

OECD GLOBAL FORUM ON SUSTAINABLE DEVELOPMENT

**CONFERENCE ON ECONOMIC ASPECTS OF
ENVIRONMENTAL COMPLIANCE ASSURANCE**

**Introductory Remarks by
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Ladies and Gentlemen

On behalf of OECD let me extend a warm welcome to you all on the occasion of this meeting of the Global Forum on Sustainable Development. Several years ago the Organisation established several Global Forums to examine issues of global significance. Amongst other things these Global Forums are intended to foster dialogue between OECD Members and their partner countries. So I would like to extend a special word of welcome to representatives of countries that are not Members of OECD.

In previous meetings within the Global Forum on Sustainable Development, we have looked at climate change and financing environmental protection. In our meeting over the next two days we will look at the issue of environmental enforcement and compliance. I believe that enforcement and compliance issues are a little bit the “Cinderella” of environmental management; that is to say, they have not received the same attention or resources as some other areas of environmental policy. There are signs that this is changing, and I hope that this meeting will provide further momentum to this development.

Let me share with you a personal experience that I believe helps illustrate why environmental enforcement and compliance is an important part of the sustainable development agenda. Several weeks ago I was visiting a country – I will not say which one - and I read a story in a local newspaper about some environmental inspectors who were making a visit to a factory. Apparently when the inspectors got close to the factory, they were met by a group of people with clubs and other weapons who were intent on stopping the inspection from taking place. While I hope that this is not a typical experience for environmental inspectors, I think it illustrates how environmental enforcement and compliance relates to the three pillars of sustainable development.

First: the environmental dimension: if inspectors cannot work to promote compliance with environmental requirements, polluters are effectively allowed to transfer the costs associated with pollution from themselves to the rest of society. This may result in adverse impacts on the health of the populations or unsustainable use of natural resources.

Second: the social dimension: establishing and enforcing clear and fair rules of the game in the environmental and other sectors is a fundamental component of governance and the establishment of the rule of law. This in turn requires the involvement of relevant stakeholders so that they are willing to abide by common rules. Equally it requires a fair and impartial enforcement system that shows no favouritism, and which cannot be deflected from its primary goal by bribes or other inducements.

Third: the economic dimension: economic actors need clear, stable and predictable rules of the game that can help reduce uncertainties when making investment and other decisions. The impartial enforcement of such rules helps to create a level playing field and avoid distortions to competition. Designing and applying the rules in ways that encourage flexibility and innovation can help to minimise compliance costs and enhance the efficiency of compliance programmes.

The systems that we have put in place to protect the health of our citizens from adverse environmental impacts, and to safeguard the natural resource base of our economies, will only be as strong as the weakest link. We might write very good laws and regulations, and apply sophisticated policy instruments, but if polluters do not comply with them it counts for little. Some analysis suggest that in OECD countries, 60-80% of regulated sources may be in violation of air emission limits. If this is true, it is very worrying. We know too from our work in some countries of the former Soviet Union and in Asia that enforcement and compliance are major concerns for the environmental authorities. However, there are few if any systematic analyses of enforcement systems and compliance rates in transition and developing countries.

What we propose to do in this conference is to focus on a few key aspects of environmental enforcement and compliance systems. The agenda is structured around four themes, each of which will be the focus of discussion for approximately half a day.

- ❖ First, we will examine the incentive framework within which firms operate. What leads firms to comply – or not to comply – with environmental requirements? And how does the size, sector or other characteristics of the firm affect their behaviour? It is essential for policy makers to develop better insights into these questions in order to make their interventions more effective, and we will examine some of the latest research findings in this area.
- ❖ Second, we will look at the framework within which environmental inspectorates are operating. What are the types of regulatory approaches that are enforceable and lead to achieving real environmental outcomes? Different regulatory approaches will also have cost implications for both the regulator and regulatee, and these need to be assessed.
- ❖ Third, we will review the traditional instruments of environmental inspectors: monitoring and enforcement. What is the appropriate balance between these tools? How far can the application of these instruments be traded off against voluntary commitments by firms take certain actions such as implementing environmental management systems?
- ❖ Fourth, we will assess experience with a broader range of instruments that can be used to induce compliance with environmental requirements. These include: performance rating and information disclosure schemes, and enhancing the role of the courts.

We hope to have a lively debate on these issues as today's meeting is truly multi-disciplinary: it gathers lawyers and economists, inspectors and researchers, representatives of industry and NGOs, as well as representatives from OECD, transition and developing economies.

We do not intend that this conference should be a one-off event. The results of this conference will contribute to work we are carrying at the regional level, in the former Soviet Union and Asia. We are also working closely with several international networks concerned with environmental enforcement and compliance, notably the International Network for Environmental Compliance and Enforcement or INECE. In fact we cooperated with INECE last year in organising a workshop on indicators for environmental enforcement and compliance. The report from the workshop is available at the back of the room. INECE is organising a global meeting of its network in Marrakech next April, and we plan to feed the outcomes of this meeting and the workshop on indicators into that event. We will also be prepared to work further with our members, and our partner countries, on designing more effective and efficient environmental compliance assurance programmes.

Ladies and Gentlemen: welcome once again to OECD and to the Global Forum on Sustainable Development. I am confident that we can look forward to two days of stimulating and productive discussion.