



2. Voluntary Agreements

Definition and objectives

Voluntary agreements aim to encourage single firms, groups of companies or industrial sectors to improve their resource efficiency and environmental conduct and performance beyond existing environmental legislation and regulations. Basically, voluntary agreements encompass two dimensions: 1) Business and/or industry participate voluntarily, and 2) there is an interaction between public authorities and business/industry.

Voluntary agreements range from initiatives where participating parties set their own targets and often conduct their own monitoring and reporting, to initiatives where a contract is made between a private party and a public body or stakeholder groups such as local communities and/or non-governmental or environmental groups. By publicly making such commitments, voluntary agreements are expected to “stop a race to the bottom” and to “raise the bar” towards continuous improvement in environmental performance of the industry. Further, voluntary agreements facilitate the formulation of policies that address environmental aspects beyond the compliance of laws. They are an important instrument to stimulate the environmental dialogue aiming to achieve sustainable consumption and production.

Mode of operation

According to the degree of interaction between companies and stakeholders, three main types of voluntary agreements can be distinguished, which also comprise different modes of operation:

Type of agreement	Description
Unilateral commitments made by industry	Unilateral commitments consist of environmental improvement programmes set up and communicated by firms to their stakeholders (employees, shareholders, clients, etc.). In unilateral commitments companies internally establish their own environmental goals either individually or jointly with other companies (often from the same sector) or industry associations. They independently determine when and how goals will be reached, and control any monitoring or public reporting process. The initiatives taken by leader companies can help raise industry standards and provide benchmarks for other companies that are not party to the agreements.
Agreements between industry and public authorities	<p>Public authorities (national or local) and a group of companies or industry bodies jointly develop these voluntary agreements. They usually involve some form of negotiation and the sharing of management responsibilities such as monitoring and evaluation. The agreement generally consists of sustainability targets to be met by the industry within a specified time frame.</p> <p>The level of enforcement of such agreements can be diverse. The most common distinctions made are between those voluntary agreements which are non-binding and those, which are contractual and contain specific control measures (e.g. monitoring and reporting requirements) and might involve sanctions (e.g. implicit threat of regulations through public authorities).</p> <p>The targets set in the agreements can be either general, qualitative goals (e.g. continuous improvement) or specific quantitative targets relative to previous performance (e.g. reduction of material usage) or absolute targets (e.g. zero emissions).</p> <p>While industry commits to meeting the targets and methods agreed upon, government commitments may include: a) Postponing new legislation or regulatory measures; b) Providing information, incentives, technical assistance and public recognition; c) Removing market barriers which prevent cost effectiveness.</p>

Voluntary agreement schemes set up by public authorities	Public voluntary schemes are programmes devised by a public authority in which individual firms are invited to participate. Normally in this case a public authority or international agency develops a voluntary code, guidelines, and standards in which individual companies are invited to take part. The final participation is a choice left to individual companies.
---	---

Table 1: Types of voluntary agreements

Within the three main types of voluntary agreements between industry/business and public authorities there are also different focus areas for voluntary agreements:

Product versus process oriented: Whereas process oriented agreements aim at improving production processes (e.g. the reduction of emissions which damage the environment), product oriented voluntary agreements aim at environmental characteristics of the final good.

Target-based versus implementation based: Voluntary agreements can either set pollution abatement or resource efficiency targets, or define the implementation procedure how to achieve them.

Individual versus collective liability: This criterion underlies the fact that voluntary agreements can be either concluded with single firms or with an industry association or sector (OECD 2003).

Where a public authority aims to set up a voluntary agreement through negotiation with an industry and/or individual business there are a number of important steps and aspects that need to be considered during different phases of the process of setting up such an agreement. The following table provides a selection of key aspects to consider during the voluntary agreement set-up process:

Phase	Issues to consider
Preparation & Launching Phase	<ul style="list-style-type: none"> ■ Clear definition of the environmental concern the voluntary agreement focuses on ■ selection of a partner industry sector or key company ■ Development of an action strategy ■ Organisation of a co-operative process ■ Identification of “win-win” situations and their communication to all participants (Convincing all participants of the agreement of “win-win” situation) ■ Pin-point alternative regulation measures to a voluntary agreement (regulatory threat) ■ Creation of incentives to motivate participation in the negotiation process
Negotiation Phase	<ul style="list-style-type: none"> ■ Open and transparent target setting for stakeholders ■ Definition of a clear and quantifiable environmental target (including interim targets) ■ Definition of a clear time frame ■ Consideration at all political levels (national, regional, local) and setting their role in implementing the agreement ■ Integration of measures, monitoring, incentives and sanctions ■ Setting a framework for collecting monitoring/ evaluation data ■ Examination of the potential for combining the voluntary agreement with other policy instruments
Implementation Phase	<ul style="list-style-type: none"> ■ Assessment of likely environmental effectiveness ■ Creation of a monitoring and evaluation procedure ■ Regular reporting of progress and results ■ Set-up of working groups for information exchange ■ Adaptation and modification of measures

