

THE DIFFUSION OF VOLUNTARY AGREEMENTS IN THE EUROPEAN UNION : CRITICAL CONDITIONS FOR SUCCESS

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ABSTRACT

The central question of the NEAPOL (Negotiated Environmental agreements: Policy Lessons to be Learned) research programme is the following: ‘Which specific characteristics of negotiated agreements and which factors within the institutional-economic context wherein a negotiated agreement is used, influence the performance of this negotiated agreement?’

Four hypotheses were postulated regarding the relation between the elements that constitute the institutional-economic context and the performance of the negotiated agreement: the policy, instrumental, sectoral and competition hypotheses. To test these hypotheses, we first assessed the performance or success of the negotiated agreements studied. Secondly, we assessed to what extent the conditions of each of the four hypotheses complied with the situation of each particular case.

We will conclude that none of the four studied socio-economic aspects (policy climate, alternative threat, sectoral structure and demand pressure) is sufficient as a guarantee for success. Conversely, a poor score on one aspect is not sufficient to cause an agreement to fail. One must consider the ‘combined’ socio-economic context.

Keywords: voluntary agreements, policy instruments, economic evaluation.

1. INTRODUCTION

Today the use of voluntary approaches (VA) is a world-wide important strategy in environmental policy. Since the beginning of the 1990s there was a proliferation of this approach in many countries. Due to the fact that voluntary approaches can vary in many aspects concerning their content, participants, implementation, etc. a confusing diversity of forms within this approach exists. In this paper we only deal with negotiated agreements (NA's).¹ Negotiated agreements can be defined as commitments for environmental protection elaborated through bargaining between polluters, in most cases industry and a public authority. They are the most frequently used form of VA's in the EU (CEC, 1996A, EEA, 1997 and ELNI, 1998).

In a negotiated agreement, voluntarism is combined with negotiations (mainly but not exclusively with public authorities). The linking of voluntarism and negotiations:

- The degree of voluntarism is limited in a number of ways. First of all, the parties concerned enter into negotiation because they encounter a number of incentives to do so: positive ones (rewards), or negative ones (punishment or threat with the use of alternative instruments). So, the voluntaristic character of the action is not absolute. Secondly, the room for negotiation is seldom total. In some cases, part of the object of the action to be undertaken is unilaterally determined by the government (target, concrete actions to be undertaken, control mechanisms, ...). Thirdly, as a result of the negotiations the degree of freedom to fill in the content of the agreement is limited to for instance the selection of the appropriate technical means to realise the negotiated targets but with a prescribed monitoring mechanism;
- The element of negotiation builds in an additional dimension into the nature of the negotiated agreement. However, other instruments (regulations, and sometimes even fiscal instruments) are subject to negotiation as well and offer the polluter certain degrees of freedom also. Emission charges for instance also give the polluter the freedom to select the appropriate combination of sanitation measures. Environmental regulations can be quite general, e.g. only demanding an effective environmental management system controlled by independent bodies.
- Negotiations with the government often are only possible if some collective action by the polluters is undertaken.
- In the negotiation, the initial initiative is not necessarily taken by the polluters concerned. Sometimes it is the government who acts first.

Different reasons explain the increasing use of voluntary approaches in the different countries. One is the greater degree of freedom and flexibility this approach grants industry in order to achieve the environmental targets. One important argument in this context is the

¹ Negotiated agreements are only a subset of total set of voluntary approaches (VA). Apart from the VA's this set is composed of unilateral agreements and public voluntary programmes (Boerkey, Leveque, 1998). Unilateral agreements consist of environmental improvements set up by firms themselves and communicated to their stakeholders. The definition of the environmental targets as well as the provisions governing compliance are set by firms themselves. Public voluntary programmes can be defined as programmes devised by public authorities and in which individual firms are invited to participate.

enhancement of cost-efficiency in realising environmental objectives compared to the implementation of other instruments. Accordingly, the reasons for the application of voluntary approaches are pragmatic ones: “Polluters make use of a voluntary approach in order to prevent government intervention by other instruments (regulation or taxes) that are deemed to be more damaging to their interest or in order to built up a positive relationship with certain stakeholders (consumers, associations, environmental Non Governmental Associations, insurance companies, trade unions, etc.), thus indirectly avoiding damaging action of those organisations to their interests.” (Baeke/DeClercq/Matthijs, 1999)

table 1: The selected negotiated environmental agreements.

| Abbreviation | Country | Description of the agreement |
|--------------|-----------------|---|
| GBAT | Germany | Agreement to reduce the mercury-content in batteries and to collect used batteries separately. |
| <i>GELV</i> | Germany | Agreement to maximise the recycling rate of end-of-life vehicles. |
| <i>FCFC</i> | France | Agreement to eliminate the use of CFC’s in the industry. |
| <i>FECO</i> | France | Agreement upon the collection and recycling of packaging waste, to maximise the valorisation rate. |
| <i>BBAT</i> | Belgium | Agreement upon the private separate collection and recycling of used batteries. |
| BELE | Belgium | Agreement to reduce the emission of SO ₂ and NO _x in power plants. |
| <i>DSO2</i> | The Netherlands | Agreement upon the reduction of the SO ₂ -emission of power plants |
| <i>DWHI</i> | The Netherlands | Agreement upon the take back of worn household appliances by their producers (‘white and brown goods’). |
| <i>IVIC</i> | Italy | Regional agreement upon the improvement of the environmental quality in the province of Vicenza. |
| <i>LAGI</i> | Italy | Agreement upon the improvement of gasoline quality |
| <i>EFAR</i> | UK | Agreement upon the collection from farms of waste plastic films used in the production (‘farm films’) |
| <i>EEFF</i> | UK | Agreement to improve the energy efficiency in the chemical industry. |

Each agreement was analysed following a common case study design, in order to be able to extract as much comparative data as possible. During this phase, each project partner undertook two case studies, resulting in 12 case studies, each containing the elements needed to perform the cross-case comparison.

