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## SUMMARY OF PLENARY SESSION #5: ECONOMIC INSTRUMENTS AND VOLUNTARY MEASURES

Moderator: Susan Bromm  
Rapporteur: Waltraud Petek

### 1 INTRODUCTION

This panel explored alternative enforcement mechanisms, including building public support and partnerships and encouraging voluntary compliance by industry. Panelist offered a public interest perspective and considered cost-effective ways to achieve adherence with environmental requirements through agreement and partnerships. Panelists explored governmental responses to private sector environmental management systems and considered the views of the regulated community towards traditional enforcement approaches.

### 2 PRESENTATIONS

Susan Bromm introduced the Panel and the topic of alternative ways for enforcement to achieve results in environmental protection.

Lorenzo Thomas presented Mexico's National Program of Environmental Audits, a voluntary program to support enterprises to comply with environmental laws and to recognize environmental performance. It is a three-stage approach starting with a self-evaluation to identify deficiencies and to find opportunities for improvement. For this self-evaluation, guidelines were developed by PRO-FEPA in a participatory process with industry and the public. The second stage is an Environmental Compliance and Clean Industry Certificate awarded for compliance with environmental requirements and the third stage the Environment Excellence Certificate recognizing companies that go beyond law requirements. There is a

Committee for ethical, technical, as well as risk analyses issues and an Advisory Council for the elaboration of the audit schemes. The auditors are certified with the Mexican Crediting Entity; there are now about 170 auditors. So far, mainly the big industries participated (oil company, electricity companies) but they were the main polluters. The aim is to get all companies involved. The program is being extended to also cover industrial parks, productive chains, municipalities, tourist destinations and others like hospitals or airports. The purposes of the Environmental Audits Program are to create greater conscience and responsibility for environmental protection, to encourage an environmental prevention culture and thus to contribute to a daily observation of these principles in society.

Lawrence Pratt dealt with frameworks for considering voluntary agreements in developing countries whereby firms or industry agree to meet certain goals and objectives to improve environmental performance and compliance. In his view, there is a general lack of understanding of the expectations of industry and companies. He pointed at the issues that motivate companies (efficiency, costs, market position, image, fears) and the ones that impede companies (lack of information, existing policy structures). Voluntary agreements can serve to achieve environmental goals, reduce costs to the State, harness other forces to advance environmental protection (market, societal concerns, knowledge) and serve as more efficient means. He showed areas and conditions where voluntary agreements can be fruitful instruments to enlarge the toolbox for environmental measures, especially in the "macro"

area. Forward looking issues, opportunities for collective action or certain alignments of interests can be viable areas for voluntary agreements as well as areas where action by one company alone would be self destructive, but action by all of a sector would benefit all. Also, areas where a "prize" or recognition from the State is given, like a label for sustainable tourism or in the field of energy efficiency, or where fear is credible and solutions visible are fruitful for voluntary agreements. He appealed for a better understanding of what motivates companies and to make more use of the instrument of voluntary agreements.

Beatrice Olivastrì spoke about her ten years experience in participating in voluntary non-regulatory initiative from the side of an environmental NGO. As regulation making is very expensive and takes a lot of time, there were searches for alternatives. She stressed that voluntary initiatives need the platform of regulations and cannot replace regulations. She presented the criteria and principles developed by NGOs, industry and government for voluntary initiatives in Canada. The criteria comprise the positioning of voluntary non-regulatory initiatives within a supportive policy framework of laws and regulations, the agreement of interested and effected parties on voluntary non-regulatory initiatives as an effective method to achieve environmental protection objectives, sufficient participation in the voluntary non-regulatory initiative over the long term, clearly defined roles and responsibilities plus mechanisms to be able to fulfill these roles. The principles governing the design of voluntary non-regulatory initiatives comprise equitable participation of interested and affected parties, transparency, rewards for good performance and consequences of not meeting performance objectives, milestones, timetables and monitoring mechanisms as important parts of the agreement. She gave

three examples and reported on the experiences gained with them:

- Accelerated reduction and elimination of toxics with chemical industry on 117 specific substances which had questionable results, but also some success for broad acceptance by government and industry;
- Recycling management corporation to collect CFCs used in commercial refrigeration which had a regulatory backdrop in case of non-performance and
- The Province of Ontario's cooperative agreements' pilot project on voluntary reduction of pollutants as a complementary tool to inspections with offers of technical assistance. She concluded that voluntary initiatives can accelerate the pace of environmental protection, but need built in indicators to measure results.

### 3 DISCUSSION

In the discussion, the question of the cost effectiveness of voluntary measures was raised. Pratt and Thomas responded that the objective is to achieve efficient results and that voluntary measures can be up to 70% cheaper or not cheaper for industry, for the state they can also be more expensive. The second topic of the discussion was the area of application for economic instruments, whether they are only applied to the "brown" environmental agenda (air pollution, waste, soil) or also to the "green" agenda (national parks, forestry, biolife). In Costa Rica, Mexico and Canada they are also used in the green agenda, especially in forestry, in Africa for wild life management.

### 4 CONCLUSION

The presentations and discussions of the Panel showed that voluntary initiatives could serve as a valuable tool to supplement existing regulatory schemes. They

may help to achieve faster results in areas that are difficult to regulate. Finally, they can increase the flow of information, trust and credibility between authorities, industry, the public and NGOs.