

**POLICY STATEMENT ON ENVIRONMENTAL
MANAGEMENT IN ENTERPRISES IN CEEEC/NIS**

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Background

1. In keeping with the recommendations of the Environmental Action Programme for Central and Eastern Europe, the EAP Task Force adopted environmental management in enterprises as one of its main priorities in the period 1993-98. In 1993 the potential benefits seemed particularly large in CEEC/NIS where the pollution - and resource - intensities of the economies were high.

2. At the Sofia "Environment for Europe" Conference in October 1995, Ministers invited the "EAP Task Force to draw up a work programme to promote the implementation of cleaner production programmes in all CEE countries by 1998 and to foster co-operation and networking among all the stakeholders involved in cleaner production." Progress in achieving these objectives was recently reviewed; see "Progress in Achieving Basic Capacity Levels for Cleaner Production in Central and Eastern European Countries/New Independent States" (CCET/ENV/EAP(97)115/REV1).

3. The review shows that impressive gains have been made in some countries, notably the Czech Republic, Poland, Hungary, Slovak Republic, Lithuania, Estonia, and the Russian Federation. Overall, however, progress has been less than hoped for, due to a variety of obstacles in enterprises and in the policy and economic contexts within which they work. Moreover, it has proved difficult to convince donors to support initiatives in CEEC/NIS, despite the potentially high benefit/cost ratios.

4. For these reasons, Norway proposed that a "policy statement" be prepared to focus attention on this issue and to generate the commitments required to address it more vigorously. Following discussion in the ECE Working Group of Senior Officials (WGSO), which is overseeing preparation for the Århus "Environmental for Europe" Ministerial Conference, Norway, in co-operation with the OECD/EAP Task Force secretariat, convened a workshop "to examine the need for and prepare draft elements for a policy document on environmental management in enterprises in central and eastern European countries/NIS." A draft document was subsequently reviewed by the Chairs and Rapporteurs at the European Roundtable on Cleaner Production, 1-3 November 1997 in Oslo. The EAP Task Force, meeting in Paris, 19-21 November 1997 adopted the attached text and agreed that it be submitted to the WGSO. The objective is to submit a draft "Policy Statement" to Environment Ministers for adoption at the Århus "Environment for Europe" Ministerial Conference.

Environmental Management in Enterprises

5. At the September workshop, participants agreed that the “policy statement” should aim to promote a process of continuous environmental improvement within enterprises in CEEC/NIS. The attached draft invites Environment Ministers, the main participants in the Århus Conference, to make this commitment. However the draft policy statement recognises that achieving this objective will require action by all relevant stakeholders. Thus, the policy statement is supported by a set of recommendations presented in Annex I, which identify actions which governments, enterprises, trade unions, environmental citizens’ organisations, universities, donors, International Financial Institutions and International Organisations could take to promote effective environmental management in enterprises in CEEC/NIS.

6. The policy statement recognises that governments’ role, and donor support, is catalytic. Governments can set goals, establish policies and provide targeted assistance to overcome key obstacles. However, ultimately, enterprises and their managers must take on the commitment to continuously improve their environmental performance. With time the process should be self-sustaining, driven by the commitment and interest of enterprises, and supported by an enabling policy and institutional framework.

7. Provision to monitor progress in implementing effective environmental management in enterprises is crucial and criteria for this purpose are described in Annex II.

Support for UNEP

8. UNEP has been working actively to promote cleaner production since 1989. Within UNEP, the gap between potential and implementation in the field of cleaner production/eco-efficiency has also been recognised. As a result, a global initiative is being prepared to strengthen the demand for cleaner production among government, business and other leaders. The attached policy statement has been prepared in close consultation with UNEP and is designed to support the initiative underway in that organisation.

DRAFT

POLICY STATEMENT ON ENVIRONMENTAL MANAGEMENT IN ENTERPRISES IN CEEC/NIS

We, The Ministers of Environment from the UN ECE region and the Representative of the European Commission,

Having Regard to

- the Rio Declaration on Environment and Development and Agenda 21, Chapter 30, June 1992;
- the Programme for the Further Implementation of Agenda 21, Paragraph 28, UNGASS, June 1997;
- the Environmental Action Programme for Central and Eastern Europe, March 1993;
- the Declaration of Ministers, "Environment for Europe" Ministerial Conference, Sofia, Bulgaria, October 1995;
- the process currently underway in UNEP to formulate an international declaration on cleaner production.