What are the critical factors for their success? This was the object of the NEAPOL-study (Negotiated Environmental agreements: Policy Lessons to be Learned), financed by the

EU-commission within the Environment and Climate Programme 1994-1998.² This study is based on a comparative evaluation of 12 individual case studies. During the theoretical phase of the NEAPOL project, a theoretical framework was designed, based on the existing literature on voluntary agreements. This framework led to the postulation of 4 hypotheses concerning the influence of the socio-economic context on the performance of negotiated agreements. To provide for data for this comparative analysis, 12 European negotiated agreements were selected (table 1).

As stated before four hypotheses were postulated regarding the relation between the elements that constitute the institutional-economic context and the performance of the negotiated agreement. They were based upon a theoretical study made during the first part of the project.³ In this study an overview was given of the characteristics of the different negotiated agreements used in practise. Thereafter they were analysed from a policy science approach, a general economic approach in a oligopolistic framework and from a knowledge based perspective.

Policy hypothesis: The fact that public environmental policy evolves in a tradition and in a climate of consensus seeking, joint problem solving, mutual respect and trust is a crucial positive factor for the performance of negotiated agreements.

Instrumental hypothesis: The fact that the public policy makers show readiness to use alternative policy instruments, as a stick behind the door to deal with the environmental problems, in case the negotiated agreement fails, is a crucial positive factor for the performance of negotiated agreements.

Sectoral hypothesis: The fact that the industry sector involved is homogeneous, has a small number of players and is dominated by one or two players, or has a powerful industry association that can speak for all its members, is a crucial positive factor for the performance of negotiated agreements.

Competition hypothesis: The fact that firms can gain competitive advantages by co-operating in the negotiation and by compliance of a negotiated agreement, is a crucial positive factor for the performance of negotiated agreements, due to the consumer pressure.

² The project was co-ordinated by CEEM, Ghent University. Partners were CERNA, Ecoles des Mines, Paris - Fondazione ENI Enrico Mattei, Milan - CSERGE, UCL-London - CSTM, Technical University of Twente and - Environmental Policy Research Unit; Free University of Berlin

³ CEEM, NEAPOL – theoretical report, June 1999.

2. ASSESSING THE PERFORMANCE OF VA'S

To test these hypotheses, we first assessed the performance or success of the negotiated agreements studied. Secondly, we assessed to what extent the conditions of each of the four hypotheses complied with the situation of each particular case. After the assessment of the success of the NA, and of the presence of the conditions in the hypotheses, we examined whether there was in fact a relationship between the institutional-economic context wherein a NA was used and the performance of that NA.

The assessment of the performance of the VA's studied was not simple, because the definition of 'performance' can vary. We tried to measure the performance of a negotiated agreement, using three evaluation dimensions, mentioned in the theoretical study of the NEAPOL project:

- Capability, further divided into two aspects: specification and application;
- Impact, and;
- Resource development

'**Capability**' has two aspects: the first relates to the specification of the agreement in terms of its consistency (or "fit") with the underlying policy objectives, and its compatibility with national and international law on trade and competition. The second relates to the application of the agreement in practice, and the extent to which this reinforces, or erodes, the original agreement.

The *specification* of an agreement can be assessed under three separate headings :

- Environmental Performance: How is the environmental target defined? What mechanism will be used to achieve it? Is there an adequate control system?
- Economic Efficiency: How will burden-sharing be achieved? How will free-riding be dealt with? How are any competitive distortions addressed?
- Learning: What is the learning objective? How will this objective be realised? Is there an adequate co-ordination system?

Most agreements will have both an environmental performance objective and a learning objective, although the latter may not be identified explicitly. The potential for learning is a feature that distinguishes negotiated agreements from other policy instruments. Of course, the two objectives may be closely linked, particularly if learning is a prerequisite for improved environmental performance (learning – in the form of reduced information asymmetries – may also improve the cost efficiency of the agreement). However, the relative emphasis is likely to vary from case to case, with some agreements placing much greater emphasis on environmental performance, while others focus more on learning.

The *application* of the agreement refers to the compliance of the parties with respect to the targets and obligations specified in the agreement. A distinction between the ‘*targets*’ and the ‘*obligations*’ should be made: a good performance on the environmental targets defined in the agreement can influence the environment, while the performance on the other obligations (such as reporting, control, monitoring...) can e.g. influence the cost-effectiveness and the (policy) resource base, and not the environment.

The sub-dimensions of the dimension ‘application’

- Environmental targets
- Other obligations: Concerning cost-efficiency, resource development, competition,...

The dimension ‘**impact**’ does not only concern the environmental effectiveness of the agreement, but also incorporates the economic impacts of the performance. Consequently, the total impact of an agreement, as we define it, consists of

- an environmental impact, not only taking into consideration whether the parties have fulfilled the prescribed targets, but also whether achieving of those targets has led to an actual improvement over the business-as-usual scenario;
- an economic impact, taking into consideration any impacts on *cost- efficiency* and *competition*;

We can assume that the impact on those elements will also depend on the way in which these topics were included in the specification of the agreement.

Finally, ‘**resource development**’ refers to the improvements in the policy resource base resulting from negotiating and implementing the agreement.

After explaining the meaning of the three dimensions, it should be clear that measuring the performance of any agreement will depend heavily on which dimensions will be taken into account. Several options are possible here:

- One could take into account only the **specification** of a negotiated agreement, arguing that, when an agreement is well specified, with quantified targets, clearly defined burden sharing and learning mechanisms, the chance that it will be successful increases. This approach is however questionable: although a good specification is an important precondition, it is no guarantee for a good performance.
- Another interpretation of the performance of an agreement could be to take only into account the degree of **application** of the agreement: an agreement would then be considered successful when the targets defined in the agreement are reached. This is a rather narrow interpretation of ‘performance’, since the targets mentioned in the agreement can be (lower than) business-as-usual targets. Moreover, this interpretation requires a good specification of the agreement: the targets and milestones have to be quantified. If there are no targets specified, how will the performance then be measured?
- Another option is to consider only the **impact** of the agreement: did the existence of the agreement lead to a substantial environmental impact, without leading to substantial

economic disadvantages for the stakeholders? This seems to be a valid reasoning, since the impact of the agreement is what is important in the end. But also this approach is problematic: often, it will be difficult to determine whether an environmental or economic impact is solely due to the existence of the agreement, let alone to measure that impact.

