

BUYING SOCIAL AND GREEN FROM SOCIAL ENTERPRISES - RREUSE

Updated Position paper on the Public Procurement Directive 2014/24

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EXECUTIVE SUMMARY

- Accounting for 14% of the EU GDP, public procurement plays a decisive role in supporting the goods and services provided by social economy actors such as re-use, repair and recycling social enterprises. By partnering with such social enterprises, public authorities not only promote circular purchases but also help local communities by supporting job and skill creation for groups traditionally distant from the labour market.
- The current Public Procurement Directive 2014/24 explicitly grants public procurers the possibility to include social considerations within tendering procedures on top of environmental ones. Despite this, the EC estimates 55% of all public tenders still focus on the lowest price criterion at the detriment of social and green quality services. Thus, a voluntary approach and neglect for Socially Responsible (SRPP) and Green Public Procurement (GPP) call for social and green criteria to be made increasingly mandatory and used jointly, especially in vital sectors for an inclusive green transition such as waste management.
- While a revision of the EU Directive is not currently foreseen but is needed, a more sustainable approach to public procurement should be fostered across other policy areas, for instance, by ensuring social considerations in procurement are an integral part of environmental legislation, such as in the 2023 upcoming revision of the EU Waste Framework Directive (WFD).
- Measures aimed at strengthening the capacity of contracting authorities to facilitate access to public purchases by social economy actors, including via market reservations, division of contracts into smaller lots, and support to clusters of social enterprises, are crucial to ensure public procurement is a catalyst for inclusive labour markets and environmental protection.
- The Best Price-Quality Ratio (BPQR and former MEAT) should be the standard evaluation criteria when assessing bids whose subject matter concerns services for people and the environment, allowing weighing social and environmental considerations alongside financial ones when assessing tenderers.
- More data should be made available to public procurers and stakeholders to encourage replication and enhance the visibility of social economy enterprises' dual social and circular missions within tendering procedures.

RREUSE is an independent non-profit organisation representing social enterprises active in the field of reuse, repair and recycling, with 33 members across Europe and the USA. Our main vision is for Europe to support the role of social enterprise in a circular economy, providing meaningful work opportunities to thousands of vulnerable members of our community through innovative economic, social and environmentally beneficial activities. RREUSE's primary mission is to help tackle poverty, social exclusion and a throwaway culture by promoting policies, best practices and partnerships that support the professionalism and development of social enterprises working in environmental services with high potential for local and inclusive job creation, notably re-use and repair.

INTRODUCTION AND BACKGROUND TO THE PUBLIC PROCUREMENT DIRECTIVE:

Accounting for 14% of the EU GDP, public authorities' purchasing power represents an immense potential to ensure inclusive labour markets within the circular economy and the successful implementation of social and green policy objectives.¹ Supporting the social economy sector, including via public procurement, can facilitate the transition of the economy towards a more socially and environmentally sustainable model. However, access to public procurement opportunities by social enterprises and other social economy actors is often hindered for reasons including:

- Lack of training for procurers about the characteristics of the social economy;
- Lack of appropriate legislation at the Member States' level;
- Lack of knowledge and use of green and socially responsible public procurement across the EU;
- Lack of data on best practices of green and socially responsible public procurement.

Green Public Procurement (GPP) - including Circular Procurement - and Socially Responsible Public Procurement (SRPP) are central to championing the dual social and environmental mission of social enterprises involved in the circular economy. Furthermore, with their re-use, repair, and recycling activities, such social enterprises represent strategic partners for local authorities to channel single investments in favour of inclusive local employment and effective circular solutions to waste management.

The latest revision process culminated in the **EU Public Procurement Directive 2014/24** gives a notable amount of leeway for public authorities to include social considerations within tendering procedures besides environmental ones. However, a lack of mandatory rules in crucial sectors and a weak implementation of social and green requirements² underlines the importance of stressing a more sustainable approach to procurement within sectoral legislation and departing from voluntary rules in the next Directive revision.

The upcoming revision of the **Waste Framework Directive (WFD)**, the ongoing **Strategy for Sustainable Textiles (SST)**, and the **Ecodesign for Sustainable Products Regulation (ESPR)** offer windows of opportunity to ensure public procurement in these sectors carries a strong social dimension where required. Setting up employment targets or promoting re-use activities led by social enterprises, for instance, in the procurement clauses of the WFD would ensure the legislation acknowledges the inclusive and circular impact of social enterprises.