Considering that

- decisive action by all European Countries can contribute to achieving more sustainable patterns of production and consumption, regionally and globally;
- the opportunities for achieving this goal cost-effectively are particularly large in CEEC/NIS due to the pollution- and resource-intensity of their economies;
- enterprises have a responsibility and, with an appropriate policy framework, the incentive to implement effective environmental management practices;
- implementation of Cleaner Production Programmes in a number of CEEC has achieved substantial environmental gains at low cost, enhanced the economic efficiency and environmental performance of enterprises, improved the living conditions and employment prospects of local communities, and contributed to environmentally - sound economic restructuring;
- strengthened efforts are needed to overcome barriers to effective environmental management in enterprises in CEEC/NIS;
- governments can play a crucial role in facilitating environmental management in enterprises in CEEC/NIS.

- **Undertake to catalyse, facilitate and strongly support the implementation of effective environmental management in enterprises in CEEC/NIS based on the recommendations in Annex I of this Statement;**
- **Urge business and industry, trade unions, environmental citizens' organisations, educational institutions, and other stakeholders to work with us to this end;**
- **Invite International Financial Institutions and international organisations to provide practical support for strengthening environmental management in enterprises in CEEC/NIS;**
- **Invite the EAP Task Force to facilitate this process and to prepare a report for the next "Environment for Europe" Ministerial Conference assessing progress in the achievement of effective environmental management in enterprises in CEEC/NIS based on the criteria set out in Annex II of this Statement;**
- **Will give increased priority to environmental management in enterprises within bilateral co-operation.**

ANNEX I: RECOMMENDATIONS TO SUPPORT ENVIRONMENTAL MANAGEMENT IN ENTERPRISES IN CEEC/NIS

A. Definitions

In this context, “environmental management” is used in the broadest sense. It covers energy efficiency, waste minimisation, cleaner production, as defined by UNEP, and eco-efficiency as defined by the (World) Business Council for Sustainable Development. These concepts share a common emphasis on:

- the simultaneous achievement of economic and environmental benefits and the integration of environmental management into mainstream management practice;
- application of an integrated, preventive environmental strategy to production processes, and to products throughout their life-cycle; and
- minimisation of risks to human health, and the sustainable use of natural resources.

In the EU’s Eco-Management and Audit Scheme (EMAS), “environmental management” covers the continuous improvement in the environmental performance of industrial activities. In particular, EMAS requires independent verification and public disclosure of environmental performance by enterprises. The definition also covers the ISO 14 000 series.

B. Policy Commitments and Oversight

1. Governments should commit to catalysing and facilitating environmental management in enterprises in order to promote a process of continuous environmental improvement. The commitment should involve all Ministries with relevant responsibilities or, preferably, the government as a whole. CEEC/NIS governments should incorporate these commitments in National Environmental Action Programmes. In some countries, local or regional governments could be more effective, or complement, activities at the national level.
2. Governments should invite all relevant stakeholders to commit themselves to support the strengthening of environmental management in enterprises. In addition to enterprises and enterprise organisations, this may include: trade unions, Environmental Citizens’ Organisations, cleaner production centres, universities and other educational establishments, consumer organisations, and engineering associations. Efforts to promote multi-stakeholder cooperation could be particularly helpful, e.g. through institutions such as the Regional Environmental Centre.
3. Clear, quantitative targets can focus the efforts of all stakeholders. Targets should specify a time-frame. They could focus initially on energy and material intensity, and risks to human health. They could take the form of benchmarks or performance indicators for different sectors. The World Bank’s “Pollution Prevention and Abatement Handbook” could serve as a useful reference in this regard.
4. Governments should establish a policy framework which provides appropriate incentives for enterprises to adopt good environmental management practices in enterprises.

5. The policy framework should build on, and reinforce, incentives provided by economic reforms. Establishing the framework for sound enterprise development creates the basis for sound environmental management in enterprises. In particular, governments should undertake those reforms which promote an internalisation of environmental costs, and/or which promote efficiency through greater competition, e.g. removing subsidies on production inputs such as water, energy and raw materials; ensuring that enterprises are subject to “hard” budgetary constraints; promoting competition; trade liberalisation, etc. Governments should analyse subsidies with a view to removing those which are most environmentally damaging. Privatisation, or property transfer, provides a valuable opportunity to establish environmental compliance schedules.
6. Incentives are also provided by environmental policy measures. The range of policy instruments is well-known, and each country will need to apply the “mix” of policies and instruments which are best adapted to their circumstances. In so doing, CEEC/NIS could use the OECD “Policies to Promote Technologies for Cleaner Production and Products: Guide for Government Self-Assessment”. This could facilitate a greater use of integrated, preventive environmental strategies. Permits requiring environmental management programmes and the adoption of EMAS provide particularly strong incentives for continuous environmental improvement in enterprises.
7. In designing policy mixes, governments should pay particular attention to instruments, including multilateral environmental agreements, which can help create a demand for cleaner, more eco-efficient products and processes. Depending on the circumstances, this could include: strengthened public access to information, e.g. through Pollution Release and Transfer Registries; disseminating information on environmental management successes; and public procurement policies which give preference to “green” products.
8. Effective enforcement is also crucial to provide an incentive to enterprises. Permitting and other mechanisms should emphasise continuous improvement rather than formalistic compliance. The principles of environmental management, as defined here, should be integrated into regulatory programmes through negotiated agreements. Every effort should be made to streamline the reporting and other regulatory requirements on enterprises. At the same time, reporting on pollution and waste streams can be a good starting point for developing an environmental management plan.
9. Monitoring should be an integral part of target-setting and activities designed to promote effective environmental management in enterprises. Data demonstrating the economic/financial benefits of environmental management are particularly helpful in persuading managers to adopt better environmental management practices and in disseminating principles of effective environmental management.