- Combining the above two approaches (measuring application and impact) will probably result in more detailed and nuanced results: the question on whether the agreement's targets are reached, is combined with the question on whether the reaching of the targets has had an environmental and/or economic impact. However, in this case, we do not take into account the development of the resource base, which is a feature important for negotiated agreements.

This reasoning leads us to conclude that the four evaluation dimensions all play a certain, but different role in the performance of a negotiated agreement. It is not recommendable to look only at one or two of the four dimensions (e.g. application or impact).

The figure (Figure 1) below explains visually what relations can exist between the different dimensions of an agreement.

- The specification can influence the application, the impact and the resource development. The influence on the application is direct (1), while the influence on impact is both direct (3) and indirect (2): clear targets, burden sharing mechanisms, and clauses to prohibit free-riding affect the application of the agreement (1), which in turn has a positive influence on the environmental and economic impact (3). The direct influence on impact (2) refers to the ambition of the targets: if these are set too low, the specification of the agreement directly influences the possible impact, no matter if the application is in accordance with these targets. The specification can also influence the resource base through different channels. The resource development can be indirectly influenced through the inclusion in the agreement of clauses to promote technological research among the subscribers, clauses that set regular meeting dates between policy makers and private parties,... if of course what is specified is applied in practice (1 and 5). The resource development is directly influenced by the specification in the sense that a good specified agreement will mostly be the consequence of fruitful negotiations, during which the resource base can be influenced positively (4). We have to mention however that the influence on resource development of both specification and application could be rather small, given the fact that most agreements are primarily aimed at implementation rather than innovation and resource development.
- The application of the agreement can have an influence on the impact (2), and is moreover a proxy for the more difficultly measurable impact. As stated in the previous point, the application can also influence the resource development.
- Finally, we think that the impact of an agreement, will have no effect on the resource development, since the impact is only the final result of the agreement, and the resource base is mainly affected during the negotiation and application phase.

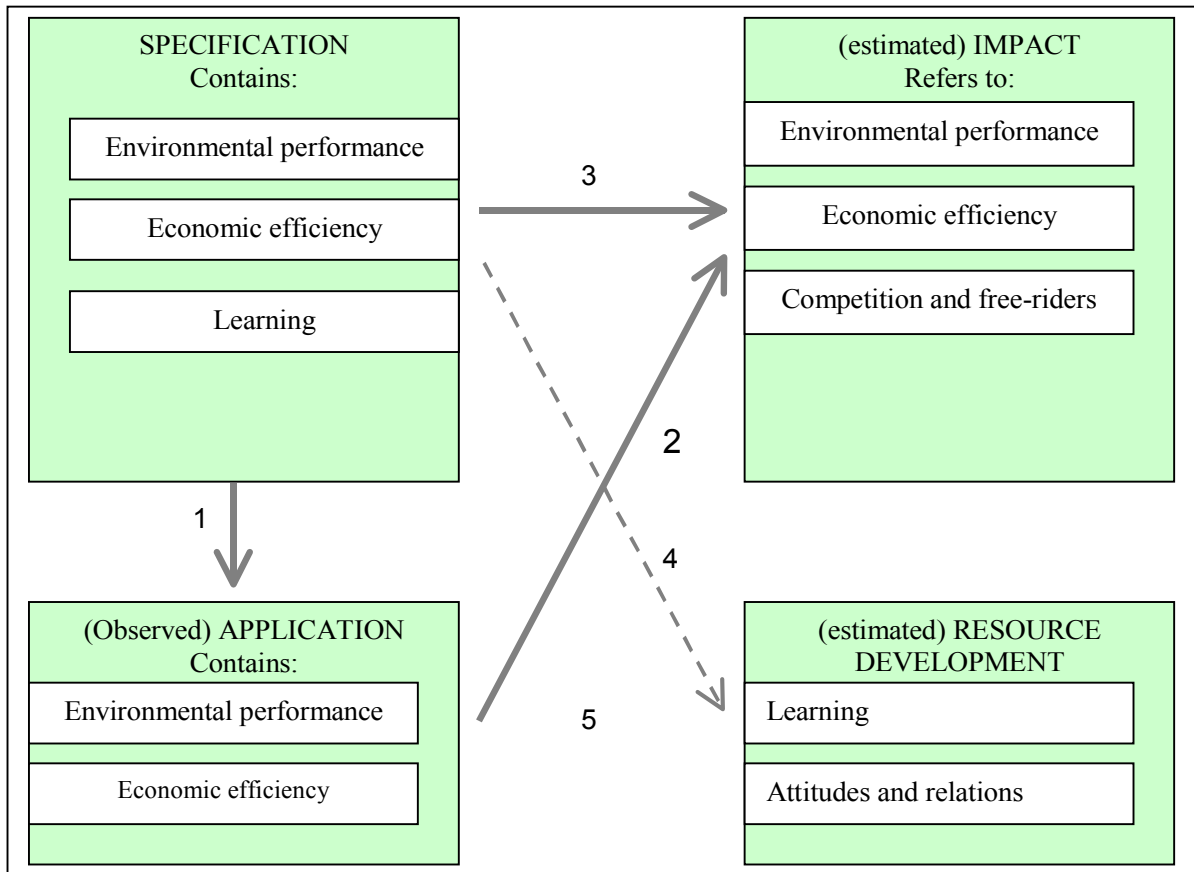


Figure 1: The dimension ‘specification’ as a precondition for the performance of an agreement

Of the four dimensions, clearly it is the impact and the resource development that in the end will determine the performance of an agreement. The dimension *application* is too narrow as a judgement base, and the dimension *specification* is in fact a precondition for the performance of an agreement. The dimension *application* can however provide for a good estimate of the difficult to measure dimensions *impact* and *resource development*. We will therefore define the performance of any agreement to be a mix of the degree of *application*, *impact* and *resource development*. This measured performance should show a positive correlation with the degree of *specification*, which is an internal precondition for a good performance.