Equally, the current period of *permacrisis* particularly impacting the most vulnerable and the different EU social and environmental initiatives that came out since 2014 call for a revision of the Directive to take

¹ European Commission (2017), Communication: Making Public Procurement work in and for Europe (Available [here](#)).

² European Commission (2021), Commission Report: Implementation and best practices of national procurement policies in the Internal Market (Available [here](#)).

stock of current developments. These include the **European Green Deal (2020)**, the **Action Plans for a Circular Economy (2020) and for a Social Economy (2021)**, whereby socially responsible and circular procurement can provide a significant boost to their implementation. Larger use of SRPP and GPP can also contribute to implementing the 2030 UN Sustainable Development Goals, notably Goal 12, which aims at fostering Responsible Consumption and Production.

In this regard, the position paper calls on behalf of the RREUSE members to consider the following elements when designing and implementing public procurement interventions.

1. ADDRESSING THE LACK OF KNOWLEDGE REGARDING THE SOCIAL ECONOMY

The persistent lack of knowledge of the social economy by public procurers continues to hinder social enterprises' access to adequate procurement opportunities. In this regard, RREUSE applauds the upcoming 2023 initiatives under the EU Action Plan on the Social Economy (SEAP) aimed at encouraging mutual learning and providing guidance to contracting authorities.

Where applicable, RREUSE believes that capacity-building measures should encourage procurers to increasingly combine social and circular criteria in tendering procedures, departing from an approach where the two are in silos. In sectors such as waste management - where social enterprises carry a historical tradition of linking work integration opportunities with the promotion of re-use and repair - this would allow for greater recognition of their contribution to the green transition. Equally, capacity-building measures should inform public procurers on how the flexible rules granted under the Directive, such as market reservations and dividing contracts into smaller lots, can be leveraged for more accessible public procurement opportunities for social economy enterprises.

While welcoming past publications from the European Commission on best case studies to foster Green³ and Socially Responsible Public Procurement⁴, RREUSE highlights the need for more dissemination of best practices featuring social and green requirements altogether, for instance, via the creation of one-stop-shop platforms for contracting authorities. Equally, the upcoming EU social economy website and flagship initiative under the SEAP, the EU Social Economy Gateway (2023), could present a welcome opportunity to gather best practices. RREUSE is keen to provide additional data to the European Commission and relevant stakeholders, beyond what is included in the current position paper.

Ultimately, the case for better procurement procedures for social economy actors is also economical. According to La Fédération des Entreprises d'Insertion, for every €1 invested by the state for the integration of people into employment, we can expect a financial return of €4.5.⁵ Similarly, Moda re-estimates that for every €1 that a social enterprises receive to support their activities of second-hand

³ European Commission (2016), Buying Green Handbook (Available [here](#)).

⁴ European Commission (2020), Making Socially Responsible Public Procurement Work: 71 Good Practice Cases (Available [here](#)).

⁵ La Fédération des Entreprises d'Insertion (2018), Efficacité économique et efficacité sociale... en même temps (Available [here](#)).

clothing management, public administrations can expect a return of €1.61 returns and over €4,07 is generated as social impact.⁶ Overall, circular social enterprises contribute to creating a more resilient economy by tackling unemployment rates, fostering upskilling and reskilling of workers needed for the green transition, and providing circular goods cheaper than new to consumers.

2. BEST PRICE-QUALITY RATIO (BPQR)

Where around 55% of public procedures today still use the lowest price criterion⁷, RREUSE strongly encourages a larger use of the Best Price-Quality Ratio award criteria (BPQR and formally called MEAT) in crucial sectors for an inclusive green transition, which, in addition to taking into account financial aspects, also weighs in social and environmental considerations. **RREUSE believes the Best Price-Quality Ratio award criteria should be the default option in sectors where the quality of services provided for the wellbeing of people and the planet and the tenderers' primary mission have utmost importance, like in the provision of social and environmental services in waste management.**

The 2014 Directive grants the opportunity to lay down special conditions relating to the performance of a contract, which can include *innovation-related, environmental, social or employment-related considerations* (Article 70), leaving contracting authorities more freedom to achieve important policy objectives beyond what is foreseen in national legislation. RREUSE believes this is a welcome addition that has the potential to have procurers more strongly supporting the social economy, an inclusive approach for green skills training, and promoting re-use.

