

Terms of Reference for a Call for Proposal

Study on the Fruits & Vegetable Supply Chains in the Philippines and Responsible Business Conducts towards Economic and Social Upgrading

Background

The initiatives to promote the responsible business conducts (RBC) along the global supply chains has been increasing in recent years. More businesses and their associations are committing to social responsibility of business through their corporate social responsibility (CSR) initiatives while others are pursuing the social enterprises to tackle the social and environmental challenges of the global supply chains. An increasing number of corporations are committed to the UN Sustainable Development Goals (SDGs) along with other international frameworks such as the UN Global Compact, the UN Business and Human Rights Framework and its Guiding Principles, and the ISO 26000. Many lead firms in the global supply chains are engaged in the social and environmental reporting. The global banks and investors are subscribing to frameworks such as the UN Principles of Responsible Investment (PRI), the Equator Principles and the Environment, Social and Governance (ESG) investment. Most of these are guided by the core labour standards of the International Labour Organization (ILO) as the basis of social responsibility of businesses [See Annex 1 for further discussion on ILO and the global supply chains.]

Parallel to this is the increasing scrutiny of the global supply chains. The export businesses are aware that the majority of the free trade agreements (FTAs) today include the labour provisions which demands observance of the core labour conventions of the International Labour Organization (ILO), so do most of the preferential trade agreements (PTAs) such as GSP. The rise of regulations on the “modern forms of slavery” is impacting how the agriculture supply chains are managed in the countries both in the South and the North. More measurement mechanisms on the social, environmental and human rights performance emerged such as the Global Map of Environmental and Social Risks in Agro-Commodity Production (GMAP), the Corporate Human Rights Benchmark, and the KnowTheChain Benchmark.

In this contemporary environment, RBC/CSR has often become an integral part of corporate mission, becoming an integral part of the global supply management. For many businesses, RBC/CSR now makes a lot more business sense and is indeed a key tool to manage risk in their operations. Other corporations see RBC as part of the corporate brand/risk management to deal with the heightened social and environmental awareness of the consumers and the society. For many suppliers, RBC/CSR is a critical part of buyers’ demand.

In the Philippines, too, the RBC along the supply chains has been gaining increasing attention in its long-standing and vibrant CSR scene. Many multinational enterprises (MNEs) operating in the country have pledged RBC practices in their supply chains. The agenda has been actively promoted through such business organizations as the Employers Confederation of the Philippines (ECOP), the European Chamber of Commerce of the Philippines (ECCP), the Philippine Business for Social Progress (PBSP), and the Philippine Business for the Environment (PBE) as well as the academe.

However, it appears that there is a significant research gap when it comes to the socially responsible business practices in the supply chains in the Philippines. A mapping exercise by the ILO on the value chain research and programmes in the Philippines found that few of them touch upon the responsible business conducts or decent work elements in the supply chains. The majority of them focus on business and productivity constraints and few covers decent work issues such as working conditions, social security coverage and child labour in the supply chains. The lack of attention is common not only with regard to the social issues but also on environment, ethics, consumer interests and human rights, or broader inclusive development agenda. Meanwhile, good practices on RBC among MNEs are not necessarily verified through objective case studies by the third parties, or simply not documented and disseminated. In particular, a key remaining question is the economic and social upgrading of the weakest part of the supply chains such as the small-holder farmers and the small

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and medium enterprises (SMEs) that could be addressed through the RBC/CSR practices of the lead firms and relevant government policies.

To fill the gap, the ILO has produced studies that look into both the productivity bottlenecks and decent work deficits along each step of value chain in such sectors as coconut and pineapple in the Philippines. Building on this experience and reflecting upon the relevant global studies, ILO is interested to conduct similar analysis on key supply chains of fruits and vegetable in the Philippines as part of the research activities of **the Responsible Supply Chain in Asia Project** which promotes two international instruments of RBC/CSR in the global supply chains [See Annex 2 for further information of the Project and the two international instruments.]

The outputs of this consultancy will constitute inputs for organizing an evidence-based policy dialogue and implement relevant capacity building activities in the Philippines in the context of this project.

Objectives and Scope of the Research

The proposed study for this research component of the Project will explore the possibilities of the RBC or the CSR practices in contributing to both economic and social upgrading in specific fruits or vegetable supply chains in the Philippines. It will do so by a) documenting relevant RBC/CSR cases in the country that achieved the upgradation of the double-bottom line (economic and social) in supply chains¹ (including those outside of the fruits and vegetable supply chains), and b) generating an in-depth knowledge of employment and labour issues in a selected value chain of fruits and vegetable sector in the Philippines along with the competitiveness and productivity issues. Note that the concept of CSR referred here is the ones defined by the European Commission (EC) and ILO, and not the philanthropic one. [See Annex 3 for the CSR definitions of the respective organizations.]

The first element of the study is the documentation of relevant RBC/CSR cases in the country. While there are many initiatives of RBC/CSR along the supply chains in the Philippines, few have been documented with objective evidences by the third parties in the socially responsible supply chain context this study is interested. Therefore, the study will review the objective evidences of social and economic upgrading done by the MNEs or the national lead firms of the supply chain addressing decent work deficits in the weakest parts of the supply chains.

These cases may exist outside of the fruit and vegetable sector, and even in the sector outside of agriculture. One popular topic of interests would be the “big brother-small brother partnership” scheme that has been promoted in the agriculture sector in the Philippines. Ideally, such an initiative would also touch upon simultaneously the broader issues of CSR such as environment, ethics, consumer interests (e.g., food safety and health benefits) and human rights. However, the prime interest of this study is social upgrading of the supply chains, addressing the decent work deficits that may exist in the supply chains.

The responsible business conduct cases may, as a possible variation, involve partnership with workers/trade unions, the government programmes, or a “tripartite mechanism” involving the employers, the workers and the government together especially when addressing the social responsibilities. For example, the Philippines has recently established a tripartite mechanism to monitor the labour conditions in the textile sector in the context of US GSP scheme.

