



# Regional Summary of Policy Recommendations to Support the Development of Green and Circular Businesses in the Mediterranean

Implementation of Barcelona Convention - COP21 Decision IG.24/13 on the  
“Development of a Set of Regional Measures to Support the Development of Green  
and Circular Businesses and to Strengthen the Demand for more Sustainable Products”

---

01	Introduction	3
02	General Analysis	05
03	Policy Recommendations	09
	General policy recommendations	09
	Capacity-building & knowledge dissemination	12
	Access to financing and funding	14
	Stimulate Consumer Demand	15
	Specific Sectors or Waste Streams	16
	Regional/city programs	18
	Public Procurement	19
	R&D and innovation	20
04	Key Considerations	21

---

This document encompasses a set of policy recommendations prepared by a team of experts coordinated by SCP/RAC with the aim to create an enabling environment and remove obstacles for the successful establishment and growth of green and circular economy businesses (also referred to as “sustainable businesses”) in the Mediterranean region. This document was elaborated in the context of the implementation of Barcelona Convention COP21 Decision IG. 24/13 and with the support of the EU-funded SwitchMed Programme.

### **Why is it necessary to strengthen the regional policy framework for the development of green and circular economy businesses in the Mediterranean?**

As highlighted in the recently published UNEP/MAP Plan Bleu Report on the State of the Environment and Development in the Mediterranean<sup>1</sup>, the region is not on track for the implementation of the 2030 Agenda and Sustainable Development Goals cannot be reached by pursuing current trajectories, it requires transformative changes. This is amplified by the COVID-19 pandemic that clearly highlights the need for green recovery strategies.

The Mediterranean economy is marked by unsustainable production and consumption patterns. This linear system over-exploits natural resources, undermines fragile ecosystems in a region considered as a biodiversity hotspot and causes numerous environmental impacts and pollution.

Circular economy<sup>2</sup> is a unique opportunity for Mediterranean countries to ‘build back better’ after the current COVID-19 crisis, and to improve the resilience<sup>3</sup> of the economic system. It also constitutes a lever to help achieve the 2030 Agenda and several of its SDGs. By designing out waste and pollution, keeping products and materials in use, and regenerating natural systems, a circular economy allows us to generate prosperity while staying within planetary boundaries. Green and circular businesses are a key pillar of the circular economy. They are the actors of change that implement circular principles<sup>4</sup> in practice, thereby helping to resolve environmental challenges while adding value to society and the economy. However, green and circular businesses face numerous challenges and under current (linear) conditions it is often difficult to establish a successful business case. Moreover, many existing companies are stuck in a business-as-usual mentality and as a result of a number of barriers stemming from knowledge, resources and economic opportunities, do not have the ambition to invest in sustainable, circular strategies.

In this context, national governments are in a key position to support green and circular businesses and accelerate the transition to a circular economy, by improving policies and regulations (that are currently geared towards the linear economy), creating fiscal incentives, facilitating access to funding and financing, but also by supporting capacity-building, knowledge dissemination and research & development (R&D).

<sup>1</sup> United Nations Environment Programme/Mediterranean Action Plan and Plan Bleu (2020). State of the Environment and Development in the Mediterranean. Nairobi.

<sup>2</sup> A circular economy is one that is restorative and regenerative by design and aims to keep products, components and materials at their highest utility and value at all times’ (MacArthur, 2015).

<sup>3</sup> Ability of a system to recover from a shock, such as an economic crisis or a natural disaster.

<sup>4</sup> 1. Design out waste and pollution: reduce resource inputs, losses and emissions; 2. Keep products and materials in use: increase utility and durability of products; stimulate repair, reuse, refurbishing, remanufacturing; 3. Regenerate natural systems: invest in natural capital and ecosystem services; 4. Increase welfare: create (economic) value and local jobs.

Many people associate the circular economy with recycling, but one of the most important stages to enable a circular economy is the design stage of products and services. Therefore, this represents a huge opportunity for new businesses. Thus, the recommendations below focus on green and circular businesses contributing to the transition of green and circular economies in which development is decoupled from environment and biodiversity degradation. Businesses providing environmental added value by contributing to waste prevention, reuse and repair, protection and preservation of local environment and proposing sustainable patterns of consumption and production driving to more sustainable lifestyles and can be implemented on a local scale by SMEs, which are the backbone of the Mediterranean economy, and start-ups. In the context of these recommendations, the focus was not put on large industries or end-of-pipe solutions, although the general recommendations would also support sustainable innovations in all sectors.

### What was the process followed for the development of these policy recommendations?

This document was developed by a team of experts<sup>5</sup>, coordinated by the SCP/RAC<sup>6</sup> in view of preparing a “Set of Regional Measures to Support the Development of Green and Circular Businesses and to Strengthen the Demand for more Sustainable Products”, as requested by the Contracting Parties to the Barcelona Convention during COP21 in December 2019 ([Decision IG. 24/13](#)).

In order to develop those Policy Recommendations, the Mediterranean countries were grouped into the following 4 “sub-regions”:

Region I	Algeria, Morocco, Tunisia
Region II	Egypt, Jordan, Lebanon, Libya, Palestine, Syria <sup>7</sup>
Region III	Albania, Bosnia and Herzegovina, Israel, Montenegro, Turkey
Region IV	Croatia, Cyprus, France, Greece, Italy, Malta, Monaco, Slovenia, Spain

For each of those sub-regions baseline studies were prepared by the expert team. The 4 baseline studies were elaborated following a common methodology, they also include individual country profiles, elaborated in consultation with national stakeholders. They provide the main elements of the current policy framework in each countries, as well as a SWOT analysis.

On this basis, the team of experts developed specific recommendations for each sub-regions and this document constitute an attempt to synthetize the main findings into one document that would serve as reference document for the stakeholders’ consultation process. All the preliminary work and specific information for each country and sub-region are available on the [SwitchMed Webpage](#) dedicated to the stakeholders consultation.

All the technical work for the elaboration of the COP22 Decision to be presented next December 2021 is financially supported by the EU-funded SwitchMed Initiative

<sup>5</sup> Sofiane Benguergoura for Region I, Antoine Karam for Region II, Avi Blau and Camille Janssen for Region III and Lindsey Wuisan and Luisa Marquez for Region IV

<sup>6</sup> SCP/RAC (Regional Activity Centre for Sustainable Consumption and Production) is a component of the Barcelona Convention- UNEP/MAP (Mediterranean Action Plan)

<sup>7</sup> Due to the current situation in this country few information were collected regarding the specific national framework.

The 23 countries covered by the baseline assessment are very diverse in terms of size, population, GDP, economic sectors, culture, geography and environmental legislation. A major distinction is of course the fact that some of the countries are part of the European Union and therefore comply with EU (environmental) laws and regulations, which is at the forefront of the move towards circular economy. European countries tend to be more familiar with the concept of circular economy and many of them have already started to implement circular economy strategies and action plans. In region I, II<sup>8</sup> and some of the countries in region III these are still missing<sup>9</sup>.

