

**CONFERENCE ON ECONOMIC ASPECTS OF  
ENVIRONMENTAL COMPLIANCE ASSURANCE**  
2<sup>ND</sup>-3<sup>RD</sup> DECEMBER, 2004, PARIS, FRANCE



**DRAFT AGENDA**

# **OECD GLOBAL FORUM ON SUSTAINABLE DEVELOPMENT**

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

**2<sup>ND</sup>-3<sup>RD</sup> DECEMBER, 2004**

**PARIS, FRANCE**

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### **OBJECTIVES OF THE CONFERENCE**

Even though governments have established extensive pollution prevention and control regulations, compliance rates in most countries are still considered unsatisfactory. Low compliance rates often stem from inadequate incentives provided by enforcement and compliance assurance programmes or from an inappropriate mix of enforcement and compliance promotion tools. Strengthening such incentives, and applying a better mix of instruments, is a major challenge for environmental policy-makers. Progress in this regard will strengthen environmental governance and help to achieve environmental and sustainable development objectives.

#### **OECD Global Forum on Sustainable Development**

OECD Global Forums facilitate dialogue among OECD Members and non-Members on issues that are global in nature.

The OECD Global Forum on Sustainable Development involves policy dialogue on best practices for integrating economic, social and environmental policies. Two meetings have been held under the Global Forum on Sustainable Development on issues related to financing. Other meetings have addressed climate change and development, and economic aspects of biodiversity. The outcomes of these meetings have contributed to the UN CSD process and other high level world events.

The 2004 OECD Global Forum on Sustainable Development will focus on some economic aspects of governmental programmes for promoting compliance with national environmental requirements. The discussion will aim to identify more effective incentive structures in compliance assurance strategies, and to deploy public resources and enforcement and compliance promotion instruments in the most cost-effective way so as to promote better environmental performance in enterprises.

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### **BACKGROUND AND VALUE ADDED OF THE CONFERENCE**

One reason for ineffective enforcement programmes is insufficient understanding of the economic incentives that influence the decisions of firms to comply, or not, with environmental requirements. For example, current understanding is weak concerning the different response of firms to different environmental policy instruments and programmes according to type, size, structure and ownership. Similarly, there is a growing interest in how instruments for promoting compliance and sanctioning non-compliance with environmental requirements could be used more effectively in combination. Better mixes of instruments could promote

more integrated strategies, the development of public-private partnerships, leveraging of resources, targeting of significant non-compliance, and, more generally, continuous improvement of environmental performance in enterprises.

In recent years there has been rapid growth in theoretical discussions of the economic framework for environmental compliance and enforcement. Some empirical studies have also been carried out. In both cases, the literature mainly documents the experience of the most industrialised countries; analysis of transition and developing countries is much weaker. The Conference will draw upon this work and assess it together with the practical experience of governmental officials responsible for developing and implementing environmental policy.

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## **PARTICIPATION, TIMING AND VENUE**

The GFSD Conference will facilitate a dialogue between OECD Members and non-Members on some economic aspects of environmental compliance assurance. It will bring together senior government officials, academics, researchers, NGOs as well as business and industry people, from OECD Member countries and from non-Members. Participants will attend as individuals rather than representing their organisations.

The Conference will be organised in cooperation with the International Network of Environmental Compliance and Enforcement (INECE) and its Partners.

### **TIMING**

The Conference will take place over two full days on  
**2<sup>nd</sup> and 3<sup>rd</sup> December 2004**  
starting at 9:30 on both days.

### **VENUE**

International Energy Agency  
9, rue de la Fédération  
75739 Paris Cedex 15  
France

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## **STRUCTURE OF THE CONFERENCE**

The Conference will have an analytical rather than a political character. There will be no attempt to negotiate agreed conclusions of the discussion. The main issues emerging from the discussion will be summarised in a report prepared by the Secretariat. The results of the Conference will be presented to other international forums, including the 7<sup>th</sup> global conference of the International Network on Environmental Compliance and Enforcement in 2005.

The Conference does not aim to address all aspects of enforcement of, and compliance with environmental requirements in a comprehensive way; rather, the agenda will be focused around four main issues:

**Session 1: Incentive Framework for Firms to Comply with Regulations;**

**Session 2: Government Approaches for Ensuring Environmental Compliance;**

**Session 3: Optimising Compliance Monitoring and Enforcement;**

**Session 4: Promoting Innovative, Cost-effective Approaches to Compliance Assurance.**

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## **ORGANISATION OF THE DISCUSSION**

Each session will be opened by three-four Panelists with spontaneous presentations of approx. 12 minutes each, with visual support where possible (meeting room is equipped with the multimedia projector for PowerPoint presentations and an overhead projector). After the presentations the Chairs of the sessions will open the floor for questions to the Panelists and will invite the Participants for an open discussion. During the final session three representatives of the Government, Business and Non-Governmental Organizations will be invited to make short summary statements. The meeting will be held with simultaneous interpretation into English and French.

