

# Trade Capacity Building:

## Case Studies:

### Asian Countries



#### **Situation Before**

Corporate social responsibility requirements are perceived as a threat by exporting small and medium-sized enterprises (SMEs) in developing countries. They fear that the cost of meeting the social and environmental criteria stipulated by global buyers and supply chains will mean losing competitive edge in international markets.

At the same time, however, they must comply with these requirements if they are to access new foreign markets. UNIDO therefore decided to explore the question of what support could be given to SMEs in developing countries to help them overcome this dilemma.

UNIDO's experience with the "Triple Bottom Line" (TBL) approach in Cleaner Production (CP) projects pointed to a likely solution.

When industries adopt a TBL approach, they pay attention not only to profitability but also to environmental and social concerns. TBL was crafted to suit SMEs, pinpointing opportunities for improving the environmental and social impact of their activities, which would not only help them to meet corporate social responsibility requirements, but also lead to better financial performance by reducing costs.

## **Situation After**

To test the TBL approach in this context, UNIDO undertook a demonstration project in four Asian countries: India, Pakistan, Sri Lanka and Thailand. The aim was not to establish a process by which SMEs would follow a particular code and obtain some sort of certification. Rather, a generic assessment system was developed, based on the method of assessing CP performance that is designed to bring about continuous improvement. A simple system was worked out for monitoring progress and generating compliance reports for presenting to international buyers. National technical institutions (such as national CP centres) in the countries concerned were helped to build their TBL capacities through training and on-the-job experience, to help ensure that TBL efforts would be sustained.

## **Concrete Results**

- The project demonstrated that SMEs can improve their environmental and social performance (especially regarding labour practices), leading to better financial outcomes, thanks to reduced costs as well as international export orders
- Results strongly suggest the TBL approach should be promoted on a much wider scale than was possible in this demonstration project
- The software programme Responsible Entrepreneurs Achievement Programme (REAP), being developed as a tool to support SMEs in their TBL efforts, will be offered as a practical and effective tool for use in new TBL projects

## **Donors**

UNIDO Technical Cooperation Funds