<sup>8</sup> The integration of circular principles in strategies and action plans is still in early stages in Region II, and Jordan is the only country who recently developed green growth national action plans (GG-NAP) in six sectors: Energy, Waste, Water, Transport, Agriculture and Tourism.

<sup>9</sup> Israel is in advanced stages of formulating a national CE action plan.

The large diversity in the region makes it challenging to identify similarities and common trends in relation to such a broad topic as circular economy. A common challenge is the fact that all countries have a significant ecological footprint (some more than others), and face environmental challenges, ranging from water scarcity, pollution, climate change, biodiversity loss, resources depletion to waste generation. Uncontrolled landfilling, or dumping of waste, is a structural problem in many of the countries, leading to environmental damage (e.g. soil and water contamination, methane emissions, loss of resources). There is a structural lack of proper waste management systems and infrastructure (from collection to recycling) in most countries, while the mountain of waste is only growing. That is why waste prevention and reduction through upstream solutions promoted by green and circular businesses, are extremely urgent and represent an opportunity to effectively prevent leakage of waste into the Mediterranean.

In most countries the concept of circular economy is relatively new and incentives for companies to adopt circular principles are very limited. Only in the EU Mediterranean, the concept of circular economy has received a lot of attention in recent years and circular thinking seems to be increasingly endorsed by policymakers, companies and other stakeholders. However, much still needs to be done to accelerate the transition from a linear to a circular economy. The current (legislative) framework is mostly based on linear thinking and business-as-usual practices. Environmental awareness and demand for sustainable products and services are still low and population's consumption patterns and lifestyles are generally far from adopting meaningful sustainable trends. The number of green and circular businesses in all countries is very limited and difficult to measure. Some countries (e.g. France, Spain, Israel, Egypt, Jordan, Lebanon) have a dynamic start-up scene. Other countries in region I or II for example, are working to energise this scene. There are a number of incubator and accelerator programs, but these do not necessarily stimulate green and circular entrepreneurship. Often, they have a limited view on innovation, focusing on technological or IT products/services, rather than environmental and social innovation.

In general, green and circular entrepreneurs face a variety of structural obstacles in all countries. The most immediate obstacles that impact green and circular businesses in all sectors are the following (ranked according to direct relevance for small entrepreneurs):

<sup>10</sup> The return-on-investment times of circular business models (e.g. product-service systems) are often longer

<sup>11</sup> Circular strategies:

1. Circular Design;
2. Sustainable sourcing and circular procurement,
3. Sustainable production and resource management,
4. Functional approach & new business models;
5. Product lifetime extension: reuse, repair, refurbishing, remanufacturing, repurposing etc.;
6. Responsible consumption: less resource use, more efficient use (sharing), reuse and repair;
7. Reverse logistics and take-back systems;
8. Closing the loop: end-of-life (waste) management and treatment, recovery & recycling, cascading

- **Challenges to establish a viable business case and access credit/funding:** impact-driven circular projects in the start-up phase often experience difficulties in developing a robust economic business case<sup>10</sup> under the current linear conditions, while access to financing and (philanthropic) funds is limited. Public (non-reimbursable) subsidies are therefore crucial for projects that cannot obtain loans due to their maturity stage and risk profile and do not have sufficient capital themselves, but these are limited in the region;
- **Impeding regulations:** current regulations are not always geared to circular strategies<sup>11</sup> and innovative business models that create alternatives to traditional forms of ownership. This impedes innovative and cross-sectoral collaboration and the use of residual waste flows from one value chain by another;
- **Insufficient knowledge (support services):** Improved knowledge and skills are necessary to redesign production processes and develop sustainable alternatives. New entrepreneurs and existing companies are insufficiently aware of the possibilities presented by new circular business models. They often lack of methodologies, tools, support to apply eco-innovation and eco-design into business development. Likewise, most Business Support Organizations lack that knowledge and cannot offer it. It is necessary to support and promote collaboration and networking among Business Support Organizations to increase support to sustainable and circular business development.
- **Conservative financial sector:** investments in circular products and services have a different risk profile, different depreciation periods, and a different cost-benefit balance than linear products. At the same time, there is a lack of knowledge and experience with the circular economy in the financial sector and among business-people. Traditional private investors are not aware of circular innovations and therefore see investments in circular economy projects as high risk, partly due to their limited experience with circular revenue models;
- **Insufficient collaboration in supply chains and between sectors:** market actors in supply chains and different sectors do not collaborate to prevent waste (e.g. through industrial symbiosis), there is a lack of information transfer about products and waste streams (e.g. between designers and recyclers), and lack of coordination to achieve circular objectives;
- **Lack of demand for green and circular products and services:** Due to the above mentioned challenges, green and circular businesses have difficulties to compete with linear businesses whose prices don't reflect social and environmental externalities. Most consumers, companies and organisations are still stuck in a linear mentality, have little to no awareness about the benefits of a circular economy,

are very much price (and brand) driven and focus on lowering costs as much as possible. This is also reflected in the low levels of green public procurement in most countries.

In addition, there are general institutional and political obstacles that are more complex to address in the short term:

- **Inadequate enforcement of environmental regulations:** due to lack of sub-legal frameworks, lack of proper monitoring, low number of inspectors, insufficient (financial) capacity, cultural factors;
- **Corruption and clientelism:** lack of transparency in the awarding of public contracts hamper the development of a healthy business environment and discourages entrepreneurship;
- **Vested interests:** economic and political interests often drive unsustainable resource use and exploitation, maintaining the status quo;
- **Bureaucracy and unclear regulations:** cumbersome and complex administrative procedures to obtain formal authorisations and environmental permits (especially for waste-related installations), Furthermore, public (environmental) agencies do not always have sufficient staff or services to clarify regulations for entrepreneurs or they may apply them too rigidly, thereby stifling circular innovation;
- **Current prices and taxation favour linear practices:** virgin raw materials (e.g. plastics currently due to the low oil prices) are cheaper than secondary raw materials<sup>12</sup>, undermining economic incentives to invest in a circular economy;
- **Skilled workforce emigration** leaving a gap of technical and managerial human resources skills needed to implement circular economy;
- **High immigration influx of refugees** (specially in some countries) putting pressure on social infrastructure, housing, employment, etc, and requiring rapid measures to manage it.

<sup>12</sup> External impacts are not internalised: sustainable products are often more expensive than unsustainable alternatives because environmental damage (and public health) is insufficiently reflected in the price of raw materials and thus in the price of products

It is also important to keep in mind that particularly region I and II, and some of region III countries have been or are suffering from political, security and economic instability. Therefore, often economic development, short term profits and investments in non-circular/sustainable sectors are prioritised over environmental protection and sustainability. At the same time, all countries are now struggling with the recent economic downturn caused by the COVID-19 crisis.

