

# Environmental Self-Governance: Conditions for Industry Effectiveness

Aseem Prakash

University of Washington

Voluntary environmental programs (VEPs) are institutions that encourage participating actors to produce environmental public goods beyond the requirements of government law. Drawing on the club approach to the study of VEPs, we identify four collective action challenges facing VEPs. First, sponsoring actors must be motivated to invest resources to create a VEP despite incentives to free ride on the efforts of others. Second, VEPs need to be designed to offer firms sufficient excludable incentives to join them. Third, VEPs need monitoring and enforcement mechanisms to ensure that participants adhere to program obligations and do not free ride on the efforts of other participants. Fourth, VEPs and their sponsors need to motivate stakeholders to compensate firms for producing environmental public goods. The literature reveals considerable variability in how these challenges are addressed, suggesting that successful VEPs need to fit their institutional contexts.<sup>1</sup>

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<sup>1</sup> Potoski, M. and A. Prakash. (2013). Green clubs: Collective action and voluntary environmental programs. *Annual Review of Political Science*, 16: 399 – 419.  
<http://www.annualreviews.org/eprint/AQapDhyjwfluV6Qhadda/full/10.1146/annurev-polisci-032211-211224>