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## Public Opinion, Markets are New Weapons in Pollution Fight

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**WASHINGTON, August 20, 1996** Regulators frustrated that laws and fines often fail to force companies to cut pollution are trying a new approach that taps the power of public opinion and consumer choice to clean up the environment.

The new approach combines threats to embarrass companies that refuse to clean up with public praise for those who do. A program in Indonesia using the new method cut the number of worst-polluting factories by half. Other countries with growing pollution problems, including Mexico and the Philippines, are studying the Indonesian program as an example of how to clean up the environment where traditional regulatory approaches have failed.

In the US and many other industrial countries, governments routinely collect factory emissions data and make it available to the public. The Indonesian program breaks new ground by using this data to rank factories and actively disseminating the names and rankings of the companies as the core of a pollution control strategy.

Environmental experts say the new approach is especially useful in developing countries, where enforcement of environmental regulations is often weak.

*"I see this program as the forerunner of a whole new approach to pollution control," said Tom Tietenberg, a leading US environmental economist and the author of **Environmental and Natural Resource Economics**, the most widely-used textbook in the field. Such programs, he said, "can promote significant pollution control even in the absence of traditional monitoring and enforcement."* Some environmental experts believe that the approach may also prove valuable in developed countries, including the US.

Public information disclosure is based on a simple observation: companies reduce pollution not only because of legal sanctions but also in response to public pressures, such as protests, press criticism, and boycott threats, as well as the prospect of winning public praise.

In poor countries, where enforcement of environmental laws is often weak, such "informal regulation" may be the only incentive companies have to reduce pollution. But informal regulation is spotty. Obvious pollution such as belching smokestacks attract more attention than hidden but sometimes greater dangers, such as heavy metals or toxic waste. Environmental groups cannot monitor and evaluate the pollution discharges from hundreds or even thousands of factories in a city or region.

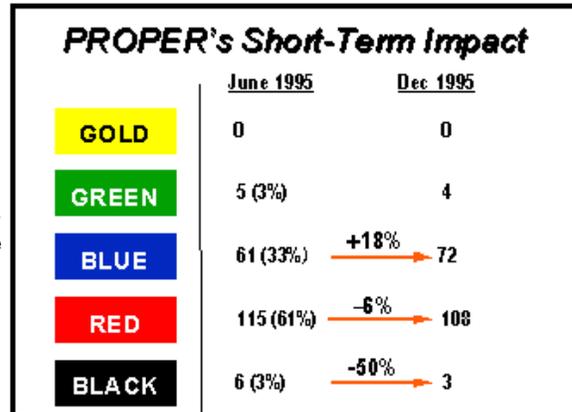
Enter pollution control through rating and public information disclosure. Nabel Makarim, the deputy at Indonesia's National Pollution Control Agency, conceived of the innovative program in 1993 as a way to strengthen his agency's enforcement capability, which was being outstripped by Indonesia's rapid industrialization.

Working together with researchers from the World Bank, staff at the Indonesian agency compiled information on a comprehensive list of pollutants at 187 factories. Using a sophisticated computerized model that takes into account dangers posed by each pollutant, they collapsed information on each factory into a single number. They then ranked the companies into five possible categories: gold for excellent, green for very good, blue for adequate, red for violators of environmental standards, and black for the worst polluters.

In June 1995 the government publicly launched the **Program for Pollution Control, Evaluation and Rating**, also known as **PROPER**, by awarding green status to five companies (no company received a gold rating). The names of the other companies were not released. Instead the government announced that 115 of them were ranked as red, and six were ranked as black. Polluting firms were warned that their names would be made public in six months if they were still in violation.

The announcement triggered a wave of reporting about industrial pollution in the Indonesian press. *Kompas*, the leading national daily, covered the story intensively. Dozens of articles were published in other newspapers and magazines. At the National Pollution Control Agency telephones rang incessantly as factory owners including some who had previously spurned the agency called to ask how they could improve their rating before the public disclosure deadline. Companies that received a green rating called to ask how they could further improve their performance in order to qualify for gold.

By the time Environment Minister Sarwono Kusumaatmadja revealed the names of polluters on December 29, more than 20 additional factories had joined the program. Of the 187 original participants, the number with red rankings had dropped from 115 to 108, while the number with black rankings had dropped from six to three a 50 percent reduction in the number of very serious offenders. Although none of the green companies moved up to gold status, several indicated that they are working towards that goal. Meanwhile the media have continued to report on the program, generating pressure for further cleanup.



The government is preparing to expand the program from its initial focus on water pollution to include air pollution and toxic waste. To maintain public interest and pressure on polluters, PROPER plans to publish plant pollution ratings for specific types of industries at regular intervals.

In May, the Zero Emissions Research Initiative (ZERI) of the United Nations University, headquartered in Tokyo, presented Environment Minister Sarwono a leadership award for PROPER at an international conference on zero emissions in Chattanooga, Tennessee. "Regulations would never be able to force companies to reach the zero standard," the ZERI award citation stated. It praised the Indonesian program for motivating some companies to strive for the total elimination of industrial waste.

**"The initial results are very promising," says Shakeb Afsah, an environmental economist who worked with the Indonesians in developing the program. "We look forward to having a better assessment of the long-term impact as the program expands to cover more firms."**

Mr. Afsah says that public information disclosure seems to work through a variety of mechanisms. Companies that make consumer goods may worry that a bad environmental reputation will hurt sales, while a good reputation will give them an edge against competitors. Environmental reputation may also influence a company's ability to raise capital; since investors are less likely to put their money into a company embroiled in an environmental dispute.

The program complements traditional enforcement efforts, Mr. Afsah said, since it helps the government to identify the worst polluters and undertake legal action against them.

Although more experience, data, and analysis are needed to evaluate the program fully, some countries with pressing environmental problems are already preparing to put in place similar programs of their own.

Environmental officials in Mexico have asked the World Bank for advice about establishing a public information disclosure program. Mr. Afsah will leave the Bank's Washington headquarters in September to help establish one in the Philippines, where heavy metals and other industrial waste are contaminating Laguna de Bay, a vast shallow lake south of Manila.

The program is especially worthwhile in poor countries, where enforcement is weak and companies often violate pollution regulations with impunity. Companies that are charged may simply pay a fine and continue polluting or, if the fine is large, dispute it in court and avoid paying any penalty.

Reducing industrial pollution in such countries could have large benefits for the people who live there, especially poor people who live nearby a factory and may have no choice but to draw their water from a polluted river. Factory rankings can strengthen the bargaining position of such communities.

Better clean-up efforts in developing countries would also have large benefits for the global environment. As developing countries industrialize, their output of pollutants will increase dramatically unless new ways are found to reduce emissions.

Environmental experts say that the public information disclosure approach may also help with clean up in developed countries, including the US. Unlike existing approaches, public information disclosure gives companies a strong incentive to be even cleaner than the regulations require. That could be especially important in a situation where the most companies already comply with regulatory standards, since it would encourage them to invest in additional pollution reduction.

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