An important dimension of region I, II and III countries to take into account is the fact that they are characterised by a large informal sector that do not follow (environmental) regulations. This does not only create unfair competition for those companies that do comply, but also health, safety and environmental risks.

<sup>13</sup> For the EU Mediterranean: in the latest EY Europe Attractiveness Survey 2020, it was found that in addition to the increased trend in regionalized supply chains, the COVID-19 pandemic enhanced consumer awareness of and demand for sustainability. Almost six in ten (57%) survey respondents indicated a renewed focus on climate change and sustainability within the next three years." [https://www.ey.com/en\\_gl/attractiveness/20/how-can-europe-reset-the-investment-agenda-now-to-rebuild-its-future](https://www.ey.com/en_gl/attractiveness/20/how-can-europe-reset-the-investment-agenda-now-to-rebuild-its-future)

<sup>14</sup> The European Green Deal provides an [action plan](#) to boost the efficient use of resources by moving to a clean, circular economy, restore biodiversity and cut pollution. The plan outlines investments needed and financing tools available. To become climate neutral in 2050, a [European Climate Law](#) is also proposed.

<sup>15</sup> The strategy outlines the need for truly sustainable value chains, from product design and manufacturing to reducing toxicity and cutting waste. It also specifically addresses some of the product groups with the largest environmental footprints, including textiles, electronics, batteries, construction, packaging, and although less prominently also furniture and automotives. Proposed measures aim at making sustainable products the norm and fighting premature obsolescence

Nonetheless, awareness around climate change and environmental issues is rising<sup>13</sup>, especially among the new generations, driven by civil society organizations. However, they represent a small share in terms of market demand (probably <5%) and are limited to larger cities.

Another major opportunity are the Green Deal<sup>14</sup> and new EU Circular Economy Package<sup>15</sup>, a set of policy initiatives by the European Commission with the aim to make Europe circular and climate neutral in 2050, which could also have spill-over effects on neighbouring Mediterranean countries.

National governments should support green and circular businesses, in start-up (seed) and scale-up phase, through a combination of policy measures, strategies and concrete initiatives giving entrepreneurs the opportunity to establish a successful business case out of sustainability. The overall goals should be to remove (legal) barriers for green and circular start-ups to scale up; create more opportunities for partnerships, knowledge transfer and skills; facilitate access to finance; and increase their visibility and market access.

The chapter formulates recommendations for concrete policy measures that can be implemented in the short/mid-term to support green and circular businesses:



### General policy recommendations

- **Develop a national Circular Economy Strategy:** outlining a general vision for CE at national (or regional) level encompassing quantitative targets<sup>16</sup> and monitoring<sup>17</sup> to create the system conditions to maintain resource value at their highest level and design out waste – explicitly acknowledging the role of green and circular businesses. In addition, governments should formulate a CE Action Plan detailing the practical measures to achieve the objectives of the national strategy, formulating concrete measures to actively support green and circular businesses through various types of policy instruments and strategies (as detailed below). Both the Strategy and Action Plan should be an interdepartmental effort, so that circular principles are integrated across ministries as a shared agenda highlighting environmental, social and economic benefits. The current momentum of the European Green Deal as well as the accession process can be used to develop national strategies on circular economy for the countries in region III. Furthermore, a connection should be made with climate policies in line with the EU goals of 55-60% GHG emissions reduction by 2030.
- **Create a National Commission for the Circular Economy:** chaired by the Prime Minister or equivalent Government representative and composed by representatives of all relevant ministries, economic sectors and civil society as well as representatives of research centres. This commission will be responsible for the development and monitoring of the national strategy of the CE by ensuring greater coordination and synergy between the administration and stakeholders. This commission will be supported by a technical committee and sub-commissions responsible for specific or sectoral issues.
- **Create a supportive regulatory framework for sustainable enterprises:** by firstly adopting a clear definition of “sustainable enterprise” in legislation. One example of that definition is the one established by SCP/RAC from UNEP/MAP in the framework of the so-called SwitchMed Initiative funded by the EU to support the transition to SCP and Circular Economy in the Mediterranean countries: “based on the interdependency

<sup>16</sup> Suggestion for a concrete target (inspired by CE policy in the Netherlands): by 2050 raw materials will be used and reused efficiently without any harmful emissions. An interim objective of 50% reduction in the use of primary materials (from minerals, fossil fuels and metals) by 2030.

<sup>17</sup> The national strategy could use existing measurement protocols such as the EU Resource Efficiency Scoreboard to monitor progress, as well as sector-specific tools that should be developed for each country.

*between the environment, society and economy, a sustainable business provides innovative viable products and services which create environmental value (addressing ecological challenges and reducing environmental impacts) and social value (addressing social needs) by applying eco-innovation, life cycling thinking and eco-design approaches”<sup>18</sup>. This definition encompasses green and circular businesses, making them eligible for potential tax benefits and other incentives.*

· **Promote national partnerships aimed at supporting green and circular business development.** National Partnerships should be set up bringing together Public and Private Business Development Service Providers (BDSP) providing various support services to Green and Circular Entrepreneurs (training, mentoring, incubation, technical assistance, etc.). Those national partnerships could be voluntary association of public and private actors that cooperate on green business development services to achieve a mutually agreed-upon objective which can potentially benefit all the involved parties making available resources, skills and knowledge. In that sense the BDSP should be comprehensively strengthened to provide business support services for the creation, incubation and acceleration of green and circular businesses. On-going work being developed under SwitchMed triggering a conducive national support ecosystem for green and circular economy entrepreneurs could be used as a bases for the formal establishment of those National partnerships.

· **Create a regulatory helpdesk (online and offline) to support green and circular entrepreneurs:** by appointing a department (with management commitment and sufficient resources), within an appropriate governmental institution, to support green and circular businesses and remove regulatory obstacles for innovative circular entrepreneurs. A helpdesk could take the shape of an online portal where entrepreneurs report regulatory obstacles that hinder them from investing in green and circular innovations. The helpdesk also requires sufficient human resources to analyse the case studies and provide concrete assistance to entrepreneurs, aiming to resolve the obstacles and improve the existing regulatory framework in collaboration with the responsible ministries. The online platform should also provide clear and gender inclusive information about the fiscal regime and benefits available to green and circular entrepreneurs, and how to access them.

· **Develop sustainable product policies and stimulate the application of circular design:** stimulate the application of eco/circular design<sup>19</sup> in national manufacturing industries and imported goods, extending product lifespan, design for reuse, repair, remanufacturing and recycling e.g. through a ban on planned obsolescence, mandatory percentage of recycled material in products. In the EU Mediterranean this can be done through extension of the Ecodesign Directive (which currently focuses mostly on energy-efficiency). In other regions this would require developing new legislation.

<sup>19</sup> Circular Design: systematic approach to reduce (raw) material use and adverse environmental impacts while maintaining (or increasing) the quality and value of products, components and materials by optimising the design, development, use and recovery, as well as associated services. This does only require interventions at product (or component) level, but also redesigning the business model, value chain and system in which they are embedded.

