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# MEKONG SUSTAINABLE MANUFACTURING ALLIANCE

The Alliance, implemented by the Institute for Sustainable Communities (ISC) in partnership with ELEVATE and the Asian Institute for Technology (AIT), uses a market-driven approach to strengthen sustainable and competitive manufacturing by engaging the private sector, catalyzing market forces, and advancing innovative regional initiatives that will increase the adoption of Environmental, Social and Governance (ESG) standards.

The program will improve the health, livelihoods, and well-being of vulnerable populations, foster sustainable economic growth, and achieve greater development outcomes in the Mekong region. Aligned with the U.S. Indo-Pacific framework, The Alliance will unlock private enterprise-led growth and improve the management of natural resources.

Factories in the Mekong are at a crossroads, facing a choice between adopting ESG best practices that will increase sustainability and make them more competitive in the international market, or employing lower-cost but ultimately counterproductive practices that compromise natural resources, the health and safety of factory workers, and the well-being of surrounding communities. The Alliance addresses the critical and increasingly urgent need to transform ESG practices in the Mekong manufacturing sector. These efforts will help avert the harmful environmental and social impacts resulting from the rapid industrial growth model actively promoted by other countries.

## **INCREASING ADOPTION OF ESG STANDARDS BY MANUFACTURERS**

The Alliance consists of two mutually reinforcing outcomes. To drive manufacturers' adoption of ESG standards in Cambodia, Thailand, and Vietnam, the Alliance will engage hands-on with factories, leveraging brands' purchasing power to incentivize ESG improvements, building manufacturers' capacity to undertake such improvements, and increasing their access to finance. The learnings and momentum generated by this outcome will feed into the regional ESG actions catalyzed in the second outcome—promoting regional competitiveness and creating a larger ecosystem supporting continuous improvement by participating manufacturers.

As the manufacturing sector in Cambodia, Thailand, and Vietnam grapples with how to remain competitive and sustainable in the face of rising labor costs and increasing natural resource fragility, the need for ESG across the region is even more critical. The Alliance seeks to support regional initiatives and entities, and facilitate the development of new partnerships and programs where possible, to strengthen regional manufacturing synergies and the ecosystem advancing ESG adoption to make Mekong manufacturing more sustainable and competitive.

ESG interventions generate a positive return on investment, not only by enabling manufacturers to meet global buyers' sourcing standards, but also by lowering operating costs and/or increasing productivity. The manufacturing sector has tremendous potential to set the region on a sustainable development path if obstacles blocking manufacturers' adoption of ESG best practices can be removed. These obstacles include manufacturers' limited awareness and understanding of the positive Return on Investment (ROI) that ESG investments generate, their lack of knowledge and skills required to execute ESG improvements, and their inability to access finance.

Grounded in this value proposition, The Alliance will facilitate the provision of ESG incentives (e.g., the power of brands' supplier standards and purchasing commitments) while removing ESG barriers (e.g., manufacturers' limited knowledge and skills and their inability to access finance). This powerful, multi-pronged approach will catalyze market-driven choices by factories to improve their ESG performance, ensuring the expansion and sustainability of program impact. Moreover, it will enable manufacturers to access and compete in the global marketplace, thus fostering the region's economic growth and supporting its journey to self-reliance.

## **CONTACT INFORMATION**

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