The assessment of the different evaluation dimensions was done by means of a grading scale technique. This technique was used to be able to measure the extent of the contribution of each evaluation dimension to the total performance of the agreement. Later we used the same technique to test possible correlations with the proposed hypotheses. Therefore a whole series of statements had to be assessed by the researchers for each agreement, by giving them a grade from 1 to 5, showing to what extent the statement was considered valid.

The ranking of the agreements based on their average performance score is shown in (Figure 2). We can see that five of the agreements score well below average (GBAT, IVIC, FCFC, DWHI and EFAR). Three agreements have a score that is near the total average of

3.24 (GELV, EEFF and DSO2). Finally, four agreements score well above the average (FECO, BBAT, BELE and IAGI).

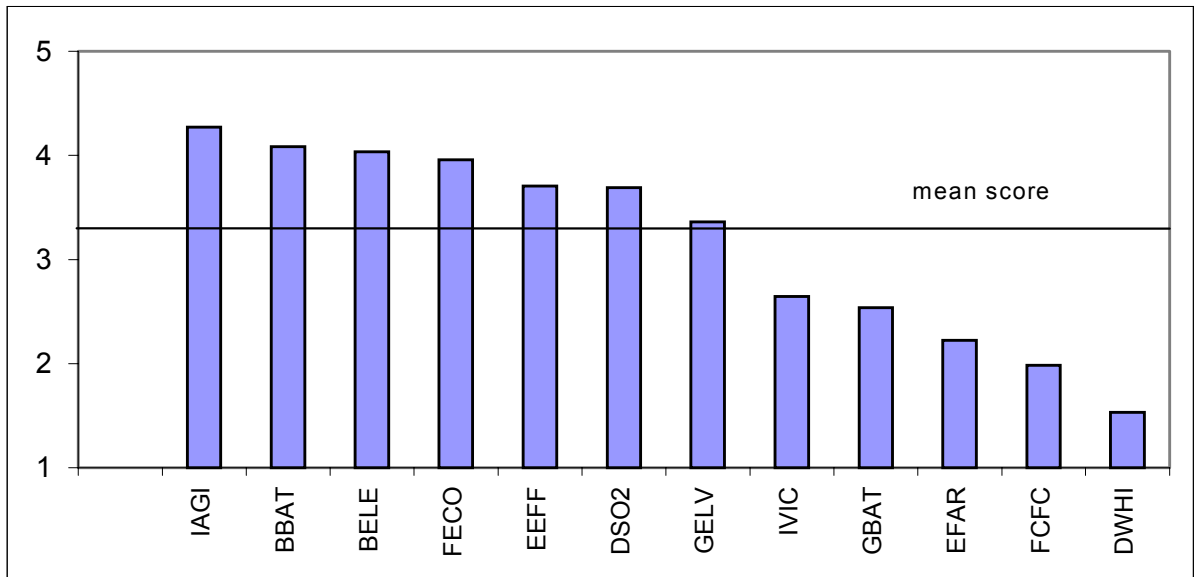


Figure 2: The average performance of the studied agreements

3. ASSESSING THE SOCIO-ECONOMIC CONTEXT

To gain information on the socio-economic context, we have carried out an analysis, using the same technique as for the performance evaluation. Different statements were judged for each agreement studied, by giving them a 1 to 5 score. Combining these scores, we tried to measure how favourable each of the four socio-economic aspects is with respect to the agreement's performance.

3.1 The policy style: is there a tradition of consensus-seeking and joint problem solving?

Three statements had to be assessed by the research teams in order to be able to gain insight in the policy style in the country of the agreement and to test for the policy hypothesis. The first one considers the general policy style, while the second and third statement focus on respectively mutual trust and self-responsibility within the sector considered. If all those statements receive a high score, we consider this policy context to be favourable for the performance of the agreement considered.

We have to note that these external factors can change over time. If there are sudden changes in e.g. the climate of trust, this should be reflected in the score for the policy hypothesis.

- I.1 Environmental policy evolves in a tradition of consensus seeking and joint problem solving apart from the conclusion of the agreement.
- I.2 Apart from the process leading to the conclusion of the agreement, policy making in the area covered by the agreement is characterised by a climate of mutual trust.
- I.3 Apart from the process leading to the conclusion of the agreement, the private sector(s) covered by the agreement show(s) a clear readiness to self-responsibility with respect to the environmental problem.

3.2 The use of an alternative instrument: is there a stick behind the door?

This hypothesis concentrates on the readiness of the policy makers to use an alternative instrument in case of non-compliance to the agreement by the private parties. The readiness of the policy makers however has to be combined with the severity of this alternative when applied. When the threat of the alternative instrument is credible, and this instrument has more stringent or costly consequences for the companies involved, they should have a bigger incentive to make the agreement succeed.

- II.1 The chances that public authorities will use an alternative instrument in case of non-success or non-conclusion of the agreement are high..
- II.2 If applied, the alternative instrument has more severe consequences for the target group than those resulting from the application of the agreement.

3.3 The sectoral structure: is the sectoral structure fit for an agreement?

The first two statements here reflect the idea that an agreement will have more chance in succeeding if the target group can negotiate as one collective actor and thereby make it easier for the authorities to apply a negotiated agreement approach. The chance that the target group will be able to negotiate as one actor will depend primarily on the existence of a powerful player or association, and on the fact that the private parties belong to the same industrial sector.

Once the agreement is concluded, free-riding can prevent the participants from complying with the targets and obligations of the agreement.

- III.1 There is already a dominant interest of a major player / a small number of players or a powerful and representative industry association in the area covered by the agreement
- III.2 The private parties to the agreement belong to the same industrial sector.

- III.3 The potential for significant free riding between the members of the targeted sector covered by the agreement, is low.

3.4 The competitive structure: Is there a competitive incentive?

The central idea behind this hypothesis is that an agreement will be more feasible when the companies have a certain competitive incentive vis-à-vis the other companies in the area covered by the agreement, to distinguish themselves, e.g. through a green image. A higher participation in the (future) agreement will be more probable if the companies know that:

- IV.1 Buyers can distinguish the difference in environmental quality performance of the firms in the participating sector(s).
- IV.2 Buyers value environmental sound products in the area covered by the agreement.