- **Establish and improve Extended Producer Responsibility schemes (with eco-modulation of fees):** by holding producers responsible for the full (particularly waste-related) costs caused by their products, companies are incentivised to design green and circular products. Effective EPR schemes should be established based on regional/national capacities for closing loops or prioritization of the environmental impact created by various sectors, and could include: e-waste, batteries, end-of-life vehicles, packaging, textiles, furniture and hygiene products. As a minimum, EPR schemes should cover the costs of separate collection, sorting and waste treatment as well as the disposal of waste, litter cleaning and waste transport. However, EPR systems should not only stimulate recycling but also circular strategies higher up in the waste hierarchy, particularly preparation for reuse and repair. This requires collaboration with green and circular businesses that are specialised in preparation for reuse and repair. Furthermore, EPR fees of producers could be differentiated with eco-modulation fees to reward and favour circular designed products<sup>20</sup>.
- **Tax benefits for green and circular businesses:** investments in environmentally friendly business assets that help transform conventional businesses into green and circular businesses, should be eligible for tax benefits. Registered companies deduct their investments (purchase/production/modification costs) up to a certain percentage (e.g. 35%) of their capital outlay from taxable profit. Criteria to support creation of green and circular businesses or transition of conventional ones to green and circular economy approaches should be evaluated and approved by a government agency, published and updated on a regular basis. In addition, small SMEs should also be able to deduct environmental consultancy that is needed to make a real transition to a green and circular business model.
- **Establish clear end-of-waste and by-product criteria:** to stimulate the use of residual flows to be used as raw material, waste legislation needs to be revised. Classifications with clear definitions and technical guidelines are needed for: i) waste, ii) by-product, iii) end-of-waste (as for example the “Waste, or not waste” tool developed in the Netherlands). Small green and circular businesses particularly benefit if they do not have to face complicated rules but are able to receive and process residual streams without a lot of bureaucracy and costly licenses. Social organisations should easily be able to receive second-hand products and materials (e.g. WEEE, furniture) to prepare them for reuse and repair. In addition, it is necessary to develop standards for recycled products and secondary raw materials in order to guarantee optimal quality and safety.
- **Waste disposal taxes**<sup>21</sup>: landfilling and burning of waste causes significant pollution in the Mediterranean (of surface water, groundwater, soil and air as well as GHG emissions), as well as to human health. Besides strict enforcement of legislation<sup>22</sup>, another way to reduce the amount of waste (and thus resources) ending up in landfills or incinerators is to establish/increase tax disposal charges, creating an incentive to invest in reuse and recycling. This also creates a means to generate funds for improved

<sup>20</sup> Factors such as durability, reusability, repairability and recyclability of products, the preservation of embodied energy or the inclusion of recycled content, while penalizing those products that are unfit for repair or recycling, be it because of their colour, shape, material composition, their content of hazardous substances or any other reason.

<sup>21</sup> Landfills are solid waste disposal sites, where both active and inert waste is deposited and compacted, and then periodically covered over with a layer of soil. Their purpose is to minimise the volume of non-recyclable solid waste material and store it with minimal danger to the public. Landfill sites must be licensed by the Government. A landfill tax is an environmental tax (per unit of weight or volume) paid on top of normal landfill rates by operators (of a waste processing plant with a landfill site) who dispose of waste in a landfill. It is landfill operators who are liable for the tax - the costs are passed on to users as higher prices.

<sup>22</sup> In the European Mediterranean countries, the [EU Landfill Directive](#) applies. Other (non-EU) Mediterranean countries may also have legislation to prevent or reduce the negative effects of landfilling, but these are not always well enforced. Charging additional taxes should not create more incentive for illegal dumping but should be accompanied by strict inspection and control.

inspection, waste prevention programs or mitigation of environmental impacts (for example, the Catalan Waste Agency uses the fund to support businesses to implement circular economy). Attention is required on the potential rebound effect of increased waste disposal charges, creating an inverse incentive for illegal dumping. However countries are encouraged to also evaluate whether existing/planned charges are adequate to strengthen the business case of green and circular businesses.

- **Green Free Zones providing incentives to green/circular SMEs and startups:** this could be implemented through tax exemption, no import licensing requirements, minimal customs formalities, 100% ownership of shares by any investor (foreign or national), guarantees against nationalization and expropriation. These free zones can apply a green policies framework developed and approved by an independent committee (representatives from Mediterranean countries for instance) or inspired from the EU environmental policies. This recommendation is especially relevant for region II.
- **Public-private partnership for better waste recovery and recycling:** PPPs have emerged as an alternative to improve municipal waste management and waste recovery with privately owned companies. They already exist in several Mediterranean countries. These PPPs can attract private capital and technical expertise from private entities to support public authorities to achieve their waste management objectives and boost the recycling market. But these PPPs should be well structured to lead to significant improvements in the efficiency and quality of solid waste management and should also consider improvements at the product design stage to increase recyclability.



### Capacity-building & knowledge dissemination

The availability of knowledge that is needed for the transition to a circular economy varies from one topic to the next and per stakeholder, e.g. concerning material flows, design, business models, reuse, repair and recycling. The development, exchange and dissemination of knowledge in networks are essential for concerted action towards the transition, but also develop the skills and competences that are necessary for green and circular businesses. This calls for a supporting infrastructure and measures.

It is not only important to train the new generation but also public and private decision-makers (business leaders, politicians and financial actors) regarding circular economy.

- **Create or support incubation and acceleration programs** for new entrepreneurs or existing businesses to develop green and circular business models with a focus on youth and women<sup>23</sup>. These should incorporate modules specifically focusing on circular and eco design, as well as guidance to strengthen their business plan. Such a program could include access to business mentors and partners from established companies looking for synergies. This could be based on the Switchers Support

<sup>23</sup> This is aligned with the Mediterranean strategy for sustainable development (MSSD) 2016-2025 highlighting the need to develop training and capacity building programmes for green skills and green jobs, particularly for youth and women.

<sup>24</sup> <https://www.theswitchers.eu/wp-content/uploads/2020/04/Brochure-Switchers-Support-Programme.pdf>

Programme that works<sup>24</sup> to create an enabling ecosystem for entrepreneurs and SMEs for green and circular economy in the Mediterranean. Such programme has developed the only existing training methodology for the creation of green and circular entrepreneurs in the Mediterranean pursuing Circular Economy business models.

· **Create a national knowledge centre or network specialized in CE:** disseminating knowledge on Circular Economy strategies and practices, to encourage and facilitate their implementation among existing and new businesses. This can be achieved through an online platform that aggregates all relevant information on green and circular economy, from relevant policies to best practises to funding opportunities (example: [eco.nomia.pt](http://eco.nomia.pt)) but also through national partnerships, like the [Switchers Support National Partnership](#)<sup>25</sup> (a “non-institutionalised voluntary association of public and private actors that cooperate on green business development services to achieve a mutually agreed-upon objective which can potentially benefit all the involved parties making available resources, skills and knowledge”).