Case Study #1. Social considerations in waste collection tender (Poland)⁸

In November 2017, the municipality of Rzgów announced a tender for the collection and management of municipal waste from households living in Rzgów.

The municipality required the contractor to reach certain levels of preparation for re-use, recovery, and recycling while reducing the weight of biodegradable municipal waste transferred to storage. The tender was specifically reserved for contractors who jointly fulfilled the following criteria:

1. They had the status of a sheltered workplace or their activity included the social and professional integration of persons from socially marginalized groups.
2. At least 50% of the employees needed to be considered socially marginalized groups.

As a result, the social cooperative Komunalika Rzgów received valuable support from the municipality. In turn, it was able to upscale its work integration mission as well as improving the capacity for re-use, recovering, and recycling waste collection of the municipality.

⁶ Moda re- (2022), Contratos Reservados en el Sector de la Recogida y Tratamiento de la Ropa Usada en España (Available [here](#)).

⁷ European Commission (2017), Communication: How to make public procurement work in and for Europe (Available [here](#)).

⁸ European Commission (2020), Making Socially Responsible Public Procurement Work: 71 Good Practice Cases - Case n 50 (Available [here](#)).

3. RESERVED CONTRACTS FOR SOCIAL ENTERPRISES

Reserved contracts for social economy operators are fundamental to recognising the work of social enterprises by safeguarding their access to public purchase opportunities. However, RREUSE and its members highlight that different Member States still do not enforce the possibility granted by Article 20 of the Directive to reserve contracts for sheltered workshops and employment programmes, restricting a fair level playing field in competitive tendering and not acknowledging their dual social and environmental contribution as added value.

Case Study #2. Law on Waste and Contaminated Soil for the Circular Economy (Spain)⁹

Newly-enacted legislation in 2022 from Spain serves as a best practice for replication. The new Spanish *Law on Waste and Contaminated Soil for the Circular Economy* envisages obligations to tender the collection, transport, and treatment of second-hand goods (primarily textile and furniture) preferentially via reserved contracts. Above all, the law requires at least 50% of these contracts must be tendered to social enterprises licensed for waste treatment.

In a context where the Moda re- network estimates social enterprises currently manage approximately 60% of the textiles collected in Spain, such legislation contributes to protecting their historical contribution to a circular economy while ensuring Spain complies with upcoming mandatory EU rules to separate textile collection by 2025.¹⁰ Leveraging the potential of social enterprises for waste treatment comes within a context where, in Spain in 2021, only 12% of textiles were estimated to be selectively collected¹¹. Simultaneously, by empowering social enterprises via reservations in procurement, public bodies guarantee renewed jobs and training opportunities for vulnerable groups. To this end, RREUSE estimates its network of social enterprises accounts, on average, for creating 70 jobs per 1,000 tonnes of material collected for re-use purposes.¹²

RREUSE believes that another way to guarantee access to public procurement opportunities for social enterprises is to design waste policies which promote re-use and positively discriminate against social economy actors for their historical and crucial mission of linking waste prevention with social inclusion. Our members believe that waste and circular policies must deliberately recognise actors that foster circular activities following the EU Waste Hierarchy, especially when done with high social considerations. For instance, re-use targets and Extended Producer Responsibility (EPR) schemes must include employment targets and acknowledge the integration work of circular social enterprises.

⁹ RREUSE (2022), New Spanish law mandates 50% of tenders to social and circular enterprises (Available [here](#)).

¹⁰ Moda re- (2022), Contratos Reservados en el Sector de la Recogida y Tratamiento de la Ropa Usada en España (Available [here](#)).

¹¹ Idem

¹² RREUSE (2021), Job creation in the re-use sector: Data insights from social enterprises (Available [here](#)).

In this regard, by guaranteeing as little as 5% of EPR fees generated from re-usable waste streams (e.g. textiles, furniture, and WEEE) goes to re-use and preparation for re-use social enterprises, the French Fonds de Réemploi Social et Solidaire is estimated to contribute to creating up to 70.000 jobs for vulnerable groups by 2030.¹³ Designing waste policies that include socially and environmentally-sound actors like circular social enterprises, in turn, enhances the visibility of the social economy model when designing SRPP and GPP tendering processes.

