

RREUSE input to the public consultation on the development of the renewed sustainable finance strategy

1. Introduction

RREUSE (Reuse and Recycling European Union Social Enterprises) represents social enterprises working in environmental services with over 30 European members and one from the USA. RREUSE welcomes the opportunity to give feedback on the renewed sustainable finance strategy, initiated in April 2020 and extended till July 2020.

2. More emphasis on social and circular activities in finance strategies needed

Though the renewed sustainable finance strategy aims to build on the ten points of the 2018 action plan on financing sustainable growth, highlighting the need to strengthen the sustainability and resilience of our society, there remain unexplored opportunities. RREUSE would like to stress the importance of considering social and environmental impact with equal emphasis when making investment decisions, be they private or public.

The renewed strategy aims to support important actions set out in the European Green Deal, through management and integration of climate and environmental risks to the financial system. Investment into a low-carbon and circular economy must be accelerated and become top priority for financial institutions, with strong considerations related to local and inclusive job creation potential, of urgent importance in response to the current pandemic.

A very recent survey (2020) of 540 companies points to greater resilience of companies contributing to the circular economy than those purely dependent on a linear model during the crisis¹. In general, RREUSE finds the emphasis on supporting circular objectives within the consultation rather limited, given its status as a key pillar of the EU Green Deal. Private investment should reinforce EU priorities.

As such, integrating circular criterion within finance taxonomies as a guide would be helpful.

RREUSE is also concerned with the lack of specific wording and concrete guidance to support this 'sustainable' change, specifically with regards to social aspects and efforts to develop the social economy. The social economy is uniquely positioned to make a great impact to the sustainable development goals.

¹ <https://www.vlaanderen-circulair.be/nl/veerkracht>

The renewed Circular Economy Action plan of 2020 highlights ‘the potential of the social economy, which is a pioneer in job creation linked to the circular economy.’² The Council of Conclusions on inclusive labour markets (December 2019) similarly credits the sector ‘The social economy, and particularly social enterprises, may be of particular value in supporting people in a vulnerable position preparing for and participating in the labour market. As such, social enterprises can play a vital role in sustainable job creation and in facilitating social integration.’³

Examining the 2018 Sustainable Finance strategy- integration of social economy actors is lacking without any mention of the social economy. Yet, Europe has signalled the importance of the social economy, with the first European Social Economy action plan underway, with a proposed duration of 5 years (2021-2026).⁴ In 2019, social economy is yet again overlooked, without reference also in the communication of the [European Green deal](#).

There are for example, missed opportunities of intersectional policy recommendations when key sectors are absent from major European Commission outputs. Developing a social taxonomy to guide investment decisions to complement environmental ones would better enable the identification of activities that are positive for climate, environmental and social objectives. Inclusion of social economy enterprises within this taxonomy, alongside key criterion protecting human and social rights, could be a step forward in integrating the social economy within the renewed finance strategy.

3. Historic reference to the Social and Circular economy in previous reports, current initiatives and EU finance tools

There exist a variety of EU initiatives focussed on job creation as well as support for the social and circular economy that should be of particular relevance for the development of a renewed sustainable finance strategy.

The 2017 EU High-Level Expert group on sustainable economy interim report available [here](#) was produced 2 years after the UN2030 agenda for sustainable development. Despite the expert group previously noting the potential of social enterprise, reference to the sector is not made in the 2018 action plan. The interim report however, clearly advises ‘*the EFSI could do more to invest in social enterprises...The European Investment Project Portal could also be used to provide higher visibility for projects in the social economy and health sectors...The*

² https://ec.europa.eu/environment/circular-economy/pdf/new_circular_economy_action_plan.pdf

³ <https://data.consilium.europa.eu/doc/document/ST-14646-2019-INIT/en/pdf>

⁴ <https://www.thenews.coop/148366/topic/politics/stakeholders-present-aspirations-around-the-european-action-plan-for-the-social-economy/>

Commission could also consider increasing the budget provided by the Horizon 2020 programme or allow for more investors to take an active role in funding projects that meet Europe's social objectives.'

The High-level expert group also emphasises that de-risking useful in circular economy projects where innovation is key (p.45). Investment into the circular economy can lead to a significant reduction of CO2 especially through re-use, repair and remanufacturing goods often worked on locally, avoiding international transport and providing local employment.