<sup>25</sup> The Switchers Support National Partnerships have been promoted in Sourthern Mediterranean Countries by locally committed organizations supported by the Regional Activity Centre for Sustainable Consumption and Production (SCP/RAC) with the objective of triggering a conducive national support ecosystem for green and circular economy entrepreneurs (through the EU-funded SwitchMed Programme).

Such initiative would develop the following actions:

- *Provide professional training, content, tools and services* on various topics e.g. circular design, circular business models (e.g. servitization), circularity assessment, while making the connection with climate mitigation (e.g. energy saving). These trainings can be adapted to the economic sectors that are most relevant in each country;
- *Promote interaction and matchmaking:* enabling stakeholders to exchange ideas and collaborate to solve specific circular challenges, strengthening the CE network at a national level;
- *Collaborate with international organisations* for knowledge transfer.
- *Develop/offer an information system* that supports companies to make sustainable decisions, based on Life Cycle Analysis and Life Cycle Costing<sup>26</sup>, combining information on the economic and environmental (and social) impacts of products and services.

<sup>26</sup> Life cycle costing (LCC) belongs to the group of sustainability tools that focus on flows in connection with the production and consumption of goods and services. LCC is an economic approach that sums up “total costs of a product, process or activity discounted over its lifetime”. It is associated with cost in general rather than just environmental costs. A robust LCC framework will be able to link life cycle assessment (LCA) studies to the monetary cost systems used by business decision-makers. <https://pre-sustainability.com/articles/life-cycle-costing-in-more-detail/>

· Encourage **educational (vocational and academic) institutions to integrate circular economy modules** in their curriculum (both dedicated courses as well as incorporated in existing courses) to give rise to a new generation of circular professionals. Educational institutions should also ensure that both men and women are encouraged to study circular economy-related subjects and engage in vocational education and training on new business models, new technologies, renewable energy, and environmental services.

<sup>27</sup> Examples of gender barriers that may affect women’s entrepreneurship in sustainable businesses are prevalent gender stereotypes, unequal family and care responsibilities, limited access and control over land, home property, capital and resources

· **Provide targeted information, skills, networking and training on circular entrepreneurship to girls and women (in vocational and educational institutions and for women-led start-ups and SMEs):** As gender affects differently men and women’s needs, capacities and opportunities to start and run circular businesses, the development of green and circular businesses should include a gender perspective<sup>27</sup> and support

structures and capacity development programmes should provide men and women equal access to advice in business creation, training and mentoring, and access to markets and networking. This can be achieved through building on existing good practices and initiatives.

- **Promote the development of training and capacity programs targeting refugees and immigrants**, with a focus on Circular Economy skills such as repair, preparation for repair, upcycling, etc.



### Access to financing and funding

- **Foster the development of funding to green and circular businesses:** green and circular start-ups often experience difficulties in accessing funding. This major barrier could be addressed through:

- Public (non-reimbursable) funding - visibility of public initiatives and access to public funds, from different sources, should be channelled and gathered on a single platform.
- Possible sources of revenue to promote the adoption of negative emission initiatives may be environmental taxes levied over polluting activities and sectors<sup>28</sup>. This of course requires a well-functioning green taxation system implemented and enforced by the national government.
- Provide public interest-free loans and design specific guarantee schemes covered by dedicated state funds. Facilitate the participation of state funds in Venture Capital Funds or other types of private vehicles, and design public business support initiatives such as Incubator and Accelerator programmes. Schemes such as the Portuguese "Environmental Fund" could be a model for government investment.
- Support the finance industry in the provision of Sustainable Finance by channelling private impact investments to the transition to a circular economy.
- Put in place financial instruments in benefit of women-led and women-owned circular businesses and raise decision makers, national governments and business support organisations' awareness of gender barriers to access funding for the creation of circular businesses through disseminating and using existing evidence about women's lack of financial support and limited access to credit and loan<sup>29</sup>..

- **Promote the development of alternative models of financing:** such as crowdfunding, crowdlending (eg. [GoParity](#)) and equity investments, promoting impact investment platforms that connect sustainable projects with small investors.

- **Legally define green and circular economy activities eligible for green financing:** national governments should devise a clear classification system that enables various financial actors, particularly private investors, to assess business models playing a key role in the transition to green and circular economy, starting with climate change mitigation and adaptation (inspired by the EU Taxonomy<sup>30</sup>). This is paramount to ensure that

<sup>28</sup> Such as revenues from auctions from the EU Emissions Trading System, aviation licenses, taxes over fossil fuels (CO2 fee/carbon taxes), waste management fees, environmental crimes

<sup>29</sup> The "Communication on a new Africa – Europe Alliance for Sustainable Investment and Jobs: Taking our partnership for investment and jobs to the next level" called to boost strategic investments for job creation notably for women and youth. <https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1537433689163&uri=CELEX:52018DC0643>

<sup>30</sup> On 22 June 2020, the [Taxonomy Regulation](#) was published in the Official Journal of the European Union and entered into force on 12 July 2020

investments meet robust environmental standards and are consistent with the Sustainable Development Goals and the Paris Agreement on Climate Change<sup>31</sup>. In addition, financial market actors should disclose sustainability risks and impacts to increase transparency in the finance sector.

<sup>31</sup> To be included in the proposed EU Taxonomy, an economic activity must make a substantial contribution to climate change mitigation or adaptation, while avoiding significant harm to the four other environmental objectives: sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention control, and protection and restoration of biodiversity and ecosystems.

- **Commitment and capacity-building in the financial sector:** national governments could facilitate a voluntary agreement in the sector joint as well as concrete guidelines for financial institutions. The knowledge of financial actors about the environmental/social cost-benefit balance of circular business models should be improved through training and workshops. Financial products and risk management have to be adapted to the circular economy. Furthermore, stricter requirements should be formulated for linear businesses.

- **Information on the analysis of trends regarding the progress of green and circular businesses** should be made available to do a proper monitoring of the efforts deployed to support them and better inform decisions regarding their financial support.



## Stimulate Consumer Demand

- **Support awareness-raising campaigns on sustainable/circular practices among consumers:** it is important to raise awareness about environmental issues and the importance of a circular economy in order to stimulate responsible behaviours and boost sustainable consumption patterns/lifestyles, increasing the demand for green and sustainable products and services, focusing on waste prevention, reuse and repair. These public communication campaigns should be gender-sensitive<sup>32</sup> (Evidence highlight that women are very well positioned to drive responsible consumption behaviours), accessible and appealing, developed and implemented by local environmental NGOs to reach consumers directly. Ideas for specific campaigns:

- *Second-hand First:* to change the perception of second-hand goods;
- *Right to Repair:* to stimulate repair of household objects;
- *Zero Plastic Challenge:* to reduce plastic consumption, particularly single-use items;
- *Zero Waste Lifestyle:* to prevent waste production
- *Healthy lifestyle and wellbeing:* integrate health and wellbeing considerations within environmental communication campaigns could further convince consumers to take action.

