

EAP Task Force

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Note of Environmental Performance Rating and Information Disclosure Scheme and Its Implementation in EECCA Region

The purpose of this document is to present progress on implementing the Environmental Performance Rating and Information Disclosure Scheme in the EECCA region (REPIN Work Programme Task 2.2: Promoting Information-Based Instruments and Public Involvement in Compliance Assurance)

Action required: For information

Note of Note of Environmental Performance Rating and Information Disclosure Scheme and its Implementation in EECCA region

Background

Rating environmental performance of enterprises and public disclosure of environmentally related information about their activities has proved to be a promising complements to conventional regulation. Adapted from Indonesia's PROPER programme, the *Performance Rating and Information Disclosure (PRIDE) scheme* rates firms' environmental performance from best to worst in five colours – green, blue, yellow, red and black – according to specially designed criteria (see table 1). The scheme helps governments to:

- ❖ assess industry's environmental performance;
- ❖ make information publicly available;
- ❖ use public and media pressure for better compliance with environmental requirements;
- ❖ establish dialogue between enterprises, enforcement agencies, NGOs and the public.

Table 1. Simplified criteria and levels of performance rating in the PRIDE scheme

Performance Level	Criteria
Green	Clean technology, waste minimization, pollution prevention
Blue	Most standards met, good maintenance, housekeeping
Yellow	Efforts meet some minimum standards
Red	Efforts don't meet standards
Black	No pollution control effort, serious environmental damage

The system divides industrial firms' environmental performance into five symmetric rating categories, with two (black, red) denoting inferior performance; one (yellow) denoting compliance with minimum emission regulations but failure to comply with all requirements; and two ratings (blue, green) denoting superior performance. As the scheme recognizes three performance levels for firms that comply with basic emission requirements, it provides incentives for continuous improvement. Even for non-compliant firms, the system rewards efforts to improve by recognizing two levels of performance.

The ratings system draws on four principle sources of information: reports on industrial firms' polluting emissions; inspection reports on their environmental management; records of public complaints, regulatory actions and penalties; and surveys that record characteristics of the firms that are relevant for rating environmental performance. After verification with enterprises the ratings are disseminated to the public through the mass media (TV, radio, daily news). The rating is periodically reviewed and updated which allows enterprises to be re-categorised.

The public disclosure approach has recently been applied in Indonesia, Philippines, India, Vietnam, Ghana and China¹. A simplified approach was also applied in Poland under the label of the "List of 80 worst polluters". The experience from these projects shows that even the low-income communities have proven willing and able to put pressure on polluters and influence their environmental impacts when information

¹ Two municipal-level pilot programmes have been implemented in China (Zhenjiang, Jiangsu Province, and Hohhot, Inner Mongolia). Reaction to the pilot programs has been positive, and Jiangsu Province has decided to promote province-wide implementation of the scheme. The Chinese SEPA currently plans to launch pilot programs in other areas, in preparation for nationwide implementation of public disclosure. The reports from these programmes are available.

about their emissions is available. At the same time, enterprises exhibit an increased willingness to improve their environmental practices in the presence of such pressure.

The programme has several positive features. Firstly, the performance rating system is simple, so that its implications can be easily understood and accepted by firms and the public. Second, it identifies both superior and inferior performance and opens the ways for making and acknowledging progress. Finally, the ratings are colour-coded for easy communication by the broadcast and printed media.

Application of the scheme in EECCA: Pilot project in Ukraine

Significant potential exist in the region of Eastern Europe, Caucasus and Central Asia for applying such an instrument taking account the need to improve compliance with environmental requirements as well as the need to reform currently used instruments for identifying and assessing environmental impacts and performance of enterprises. An important factor is a growing role of communities in environmental enforcement and compliance.

The concept has been presented and discussed at two previous REPIN meetings in 2002 and 2003. It was then included as Task 2.2: Promoting Information-Based Instruments and Public Involvement in Compliance Assurance into REPIN's Work Programme 2003-2006 . Following the discussion at the 2003 REPIN meeting in Kiev the Secretariat launched an assessment of the feasibility of implementing a PRIDE scheme in Ukraine. For this purpose a Ukrainian consultant has been contracted to carry analysis of:

- ❖ currently applied instruments for identifying the regulated community and for monitoring their environmental performance ("list of main polluters", "list of enterprises potentially dangerous to environment") and assessing their effectiveness. This task has been done through interviews of the officials from the enforcement authorities at the national and regional level and interviewing selected industries on the application and the effectiveness of these instruments. The representatives of the public have been contacted to provide their opinion about the availability and effectiveness of such instruments.
- ❖ experience from applying performance rating and information disclosure schemes carried out by the World Bank. This has been done through studying the available materials and interviewing relevant experts involved in similar projects in other countries. The findings of this analysis will be used to design and launch a project which will put in place a PRID programme in a selected region of Ukraine.
- ❖ feasibility of applying the performance rating and information disclosure scheme in Ukraine. The results would include:
 - the identification of necessary conditions to PRIDE's implementation (legal, technical, institutional and social requirements, potential barriers),
 - identification of a potential pilot region for the project (using a geographical or sectoral approach)
 - identification of appropriate stakeholders who will need to be involved in the implementation of the scheme, and necessary steps and costs to design and implement the programme

Additional information gathering was conducted by a Ukrainian consultant who visited the Secretariat in the summer.

Preliminary results of the assessment have been reviewed during the Secretariat's mission to Ukraine in September. An expert from the World Bank also participated in the discussion. The results show that this new environmental management policy tool can be applied in the current legal, policy and institutional framework. It can be developed using existing information base to support the State Ecological Inspectorate in Ukraine, and its regional offices, in their compliance assurance work. The PRIDE scheme can be used to increase efficiency of existing instruments and provide significant incentives to increase the

effectiveness for the manufacturing facilities to abate pollution, improve environmental quality, and reduce the costs of pollution on affected people.

It can also respond to the public interest to monitor environmental performance of enterprises. It can utilise better the potential for increasing environmental compliance via better access to environmental information concerning individual regulates and the public and media pressure.

The finalisation of the report is expected in October 2004 which will be followed by the implementation phase. Preliminary interest for the implementation of the project has been expressed by environmental authorities in the city of Lviv.