3.5 Evaluating the socio-economic environment of the agreements

Just like we measured the average performance of each agreement, we could turn to the socio-economic context wherein each agreement was concluded by checking to what extent this context was in accordance with the ideal situation brought forward in the four hypotheses.

Calculating these scores each of the respondents gave, we obtained the following results (table 2).

table 2: The scores for the different socio-economic aspects.

| | <i>Policy hypothesis</i> | <i>Instrumental hypothesis</i> | <i>Sectoral hypothesis</i> | <i>Competition hypothesis</i> |
|-------------|--------------------------|--------------------------------|----------------------------|-------------------------------|
| <i>GBAT</i> | 2,67 | 3,24 | 2,70 | 2,83 |
| <i>GELV</i> | 3,00 | 3,24 | 3,30 | 2,00 |
| <i>FCFC</i> | 2,33 | 1,00 | 1,73 | 3,00 |
| <i>FECO</i> | 3,00 | 1,73 | 2,24 | 3,87 |
| <i>BBAT</i> | 2,17 | 5,00 | 3,95 | 3,46 |
| <i>BELE</i> | 3,00 | 5,00 | 5,00 | 1,00 |
| <i>DSO2</i> | 4,00 | 5,00 | 5,00 | 1,50 |
| <i>DWHI</i> | 1,83 | 1,87 | 2,47 | 3,00 |
| <i>IVIC</i> | 1,67 | 1,00 | 3,70 | 1,00 |
| <i>IAGI</i> | 1,17 | 5,00 | 4,62 | 3,15 |
| <i>EFAR</i> | 3,00 | 2,12 | 3,16 | 3,15 |
| <i>EEFF</i> | 3,67 | 2,96 | 2,81 | 2,28 |

GBAT: German batteries agreement; GELV: German End-of-life vehicles agreement; FCFC: French CFC agreement; FECO: French Eco-emballages agreement; BBAT: Belgian batteries agreement; BELE: Belgian electricity agreement; DSO2: Dutch SO2 agreement; DWHI: Dutch white and brown goods agreement; IVIC: Italian Vicenza agreement; IAGI: Italian Agip agreement; EFAR: English farm films agreement; EEFF: English Efficiency agreement.

4. EVALUATING THE HYPOTHESES QUANTITATIVELY

The survey above allowed us to do a quantitative evaluation of each agreement and of the socio-economic context wherein it was concluded.

After we had an aggregate score for the average performance of each agreement, and a score for the policy style, the threat of an alternative instrument, the sectoral and the competitive structure, we were able to look at the relation between the performance of each agreement and the hypotheses. Does a high score on e.g. the sectoral structure, which means that the agreement is concluded within a homogeneous sector, correlate with the success or performance of the agreement?

We combined the results of the performance of the agreements with the results obtained from the analysis of the socio-economic context wherein these agreements were concluded. We already mentioned that the aspects of the socio-economic context that we studied, can be a precondition for the performance of negotiated agreements. These aspects therefore

functioned as independent variables that could explain the dependent variable, i.e. the performance of an agreement. This allowed us to check the four hypotheses put forward in our theoretical analysis. The (absence of a) relation between the performance and the favourability of the socio-economic context would be represented graphically, for each of the hypotheses postulated.

On these graphical representations, the horizontal axis measures the performance of the agreement, which we calculated above as an average for the scores on application, impact and resource development. The vertical axis represented the different scores on the socio-economic aspect considered.

4.1 The Policy Hypothesis

Plotting the data gave us the following graphical representation (Figure 3). Except for the BBAT and the IAGI agreement, we can see a clear positive relation between the degree of consensus seeking, respect and trust in the policy, and the performance of agreement. Since there are no scatter points in the upper left corner, we can consider this hypothesis as not rejected by our data. Agreements that are situated in the lower right corner, might be agreements that, despite the policy climate, are successful because of other beneficial socio-economic aspects, such as the existence of an alternative threat. We will discuss this possibility later on in this paper.

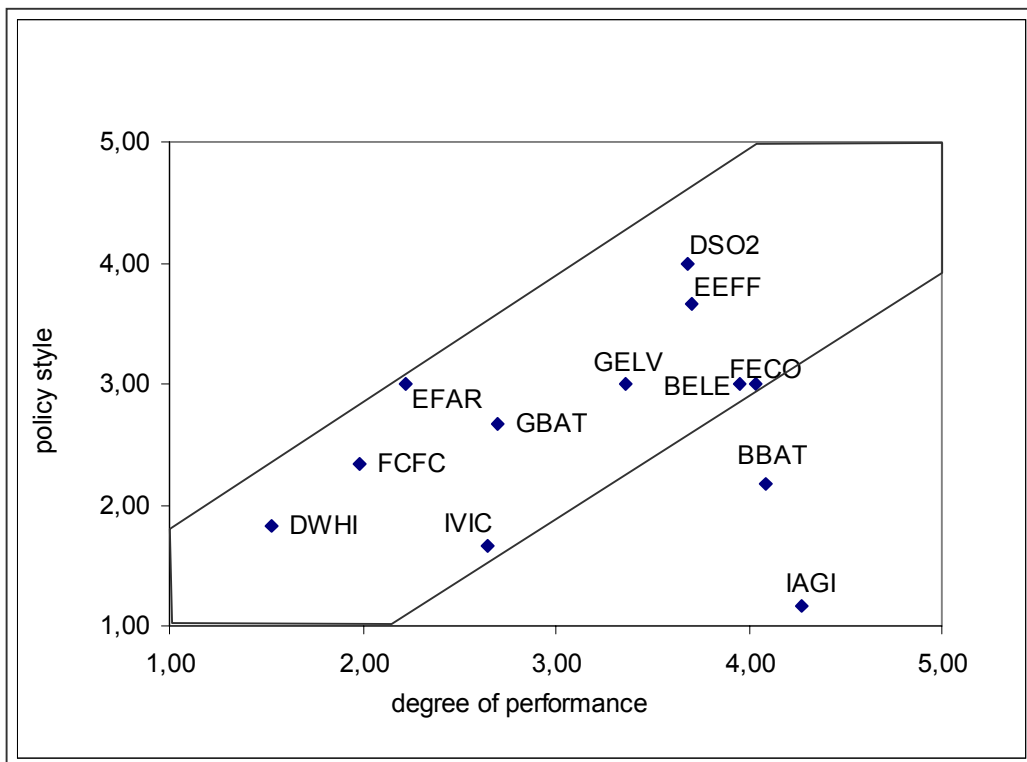


Figure 3: The relation between the policy style and the average performance of the studied agreements.