4. DIVISION OF CONTRACTS INTO LOTS FOR SOCIAL ENTERPRISES

When applicable, contracting authorities should consider dividing complex contracts into smaller lots to facilitate social enterprises' access to public tendering opportunities. The option - granted under Article 46 of the Directive - represents an opportunity for local authorities to not miss out on the impact generated by circular social enterprises for the collective and general interest.

In this regard, RREUSE believes that the involvement of social enterprises and other social economy actors at the pre-procurement stage should be further encouraged. Consultations open to the social economy actors interested in the contract can allow for closer collaboration with public procurers and flexibility in determining the capacity and objectives to be met. Vice versa, in addition to enhancing transparency in public procurement, such opportunities allow public authorities to gather valuable market intelligence on the social economy and thus categories of people traditionally distant from the labour market, contributing to addressing data gaps about the ecosystem.¹⁴

Case Study #3. NWCPO & CRNI (Ireland)

In 2019, Ireland's National Waste Collection Permit Office (NWCPO) needed to leave its office spaces. Therefore, when looking to procure furniture for their new offices, they decided to include circular criteria to procure upcycled furniture. Due to the large scale of this tender, unprecedented for the local re-use community, NWCPO facilitated the formation of partnerships and was open to a flexible and gradual furniture installation, in line with the nature of re-use activities whereby the number of goods collected can change from time to time.

Ultimately, the Irish enterprise network and RREUSE's member Community Resources Network Ireland (CRNI) won the contract, alongside several of its members, which include The Rediscovery Centre Ireland and Back2New, within a tendering procedure characterised by an accessible and flexible approach.

¹³ RREUSE (2020) France to create a Solidarity Re-use Fund (and other re-use friendly measures)! (Available [here](#)).

¹⁴ European Commission (2021), Communication Building an Economy that Works for People: an action plan for the social economy (Available [here](#)).

5. CLUSTERS OF SOCIAL ENTERPRISES

Public procurement can also be a strong incentive to push social enterprises to join forces and create clusters, thus generating an even greater social and environmental impact. In many cases, clusters of social enterprises emerge as a result of establishing consortia to better compete in tendering procedures. By sharing resources, know-how, quality standards, and so forth, clusters boost the activities of their social enterprises, offering them crucial support, including when applying for tendering procedures.

RREUSE believes that the European Commission and Member States should support the work of clusters by designing interventions that promote socio-ecological innovations, including in public procurement. Among other things, such measures help ensure the upscaling of a cohesive ecosystem.

Case Study #4. The Consorzio ECOBI (Italy)¹⁵

The Consorzio ECOBI is a cluster of 28 individual social enterprises from Northern Italy with over ten years of experience managing waste and green spaces. As of 2023, ECOBI employs around 3,400 people of which around 41% (1,400) are disadvantaged workers.¹⁶ The cluster came about as a need for social enterprises to ensure competitive tendering for large multi-annual contracts from regional authorities. ECOBI managed to win a joint tender for 15 years covering 1,100,000 inhabitants across the provinces of Bologna, Ferrara, and Modena.

Case Study #5. The Circular Communities Scotland Re-Use Consortium (United Kingdom)¹⁷

The Circular Communities Scotland Re-Use Consortium, as of 2021, brought together 12 social enterprises involved in waste management, providing more than 17,000 pre-owned essential household items to local authorities. This, in turn, helped nearly 7,800 households in need of essential household items saving up to 2.090 tons of CO2.

The partnership with local authorities and Scotland Excel, the main body for national public spending, is resulting in many benefits for people, the environment, and local economy. For example, in 2019, local authorities allocated 8% (around £186,000) of the Scottish Welfare Fund budget to purchasing re-use furniture through the Consortium. This saved an estimated £104,000 that would have been spent if going for new item purchases, in turn allowing to support an additional 200 households in need.¹⁸

¹⁵ European Commission (2021), Clusters of social and ecological innovation in the European Union, perspectives and experiences (Available [here](#)).

¹⁶ Consorzio Ecobi (2023), Numeri di Sintesi (Available [here](#)).

¹⁷ European Commission (2021), Clusters of social and ecological innovation in the European Union, perspectives and experiences (Available [here](#))

¹⁸ CRNS Reuse Consortium (2019), Consortium Impact Report 2019 (Available [here](#)).

