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Policy Brief

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Unlocking the Strategic Potential of Environmental and Social Standards in Central Asia's Agri-Food SMEs

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Key message

Environmental and Social Standards (ESS) are formal frameworks that guide enterprises in adopting environmentally sustainable practices and ensuring social responsibility across their operations and value chains. Evidence from dried fruit and nut processing SMEs in Central Asia (CA) shows that ESS can enhance economic, environmental, and social performance. However, their impact is not automatic. However, the benefits depend on firms' ability to integrate ESS into internal operations and capabilities, supported by institutional incentives, and reinforced by long-term external assistance.

What is the issue?

Despite growing global demand for sustainably certified food products, many dried fruit and nut processing SMEs in CA face difficulties in accessing high-value international markets. A key barrier is the perceived complexity and cost of adopting ESS, including organic and fair trade certification. For SMEs with limited managerial capacity, financial resources, and knowledge of export requirements, certification can represent a substantial burden. Furthermore, existing certification support is often short-term and donor-driven, with limited focus on building lasting internal capabilities. As a result, SMEs may struggle to maintain ESS-related practices after external support ends, limiting opportunities for sustained market access, environmental improvements, and better labor practices.

Research approach

This policy brief is based on a comparative case study of six dried fruit and nut processing SMEs in Kyrgyzstan, with different levels of experience with ESS certification: i) Individually certified private SMEs, ii) Group-certified cooperatives, and iii) Non-certified SMEs. The research investigates how ESS adoption affects firm performance across three dimensions: economic, environmental, and social. Data were collected through semi-structured interviews, field visits, and internal documentation analysis. The study further examined the mechanisms through which ESS contributes to firm upgrading and the factors that constrain these benefits. Given the small number of cases, the findings identify in-depth patterns and mechanisms rather than statistically representative effects across the wider SME sector.

Key findings

Overall, individually certified SMEs showed the strongest economic and social performance, while group-certified cooperatives demonstrated the strongest environmental performance. Non-certified SMEs performed comparatively weakly across all three dimensions, suggesting that certification can support upgrading, but that the type of certification and the capabilities surrounding its implementation shape the benefits achieved.

	Economic Performance	Environmental Performance	Social Performance
Individually certified SMEs	**Strong** • Implemented traceable sourcing systems and written procurement protocols • Established trust with international buyers • Secured price premiums and long-term export contracts	**Moderate** • Eliminated chemical inputs to meet organic certification • Focused on compliance over holistic environmental management	**Strong** • Improved hygiene, HR policies, and structured labor practices • Infrastructure investments benefiting employees and communities
Group-Certified Cooperatives	**Moderate** • Improved coordination with farmers through training and documentation • Limited export readiness due to lack of managerial capacity and short-term donor support	**Strong** • Promoted composting, organic inputs, and sustainable harvesting • Internal monitoring enabled collective ecological practices	**Moderate** • Knowledge-sharing among producers • Persistent informal labor practices • Gender imbalances in governance structures
Non-Certified SMEs	**Weak** • Relied on informal sourcing and low-cost production • No formal buyer relationships or export capacity	**Weak** • Depended on minimal compliance with state rules • No internal initiatives or monitoring of sustainability practices	**Weak** • No formal contracts or labor protections • Minimal attention to workforce well-being or community engagement
Color indicators: Strong / Moderate / Weak			

Policy recommendations

For National Policy Makers:

- **Prioritize low-cost measures that reduce administrative barriers:** Develop standardized guidance, checklists, and templates for ESS-related documentation, traceability, seasonal labor contracts, and export requirements. Make these resources available through existing government and SME-support structures.
- **Integrate ESS into Kyrgyz national agricultural and export services:** Equip existing agricultural extension, SME-support, and export-promotion services to provide basic guidance on certification requirements and connect SMEs with accredited certification bodies.
- **Improve coordination of ESS-related information and support:** Designate focal points within relevant public agencies to coordinate information on certification, food safety, labor requirements, and export procedures and direct SMEs to appropriate services.
- **Align relevant national requirements with international standards:** Review agricultural, food-safety, and SME regulations to identify opportunities for closer alignment with internationally recognized standards, reducing duplication and simplifying compliance for export-oriented SMEs.
- **Introduce targeted financial incentives where resources permit:** Consider partial support for certification and renewal costs or tax deductions for eligible ESS-related investments, prioritizing SMEs with credible export potential and the capacity to maintain certification.

For International Donors and Development Agencies:

- **Shift from certification support to long-term capability building:** Design multi-year programs that combine certification assistance with the development of SME management, documentation, HR, quality-control, and export-planning capabilities. Continue targeted coaching after certification to help firms maintain ESS practices after donor support ends.
- **Strengthen cooperative management and governance:** Provide practical training in leadership, financial management, documentation, market development, and internal

monitoring, with particular attention to strengthening women's participation in cooperative governance.

- **Build internal ESS responsibility:** Support SMEs and cooperatives in designating and training an internal staff member responsible for ESS documentation, compliance monitoring, and communication with certifiers and buyers. This can reduce long-term dependence on external consultants and donor support.
- **Plan for financial sustainability from the outset:** Include an exit strategy in donor programs that gradually transfers certification, monitoring, and renewal responsibilities to participating SMEs and cooperatives.

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