It is clear however that the policy style is not the only precondition for a successful implementation of environmental agreements. For that reason further, more important features for a successful implementation of environmental measures must exist. Nevertheless it is possible that a consensus-oriented policy climate increases the chances for a good implementation in certain cases.

4.2 Instrumental Hypothesis

The graph (Figure 4) shows again a clear positive relationship between performance and the existence of an alternative instrument, next to the absence of agreements in the upper left and lower right corner.

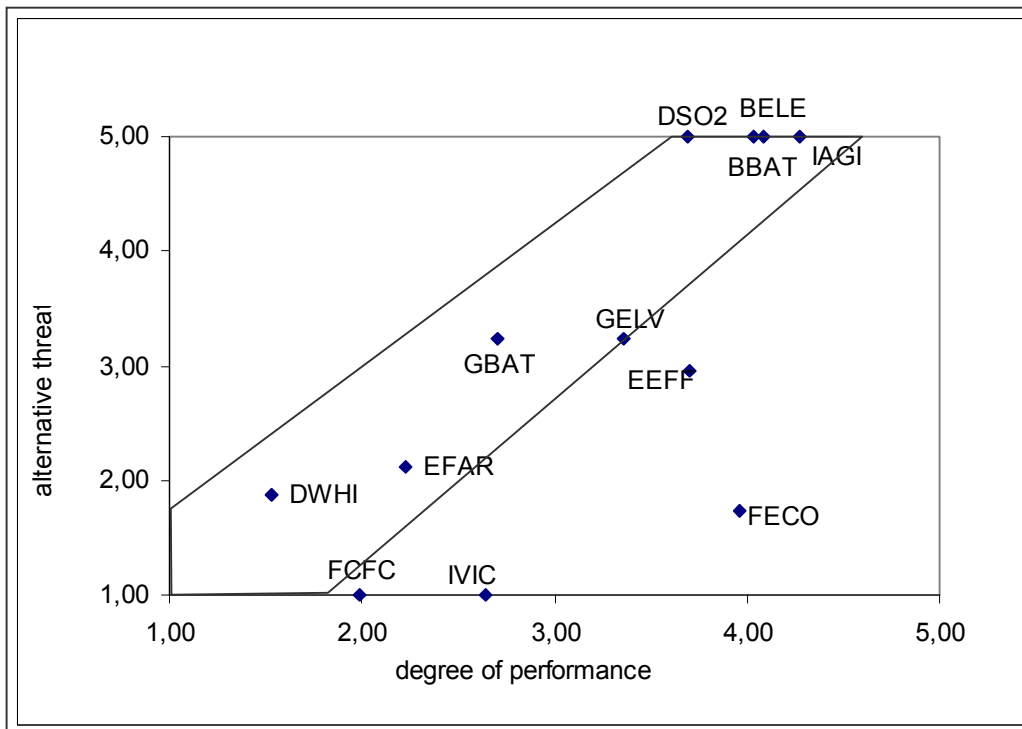


Figure 4: The relation between the existence of an alternative threat and the performance of the agreements studied.

Four agreements were concluded in a context where there was a very strong and severe alternative threat (DSO2, BELE, BBAT and IAGI). All those cases were also evaluated as rather successful ones. Particularly these agreements support the validity of the instrumental hypothesis. Besides these successful agreements there are also two cases, which are assessed with the lowest grade possible (1.00). These two cases are the French CFC agreement and the Italian Vicenza agreement. It is again important to notice that the upper left part of the scatter graph remains almost empty. Here, this means that there are no low-performance agreements when a strong alternative threat was present. In the lower right area, we can detect some agreements, the high performance of which ought to be

explained by another aspect. We can conclude by saying that, while a strong alternative threat is not necessary, it can clearly contribute to the performance of any agreement.

4.3 Sectoral Hypothesis

Again, a positive relationship emerges from the graph (Figure 5). Only two agreements break this positive trend, i.e. the British energy efficiency agreement (EEFF) and the French eco-emballages agreement (FECO). All other agreements seem to be in line with expectations.