All participants will be invited to a cocktail hosted by the OECD on 2<sup>nd</sup> December immediately after the end of the first day of the meeting.

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## **DOCUMENTATION**

The agenda of the meeting is presented below. It includes short introductions of the topics for each session and questions for discussion. A more extensive Background Paper for the Conference is provided to the Participants to facilitate the discussion. The agenda is posted, together with documentation for the meeting, on the Conference website [www.oecd.org/ccnm/sustdev](http://www.oecd.org/ccnm/sustdev).

Panelists are invited to submit short papers supporting their presentations. These, along with the Summary of the Conference prepared by the Secretariat, will be published in the Conference Proceedings. Meeting Participants may submit documents for posting on the conference website; only those relevant to the main discussion items will be included. Paper copies of documents will not be mailed.

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## AGENDA

**2 December, 2004, Thursday**

**9:30 – 10:00**     **Opening Session**

**Welcome Remarks**

**Kiyo Akasaka**, Deputy Secretary General, OECD

**Presentation of the Agenda**

**Brendan Gillespie**, Head, Non-Member Countries Division, Environment Directorate, OECD

**10:00 – 13:00**     **Session 1: Incentive Framework for Firms to Comply with Regulations**

**Chair: Hermien Roosita**, Ministry of Environment, Indonesia

Session 1 will aim to identify the main factors that influence environmental performance and the behaviour of firms vis-à-vis environmental policies and regulations. A better understanding of such factors could help to identify policy mixes that could better stimulate firms' constructive response to regulations. The session will examine:

- ❖ First, an economic perspective which suggests that, all things being equal, firms will compare compliance with non-compliance costs (including sanctions) and choose the least costly alternative. This would include discussion of the nature of firms' management (risk aversion/risk taking), type of firms (size/sector), management/technical/ technological capacities; time-frame, etc.
- ❖ Second, findings that suggest that it is not only the regulator that influences non-compliance costs, but also community pressure. Market participants can also create non-compliance costs for firms (negative market or stock-market reactions, reputational losses, etc.)
- ❖ Third, sociological approaches that suggest that firms might also be motivated to apply environmental measures and/or react in line with prevailing social norms when making environment-related decisions.

These theory-based perspectives will be examined in relation to empirical findings and be complemented by information on possible further factors that affect environmental behaviour of companies. The session will also attempt to assess whether, and to what extent, there are differences between specific types of firms (e.g. between public and private, small and large, national, local and multinational) and their responses to regulations

**10:00 – 11:00**     **Panelists:**

**Mark Cohen**, Owen Graduate School of Management, Vanderbilt University, United States

**Annemiek Roessen**, Head of the North-West Regional Inspectorate, the Netherlands

**Dirk Hazell**, Chief Executive, UK Environmental Services Association, BIAC Environment Committee

**Nick Johnston**, Environment Directorate, OECD

**11:00 – 11:30**     **Coffee/Tea Break**

**11:30 – 13:00 OPEN DISCUSSION**

**Issues for discussion:**

1. Which factors have the greatest impact on regulatory compliance and non-compliance?
2. Are there clear differences between firm types (public-private, small-large, local-national-multinational) or firm location (developed-developing economies, economies in transition) both with respect to factors driving their compliance behaviour?

**13:00 – 15:00 Lunch Break**

**15:00 – 18:00 Session 2: Government Approaches to Ensuring Environmental Compliance**

**Chair: Antonio Benjamin**, Law for a Green Planet Institute, Brazil

From an economic perspective, regulators would aim to maximise welfare when enforcing a regulation and aim to balance administrative and compliance costs with the environmental benefits from reduced pollution. In practice, however, enforcers are often subject to political pressures, or they may just follow different strategies, such as trying to maximise compliance with environmental legislation.

The objective of Session 2 is two-fold:

- ❖ First, it will analyse regulators' actions from the perspective of economic and political economy-based literature and assess their relevance in practice.
- ❖ Second, it will suggest the types of regulatory approaches that are best suited to induce compliance, are easy to enforce and that promote innovation.

During this session, as in Session 1, the administrative costs associated with ensuring compliance with environmental policy measures will be discussed. It will also include their impact on compliance costs for industry. The characteristics of an efficient regulatory system that promotes compliance and innovation will also be discussed.