- **VAT Reduction or Exemption for Second-hand Goods and Repair Services:** VAT has already been paid over second-hand goods in their first use phase and repair services are usually micro-enterprises at local level. These goods and services play a vital role in the CE, retaining value and preventing waste, but they experience difficulties to compete with linear models. To strengthen their business case, these goods and services should be eligible for a significant VAT reduction or exemption, making them more attractive for consumers.

<sup>32</sup> Evidence highlight that women are very well positioned to drive responsible consumption behaviours because they are responsible for the household decisions (energy consumption, waste production, recycling, etc) and they are influential in their communities. Research worldwide regarding political response to climate change also shows that women are more inclined to take environmental awareness very seriously, to invest in health and social wellbeing and act against environmental degradation. Their innovation potential and their expertise should be further explored and supported. Sources: UN Women, WHO, Making It Magazine, International Union for conservation of nature, World Resource Institute (<https://eca.unwomen.org/en/news/stories/2019/03/take-five-women-can-be-the-engines-and-souls-of-the-circular-economy>, <https://www.who.int/globalchange/GenderClimateChangeHealthfinal.pdf?ua=1>)

<sup>33</sup> To improve SMEs skills and knowledge-sharing while opening new markets. Shortening circuits to bring back manufacturing industries to Mediterranean countries.



<sup>34</sup> Priority sectors for region III: Albania, Montenegro, and BiH: agriculture & tourism; Turkey: construction, agriculture, textile; Israel: construction and infrastructure, packaging, and chemistry and pharma.

<sup>35</sup> Upcycling is a process in which used or waste products and materials are repaired, reused, repurposed, refurbished, upgraded and remanufactured in a creative way to add value to the compositional elements

<sup>36</sup> IUCN (2020). Source: <https://www.iucn.org/news/marine-and-polar/202010/over-200000-tonnes-plastic-leaking-mediterranean-each-year-iucn-report>

- **Support green and circular businesses with reaching international markets:** as domestic demand is often insufficient, green and circular businesses need to export their products or services abroad to reach more customers. This can be facilitated in different ways e.g. by supporting certification/verification programmes (e.g. ISO 14001) or labels (e.g. Ecolabel); fostering the strategic cooperation between Mediterranean businesses<sup>33</sup>; or even trade agreements.

## Specific Sectors or Waste Streams

To operationalise the concept of circular economy, and redefine supply chains in practise, policymakers need to formulate dedicated action plans for specific sectors, because every sector has its own dynamics, challenges and stakeholders. The five main sectors that have a significant ecological footprint and high circularity potential are construction, agrofood (incl. farming, fishing and forestry), tourism, plastics and textiles industry<sup>34</sup>. Any sectoral action plan should be based on a comprehensive baseline assessment including sex-disaggregated data and defined in close collaboration with both business associations and civil society actors. Sectoral plans should stimulate parties in the supply chain to work together to prevent waste, but also between sectors and at different scales (e.g. industries and small-scale entrepreneurs) to stimulate recovery and upcycling<sup>35</sup> of residual streams.

- **Introduce a ban on certain single-use plastic products (non-EU countries):** Over 200,000 tonnes of plastic are leaking into the Mediterranean each year<sup>36</sup>. Unless significant measures are taken to address plastic pollution this will at least double by 2040. The Mediterranean is the sea with the world's highest plastic density. Therefore, urgent decisions should be taken by Mediterranean governments to tackle the single-use plastic products most often found polluting the Mediterranean (e.g. plastic bottles, packaging, cutlery, plates, straws, drink stirrers, plastic cotton buds), as well as lost and abandoned fishing gear. Selected single-use plastic products (mostly food and drink packaging, made from fossil-based polymers) should be banned from the market, like the EU has done through the Single Use Plastic Directive. The ban should be accompanied by the identification of suitable sustainable alternatives. This would stimulate the creation of green and circular businesses. Alternative strategies can be also envisaged, such as, voluntary agreements, pacts and tax measures (e.g. additional tax on virgin polymers or single-use packaging) but these are generally more difficult to develop and may have more limited impact.
- **Promote circular practices in the construction sector:** firstly, national governments should conduct a diagnosis of the challenges and obstacles in the local construction sector, and identify the opportunities for a circular economy. Based on this analysis, an ambitious goal for reuse and recycling of construction and demolition waste can be formulated together with stakeholders, such as the European goal of 70% reuse and recycling rate by 2020. Successful circular construction programs (like the one in Scotland) support SMEs with technical know-how on circular strategies (e.g. selective demolition and dismantling), sustainable materials and energy-saving

techniques. An important goal is to increase the demand for reusable construction parts/materials, such as bricks, stoneware windows, sanitary objects, radiators, etc (e.g. the Recycled Construction Materials Regulation in Austria, Materrio construction platform in France<sup>37</sup>).

<sup>37</sup> More examples available in ACR+ publication: [https://www.acrplus.org/images/technical-reports/2019\\_ACR\\_Sustainable\\_construction\\_guidelines\\_for\\_public\\_authorities.pdf](https://www.acrplus.org/images/technical-reports/2019_ACR_Sustainable_construction_guidelines_for_public_authorities.pdf)

<sup>38</sup> [https://www.researchgate.net/publication/340620860\\_ZERO\\_WASTE\\_CONCEPT\\_IN\\_TOURISM](https://www.researchgate.net/publication/340620860_ZERO_WASTE_CONCEPT_IN_TOURISM)

<sup>39</sup> <https://www.acrplus.org/en/projects/2-content/2622-tourisme#activities>

<sup>40</sup> Particularly woody residues can be utilised for high-value (construction, furniture) applications and cascading use, before ending up in bio-energy plants

- **Promote sustainable principles and practices in the tourism industry:** national certification schemes (like the one in Costa Rica) can help to improve environmental management through clear, practical guidelines and independent verification to prevent “greenwashing” in the sector. With its broad value chains, tourism certifications have a multiplier effect on other sectors. It is particularly important to integrate zero waste objectives and strategies<sup>38</sup>, to prevent the use of single-use plastic and waste generation. Initiatives like the TOURISME<sup>39</sup> project, that combine financial support, coaching and capacity building activities, have an important role in promoting environmental certifications and facilitate SMEs in the sector to share good practices. The policy recommendations developed by the Med Sustainable Tourism Community (Interreg-Med) detail further suggested actions in this sector.
- **Support circular businesses cases in the bio-based economy:** many organic residual streams (of municipal, agricultural or industrial origin) are currently not separately collected, but disposed of in landfills (emitting GHG and causing pollution) or burned in incinerators, which is a waste of valuable resources. Instead, these streams can be valorised in different ways: from simple composting or anaerobic digestion (producing biogas and digestate) to innovative techniques (biorefineries) and high-value products<sup>40</sup>. To this end, countries have to promote selective collection at source in bi-streams (organic waste and other waste). Green and circular businesses valorising residual organic streams can be supported through funding, training, regulatory or R&D support (exploring the potential for sustainable biobased materials to replace fossil-based raw materials). In addition, countries should promote the development of bioeconomy so that bio-based, renewable and sustainably produced raw materials can replace fossil-based raw materials in products and production processes, and develop knowledge and training and explore the potential for use of bio-based raw materials in various applications
- **Promote regenerative agriculture and agroforestry:** the agrofood sector has an immense ecological footprint, responsible for soil degradation and a very high level of water consumption, and is marked by many socio-economic challenges. There is ample opportunity to apply circular principles to this sector, reducing its resource-intensity (particularly water) and strengthening ecosystem services. This does not only include technological innovations such as precision irrigation and water reuse (treated wastewater), but also agro-ecological measures such as intercropping and mulching. Agroforestry also has an important role to play as trees have the capacity to retain water and humidity. Organic fertilisers from residual streams (through composting or anaerobic digestion) can be used to close the organic loop, but has to meet high standards.