C. Information, Education, Training and Capacity Building

10. Providing information, education and training are the main tasks requiring direct government support. Government activities should be targeted to overcome the barriers within and outside enterprises to the adoption of better environmental management practices, to multiply success stories and to sensitise public officials. Enterprises should be encouraged to establish their own information and training programmes.
11. Government programmes need to consider carefully what they can achieve with different types of enterprises and sectors. “Dynamic” firms in competitive markets will respond well to incentives and information. “Static” firms which are shielded from competition or otherwise not responsive to incentives require a different approach. This category includes enterprises which are state-supported and/or in declining sectors. Many are major polluters. Focused intervention to deal with specific problems, or as part of privatisation/restructuring, may be the best approach.
12. Some cost-effective options for providing support services are presented in the “Best Practices Guide for Cleaner Production Programmes in Central and Eastern Europe.” CEEC/NIS governments should consider the following as core objectives in this area:
 - an active core of advisors and trainers;
 - a set of case studies, demonstration projects and model business plans;
 - training, education and information materials in the local language; and
 - integrating environmental management into university curricula, (such as business administration, engineering and economics) and into vocational education.
13. Governments should formally request universities and business schools to integrate environmental management principles into their curricula, and provide the necessary support for them to do so.
14. Governments should promote the exchange of experience gained from strengthening environmental management in enterprises. UNEP’s role in this connection is particularly important, and is complemented by activities in other international forums, including UNDP, UNIDO, ILO, UNITAR, and the EAP Task Force.
15. Governments should establish forums for dialogue with enterprises and, as appropriate, other stakeholders on environmental management in enterprises. However, identifying suitable partners may not always be easy due to the lack of representative business or trade organisations in many CEEC/NIS.
16. In addition to serving as partners in policy dialogue, business networks can play a crucial role in persuading managers, particularly top managers, to take up better environmental management practices. Managers are more likely to be convinced by other managers than by people outside the enterprise sector. Governments and donors can play an important role in supporting business networks and twinning arrangements between enterprises, including the exchange of personnel at all levels.

17. Networks of other stakeholders can also support the dissemination of information, e.g. European Roundtable of Cleaner Production; trade unions; environmental citizen organisations.

D. Institutional Arrangements

18. CEEC/NIS governments should consider establishing appropriate mechanisms to involve all relevant ministries and to catalyse, facilitate and support the implementation of environmental management in enterprises. When donor support is provided, agreement should be established clarifying the donor's role and providing for the host country to gradually assume full responsibility for activities.
19. Institutions like Cleaner Production (CP) Centres and business networks for environmental management can play a key operational role in supporting environmental management in enterprises. In particular, CP Centres provide a mechanism for involving all stakeholders and for organising some of the information, education and training functions described above, particularly for small and medium sized enterprises (SMEs). They may also play a role in the identification and preparation of small CP investment projects.
20. CP Centres should develop realistic business plans specifying the services which they could provide to clients, including enterprises, governments and donors. In the early stages of transition, CP Centres can provide services to enterprises, e.g. audits, advice on environmental management. As markets develop, private consulting firms will play an increasingly important role in supporting enterprises to improve their economic and environmental performance. In many CEEC/NIS this sector is underdeveloped and/or dominated by expensive foreign firms. CEEC/NIS governments can help to stimulate the development of a domestic environmental goods and services industry (see conclusions of the OECD/REC workshop on Building Capacity in the Environmental Goods and Services Industry in CEECs, November 1996).
21. Verification and certification under EMAS and ISO 14 000 are increasingly seen as means of avoiding potential barriers to market access. Although these schemes may entail non-negligible compliance costs, particularly for smaller enterprises, they are becoming important incentives to improve environmental management practices. CEEC/NIS governments should ensure that appropriate institutions are established to enable enterprises to satisfy verification/certification requirements for EMAS, ISO 14 000 and ISO 9 000. However, verification/certification is not a goal in itself, but one element in a pollution prevention and control strategy. Wherever possible, synergy between cleaner production, ISO 14 000 and EMAS programmes should be maximised to ensure that environmental management systems lead to continuous improvement in environmental performance.
22. A number of transition countries have established enterprise development programmes. CEEC/NIS governments should make maximum use of the networks and services provided by such programs to ensure that environmental management is integrated into enterprise restructuring and development.
23. Similarly CEEC/NIS governments should work with programmes to support small-and medium-sized enterprises (SMEs) to disseminate information and stimulate good environmental practices in enterprises.

