

In the Name of Allah

## ***Innovative Practice in the Islamic Republic of Iran (Feb 2005)***

### ***Incentives for Industries***

#### ***Description of the Initiative***

During the past decade, the Islamic Republic of Iran has embarked on a serious economic growth and industrialization campaign. For this reason environment related issues have been thoroughly integrated in development policies and economic incentives devised to ensure compliance with environmental standards and policy. As a result of meticulous policy making, a combination of economic inducements and support for industries that undertake serious green measures has been incorporated with a policy of fines and penalties for non compliance. This amalgamation has helped convince private and government owned industries to take positive action for environmental compliance.

#### ***\* Green Industries annual competition***

Industries in conformity with the criteria set for this competition are short-listed by a jury for a final selection of green industries. The selection principles include establishing environmental management systems, promoting environmental standards, educational policies and tree planting policies. Selected industries are awarded a green industries tableau and permitted to use the logo for marketing purposes for a period of one year. This contest has been ongoing for the past six years with an overwhelming response from industries nationwide. Over this half-decade more than 300 industrial enterprises have qualified for the competition and scores of others have been awarded.

#### ***\* Tax exemption***

All expenses related to environmental compliance are tax exempt according to law. This encourages spending for environmental purposes. Also, industrial sites that are situated far from large city limits enjoy tax reductions. This encourages economic activities in the more remote areas of the country.

#### ***\* Tariffs and fines***

The Department of Environment is required to provide a list of polluting industries every year which in turn are required to pay 1% of the sales price of their products as an environmental tax to neighboring municipalities. In addition according to the Fourth National Development Law polluting industries pay pollution fines proportionate to the amount and type of air, water and soil pollution that they emit. These penalties increase by annual increments so that eventually the punitive costs will be more expensive than resolving their environmental problems.

#### ***\* International Environment Exhibition***

This annual event provides an opportunity for private, government and NGO groups to exhibit and publicize their activities and achievements in the environment field. It also gives marketing opportunities to green industries and environmental technologies at the local and international level. The exhibition has been convened for four consecutive years with an overwhelming response on each occasion. The exposition is held at the Tehran International Fair Grounds. More than 60 NGO groups are invited to take part every year free of any registration and other charges.

This combination of four initiatives are innovative measures that have led to tangible results in terms of compliance and enhancing environmental standards in the industry and mines sector.

Water quality is one of the outstanding environmental issues reflected in the MD goals and the WSSD targets. Industrial effluents and waste contribute largely to the deterioration of water quality and river pollution. This is aggravated by the rush for economic development and industrialization in developing countries with a scarcity of water resources, coupled with unresolved health and sanitation problems.

In these countries regulations and standards do not automatically translate into compliance, and regulatory measures and inspections may not suffice to counter unsustainable trends. The situation is further complicated in developing countries due to the presence of hundreds of obsolete and polluting industries, many of which have been imported. Social questions such as employment and poverty usually prevent regulatory bodies from taking prohibitory measures and closing them down.

#### ***Mainstreaming and Sustainability***

This multiple initiative successfully implemented in Iran during the past five years, has solid legal backing in the Third National Development Law (NDL) 2000-2004 and has been strongly reflected in the fourth NDL as well. In addition in the new NDL, the a self reporting system for the industrial sector, as well as the establishment of a

National Environmental Fund for supporting environmental expenditures, has been adopted. The President has specifically supported these initiatives in public.

During this period hundreds of industries have initiated environmental projects and have aimed to implement environmental management systems.

These initiatives have resulted in increased expenditures for the environment by industry. For example in the eastern Iranian province of Khorasan, 18 months after implementing these measures 30 large industrial enterprises have spent some USD20 million for improving their sewage and waste systems to meet environmental standards. In the southern province of Khuzestan the Karoon River, a tributary of the Persian Gulf, is now closely monitored by an inter-sectoral committee and more than 150 industrial and agricultural units that impact on the waterway have joined a campaign to improve the quality of their effluents and comply with environmental standards. 61 sewage collection and purification systems have been established or are underway. This program has proven very effective in mobilizing the local community and major players in the private and public sectors and also in decreasing the burden of pollutants in the Karoon River.

As a successful example can be cited in this regard the implementation of ISO14001 standards and environment management systems in 9 large petrochemical complexes in, Khuzestan, Isfahan, Arak, Khorasan, Tabriz, Khark, Shiraz, Aroumieh, Hormozgan in a period of 5 years (2000-2004), amounting to a significant reduction in water, energy consumption, and pollutants in effluents and emissions as well as reduction in costs. Many industrialists now view the implementation of environmental standards as an opportunity to increase efficiency and reduce production costs.

Due to the multi-sectoral and collaborative nature of this incentive scheme, the allocation of resources, the economic incentives, preventive measures public and local support and the partnership of the industries, agricultural and mining sectors, the fiscal viability and sustainability of this plan is guaranteed.

### ***Replicating the Initiative***

All the measures defined herein have proved to be viable, effective, and acceptable for the public, civil society and government sectors in the country. Consider that Iran, as a developing country pushing for economic growth, is in dire need of new employment opportunities for millions of young men and women. In addition it is characterized by fragile ecosystems, non-renewable natural resources and scarcity of freshwater. All these conditions are very similar to other developing countries.

Consequently, Iran's scheme of initiatives could well be readily applicable to other countries and regions in the world. The simple methods and concepts applied are quickly understood and appreciated by the public and the enhanced prestige created for those industries that comply and support environmental policies encourages the economic sector to change its perspective in promoting environmental values.

### **Lessons learned during the development and implementation of the initiative include:**

- ◆ The necessity of firm political will at the highest possible level,
- ◆ The importance of creating partnerships and providing grounds for the involvement of all stakeholders in the decision making and implementation stages,
- ◆ Local decision making and pressure from local groups is very effective,
- ◆ Economic incentives can create genuine qualitative change but enhancing the reputation of industrialists that comply with environmental regulations is equally important,
- ◆ The cultural and religious framework of each individual society should not be overlooked,
- ◆ Environmental compliance could be perceived as a prestigious action if adequate incentives are provided, this would encourage industries to enter a competition in this regard. For eg. Competent green industries this year (2005) received, the Green Industries' Award from the President of the Islamic Republic. Green industries are authorized to use the label for one year.
- ◆ Rigorous regulation and control will be more effective if incentives are also provided and the economic sector and industries experience an atmosphere of mutual confidence.