Lastly, the production of high protein crops and legumes are a new business opportunity given the foreseen increase in demand for plant-based proteins and shorter supply chains for cattle feed (as an alternative for soy imported from other continents).

- **Promote upcycling businesses:** upcycling is the reuse of discarded objects and materials (e.g. textiles, leather or wood) through creative transformation. This is often done by micro-enterprises and innovative entrepreneurs at a small scale in the urban environment where high-quality waste is discarded. Upcycling is often considered a niche practice but has a lot of potential to reduce municipal waste and inspire consumers through creative designs. Many women are already involved in small upcycling businesses and support should be provided to help these businesses grow into medium and large enterprises (as detailed in SCP/RAC-BCSD Turkey report on Circular business opportunities in the South Mediterranean. How can businesses lead the way to sustainable fashion?). Local authorities can support upcycling initiatives by facilitating access to secondary raw materials (e.g. at municipal waste collection sites), providing physical space (e.g. a large warehouse) or facilitating transport of materials (e.g. a collective van for upcyclers).



### Regional/city programs

- **Promote the development of municipal reuse centres:** co-located at waste collection centres to salvage reusable products that have been discarded in municipal solid waste. Such a reuse center could function as a sales platform for circular start-ups to sell upcycled goods and as a marketplace for secondary raw materials (e.g. wood, construction materials). This would create local employment and re-integration opportunities for disadvantaged people. Setting up a reuse centre requires collaboration between municipalities, waste operators/recycling companies and social enterprises.
- **Stimulate circular cities programs:** as cities have a large environmental footprint and produce a lot of waste it is necessary to implement programs that support green and circular businesses contributing to waste prevention in urban areas (e.g. through incubation, acceleration, training programs, networking and financial support). These should be co-developed and implemented with multi-stakeholder involvement and put local businesses at the heart. By stimulating local production and interventions, circular city programs thus strengthen the local economy, reducing transports of goods, optimising land use and creating added value for the inhabitants.
- **Incentivize programs in the area of sharing/collaborative economy:** in which products or assets are shared among consumers or companies, in order to make more efficient use of them and avoid (unnecessary) purchase of new items. A well-known example is for instance car-sharing in the city, but the concept can also be applied in rural areas for agricultural production (although there they tend to already occur informally). Sharing/collaborative economy are often facilitated by digital tools and platforms to connect

<sup>41</sup> FLOOW2 is the business-to-business sharing marketplace on which companies (and farms) can share equipment, personnel, services, facilities, waste and materials. It is a unique online platform that brings businesses or departments and entities within organizations together to share overcapacity - leading to new revenue, costs saving, an enriched network and a local, sustainable economy

<sup>42</sup> See policy recommendations of the Med Green Growth Community: [https://interregmedgreengrowth.eu/wp-content/uploads/2019/03/synggi\\_policy\\_rec\\_report\\_v5.pdf](https://interregmedgreengrowth.eu/wp-content/uploads/2019/03/synggi_policy_rec_report_v5.pdf)

supply and demand. FLOOW2<sup>41</sup> is an example of such a platform that can be implemented basically anywhere in the world.

- **Promote industrial symbiosis:** to increase the valorisation of by-products and residual streams, thereby turning the waste of one company/industry into a resource for another. This requires a collaborative (often site-specific) approach and good coordination, sometimes by an experienced third-party (for instance a public agency) to facilitate the implementation. International cooperation can be sought with a focus on best practice sharing, peer-to-peer learning. Pilot projects in given regions (within a country), led by public agencies can be implemented as a means to understand the advantages and constraints, to determine the possibilities of optimizing the local use of material and waste flows and also the possibilities of pooling existing resources to demonstrate the advantages of the sharing economy.
- **Develop cluster infrastructures for SMEs:** those clusters can create opportunities for SMEs to use infrastructure that otherwise they would not have access to and also have the potential to offer circular solutions, thus giving them opportunities to collaborate, share knowledge and for peer learning. This would help them to be more innovative, accessing shared infrastructure, creating more jobs, and facilitate internationalization and could be achieved through the establishment of networking mechanisms and partnerships<sup>42</sup>.



## Public Procurement

- **Make Green Public Procurement (and monitoring) mandatory practice across all government bodies:** at the moment GPP is a voluntary measure but to scale up its impact, it should be made mandatory at all governance levels, with concrete targets and annual monitoring. To implement circular procurement, pilot programs and voluntary public-private agreements between governments, businesses and NGOs should be implemented to co-develop circular criteria and embed these in procurement processes, particularly for product groups with significant environmental footprint. In countries where corruption and clientelism is high, advocacy to enforce higher transparency in public procurement shall be an intermediate step.
- **Provide circular procurement training and support for local authorities** to drive structural change in standard procurement processes and increase demand for green and circular products and services. Circular procurement favours the reuse of products, components and materials and requires an integrated approach throughout the whole lifecycle as well as collaboration in the value chain to enable circular product-service systems and take-back systems. It implies that organisations adopt a more performance-based (e.g. pay-per-use) approach to procurement, based on functional specifications and circularity indicators (quantitative and qualitative). Create a helpdesk to offer professional assistance to public procurers to identify circular solutions.



## R&D and innovation

As with other forms of innovation, most circular economy solutions go through development stages with varying degrees of risk. Governments should implement policies to and promote technology transfer from R&D centres and support businesses to survive the early stage development phases.

