuart Hart, 2002. The Fortune at the Bottom of the Pyramid

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**Introducing the ‘HDtM approach’**  
What business functions are concerned?

**HDtM will affect all business functions**



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## Human Development through the Market Contributing to the Millennium Development Goals



- Drawing the map  
How environment and poverty are linked
- Setting the course  
Introducing the 'HDtM approach'
- Setting the Sails  
CSR along value chains
- Getting on board  
Next steps
- Getting on board  
Next steps




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## Getting on board Next steps

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# Key questions

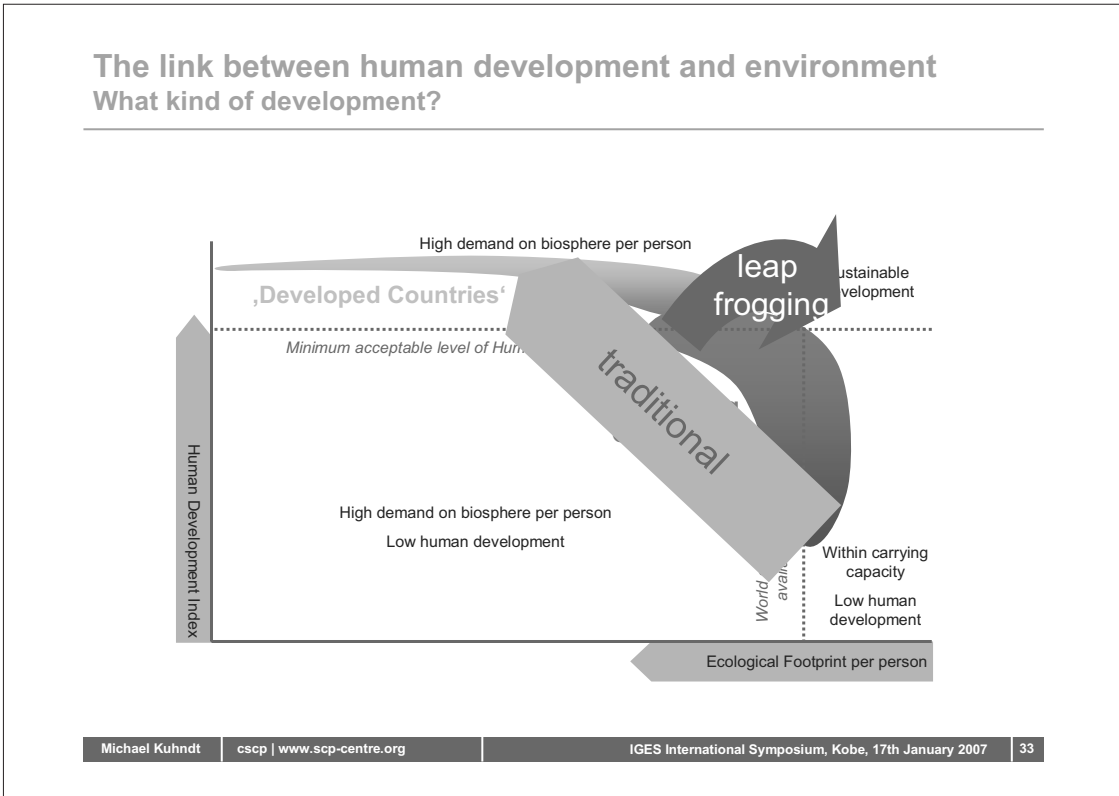
- Business Strategy:**  
How does HDtM fit into business strategy?
- Business Models:**  
How to address social and environmental issues and improve profitability?
- Networks:**  
How can business help to build strong networks?  
What role will different actors play in these?
- Innovations:**  
What role businesses can take to create product and service-innovations for HDtM?



**How to implement Human Development through the Market**

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## Human Development through the Market Contributing to the Millennium Development Goals



# Thank you for your attention !!!

Michael Kuhndt  
CSCP

Michael.kuhndt@scp-centre.org  
Fon + 49 - 202 . 45 95 8 - 20  
Fax + 49 - 202 . 45 95 8 - 30  
www.scp-centre.org



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