It is also important to extract lessons learned from the cases, recognizing that many decent work deficits remain in the supply chains despite the decades of existence of the international standards, the national legislations, regulations and programmes, the CSR programmes by the businesses and the efforts by the trade unions and the civil society. The cases to be collected do not have to be good practices to extract lessons learned, but it is preferable if a couple of good practice cases are identified

¹ The case could also include the triple-bottomline approach of economic-social-environmental upgradation.

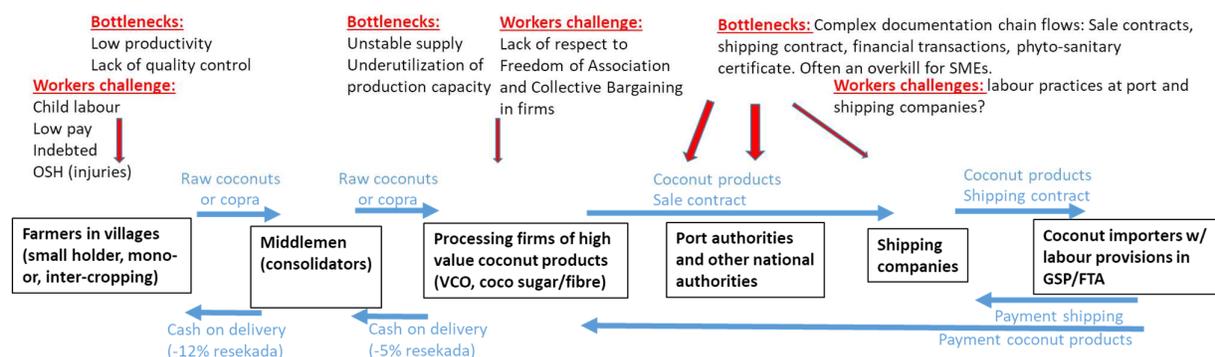
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from within the Philippines.

The case studies shall use the *“Value Chain Development for Decent Work”* of ILO (2015c) as an analytical framework. The framework brings our attention to the factors outside of the core value chain such as rule setting and enforcement as well as supporting functions from infrastructure and information to research & development function and skills training (see the diagram below). As such, it is an eco-system perspective. The diagram shall be used to highlight who took what action to influence the behavior of whom. This is expected to help identify key drivers of change of the behavior of the weakest parts of the supply chains such as small farmers and SMEs with decent work deficits. For the conceptual model diagram and the examples of its application is shown in Annex 7.

The second element of the study will analyze the employment and labour issues as well as the competitiveness and productivity aspects of a selected fruits/vegetable value chain. The study will draw from the findings of the value chain studies such as those of pineapple (ILO forthcoming-a) and the non-traditional coconut products (ILO forthcoming-b) in the Philippines as well as the growing knowledge base of similar case studies by the ILO globally. [See Annex 4 for the annotated bibliography of the relevant ILO studies and documents.]

More specifically, the study will construct a value chain map of a key commodity where the decent work deficits are analyzed along with productivity bottlenecks and competitiveness challenges at each step of the value chain. A special attention will be paid to the processes where decent work deficits are significant due to the existence of numerous small, often informal actors (i.e., farmers, SMEs and migrant workers), often as suppliers to the lead firms. The thematic areas to be covered on decent work deficits will be the ones included in the ILO MNE Declaration [see Annex 5].



[A preliminary value chain diagram with decent work deficits and productivity bottlenecks from ILO (forthcoming-b)]

The analysis will be the basis for the identification of the measures by the lead firms of the supply chain and/or the government to address the decent work deficits along the supply chains as per the guidance by the MNE Declaration. Preferably, it could constitute as part of business development strategies by the lead firm of the given supply chain, making a business case of addressing social issues. The recommended measures shall be informed by the best practices of RBC/CSR in the Philippines in influencing the behaviour of the farmers and SMEs to better comply the national and international standards of responsible labour practices. They shall also be informed by the state-of-the-art knowledge about the effective solutions on specific decent work deficits in the Philippines from the RBC/CSR case studies above-mentioned as well as the experiences in the compliance inspection and enforcement side. See Annex 6 on an example of the effective elimination of child labour in the country. This knowledge shall be updated through the discussion with the ILO team in the Philippines.

This research will take the form of action research, meaning that the study will be an output of a broader process of engagement with the enterprises operating in the fruit and vegetable sector of the Philippines as well as ILO constituents and other relevant actors. As such, it is critical to come up with actionable recommendations in the context of the ILO MNE Declaration as a voluntary code of

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conduct for the MNEs/the lead firms of the supply chains as well as for the Government. The study will provide an input for a high-level tripartite plus dialogue at the national level during which the findings and recommendations will be discussed. The outcome of the dialogue could possibly lead to a common understanding on the way forward and concrete actions to be implemented at the policy and enterprises level.

The study will list the actors and stakeholders who should be part of such a tripartite-plus dialogue process and how the project can be instrumental to match the existing national development and sectorial plans.

Given the nature of the value chain analysis and case studies, the study will NOT involve a quantitative survey but rely on the review of the secondary information and the interview of the key informants and a small number of value chain actors in each step of value chain through the snow ball sampling.

Key tasks and outputs

The consultant will implement the research in two phases: 1. Desk review and key informant interviews in Metro Manila; and 2. Field interviews and report writing.

Phase 1 – Desk review and key informant interviews in Metro Manila

During this phase, the relevant secondary data will be collected and reviewed, and key informants will be interviewed within Metro Manila in order to draft i) at least five (5) short cases of RBC/CSR that led to economic and social upgrading of the supply chains, ii) a preliminary value chain map including decent work deficits, competitiveness challenges and productivity bottlenecks among others, and iii) a preliminary field interview plan to complete the value chain analysis. The key informants to be interviewed shall include the ILO officials in Manila, the tripartite constituents of the ILO (DOLE, ECOP and relevant trade unions), the concerned industry association(s), the lead business organizations and academic centers on RBC/CSR, and the lead firms of the identified cases of RBC/CSR practices in social and economic upgrading of the supply chains. The key informant interviews shall be coordinated with the ILO team and to the extent possible be joined by the concerned ILO officials.