As this session will consider the systems for personnel management and capacity building to encourage inspectors to carry out their job effectively, it will aim to make suggestions regarding provisions to limit corrupt regulatory behaviour.

**15:00 – 15:45 Panelists:**

**Neil Gunningham**, Regulatory Institutions Network, Australian National University, Australia

**Phyllis Harris**, Deputy Assistant Administrator, Office of Enforcement and Compliance Assurance, US EPA, United States

**Mauricio Mendonça Jorge**, Coordinator of Industrial Competitiveness Unit, Brazil National Confederation of Industry, Brazil

**15:45 – 16:15 Coffee/Tea Break**

**16:15 – 18:00 OPEN DISCUSSION**

**Issues for discussion:**

1. Which are the key elements of an incentive framework that would best encourage firms to comply with, and go beyond, regulations?
2. How should the discretion of local regulators be structured so as to achieve efficient, effective and equitable enforcement action in practice?
3. Can better performance management of enforcement agencies help in strengthening compliance assurance? How to limit the opportunities for rent-seeking activities?

**18:00 – 20:00 Cocktail for the Participants (lobby of the Conference Room)**

## 3 December, 2004, Friday

### 9:30 – 13:00 Session 3: Optimising Compliance Monitoring and Enforcement

**Chair:** *Phyllis Harris, US EPA, United States*

The key objective of Session 3 will be to examine how the use of the main, traditional instruments of environmental inspectorates - monitoring and enforcement – can be optimised and to assess their impacts on administrative and firms' compliance costs.

On the basis of empirical evidence, this session will address several inter-related issues:

- ❖ how inspectors allocate their limited enforcement budgets between monitoring (inspections) and enforcement (sanctions);
- ❖ what kind of enforcement measures they apply according to which rules;
- ❖ on which criteria they base penalties; and the extent to which “deregulatory strategies” are pursued (e.g. regulatory relief in return for the application of environmental management systems and publication of environmental performance information).

### 9:30 – 10:15 Panelists:

**Antony Heyes**, University of London, United Kingdom

**Hidefumi Imura**, Department of Urban Environment, Graduate School of Environmental Studies, Nagoya University, Japan

**Anita Akella**, Conservation International

### 10:15 – 10:45 Coffee/Tea Break

### 10:45 – 13:00 OPEN DISCUSSION

#### Issues for discussion:

1. How can enforcement approaches be optimised with respect to environmental goal attainment, the effectiveness of administrative implementation and firms' compliance costs? What obstacles need to be overcome?
2. How can 'sticks' and 'carrots' be used in a mutually supportive way? When they work against each other?

### 13:00 – 15:00 Lunch Break

### 15:00 – 17:15 Session 4: Promoting Innovative, Cost Effective Approaches to Compliance Assurance

**Chair:** *Hidefumi Imura, Nagoya University, Japan*

Session 4 will examine experience with the application of new and emerging instruments that can reduce the administrative costs of monitoring and enforcement. It will also assess the limits to administrative cost savings and the effects of these instruments on firms' compliance costs.

Some of the approaches that will be addressed include the role of market forces in compliance assurance (e.g. the role of shareholders and consumers); information provision and role of the public (self-monitoring and self-reporting as a complement to state monitoring, compliance promotion by the regulating agencies, performance rating and information disclosure schemes); and the role of the courts (including, for example, personal liability for non-compliance, complaint procedures, class actions, access to litigation); and possibly others.

**15:00 - 15:45**

**Panelists:**

**Christopher Howes**, Compliance Assessment and Enforcement Policy Manager,  
Environment Agency of England and Wales

**Antonio Benjamin**, Senior Advisor to the President of the Brazilian Senate and Director,  
Law for a Green Planet Institute, Brazil

**Hermien Roosita**, Assistant Deputy of Manufacturing, Infrastructure and Service Affairs,  
Ministry of Environment, Indonesia

**15:45 – 17:15**

**OPEN DISCUSSION**

**Issues for discussion:**

1. Can “non-classical” approaches result in lower administrative costs overall? What are their impacts on firms’ compliance costs? And what are their limits?
2. Do penalty schemes allowing for personal liability improve regulatory compliance?

**17:15 – 18:00**

**Summary of the Discussion and Closing Statement**

**Chair: Kenneth Ruffing**, Environment Directorate

**Summary of the Discussion**

*Invited representatives of Government, Industry and NGOs*

**Closing Statement**

**Kenneth Ruffing**, Deputy Director, Environment Directorate, OECD