6. POLICY RECOMMENDATIONS

In sum, RREUSE recommends the following to the European Commission and national governments:

- **RREUSE calls on the European Commission and Member States to design holistic capacity-building measures for public procurers to facilitate access to tendering opportunities by social economy enterprises active in the circular economy.** In this regard, RREUSE welcomes the upcoming 2023 initiative of the EU Action Plan on the Social Economy (2021) to set up workshops at the national level for public procurers as a step in the positive direction. RREUSE believes these measures must encourage using social and circular criteria jointly in relevant tendering procedures, and explore using reserved contracts, contract division into smaller lots, and supporting clusters of social enterprises. Likewise, RREUSE suggests creating a one-stop-shop online platform at the EU level with best case studies of tenders, including those jointly combining green and social considerations, which can ensure the replication of best practices across the EU.
- While a Directive revision is currently unforeseen, **RREUSE and its members believe sectoral legislation can play a salient role in enforcing a more sustainable approach to public procurement.** Upcoming environmental legislation, such as the 2023 revision of the **Waste Framework Directive (WFD)**, offers a window of opportunity to endorse social requirements within tendering processes in a sector that concretely fosters an inclusive green transition. Equally, the upcoming **Council Recommendation to Develop Framework Conditions for the Social Economy (foreseen in mid-2023)** should encourage Member States to create better synergies between the ecosystem and key policy areas, such as environment and public procurement policies.
- RREUSE calls on **Member states to enforce the provision on reserved contracts (Article 20) of the 2014 EU Procurement Directive.** National contracting authorities should make better use of the option to safeguard the mission of social enterprises and promote fair competition by guaranteeing access to public purchases.
- RREUSE calls on the European Commission and Member States to use the **Best Price-Quality Ratio criteria (BPQR) as a default option when evaluating bids that concern services for the person and the environment.** BPQR ensures financial returns do not outweigh social and environmental considerations, emphasising the quality of services and the primary mission driving tenderers.
- **RREUSE calls on the European Commission and Member States to facilitate social economy actors' involvement in thematic settings on topics like public procurement.** Consultations with social economy actors at the pre-procurement stage of tendering procedures allow public procurers to gain valuable market intelligence on the ecosystem, enhance transparency, and consult stakeholders on creating more adequate frameworks for their upscale.
- RREUSE believes that, following the EU Waste Hierarchy, contracting authorities should not limit the public purchase of goods to new ones. As done already by the EU Commission, **RREUSE calls on more Member States to ensure the procurement of second-hand goods is among the eligibility criteria for the provision of goods such as furniture, computers, and so forth, as reused, refurbished and repaired items can be just as safe and durable as new ones. Equally, public bodies should consider procuring repair services for existing products before automatically purchasing new ones, in accordance with circularity principles.**

- Finally, while a revision of the 2014 Public Procurement Directive is currently unforeseen, **RREUSE believes current rules need to be updated to take stock of the implications of the current *permacrisis* and the EU environmental and social initiatives that came since 2014**, such as the European Green Deal (2020) and the EU Action Plans on the Social Economy (2021) and Circular Economy (2020).

Conclusions:

RREUSE believes the European Commission should urge Member States to ensure public procurers enhance legal certainty and create better procurement frameworks for the social economy. The national workshop initiatives for public procurers and the Commission's proposal for a Council Recommendation to Develop Framework Conditions for the Social Economy (expected in mid-2023), as envisioned under the SEAP, are welcome initiatives that go in the right direction. Yet, further action is needed to promote Green and Socially Responsible public procurement across legislation which goes largely untapped. For instance, social considerations within procurement measures of the Waste Framework Directive and other environmental legislation could considerably leverage public procurement to ensure the green transition gives considerable importance to vulnerable groups.

Ultimately, RREUSE finds the existing voluntary approach to foster social and environmental considerations in public purchases insufficient to encourage using public procurement to achieve key policy objectives. Where relevant, social and green criteria should be mandatory and used jointly in those sectors that have the potential to promote an inclusive green transition, as is the case in the circular waste management activities of re-use and repair social enterprises. Therefore, while ensuring sectoral legislation can help advance a sustainable approach to public procurement, the rules under the 2014 Public Procurement Directive call for a reassessment to take stock of recent pioneering EU environmental and social initiatives and the current context of *permacrisis* mainly affecting the most vulnerable.

For more information, please contact:

Simone Schirru, Policy Officer in Social and Economic Policies – simone.schirru@rreuse.org



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