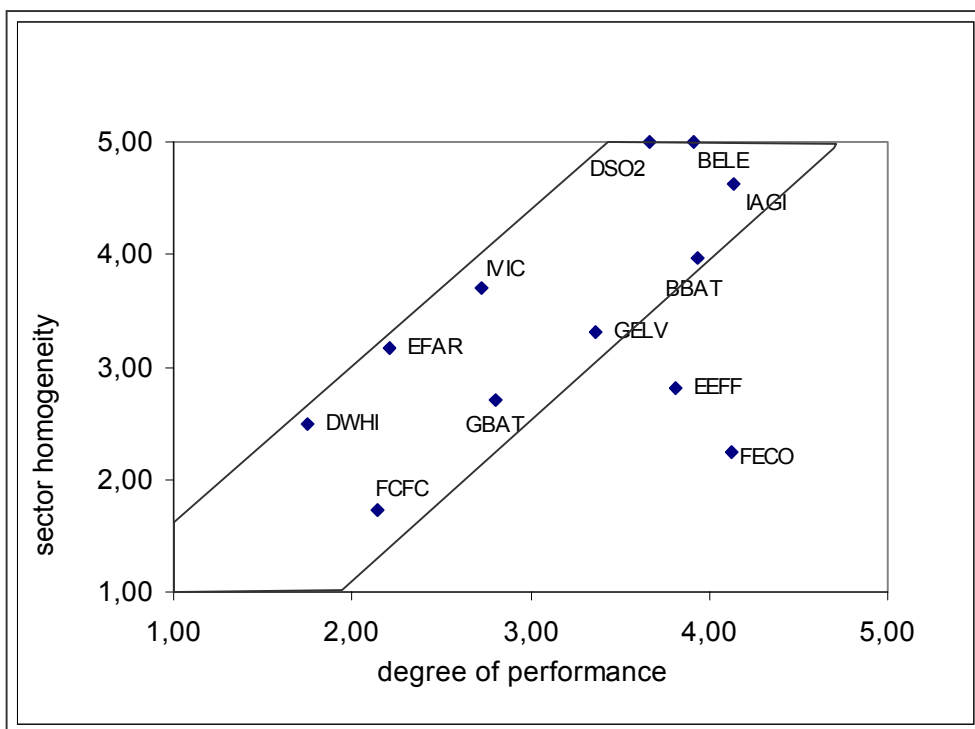


Figure 5: The relation between the sectoral structure and the average performance of the agreements studied.

4.4 Competition Hypothesis

Whereas the previous three hypotheses seemed to be confirmed, there is less clarity here. The scatterpoints on the graph (Figure 6) are dispersed throughout the entire graph. The theoretical idea that firms will be prone to a good performance when there is demand pressure from green consumers is not confirmed by our agreements. On the one hand, we have a few agreements concluded with firms or in sectors where there is demand pressure, that performed badly (DWHI, EFAR, FCFC), and on the other hand, we have agreements with a rather good performance in markets where demand pressure was not strong (DSO2, BELE, EEFF).

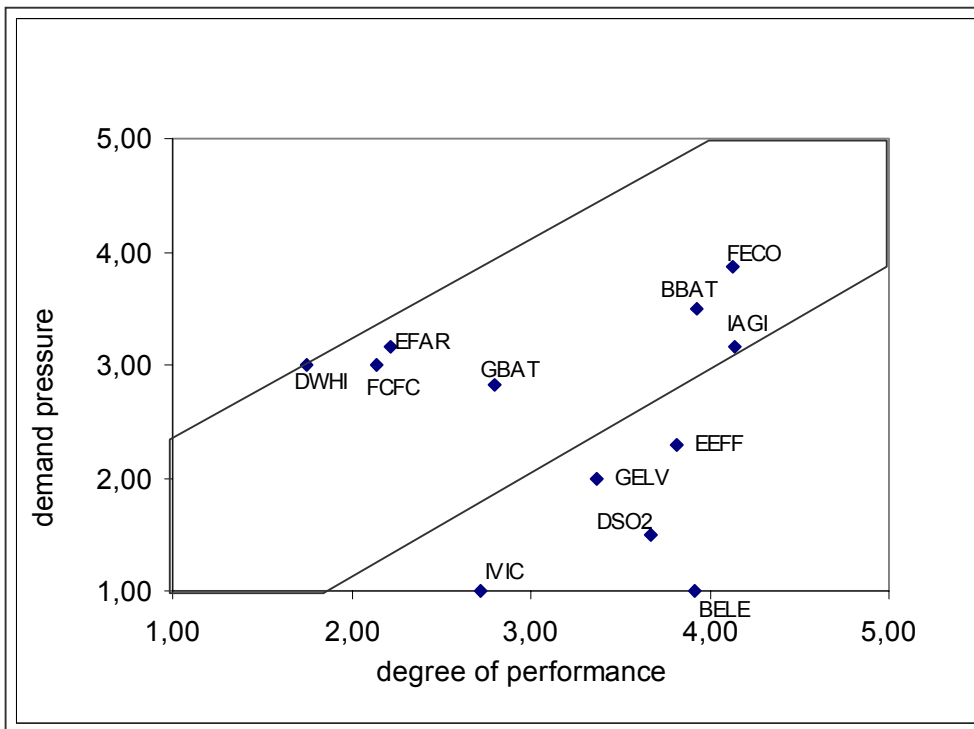


Figure 6: The relation between the sectoral structure and the average performance of the agreements studied.

4.5 The influence of the combined socio-economic context on the performance of negotiated agreements

We now have looked at the different hypotheses separately, and we have mentioned already that the absence of a relation between one socio-economic aspect and the performance in a particular case, can be due to the fact that by other socio-economic aspects, dilute the influence of the first socio-economic aspect.

Looking at the different hypotheses together, can bring us more insight in the possible existence of a 'combined (un)favourable socio-economic context'. In the following table (table 3) we define the hypotheses to be 'not rejected' for an agreement, when the agreement is situated within the grey area of the above graphs.

table 3: The validity of the different hypotheses for the agreements studied.

| | <i>Policy hypothesis</i> | <i>Instrumental hypothesis</i> | <i>Sectoral hypothesis</i> | <i>Competition hypothesis</i> |
|-------------|--------------------------|--------------------------------|----------------------------|-------------------------------|
| <i>GBAT</i> | ✓ | ✓ | ✓ | ✓ |
| <i>GELV</i> | ✓ | ✓ | ✓ | ✗ |
| <i>FCFC</i> | ✓ | ✗ | ✓ | ✓ |
| <i>FECO</i> | ✓ | ✗ | ✗ | ✓ |
| <i>BBAT</i> | ✗ | ✓ | ✓ | ✓ |
| <i>BELE</i> | ✓ | ✓ | ✓ | ✗ |
| <i>DSO2</i> | ✓ | ✓ | ✓ | ✗ |
| <i>DWHI</i> | ✓ | ✓ | ✓ | ✓ |
| <i>IVIC</i> | ✓ | ✗ | ✓ | ✗ |
| <i>IAGI</i> | ✗ | ✓ | ✓ | ✓ |
| <i>EFAR</i> | ✓ | ✓ | ✓ | ✓ |
| <i>EEFF</i> | ✓ | ✗ | ✗ | ✗ |

Legend: ✓: not rejected, ✗:rejected

The IAGI agreement e.g., which is relatively successful in its application and impact, did not support the policy hypothesis. The reason for its performance had to be sought in the existence of a strong alternative threat and in the homogeneous sectoral structure, which made negotiations easily. Therefore, the influence of the rather unfavourable policy climate did not play a major role in the performance of the agreement. We can make an analogue reasoning for e.g. the BBAT agreement.