By the end of the phase, a) a mid-term report containing i), ii) and iii) above, and b) power point slides summarizing the key findings of the phase will be presented to the ILO and key stakeholders of the project. The field interview plan will remain preliminary and be evolving as the interviews in Phase 2 advance due to the snow balling sampling method to explore the value chain actors and key stakeholders around the value chain. The outcome of i) shall be shared at the policy workshop planned at the end of July 2019.

Phase 2 – Field interviews and report writing

Conduct semi-structured interviews with at least three (3) farmers/companies at each of the value chain step as well as the key informants of the “supporting functions” and “rules and regulations” of the value chain analysis diagram of the ILO. The minimum number of interviews at each step of value chain is indicative since a few interviews between sellers and buyers will usually verify the common information through triangularization. The field interviews are in principle of individual/company interviews, but may be supplemented by a focus group discussion as appropriate. The field interviews will be conducted in two continuous weeks to complete the interviews from the input suppliers to farmers to the exporters and retailers of the domestic market.

While the qualitative methodology would not allow the quantification of the engagement of the vulnerable groups in the analysis such as women, youth, migrant labour, people with disability (PwD)

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and those informally employed or the unpaid family labour, an estimated size of them shall be asked and reflected as the opinion of the informants in the analysis.

The refined value chain map and analysis will be presented to the ILO and key stakeholders to jointly identify possible interventions for social and economic upgradation of the value chain as the recommendations of the study. The report writing shall also include the refinement of the draft case studies of Phase 1 with ILO comments, which should inform the actionable recommendations for the social and economic upgradation of the selected value chain.

Deliverables

1. A mid-term report (15 pages) including i) draft cases of RBC/CSR for economic and social upgrading of the supply chains, ii) a preliminary value chain map including decent work deficits, competitiveness challenges and productivity bottlenecks among others, and iii) a preliminary field interview plan to complete the value chain analysis.
2. PPT presentation slides summarizing the mid-term report.
3. PPT presentation at the national policy workshop in Manila (end July).
4. PPT presentation slides summarizing the refined value chain map and analysis reflecting the findings of the field interviews for an internal review.
5. A final report (not more than 30 pages excluding annexure) that integrates all the work above.

Confidentiality Statement

All data and information received from ILO for the purpose of this assignment are to be treated confidentially and are only to be used in connection with the execution of these Terms of Reference (TORs). All intellectual property rights arising from the execution of these TORs are assigned to the ILO. The contents of written materials obtained and used in this assignment may not be disclosed to any third parties without the expressed advance written authorization of the ILO.

Duration of the assignment

The work will be carried out between 1 July and 30 September 2019 with the following proposed timeline. The assignment will include a presentation on the draft case studies of RBC/CSR at the national policy workshop in Manila scheduled at the end of July 2019. Draft final report should be submitted to the ILO by end August 2019 in order to provide sufficient time for review and revision by the end of the assignment period.

Contract Value and Payment

The Consultant will make an offer of the overall consultancy fee for this contract, including his/her travel costs for the field research trips to the target provinces and for participation in national tripartite policy workshop in Manila. The travel cost will be paid according to the standard UN rate. Up to 30% of the total cost of the contract may be paid in advance to cover the cost of fieldwork upon satisfactory acceptance by the ILO of the mid-term report including the preliminary field interview plan. The balance of the fee will be paid upon successful delivery of the final report and the presentation at the national policy workshop to the satisfaction of the ILO.

Administration, Reporting and Coordination

The contract for this assignment will be issued by the ILO Office in the Philippines. In the selection of the consultant, the Programme Manager of the Project will be involved together with the National Project Coordinator (NPC) for the Philippines and the ILO specialist who provides technical backstopping. The office space, equipment and other logistics arrangements in the course of the research will be organised and on the account of the consultant.

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The Consultant will report to the National Project Coordinator (NPC) of the Project in the Philippines, who will be liaising closely with the Programme Manager in the ILO regional office in Bangkok, the technical backstopping specialist of the ILO, and the ILO office in the Philippines.

Qualifications and experience

Given that the mixed areas of expertise required for this research are not commonly found in an individual expert, this call for proposal would strongly encourage proposals from the teams/consortiums of two to three experts who could jointly meet the following experience and skills so that the assignments of the TORs could be properly handled:

- Knowledge and understanding of the broad range of ILO's instruments/tools from the MNE Declaration and related labour standards to the decent work diagnostics, the value chain for decent work and the market systems (or M4P) approach.
- Experience in conducting economic and/or business assessment and sector reviews in the Philippines (the common value chains analysis).
- Experience in conducting analysis of decent work issues/deficits/indicators.
- Demonstrated ability to write analytical reports in English on the relevant topics.
- Knowledge and working experience with the fruits and vegetables sector proposed for the value chain analysis, especially the key export-oriented sectors.
- Ability to liaise responsibly with senior officials of the government and social partners.

Each of the experts must have:

- An advanced degree in development economics, social science, business management, labour laws and policies, or related field.
- At least five (5) years of experience in survey, research, data analyze and technical assistance/consultancy in socio-economic development.

Submission of proposal

The interested candidates must submit their proposal (technical proposal not exceeding five (5) pages plus detailed budget, resumes and other annexes to be attached)² to ILO with the following details:

- The understanding of the thematic issues discussed and the ILO's approach to the responsible supply chain.
- Preliminary identification of potential cases to be considered the RBC/CSR case studies for economic and social upgradation not necessarily limited to the fruits and vegetable sector.
- Preliminary identification of a specific value chain of commodity in the fruits and vegetable sector of the Philippines that has a strong export-led growth potential with justification of the selection. To avoid duplication, the commodity to be chosen should not be the same ones covered by the two forthcoming studies of the ILO in the Philippines.³
- Preliminary identification of key decent work deficits as well as key competitiveness challenges and productivity bottlenecks along the selected value chain.
- Preliminary discussion of the feasibility of addressing the decent work deficits through the initiatives by the MNEs or the national lead firms, and/or the government actions.⁴
- Methodology for undertaking the research, including preliminary key questions for the interviews; preliminary work plan and time line.
- Detailed budget estimates.

² The detailed budget, resumes and other annexes to be attached will not be counted as part of the maximum five page-length of the technical proposal.