The production of goods and management of land account for 45% of global GHG emissions (IPCC,2014 – See Annex A). Extending the lifetime of all washing machines, notebooks, vacuum cleaners and smartphones in the EU by just one year would save around 4 million tonnes of CO2 annually by 2030, the equivalent of taking 2 million cars of the roads for a year (EEB, 2019). As such, business models supporting such savings and creating local jobs must be supported.

As a general point investment decisions should include social and circular criteria. RREUSE would fully support integrating natural capital accounting within business performance and decision-making as described in Section 3.4.

4. Emphasis on creation of green and inclusive jobs through future investments

In the foreward of the 2017 EU High-Level Expert group on sustainable economy interim report, a nod to job potential in the circular economy is evident 'Progress on sustainable finance starts not with finance itself; the first step is to describe the desired economic model of sustainability. The European Union has developed this model: a low-carbon, resource-efficient and increasingly circular economy characterised by high employment, technological innovation and sustainable growth.'

RREUSE, along with its members' advocate for the higher job creation potential of circular activities and activities in environmental services. In the consultation, there is little or no mention of the impact of sustainable finances on jobs. Furthermore, in the 2018 [action plan on Financing Sustainable Growth](#), circular economy is cited once as a key model to ensure the long-term competitiveness of the EU economy without subsequent reference. Ultimately, there lacks the connection between direct or indirect investment to the circular economy and social output in the form of jobs created. Globally, 2020 has confirmed the weakness of a traditional linear economy on many levels, especially the fiscal and labour market.

5. Public Procurement

As part of this consultation, RREUSE would also like to highlight the potential of public procurement, stressing the importance to set a combination of green and social procurement criterion. By rewarding companies or consortia who support the inclusion of those excluded from the labour market (employing for example, at least 30% of disadvantaged workers as detailed in the EU Public Procurement Directive) reserved contracts and social clauses will

ensure that procurement is not simply awarded for the lowest price. Our position paper on public procurement available [here](#) goes into further detail.

6. European Semester and Pillar of Social Rights

The European Pillar of Social Rights was adopted in November 2017, and can be considered a landmark change in Europe's social and civil landscape along with the Sustainable Development Goals. However, the European Institutions and Member States must give clear objectives and outcomes including guidance on sustainable investment to fulfil the implementation of the European Pillar of Social Rights. RREUSE advocates for structural impact measures which also prioritises social impact alongside environmental impact measurement. Future sustainable finance management should take into account social, circular and environmental for all moneys invested to ensure optimum return of investment.

RREUSE agrees there is a need for a European over-arching commitment to sustainable finances which also links to the twin priorities of the EU, the digital and green transition. However, all the European priorities should be funded for added value in terms of the environmental benefits and job creation benefits.

7. Access to sustainable Finances

The financial and banking systems across Europe have proved to be more problematic in certain territories than others and have at times made the social economy unnecessarily vulnerable. For example, in Greece where there is no option of ethical banks, and rarely small cooperative banks, the regular banking system does not allow for access to loans without 'in cash guarantees' for non-profit and social enterprises. The banking system does not allow to evaluate social enterprise differently than the market actors. This is dubious, given the goal of social enterprise is in fact reinvestment of profit into activities and employment (essentially 'no profit').

Greek social economy enterprises are in discussions on access to low interest loans to non-profits and social enterprises. At the very least, projects could be used as guarantees, which the banks in Greece don't currently recognise.

Conclusions

As a general reflection, now is the time to use The European Green Deal investment plan to leverage sustainable investments. By joining the dots of the revised Circular Economy Action Plan, the European Industrial strategy, the future European Social Economy action plan, The Just Transition Fund, we must ensure that labour market needs are being met through upskilling, leading to a supply chain that is economically, socially and environmentally sustainable, just and inclusive.

Overall, RREUSE recommends the renewed sustainable finance strategy should focus on:

- The importance of considering social, circular and environmental impact equally when making investment decisions, in the private or public domain. Developing a social

taxonomy, integrating the role of social economy enterprises, as well as environmental taxonomy that prioritises circularity, would be a good starting point.

- Greater access and simplified application procedures to sustainable finance for social economy actors who are well placed in communities and sectors to attain the sustainable development goals, implement the European Pillar of Social Rights and the European Green Deal is a necessity.

For more information please contact Elaine Hanlon, Social Affairs Policy Officer – elaine.hanlon@rreuse.org, www.rreuse.org