
ORGANIZING AND FINANCING ENVIRONMENTAL COMPLIANCE AND ENFORCEMENT PROGRAMS

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GOALS

- How to make enforcement work if responsibilities for environmental compliance and enforcement are split among several ministries with potentially conflicting goals.
- Whether to separate permitting and compliance monitoring responsibilities.
- How to structure permit and inspection fees to ensure affordability, improved environmental compliance, and sufficient funds to run a program.

1 INTRODUCTION

The session of roughly 12 participants opened with a discussion of three generalized phases of environmental compliance and enforcement organizations. Early in the development of an institution, typically a country forms a council on the environment that has no regulatory power, but can advise other ministers on environmental policy issues. The second stage is an agency that reports to a cabinet member, prepares laws, executes limited programs, and prepares guidelines. In the final stage, the environment agency becomes a cabinet ministry with four functions: policy making, program execution, inspection, and feedback. Often, a scientific advisory council is attached to the Ministry in this final stage.

2 DISCUSSION ISSUES

This session addressed the following issues:

- Organizing compliance and enforcement programs efficiently.
- Blending general revenues with polluter payments of one kind or another.
- Models for budgeting and obligating funds.
- Funding of nongovernmental organizations.
- How to leverage limited public funds through partnerships with nongovernmental organizations, members of the regulated community and others.
- Dedication of funds to environmental programs or deposits in the general fund.

2.1 Financing mechanisms

Typically in the U.S., states use a wide variety of financing mechanisms to support their programs. The state of Minnesota provides one example:

- General revenues.
- Federal government grants.
- Permit fees.

- Waste generation taxes.
- Penalties.
- Dedicated sales taxes.
- Fees for service.
- Loans/grants from state to local government.
- Deposit refund systems.
- Special disposal fees (used tires for example).
- Technical assistance programs using students to advise industry (offsetting government expenditures for the same task).
- Public-private programs for energy conservation whereby private interests loan money to state with repayments coming over 10 years on utility bill.
- ISO 14000 used as a way to leverage enforcement.

In all, about 70 percent of all revenues raised for enforcement programs is derived from polluter payments. About the same figure is common in the Netherlands.

Typically, developing nations rely on very limited general revenues and donor aid. Another problem in some nations new to market economies is the guarantee that revenues once collected will be spent on environmental needs. Too often, funds are diverted to other uses. Another problem in some countries is convincing upper management of the merits of the polluter pays principle as a way raise funds replacing general revenues.

In most countries, once budgets are settled, responsibility for obligating funds in incurring expenditures rests with the implementing agency. In an alternative model (Jordan), an auditor from a separate outside auditing agency must approve all expenditures even after budgets are approved by the Parliament.

Some countries have saved the costs of administering revenue-raising programs by including their fees on existing consumer bills, such as electricity bills.

Innovative funding arrangements include: (1) dedicated funds from state-owned land sales to finance contaminated sites upon transfer from public to private ownership; (2) intergovernmental and donor aid to capitalize revolving funds that loan local governments investment capital for environmental facilities; and (3) a variety of commodity taxes dedicated to environmental programs.

2.2 Nongovernmental Organizations (NGOs)

A wide variety of mechanisms are used to fund nongovernmental organizations. In the US, for example, they are privately funded by individual members and private foundations. In the Netherlands, the government provides seed grants. Many other countries rely on donor agency funding, such as UNEP's grant program. Some countries' nongovernmental organizations lack information on accessing donor agency funds and/or lack the resources or knowledge to comply with applicable financial reporting requirements. Typically, donors must have host countries approve nongovernmental grants before they are provided. Some multilateral banks will provide funds only to governments and will not fund nongovernmental activity.

3 CONCLUSIONS

No organizational design is necessarily better than another. Instead, organizations must be customized to country circumstances. Many variations exist across countries.

Training in financing techniques must involve budgeting, outside accounting, systems of accountability for revenue raising and expenditures, and annual financial reporting. This will ensure that funds collected for environmental purposes will actually be so used.

Nongovernmental organizations will require training on fund accounting and access to donor agency funds so that they can be more effective in attracting these sources.

There may be little sense in central governments providing local governments grants if they lack infrastructure to manage those funds.

Funds derived from polluter payments can be used to finance programs and send messages to reduce environmentally harmful behaviour. Yet, they may be less certain in the long run than general revenues. Hence a mix may be appropriate.