³ It is possible to propose a commodity in the coconut value chain other than the three non-traditional export products covered by the forthcoming study of ILO, i.e., virgin coconut oil, coco sugar and coco coir products (ILO forthcoming-b).

⁴ For example, demonstrated commitment/interests by the MNEs/lead firms to tackle the decent work deficits in the supply chain, incentives for small farmers/SMEs to change their behaviour.

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- Demonstrated experience and capacity: describe why you are qualified to undertake this consultancy including the combined coverage of the areas of expertise required for the research by each of the proposed researcher/consultant.
- List of written/published evidence: similar research/consultancy work done and/or published in the Philippines and elsewhere.
- Resume of each of the experts to be engaged with clear months/years of assignments/work experiences by each employer/contractor.

All the documents listed in Annex 4 are available at the public websites of the ILO except for the forthcoming ones on pineapple and the non-traditional exports products of coconut in the Philippines. The two forthcoming studies of the ILO can be shared only with the shortlisted candidates.

All proposals must be submitted by **5:00pm (Manila time) of Monday , 10 June 2019** through emails to the following:

- National Project Coordinator of the Project at banez@ilo.org, with copy to
- Julius Panzo, Project Assistant at panzo@ilo.org, and
- Programme Manager of the Project at guacayan@ilo.org.

Proposal evaluation

All proposals will be evaluated on the following criteria:

- Good understanding of the thematic issues discussed and the ILO's instrument, approach and discussion on the responsible supply chain
- Qualifications of proposed experts and their combined coverage of the expertise required for the research
- Quality of technical proposal
- Estimated cost of the study
- Proposed timeline

Only shortlisted candidates will be contacted for interviews/ presentation of their proposal for final selection.

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Annex 1: ILO and the global supply chain debate

The International Labour Organization (ILO) is the United Nations specialized agency devoted to advancing opportunities for women and men to obtain decent and productive work in conditions of freedom, equity, security and human dignity. ILO's work is based on the premise that universal, lasting peace can be established only if it is based on social justice. The organisation's main objectives are to promote rights at work, encourage decent employment opportunities for all, enhance social protection and strengthen dialogue in handling work-related issues.

The ILO recognizes the important role played by multinational enterprises in the economies of most countries and in international economic relations. It also recognizes their enormous potential to contribute to the goal of decent work for all in today's globalized world. To guide and encourage their positive contribution to socio-economic development and minimize negative impacts of their operations, the ILO promotes the **Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (MNE Declaration)**. More specifically, global supply chains have created opportunities for suppliers to move to higher value activities and have enabled workers to access employment requiring a higher level of skills and offering better pay and conditions. Where employers are compliant with labour regulations and international labour standards, this enhances decent work in global supply chains. However, there are also ample examples where global supply chains lead to deficits in decent work.

In response to the rising interests on decent work in the global supply chain in recent years, the 105th session of the International Labour Conference in 2016 focused on the topic, and the ILO released the updated version of the MNE Declaration in March 2017. The ILO has been intensifying its activities (projects, programmes, research, etc.) to analyse the demands placed by global supply chains on the standards, framework and procedures advocated by the ILO to promote decent work at the enterprise, national, regional and global levels and also to ensure that ILO procedures are fit for purpose in the context of global supply chains. Please see Annex 4 for the most relevant research and documents of the ILO for the proposed research.

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Annex 2: About the Responsible Supply Chain in Asia Project

"*Responsible Supply Chains in Asia*" is a three-year project (hereinafter "the Project") conducted by the International Labour Organization (ILO) and the Organization for Economic Co-operation and Development (OECD) with support of the European Union (EU). The objectives of the Project are: i) promote smart, sustainable and inclusive growth by ensuring that investors and businesses have a better understanding and practical examples of responsible behaviour; ii) create policy environments conducive to promoting responsible conduct, and; iii) increase opportunities for dialogue on challenges and opportunities. The Project covers six Asian countries: China, Japan, Myanmar, the Philippines, Thailand and Vietnam.

The Project aims to contribute to an enhanced respect for labour, environment and human rights standards by businesses engaged in supply chains in Asia in line with international instruments on Corporate Social Responsibility (CSR), Responsible Business Conduct (RBC), and Business and Human Rights. This initiative is one of the expressions of the EU's long-standing commitment to promote human rights, decent work and sustainable development, a pledge underpinned by the EU Treaties and reinforced in the European Commission's trade policy strategy of 2015 "*Trade for All*". It falls in particular under the Commission's commitment to *identify opportunities for responsible supply chain partnerships* and the *EU's strategic approach to responsible business conduct*, which is based on internationally agreed principles and guidelines.

The Project takes special guidance from the **ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (ILO MNE Declaration** – see Annex 5 for more details) and the **OECD Guidelines for Multinational Enterprises (the OECD Guidelines)**. These international standards and frameworks have been converging, increasingly cross-referencing each other, and the ILO's 1998 Declaration on Fundamental Principles and Rights at Work⁵ has been mainstreamed into its MNE Declaration as well as other international standards. Having the fundamental principles and rights at work⁶ in the core, the MNE Declaration promotes principles directed to governments and enterprises, respectively, on the broad topics of employment, training, conditions of work and life, and industrial relations. These two documents stand as the main international instruments on RBC/CSR in the global supply chains. Note that these are "voluntary" codes of conduct.

The Project was met with acute interests by the national stakeholders against the backdrop of the rising scrutiny on social, environmental and human rights issues along the supply chains including, among others, the expanding Free Trade Agreements (FTAs) with the social, environmental and human rights provisions. These are combined with the dynamic restructuring of the global supply chains amidst the Fourth Industrial Revolution and the trade frictions. All these will have tremendous impacts on the future course of socioeconomic development in these Asian nations tightly interconnected in the global supply chains. Needless to say that one of the most important impacts will be on the job creation and decent work scenario through value chain development and trade, a top agenda of the Government of the Philippines and other countries in the region.

The specific objectives of the ILO component of the Project in the Philippines are the following:

- Foster understanding and knowledge of investors, businesses, CSOs and policy makers on CSR/RBC from the perspective of decent work

⁵ It is a statement made by the ILO "that all Members, even if they have not ratified the Conventions in question, have an obligation arising from the very fact of membership in the Organization to respect, to promote and to realize, in good faith and in accordance with the Constitution, the principles concerning the fundamental rights which are the subject of those Conventions".