For the GELV, FCFC, BELE, DSO2, DWHI and the EFAR agreement, the (absence of) demand pressure could not outweigh the influence of the other three socio-economic aspects.

Based on the above argumentation, that the influence of certain socio-economic aspects can be outweighed by the influence of other aspects, we could argue that the ‘combined’ context (all of the four separately studied aspects together) will provide a favourable or unfavourable climate.

For all agreements, at least two hypotheses are not rejected, except from the IVIC agreement. For nine of the twelve agreements, at least three hypotheses are not rejected. This could lead us to conclude that most of the agreements studied were negotiated and applied within a rather favourable combined socio-economic context or within a rather unfavourable combined socio-economic context, leading to a relative good resp. bad performance.

In the graph below (Figure 7), we show the relationship between the average performance of the negotiated agreements and the ‘combined’ socio-economic context where they were concluded in. This combined context was quantified by taking the average of the scores for each of the four socio-economic aspects considered .

It is remarkable that on the graph the outliers in each of the four previous graphs have disappeared. The unfavourable policy style for the IAGI agreement was compensated by the sector homogeneity and the existence of a strong alternative threat. The absence of a strong alternative threat in the FECO agreement and the sector heterogeneity were offset by the high demand pressure and the favourable policy climate, etc... .

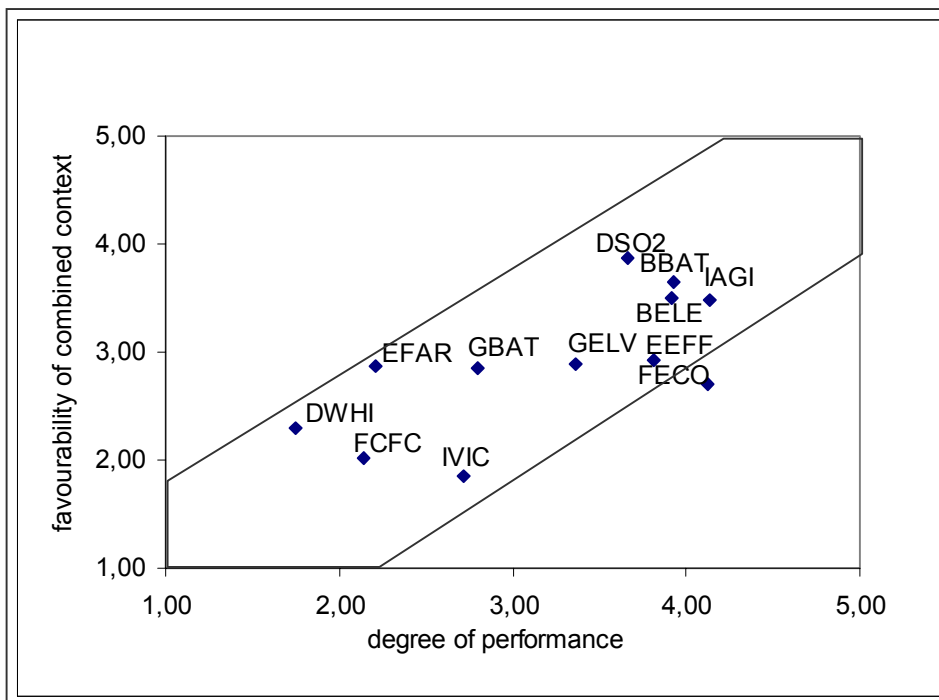


Figure 7: The relation between the combined socio-economic context and the average performance of the agreements studied.

This leads us to conclude that the favourability of each of the socio-economic aspects we studied is not a necessary condition for the good performance of a negotiated agreement. The socio-economic context does not need to be favourable in all aspects:

- The absence of a good policy climate can be outweighed by the use of a strong and credible alternative instrument.
- An alternative instrument on the other hand might not be necessary if the private parties feel that there is a certain degree of market pressure (from consumers or competitors) to succeed in the agreement.
- The disadvantage of a very heterogeneous sector with very different parties can be minimised by the imposition of a strong alternative instrument, making the incentive for these different parties the same and stimulating co-operation between them.

- There might be no need for an alternative instrument or market pressure, if the private parties and the policy makers already have a very good relation, and if they act as ‘gentlemen’ towards each other.

5. CONCLUSION

We can say that the results of the quantitative evaluation, which was in turn based on the scoring of the evaluation statements, provide a fairly good approximation of the reality. The three hypotheses that were generally not rejected (the policy, instrumental and sectoral hypothesis), were backed by the qualitative analysis of the agreements. However, consumer pressure seems to play a less important and sometimes ambiguous role. As the Dutch white and brown goods and the Belgian batteries agreement show, a distinction must be made between green pressure and economic pressure. When there is green pressure, companies may be more prone to conclude an agreement, but when there is economic pressure, the fear of losing customers can restrain companies from entering into an agreement. Often also the perceived ‘willingness to pay’ of the consumers can differ from their actual ‘willingness to pay’.

What was also made clear, is that none of the four studied socio-economic aspects (policy climate, alternative threat, sectoral structure and demand pressure) is sufficient as a guarantee for success. Conversely, a poor score on one aspect (e.g. a heterogeneous sector) is not sufficient to cause an agreement to fail. One must consider the ‘combined’ socio-economic context: the heterogeneity of the sector can be compensated by the existence of a severe legal instrument, which can make companies act as one over sub-sectoral boundaries. Sometimes there is no need for an alternative instrument, if the policy climate is optimal and if consumer pressure acts as a ‘market threat’. The importance of this combined socio-economic context can be seen in our quantitative analysis as well as in our qualitative analysis.

Clearly, the socio-economic aspects are not the only determinants for success or non-success. We have been able to conclude in the NEAPOL project also that there is a strong correlation between the specification of the agreement and its application and impact. The importance of the specification of the agreement can therefore not be underestimated.

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