

Greening the Supply Chain (GSC)

Location: Indonesia, Malaysia, Vietnam, India, Philippines, Thailand

Type: Technical support for increased energy and water conservation

Size: 3,000 suppliers

Funding: Total: US\$1,300,000
Private (in-kind estimated): US\$1,000,000
Public: US\$300,000
(for 1997-2001)

Objective: To achieve energy and water conservation in small- and medium-sized enterprises.

Duration: 1994–present

Scale: Urban

Summary

GSC is a tool and a process that allows corporations to reach out to small- and medium-sized enterprise suppliers to improve environmental practices and to identify energy and water conservation opportunities. The GSC has led to improved environmental conditions and more efficient use of scant natural resources. Improved product quality, increased productivity, and involvement and participation of top management in environmental matters have also resulted from the program.

In-Country Principles That Attracted Nondonor Financing

- Capacity-building and informed decision making
- Public participation in, and support of, sustainable development

Capacity-building activities that helped promote commercialization and attract private financing included the formation of a management team independent of the govern-



ment, improved cost recovery, and installation of management information systems. Informed decision-making activities that helped increase the awareness, knowledge, and skills of sector professionals included awareness and educational workshops for decision makers, skills-oriented training for decision makers and staff, stakeholder partnerships and exchanges, dissemination of best practices, and increased knowledge in the management of private-sector involvement. Increased public access in support of sustainable development included programs in professional training and citizen education, institutionalizing sustainable education and communication programs, and monitoring strategies to measure the impacts of these programs.

Financing

From 1997 to 2001, total project investment is estimated at US\$1,300,000. During that time, the United States-Asia Environmental Partnership (US-AEP) awarded approximately US\$300,000 in grants, which leveraged matching resources amounting to roughly US\$1,000,000. Although the contributions of private-sector companies were not shared with the project sponsors (US-AEP and US Agency for International Development [USAID]), the following companies are illustrative GSC champions: United Technologies Corporation, Ford Motor Company Philippines, Nestle, Philippines Shell, Unilab, and the Philippine National Oil Company.

Implementing environmental controls and environmental management systems (EMSs) can be prohibitively expensive for small enterprises. Several companies and corporations are helping reduce those barriers by providing subsidized loans or other financial support. A continuing benefit of the project is its ability to leverage extensive partner resources from much smaller amounts of project funds.

The Project

Supply-chain management refers to the process by which buyer companies require a certain level of environmental performance from their manufacturing partners and vendors. When a company imposes environmental conditions on the products and processes of its suppliers, it is called GSC.

Companies participating in GSC leverage scant resources to reach small- and medium-sized enterprises in developing countries to increase energy and water conservation and improve environmental practices. Through various environmental and cost-saving initiatives, including “green” procurement, enhancing regulatory environmental compliance, and

implementing an EMS, private-sector companies are starting to work on environmental initiatives with their suppliers to “green their supply chain.” In the process, many of these companies have found that GSC not only generates significant environmental benefits, but also offers opportunities for cost containment, enhanced quality, and strategic and competitive advantage.

The project identifies corporations who champion the values of GSC, collaborates with US and Asian companies to create environmental outreach programs with suppliers, and delivers technical assistance and training to Asian industry associations that provide expertise to small- and medium-sized enterprise supplier companies on environmental protection and energy and water conservation.

Increases in efficiency, competitive advantages through innovation, improved product quality, and improved public images resulting from the program have benefited industrial, commercial, and utility sectors.

Technical Data

The International Organization for Standardization (ISO) 14001 EMS and various supplier environmental management activity protocols have been used extensively in this project. These include outreach, education, and training to identify water and energy conservation opportunities.

Performance Data

To date, more than 3,000 suppliers (mostly small- and medium-sized enterprises) were reached that could not have been reached without the program. A typical example is a case in which one GSC company visited six industrial supplier sites ranging in size from tiny enterprises with four employees to enterprises with several hundred employees. The visits helped identify energy and water conservation measures that provided opportunities to save money and improve industrial environmental performance.

Dollar savings that result from energy audits at sites vary, but generally average 5 to 10%.

Improved environmental protection, resource efficiency, and water and energy conservation have had positive though unquantified impacts on surrounding communities.

Participants and Roles

US-AEP and USAID have sponsored the program, completing several discrete GSC activities in India, Malaysia, the Philippines, Indonesia, Thailand, and Vietnam. Many private-



sector companies have provided financial and in-kind support to improve the environmental standards of small- and medium-sized enterprises.

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