⁶ The eight conventions covering the following four subjects are considered as fundamental principles and rights at work: i) freedom of association and the effective recognition of the right to collective bargaining; ii) the elimination of all forms of forced or compulsory labour; iii) the effective abolition of child labour; and iv) the elimination of discrimination in respect of employment and occupation.

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- Create a policy environment conducive to promoting the CSR/RBC in line with the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (MNE Declaration).
- Increase opportunities for dialogue by businesses on challenges and opportunities in the realisation of CSR.

Research is the first of the four components of the Project – other three being outreach through technical seminar and conferences, policy advocacy through social dialogues and training. The outcome of the research will inform the subsequent components, hence a key activity of the Project.

The agriculture and food commodity had been selected as the focus sector for the Philippines through prior consultation with the ILO constituents. Further focus on the fruit and vegetable sector has been developed by the ILO team considering its significance in production, employment and trade with a good opportunity for growth and decent job creation.

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Annex 3: CSR definitions of EU and ILO

The European Commission definition

The Commission has defined CSR as the responsibility of enterprises for their impact on society. CSR should be company led. Public authorities can play a supporting role through a smart mix of voluntary policy measures and, where necessary, complementary regulation. Companies can become socially responsible by: a) following the law; and b) integrating social, environmental, ethical, consumer, and human rights concerns into their business strategy and operations.

The Commission promotes CSR in the EU and encourages enterprises to adhere to international guidelines and principles. The EU's policy is built on an agenda for action to support this approach. It includes: 1. Enhancing the visibility of CSR and disseminating good practices; 2. Improving and tracking levels of trust in business; 3. Improving self and co-regulation processes; 4. Enhancing market rewards for CSR; 5. Improving company disclosure of social and environmental information; 6. Further integrating CSR into education, training, and research; 7. Emphasising the importance of national and sub-national CSR policies; and 8. Better aligning European and global approaches to CSR.

To evaluate the CSR strategy, the Commission launched a Public Consultation on CSR 2011-2014: achievements, shortcomings, and future challenges in 2014.

[Source: Corporate Social Responsibility (CSR) - Internal Market, Industry, Entrepreneurship and SMEs - European Commission http://ec.europa.eu/growth/industry/corporate-social-responsibility_en]

ILO definition

The ILO defines CSR as a way in which enterprises give consideration to the impact of their operations on society and affirm their principles and values both in their own internal methods and processes and in their interaction with other actors. CSR is a voluntary, enterprise-driven initiative and refers to activities that are considered to exceed compliance with the law.

The ILO can play an important role in CSR because labour standards and social dialogue are key aspects of CSR and this is the core business of the ILO. Most CSR initiatives, including codes of conduct, refer to the principles deriving from international labour standards, developed by the ILO. ILO Conventions, when ratified at the national level become binding on governments and those governments must adopt legislation to implement them. Whilst not binding on enterprises, the principles derived from ILO Conventions can act as a guide for enterprises' behaviour. The ILO plays a role by helping to promote dialogue between governments, workers' and employers' organizations and by providing assistance and tools to better understand the labour dimension of CSR.

[Source: The ILO and Corporate Social Responsibility (CSR) – ILO Helpdesk Factsheet No. 1]

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Annex 4: Annotated bibliography of the relevant ILO studies and documents on the responsible supply chains

ILO (2014) Engaging multinational enterprises on more and better jobs: The ILO approach to responsible global business - Sustainable Enterprises.

When formulating corporate social policies, companies tend to look for guidance to global instruments based on international standards and universally accepted principles. On labour issues, ILO's core labour standards and the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (ILO MNE Declaration) are widely accepted as the most authoritative reference point for both public and private social responsibility initiatives. The ILO MNE Declaration provides the most comprehensive global guidance available for governments and enterprises on social policy.

ILO (2015a) Multinational enterprises, development and decent work: An annotated bibliography on the application of the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy.

This annotated bibliography provides a succinct overview of the significant amount of research, analysis, and guidance documents on the activities of multinational enterprises (MNEs) that has been published by the ILO and others from 2005 to 2015. The publication presents a solid collection of works relevant to the ILO MNE Declaration and provides a range of information on labour and employment issues to parties interested in translating the principles of the Declaration into action.

ILO (2015b) "Study 3: Good practices by multinational enterprises in the promotion of decent work in the global tea supply chain" in *Sectoral studies on decent work in global supply chains: Comparative analysis of good practices by multinational enterprises in promoting decent work in global supply chains*.

As input into the ILC discussion in 2016, the ILO conducted studies of good practices by multinational enterprises (MNEs) for the promotion of decent work in four different sectors of the economy: chemicals, logistics, tourism and tea. This report comprises a comparative analysis of good practices by MNEs in the four sectors to help understand constituents' capacity-building needs and identify potential areas for future work.

ILO (2015c) Value chain development for decent work: How to create employment and improve working conditions in targeted sectors.

The second edition of the Value Chain Development for Decent Work Guide has been reinforced with an emphasis on moving from analysis to action and expanded guidance on design and implementation of value chain development interventions. New and improved tools for sector selection and value chain analysis have been mainstreamed in this guide as a result of several years of learning from practical experiences in the field.

ILO (2016a) Global supply chains: Insights into the Thai seafood sector.

By illustrating key economic trends, decent work challenges and public and private governance mechanisms in the Thai seafood GSCs, the case study presented in this paper is an example of how social upgrading is not always tied to economic upgrading, if governance gaps persist.

ILO (2016b) Global supply chains in the food industry: Insights from the Asia-Pacific region.

Increasingly, local food markets supplied by small farmers are being replaced by global supply chains (GSCs) dominated by lead retailers, most of them based in developed countries. Workers employed by suppliers often work in low-paid, insecure and only semi-skilled jobs. To stimulate improvements in participant firm productivity, thereby promoting decent work, it is important to understand the salient features and dynamics of food GSCs, including how these are governed.

ILO (2016c) Formalization of SMEs in supply chains in Latin America: what role for multinational enterprises?

