



# Voluntary Performance Mechanisms

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# What is Voluntary Performance?!

- Bush does not sign Kyoto Protocol, instead asking business to *voluntarily* reduce emissions
- Free Trade Documents make note of voluntary environmental performance. CAFTA recognizes they can, “contribute to the achievement and maintenance of environmental protection.” (17.4)

## Policy Instruments Classified by Flexibility in Individual Decisionmaking

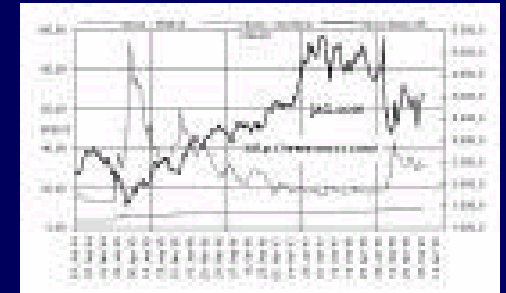
<----Minimum Flexibility----> <----Moderate Flexibility----> <----Maximum Flexibility---->  
 <----Maximum Government Involvement---> <----Increased Private Initiative---->  
 <Control Oriented> <-----Market-Oriented-----> <----Litigation Oriented---->

Regulations and Sanctions	Charges, Taxes, and Fees	Market Creation	Final Demand Intervention	Liability Legislation
<b>General Examples</b>				
Government restricts nature and amount of pollution resource use for individual polluters or resource users	Government charges fee to individual polluters based on amount of pollution or resource use.	Government establishes system of tradable permits for pollution or resource use and then monitors compliance	Government supports labelling or performance rating program that requires disclosure of environmental information.	Polluter or resource user is required by law to pay any damages to those affected through court system.
<b>Specific Examples</b>				
<ul style="list-style-type: none"> <li>● Pollution Standards</li> <li>● Land use restrictions</li> <li>● Construction impact regulations</li> <li>● Fines, Bans, and Quotas</li> </ul>	<ul style="list-style-type: none"> <li>● Greening of conventional taxes</li> <li>● Taxes affecting transportation choice</li> <li>● User charges for water</li> <li>● Source-based effluent charges</li> </ul>	<ul style="list-style-type: none"> <li>● Deposit-refund systems for solid and hazardous wastes</li> <li>● Tradable permits for water and air pollution emissions</li> </ul>	<ul style="list-style-type: none"> <li>● Consumer Product Labeling</li> <li>● Disclosure legislation requiring manufacturers to publish waste information</li> <li>● Blacklist of polluters</li> </ul>	<ul style="list-style-type: none"> <li>● Damages Compensation</li> <li>● Liability on neglecting firm's managers and environmental authorities</li> </ul>

Source: Huber et al. 1999



## CAC vs. MBI



- Regulators must have knowledge of all sectors
- Expensive, difficult to enforce
- Increased bureaucracy and proliferation of law
- Lack of incentives to go “beyond compliance”
- Require strict property rights
- High transaction costs
- Like CAC, still require strong institutional and political bases

# Voluntary Performance

- Little, or even no government involvement
- Utilizes transparency, consumer education, and publicity to incentivize business behavior
- But why would businesses volunteer?



# Eco-efficiency



- Rio Summit concept that stresses the economic outcomes of improving environmental performance
- Girsal, a Mexican chemical company, invested \$20 million in environmental improvements; since they have saved \$30 million, while cutting carbon dioxide emissions by 80% and wastewater by 90%

# “Trade is better than aid”

- Niche markets (shade-grown and organics)
- Price Premiums (\$1.41/lb fair-trade coffee)
- New Markets and increased FDI
- Increased stock value for public companies
- Brand value, reputation and publicity



# ISO 14001



- Environmental Management System (EMS) that “describes the basic elements that need to be in place in order to have a comprehensive and effective system for managing environmental impacts.”
- Process-based vs. Target based



<b>Central and South America</b>	<b>Dec. 1998</b>	<b>Dec. 1999</b>	<b>Dec. 2000</b>	<b>Dec. 2001</b>	<b>Dec. 2002</b>	<b>Dec. 2003</b>
Argentina	37	84	114	175	249	286
Barbados	3	3	3	3	3	
Belize				2	2	2
Bolivia			1	3	4	7
Brazil	88	165	330	350	900	1008
Chile	1	5	11	17	55	99
Colombia	3	13	21	41	69	135
Costa Rica	1	7	20	14	38	38
Dominican Republic			1	1		1
Ecuador	1	1	1	2	1	1
Guatemala	1	1	2	2	1	1
Guyana				3	3	4
Honduras			2	2	2	6
Jamaica				4	1	1
Panama				1	1	2
Paraguay			1	1	4	3
Peru	4	7	13	15	25	31
Puerto Rico	1	4	4	4	3	4
Saint Lucia		1	2	2	1	1
Trinidad & Tobago		1	1	1	7	9
Uruguay	3	10	22	29	32	32
Venezuela	1	7	7	9	17	20

# ISO 14001 in LAC 1998-2003

## TOTAL

Central and South America	144	309	556	681	1 418	1 691
Share in percent	1,83	2,19	2,43	1,86	2,87	2,56
No. of countries/economies	12	14	18	22	21	21