E. Financial mechanisms

24. Cleaner production projects are initially low cost, small “win-win” investments with economic and environmental benefits. They frequently promise higher benefit-cost ratios and quicker pay-back times than large-scale environmental investments and should, therefore, be given priority by both domestic and external financing mechanisms. Success in this area can provide a powerful impetus for strengthening environmental management in enterprises, and the promotion of environmentally sound economic development.
25. Once “no cost/low cost” or “good housekeeping” measures have been exhausted, major productivity and environmental gains will come through investment. The cash flow generated from successful implementation of environmental management practices may be used to finance more expensive investments. Ideally, financial assistance for industrial investments should require a prior CP assessment; this can help to improve the quality of project preparation, reduce investment costs and stimulate demand for better environmental management in enterprises. However, realising this objective will depend on the development of appropriate capacity in many CEEC/NIS.
26. Generally enterprises should use their “own” resources (including credit) to finance environmental investments. However, their capacity to do so is constrained in many CEEC/NIS by the high cost of commercial capital, the limited flexibility of domestic financing institutions and problems of linking potentially viable projects with sources of finance. Government action to address these particular market and institutional failures may be justified, provided that the measures themselves do not introduce even greater distortions. However, governments’ primary role is to establish the framework conditions to promote necessary environmental investments. External financing may play a role in leveraging and complementing domestic financing.
27. A key issue in financing environmental investments is the development of project preparation capacity. Managers in transition countries frequently require information and training in preparing projects for loan financing. On the other hand, officials in financial institutions are usually unaware of the financial and economic benefits which can result from environmental projects. Governments and donors should support programs to build capacity in these areas. This could involve supporting CP Centres, or other appropriate institutions with appropriately trained staff, to help identify and prepare financially viable environmental projects emanating from environmental management programmes or CP assessments. Alternatively, training could be provided to project managers in enterprises and financial institutions
28. Loans provided by International Financial Institutions (IFIs) are generally much larger than the types of investments which can be made following implementation of good environmental management practices. CEEC/NIS governments should consider working with IFIs with a view to the latter establishing credit lines with commercial banks. This would enable credit to be provided to enterprises for financially viable environmental investments. Such programs can also help to build an environmental project capacity in commercial banks.

29. Similarly, donors and IFIs should consider co-operating with CEEC/NIS governments to establish revolving funds to stimulate the implementation of economically viable environmental projects which might otherwise not be implemented. Revolving funds are capitalised by a loan or grant. The loans provided by such funds are tailored to the pay-back period of the project and with interest rates which may be at or below commercial rates (e.g. NEFCO, the Dutch Rabobank and the Russian National Pollution Abatement Fund).
30. CEEC/NIS governments should consider how Environmental Funds could support investments resulting from environmental management programmes or CP assessments. One approach could involve creating a specific financing mechanism for CP projects at a National Environmental Fund, as was done in the Czech Republic.
31. Financing institutions should develop simple but effective procedures for appraising cleaner production projects. Frequently such projects are small, so the transaction costs should be kept in proportion.

ANNEX II: CRITERIA FOR MONITORING PROGRESS

- Policy commitment by CEEC/NIS government, enterprises and other stakeholders;
- Institutional arrangement to catalyse, facilitate and support the implementation of environmental management in enterprises, including participation of all relevant Ministries;
- Process to review and adjust policy framework; adjustments made; instruments put in place;
- Targeted information, training and education activities;
- Institutional arrangements to support enterprises, to involve all stakeholders, and to promote diffusion of good practices, e.g. Cleaner Production Centre;
- Independent certification/accreditation authority (e.g. CP Certificate, EMAS, ISO 9000 and 14 000); number of participating enterprises;
- Financing framework; financial mechanisms in place and number of projects financed by them; CP investment projects following implementation of CP programmes;
- External assistance, where appropriate.

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