Small and medium-sized enterprises (SMEs) play a major role in the world economy. However, many of the SMEs tend to operate in the informal economy, thus reducing their potential

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for growth and access to productive assets and limiting the benefits of social protection for their employees. Recent experience in Latin America has shown that multinational enterprises (MNEs) are increasingly undertaking initiatives to support SMEs in their value chains, as supplier or distributors of either goods or services. These initiatives are undertaken as part of their corporate social responsibility (CSR) and sustainability policies and focus on improving their managerial skills, product or service quality and use of technology.

ILO (2016d) Multilateral approaches to Global Supply Chains.

This comparative desk study examines how other key multilateral organizations approach the topic of Global Supply Chains (GSC) in order to help define the comparative advantage/added value of the ILO.

ILO (2017a) Creating shared value in the Dominican Republic Banana industry: A market systems analysis of plantation business performance and worker wages.

This study provides insight into business models for banana plantations in the Dominican Republic, with the aim of identifying concrete opportunities to improve commercial performance in a way that drives wage growth. In the market system - a network of interconnected, interdependent players whose actions determine whether or not business models succeed – plantations face an array of constraints to improving their performance. This includes vulnerability to crop disease and drought, insufficient R&D and technological innovation, lack of value addition, volatile market demand and – most importantly – the low retail price of bananas. However, the most feasible constraint to address to create value for workers is low labour productivity.

Transforming productivity, however, will be no easy task. With a majority migrant labour force and with the industry still in relative infancy compared to regional competitors, plantation bottom lines are being squeezed by downwards pressure on prices, and a changing regulatory environment. Some plantations operate a low-input-low-output model, maximizing profits by keeping costs to a minimum and limiting investment in long-term human resource development. While labour supply is plentiful, sub-optimal task completion, inefficient production and export rejections can result in lost revenues reaching high six-figures.

Addressing these challenges requires a portfolio approach to overcome multiple, connected constraints: Workers lack the necessary soft skills - especially teamwork and communications – to be more productive; current plantation performance-incentive schemes are not fully understood by workers and are not effective motivating factors; and plantation management and supervision systems are not maximizing worker potential.

ILO (2017b) Food and agriculture global value chains: Drivers and constraints for occupational safety and health improvement.

The *Joint International Labour Organization (ILO) – European Union (EU) project to improve knowledge base and safety and health in global supply chains (GSCs) to support G20 work on safer workplaces* was developed by the two organizations under the OSH GAP Flagship programme. The project aimed to gather evidence on ways to approach OSH within the GSC discussion and possible entry points to build intervention models for the improvement of OSH in GSCs. From that perspective, the project sought to understand the dynamics at play in GSCs with a view to identifying drivers and constraints for OSH improvements, should these lie within specific business relationships in the supply chain or within institutional and policy environments in sourcing and consumer countries.

ILO (2017c) Multinational enterprises and inclusive development: Harnessing national social dialogue institutions to address the governance gap.

The study contains many interesting findings that confirm the existence of opportunities for positive development, as well as numerous obstacles, for national social dialogue institutions to engage on and with MNEs. The paper presents some examples of national social dialogue institutions advancing the principles of the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, and also areas where they could potentially become engaged.

ILO (2017d) The Role of Multinational Enterprises in the Promotion of Decent Work in Rural Areas.

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Large enterprises – whether multinational or domestic – have a crucial role to play in direct and indirect employment creation and skills development in rural areas, as well as the respect of rural workers’ rights. This policy guidance note addresses how the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (MNE Declaration) can provide guidance on these issues.

ILO (2017e) Tripartite declaration of principles concerning multinational enterprises and social policy (MNE Declaration) - 5th Edition

The MNE Declaration is the only ILO instrument that provides direct guidance to enterprises on social policy and inclusive, responsible and sustainable workplace practices. It is the only global instrument in this area that was elaborated and adopted by governments, employers and workers from around the world. It was adopted close to 40 years ago (amended in 2000 and 2006) and revised in 2017. Its principles are addressed to MNEs, governments, and employers’ and workers’ organizations and cover areas such as employment, training, conditions of work and life, and industrial relations as well as general policies. All principles build on international labour standards (ILO conventions and recommendations). The MNE Declaration facilitates outreach and understanding of the Decent Work Agenda in the private sector.

ILO (2017f) Workplace Compliance in Global Supply Chains.

The aim of the study on workplace compliance is to map and analyse some of the governance mechanisms engaged in global supply chains, and to encourage collaboration between stakeholders to develop a culture of compliance.

ILO (forthcoming-a) Economic and social upgrading in the Philippines’ pineapple value chain.

This is a qualitative case study, which considers the interplay between economic and social upgrading, with specific focus on changes in employment numbers, terms and core labour rights. The analysis concentrates on the production and first handler tiers of the value chain for pineapples in the Philippines. The lens is largely focused on the contract and casual work situations, as well as agribusiness venture arrangements (AVA) for land lease and contract growing, where work can be particularly onerous. It draws on a variety of data sources to answer the key questions of how and why the terms of work have changed within production segments of these value chains. Findings suggest steady economic upgrading within the local value chains, but evidence of social upgrading is minimal, particularly for growers and contract workers. There instead appears to be segmented and uneven social upgrading at local levels. Working conditions and terms have improved for regular workers with secure jobs, however, they remain a small minority of the overall value chain work force. In contrast, the vast majority of the workforce are contract labourers and informal workers, who have seen little improvement, remaining precarious, and poorly remunerated.

ILO (forthcoming-b) The three non-traditional coconut products value chain analysis and design of value chain models.

This is the first value chain study in the Philippines that intends to integrate the analysis of decent work deficits along the export agriculture value chain into the economic and productivity analysis of the value chain in the context of the advancement of the free trade agreements (FTAs) and preferential trade agreements (PTAs) such as the GSP+ which include the labour provisions. The study applied the analytical framework of the value chain development for decent work of the ILO (2015c) and looked into the three non-traditional export products: virgin coconut oil, coco sugar and coco coir/peat.