Table 2: Phases of implementing voluntary agreements

Strengths & weaknesses

Voluntary agreements bear a number of strengths and weaknesses, the most common of which are highlighted in the following table:

Strengths	Weaknesses
<p>Provide greater flexibility than regulations Voluntary agreements can offer more ambitious goals than regulations, while lowering administrative and enforcement costs and enabling faster implementation.</p> <p>Encourage proactive and precautionary attitudes in industry Voluntary agreements can shift business' mindsets from reactionary, end-of-pipe, and financial-cost attitudes to proactive, cleaner production and economic savings behaviour.</p> <p>Improve dialogue and trust between industry and stakeholders Through the process of developing voluntary agreements, the industry, public authorities and the public can build up more co-operative relationships and understand each others' concerns and needs.</p>	<p>Difficult to apply in areas with little business self-interest Voluntary agreements are limited to those areas in which the industry has a business interest in voluntarily changing their behaviour (e.g. cost effectiveness, public recognition, avoidance of future regulations). When the costs of achieving the targets are found to be very high, the targets tend not to be enforced strictly (OECD 2003).</p> <p>Existence of "free riders" Voluntary agreements are unable to incite all companies to invest in environmental protection and cannot, on their own, deal with negligent or consistently poor performers.</p> <p>Difficult to ensure global application Voluntary agreements need to be developed and applied differently in different cultural and social-economic contexts. This makes it difficult to ensure that voluntary environmental agreements are equally met for global challenges.</p>

Table 3: Strengths and weaknesses of voluntary agreements. Source: UNEP-DTIE (1998) and OECD (2003)

The costs of preparing and negotiating a voluntary agreement differ from case to case (see the table below). If many different parties are directly involved in the negotiation and development process of a voluntary agreement, if the legal status of the agreement is ambiguous, and/or if detailed technical analyses of potential abatement options need to be carried out, the costs can be rather high. For a small-scale, simpler or less ambitious agreement, the costs can be significantly lower.

Category	Description	Faced by
Preparation	...for gathering information about the current environmental performance of companies and the scope for potential improvement.	Public authorities/Industry body/ Companies
Design	...for negotiating the targets and contents set in agreements	Public authorities/Industry body/ Companies/Interest groups
Administration	...for informing companies about the agreements and supporting them to achieve the targets.	Public authorities/Industry body/Interest groups
Implementation	...for improving environmental performance to achieve the targets.	Companies
Enforcement	...for collecting the performance data, monitoring and evaluating the implementation, and issue sanctions if necessary.	Public authorities/Industry body

Table 4: Costs associated with voluntary agreements. Source: OECD (2003)

Success factors

The following table provides a selection of key success factors that can be relevant in different phases of organising voluntary agreements:

Success factor	Issues to consider
Conduct comprehensive preparatory analysis to set-up baseline	The likelihood of a voluntary agreement providing any environmental improvements beyond “business as usual” tends to depend strongly on their level of preparation in developing a baseline to which performance can be compared. This preparation has to be based on detailed analysis of the current performance and the scope and conditions for improvement. This will help identify a meaningful and achievable level of environmental improvement in the agreement.
Provide incentives for participation	Public authorities can encourage companies to take their own voluntary actions by presenting voluntary agreements as incentives for avoiding introduction of tougher and costly legislation. They can also give participating companies recognition by, for example, offering public recognition.
Design agreement in a way that it leads to concrete results	It is important to design an agreement that helps to realise concrete improvements in the performance of participating companies. Setting clear, quantifiable targets and monitoring and reporting the performance are the most critical elements for the success of the agreement. If appropriate, sanctions against non-compliance can also be introduced.

Table 5: Success factors for voluntary agreements

Key Literature and Case Studies

OECD (2003): Voluntary approaches for Environmental Policy: Effectiveness, Efficiency and Usage in Policy Mixes, Paris.

UNEP-DTIE (1998): Voluntary Initiatives, In: Industry and Environment Review, Volume 21, No. 1-2, Paris.

Saur, Petr et al. (2001): Voluntary Agreements in Environmental Policy, Prague.

UNEP (2000): Voluntary Initiatives: Current Status, Lessons Learnt and Next Steps, UNEP Discussion Paper, Paris.

Case Studies / Examples	Link
The OECD Report Voluntary Approaches for Environmental Policy contains a number of case study descriptions	http://www.foundationpartnership.org/pdf/oecd.PDF
Voluntary Initiative in Sustainable Production, Trade and Consumption Chains in Chile	http://www.apecvist.cl/