- **Launch Circular Challenges:** invite entrepreneurs to submit viable business cases that realise circular solutions for the socio-environmental challenges identified at city, regional or national level. By involving and gathering the expertise of the government early on, parties collaborate with a view to scale-up a circular innovation, by creating enabling conditions and market demand (e.g. government as a “launching customer”).
- **Define a national Research & Innovation Agenda for a Circular Economy:** defining real-life challenges and opportunities at a national level in the medium and long term (2030) to promote the preservation of natural capital, while boosting competitiveness and employment. An important component of such a agenda should be “living labs<sup>43</sup>”, in which business, academia and NGOs co-design solutions and launch proofs of concept and demonstration projects at local or regional level, particularly aiming for a transformative effect in the urban environment. Circular initiatives should be encouraged in at least one of the existing accelerators or business support organisations in each country.
- **Funding for research & innovation for the circular economy (EU Mediterranean):** small and medium-sized businesses should be able to benefit from the available resources. Public agencies should support private actors to gain access to national or EU (structural) funding programmes (Horizon2020, LIFE, COSME, EEA, European Fund for Strategic Investments, INTERREG, ENI CBC Med) with a particular focus on the circular economy.
- **Enhance data collection and knowledge production on gender aspects of circular businesses and the demand for sustainable products<sup>44</sup>** will provide essential evidence to adopt more equitable and inclusive policy measures and programmes in favour of sustainable job generation and sustainable consumption.
- **Protect intellectual property of innovative green and circular businesses:** governments should sign (and ratify) the Madrid Protocol and the Patent Cooperation Treaty (PCT), which would protect entrepreneurs’ intellectual property worldwide, help decrease brain drain and encourage them to implement their innovative ideas while creating employment (especially relevant for Region II).

<sup>43</sup> Living Lab is an open user-driven innovation ecosystem that integrates public and private, research and innovation activities in communities. In the urban context, these living labs enable early and continuous involvement of users for co-creation and experimentation of solutions addressing the challenges of climate change, resilience and urban sustainability. Living Labs can support stakeholders in translating specific strategies into actionable implementation plans and associated financing strategies, in order to favor the transition of cities towards circular practices. <https://circle-lab.com/knowledge-hub/policy-instruments/soft-instruments/collaboration-platforms-infrastructure/living-labs>

<sup>44</sup> E.g. include a gender lens in the analysis of green businesses’ sectors

The recommendations above focus on short or mid-term measures that directly target green and circular businesses. There are also long-term measures (based on the principles of precaution, prevention, rectifying pollution at source, and on the polluter pays principle) that might be more complex to implement, but are essential for a circular economy.

- 1 Firstly, a circular economy cannot be achieved without a basic level of environmental protection. A structural challenge for many countries remains the enforcement of environmental laws and regulations, whether related to waste treatment (illegal dumping or substandard treatment of waste) or chemical pollution of water bodies. Monitoring and control of environmental regulations but also sanctions in case of non-compliance are necessary to create a level playing field for green and circular businesses that do invest in sustainable practices. Of course this is a challenge in countries with high levels of corruption, where companies can easily circumvent fines by offering bribes. But without ensuring a basic level of environmental quality and corporate accountability for those companies who do not comply with environmental regulations, high-level ambitions regarding circular economy are meaningless.

As the region (particular region I, II and III) is characterised by a large informal sector, it is also important to acknowledge their role in the transition to a circular economy. As they tend not to comply with health, safety and environment (HSE) regulations there is significant potential to improve their environmental performance. Instead of ignoring the existence of the informal sector, it would be more effective to implement approaches that are tailored to their needs. By offering social security at a reduced rate or tax advantages it might become more attractive for informal businesses to register. Furthermore, informal businesses may be organised through local cooperatives or associations that provide support with HSE guidelines and training. See SwitchMed Best Practice Factsheet on Waste pickers in Brazil.

In general, it is important to combat bureaucracy at all levels, to make sure that environmental rules and regulations are clear, simplified and facilitate sustainable entrepreneurs with administrative procedures.

- 2 Secondly, a circular economy can only be realised if structural market failures that characterise the linear economy are addressed. The fact that virgin resources are relatively cheap and pollution pays off is because external environmental and social costs are not reflected in market prices. This creates a lock-in situation in the linear economy which makes it difficult for green and circular businesses to compete with. Instead, intelligent fiscal benefits should create positive incentives to invest in a circular economy while tax levies should disincentivize non-sustainable production and consumption.

Implementing environmental taxes, e.g. a carbon tax, waste disposal tax or a tax on virgin plastics, can help to make market prices reflect externalities and create

more incentives for companies to invest in sustainability and circular business models. The revenues from environmental taxes can also be used for public funding programs to accelerate the transition to a CE. However, environmental taxation requires a strong fiscal system (as well as transparency in the allocation of revenues) which may not be present in all of the Mediterranean countries. Another important measure to create a level playing field for green and circular businesses is to phase out environmentally harmful subsidies that support resource-intensive industries (e.g. subsidies on fossil fuels and water consumption). This would force companies to reduce their resource use and invest in resource-efficiency. However, this goes against vested economic interests, and in countries where such industries have strong lobbying power, such proposals are often met with a lot of resistance.

EU, regional and international policies<sup>45</sup> call for a social circular economy model in which more sustainable business practices lead to increased positive social impact. This means giving more attention towards gender equality, social justice and equity at all stages of building an enabling environment for circular businesses. It entails including women and a wide range of disadvantaged groups in society (e.g. migrant and refugees; people with disability) in decision making relating to Circular Economy (leave no one behind). Youth also has a very important role to play, it is essential to engage, connect and empower young people around implementation of circular economy and development of innovative solutions.

- 3 Lastly, the continuous focus on economic indicators (Gross National Product) and their growth is not aligned with the wider perspective and objectives of a circular economy. To realise systemic change, a more comprehensive and balanced monitoring system is needed at national level, looking beyond GDP, based on indicators<sup>46</sup> that measure resource use, environmental quality and overall resilience to a better degree. The current COVID-19 pandemic context, with many countries facing economic crisis, may pose a challenge or could be rather turned into a big opportunity to address this.



The covid-19 pandemic has uncovered a multitude of weaknesses inherent to the current linear system, from dependency on tourism, long (global) supply chains to social injustice. This fragile system will continue to be prone to shocks in the future, exacerbated by climate change. The crisis should therefore be seen as an opportunity to rethink and redesign our resource-intensive, linear economy, in order to promote resilience and achieve prosperity within planetary boundaries. Rather than quick fixes on the short term, governments should aim for long-term resilience. This can be achieved through green recovery plans that invest in sustainable activities with job creation potential like renewable energy, sustainable renovation and recycling, rather than bailing-out polluting companies. Only then will it be possible to build back better and achieve a circular economy.

<sup>45</sup> The Mediterranean strategy for sustainable development 2016-2025, the SCP Action Plan for the Mediterranean and , the EU Green Deal all mention the importance of social inclusion, social wellbeing and putting people first. This also aligns with the European Pillar of Social Rights adopted at the Social Summit for Fair Jobs and Growth in 2017

<sup>46</sup> Indicators for a circular economy EASAC policy report 30 (November 2016) [www.easac.eu](http://www.easac.eu)

---

Disclaimer

This publication was produced with the financial support of the European Union. Its contents are the sole responsibility of SwitchMed and do not necessarily reflect the views of the European Union.