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Annex 5: The MNE Declaration

The **Tripartite declaration of principles concerning multinational enterprises and social policy** (MNE Declaration) is the ILO instrument that provides direct guidance to enterprises on social policy and inclusive, responsible and sustainable workplace practices. The aim of this Declaration is to encourage the positive contribution which multinational enterprises can make to economic and social progress and the realization of decent work for all; and to minimize and resolve the difficulties to which their various operations may give rise. These principles do not aim at introducing or maintaining inequalities of treatment between multinational and national enterprises. They reflect good practice for all. Multinational and national enterprises, wherever the principles of the MNE Declaration are relevant to both, should be subject to the same expectations in respect of their conduct in general and their social practices in particular.

Its principles are addressed to MNEs, governments of home and host countries, and employers' and workers' organizations and cover areas such as employment, training, conditions of work and life, and industrial relations as well as general policies.

1. General policies

2. Employment

- Employment promotion
- Social security
- Elimination of forced or compulsory labour
- Effective abolition of child labour: minimum age and worst forms
- Equality of opportunity and treatment
- Security of employment

3. Training

4. Conditions of work and life

- Wages, benefits and conditions of work
- Safety and health

5. Industrial relations

- Freedom of association and the right to organize
- Collective bargaining
- Consultation
- Access to remedy and examination of grievances

The guidance is founded substantially on principles contained in international labour standards (ILO conventions and recommendations listed in Annex I of the instrument), and on obligations that States have through their ILO membership and following their ratification of ILO conventions.

The MNE Declaration highlights the importance of the rule of law, law enforcement and social dialogue and recalls that all parties should respect workers' rights and contribute to the realization of the fundamental principles and rights at work. It emphasizes the importance of dialogue and consultations among the different parties to ensure inclusive, sustainable, responsible business behaviour of MNEs in host countries and compatibility with national development objectives and policies. It encourages home and host country governments of MNEs to engage in consultations with each other as well as with their enterprises on social and labour policy.

The MNE Declaration is the only global instrument in this area that was elaborated and adopted by governments, employers' and workers from around the world. Adopted by the Governing Body of the ILO at its 204th session (Geneva, November 1977), the instrument was amended several times. It was last amended in March 2017 following a tripartite review process to respond to new economic realities and to take into account developments since the last update in 2006. These developments included new labour standards and policy outcomes adopted by the International Labour Conference, the Guiding Principles on Business and Human Rights endorsed by the Human Rights Council in

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2011, and the adoption of the 2030 Agenda for Sustainable Development.

The revision has enriched the MNE Declaration by strengthening and adding principles addressing specific decent work issues related to social security, forced labour, transition from the informal to the formal economy, wages, safety and health, access to remedy and compensation of victims. And by outlining the different roles that different actors have in achieving the aim of the MNE Declaration, aligned with the Guiding Principles on Business and Human Rights: Implementing the United Nations “Protect, Respect and Remedy” Framework.

To stimulate the uptake of the principles of the MNE Declaration by the various parties, the Governing Body has also adopted a number of operational tools that are listed in Annex II of the MNE Declaration. The MNE Declaration is influencing and guiding policies of international and regional organizations, national governments, multi-stakeholder initiatives as well as policies and codes of enterprises of all sizes.

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Annex 6: SHIELD Fact Sheet

The SHIELD initiative of the Department of Social Welfare and Development (DSWD) in collaboration with the ILO has been able to effectively eliminate child labour in selected barangays leading them to declare “child labour-free barangay”. The Department of Labor and Employment (DOLE) is replicating a similar initiative.

What is SHIELD against Child Labour?

SHIELD or Strategic Helpdesks for Information, Education, Livelihood and other Developmental Interventions is a project that aims to help reduce the incidence of child labour, particularly its worst forms.

What are the SHIELD components?

1. Establishment of an operational Local Child Labor Local Registration System
2. Strengthening of local mechanisms for convergence of services for child laborers and their families through the establishment of a Barangay-based Help Desk
3. Increasing the awareness and capacities of child laborers, their families and duty-bearers

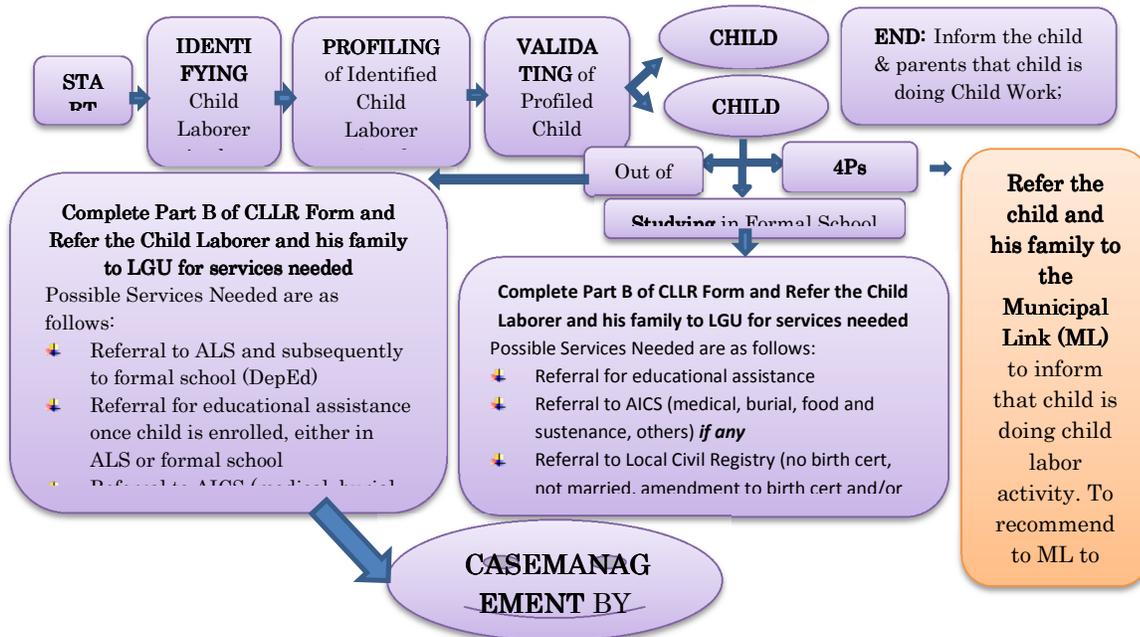
Who are the target clients?