Number of participating nations has increased from 12-21 in five year span

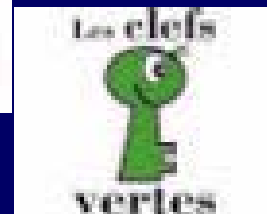
While still only 2.56% of world total, this represents an increase of 40% between 1998 and 2003

# ISO 14001 Findings

- Is becoming increasingly important facet of supply chains
- Helps locate cost savings areas
- Provides a good base for joining other voluntary programs
- Should complement, rather than replace traditional regulation

# Ecolabels

- Mark Environmentally friendly products
- May help LDCs regain some ground in agricultural exports
- Have had particular relevance in Latin America in coffee, banana, heart of palm, timber and tourism sectors



# Forest Certification



- Deforestation is as high as 34% per year in parts of LAC
- Forest Stewardship Council is non-profit third-party audit system designed to mitigate this impact
- Supply-Chain responsibility

# Timber Certification in LAC

- Fifteen LAC nations have a total of 169 certified forests, totaling over 10 million acres. Brazil, Mexico and Costa Rica have established themselves as leaders.
- Industria de Muebles Roda in Santa Cruz, Bolivia has grown 30% per year and diversified its product base, attributing its success to FSC.
- Nike and Home Depot, among other MNCs have pledged to switch to only certified wood.

# Caveats and Concerns

- FSC is growing but accreditation is still limited
- Industry-sponsored and other labels decrease credibility
- Price to smaller tracts (\$21.33/hectare vs. \$0.55/hectare)



# VPMs and Tourism

- World's largest export industry
- \$600 billion per year industry represents 11% of global GDP

-In Caribbean, the industry represents 1/3-1/2 of all GDP

-Industry can be leader in Agenda 21 goals





# Green Globe

- For-profit company that audits all participating facilities annually
- Based upon Agenda 21 goals approved by 182 heads of state at Rio Summit



# Green Globe in the Caribbean

	Antigua and Barbuda	6
• <u>Community Certification</u>	Aruba <sup>1</sup>	6
• Local initiatives to regenerate and improve natural environment	Barbados	9
• Strives to uphold cultural values while improving socioeconomic status in community	Dominica	10
• Entire Island of Dominica and Portland Parish in Jamaica are now benchmarked	Dominican Republic	6
• Comparable environmental performance to communities in Australia and New Zealand	Jamaica	38
	St. Kitts and Nevis	5
	St. Lucia	7
	St. Vincent and the Grenadines	2
	Turks and Caicos	1

# Certification for Sustainable Tourism

- **1. Physical-biological parameters**  
Evaluates the interaction between the company and its surrounding natural habitat.
- **2. Infrastructure and services**  
Evaluates the management policies and the operational systems within the company and its infrastructure.
- **3. External clients**  
Evaluates the interaction of the company with its clients in terms of how much it allows and invites the client to be an active contributor to the company's policies of sustainability.
- **4. Socio-economic environment**  
Evaluates the interaction of the company with the local communities and the population in general.

# CST

- 45% of GDP and 1/3 of all FDI go into tourism
- CST strives for comprehensive and sustained change
- CST had been adopted as official voluntary program of the WTO



# Blue Flag

- European agreement to certify beaches that have responsible coastal zone management schemes
- Started in 1987, has grown to include 2333 beaches and 605 marinas



# Caribbean Blue Flag Participants

COUNTRY	SITES: BEACHES/ MARINAS
<b>Bahamas</b> 2 Marinas	<ul style="list-style-type: none"> <li>• Old Bahama Bay Marina, Grand Bahama</li> <li>• Port Lucaya Marina, Grand Bahama</li> </ul>
<b>Dominican Republic</b> 1 Beach	<ul style="list-style-type: none"> <li>• La Laguna (Dominicus) Beach, Bayahibe</li> </ul>
- <b>Jamaica</b> 4 Beaches 1 Marina	<ul style="list-style-type: none"> <li>• Norman Manley Sea Park, Negril</li> <li>• Merrils Resort, Negril</li> <li>• Doctor's Cave Bathing Club, Montego Bay</li> <li>• Port Antonio Marina, Port Antonio</li> <li>• Port Antonio Marina Beach, Port Antonio</li> </ul>
<b>Puerto Rico</b> 4 Beaches	<ul style="list-style-type: none"> <li>• Luquillo Beach, Luquillo</li> <li>• Carolina Beach, San Juan</li> <li>• El Escambrón Beach, San Juan</li> <li>• Flamenco Beach, Culebra Island</li> </ul>

Certifications  
approved  
November 2004

Number should  
grow as these  
beaches will attract  
visitors who  
“expect good water  
quality, cleanliness  
and availability of  
facilities and  
amenities”  
according to CCA

# Conclusions and Recommendations

- “In developing countries, proactive environmental protection is considered an expensive luxury. The conventional wisdom in these countries is that given the economic limitations of businesses, governments, and consumers, the trade-off between environmental protection and competitiveness is significantly more important than in industrialized nations.”

-Jorge Rivera

# Conclusions and Recommendations

- My research has concluded the opposite.
- Since the Rio Summit, sustainability has become an increasingly important facet of economic development
- EMS adoption (manufacturers)
- Ecolabels (fisheries, forests, food)
- Tourism as community leader



# Conclusions and Recommendations

- Self-regulation, while not a panacea for environmental damage, can complement CAC and MBIs to spur flexibility, transparency, and cooperation in the market place