- Children engaged in Worst Forms of Child Labor (WFCL)
- Family of children engaged in child labour
- Pilot communities
- Local Government Units (LGU) and other local stakeholders
- Employers including financiers, hacienderos, contractor, etc.

Where are the pilot areas?

- Region IV-A : Catanauan, Quezon (3 Barangays)
- Region V: Labo, Paracale and Jose Panganiban, Camarines Norte (6 Barangays)
- Region VIII: Kananga and Ormoc City, Leyte (2 Barangays)

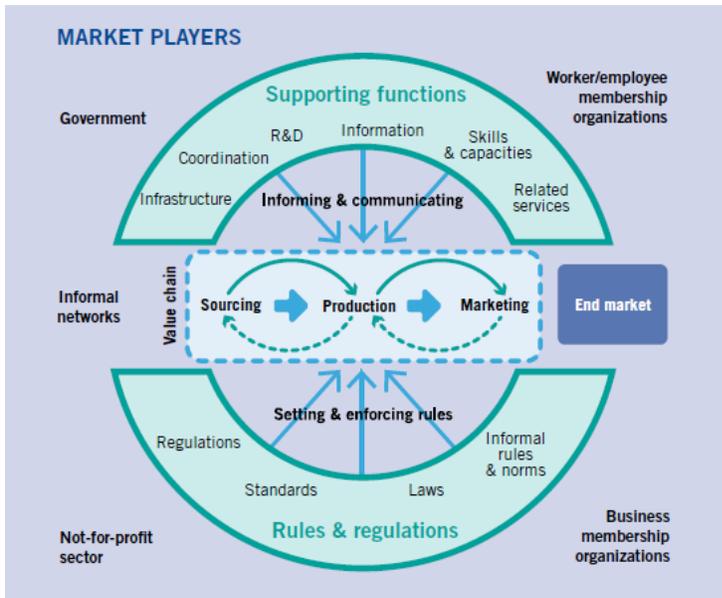
What is the process flow for the profiling of children engaged in child labor?



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Annex 7: The value chain analysis diagram of ILO and an example of its application

The conceptual model diagram



A case of the analysis of the banana plantation in the Dominican Republic from ILO (2017a)

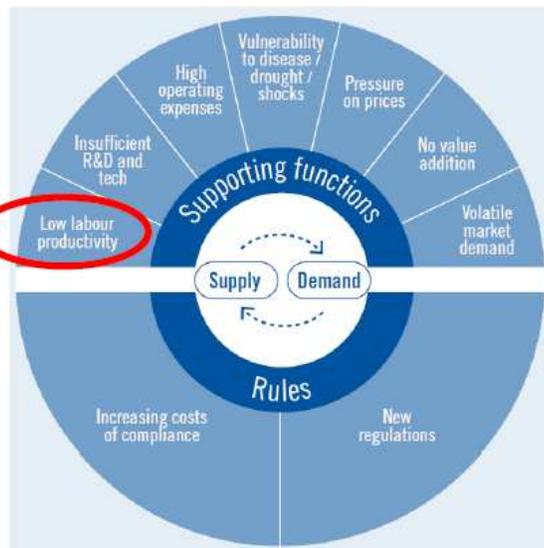
Step 1: What's constraining the Plantations?

How do these constraints relate to improving worker wages?

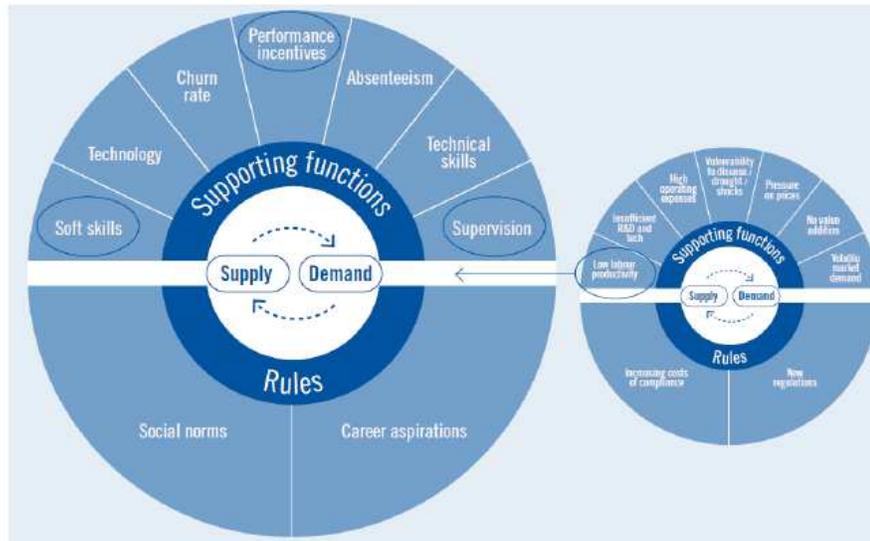
Relevance: High - worker output is directly related to base wages and variable pay

Feasibility: Medium - improving productivity presents particular contextual challenges related to soft skills and language

Opportunity: High - productivity improvement schemes could put cash directly in the pocket of workers

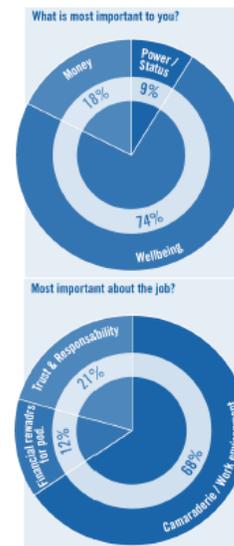


Step 2: Dig deeper (to the root cause)!



Step 3: Find the incentives to drive change

- Workers did not make the connection between the Fairtrade Premium pay-out and productivity.
- Fairtrade Premium pay-out largely flexible in terms amount to be paid-out as cash-bonus and payment intervals
- **Some evidence of incentive schemes** which anecdotally incurred productivity improvements, but largely absent – perhaps due to a **lack of understanding of worker motivations**.
- ...From all of this, 'win-win' interventions can be targeted, tested, improved and scaled!



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