



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”

Prepared by Circular Economy Portugal for SCP/RAC, March 2021

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	15
	Regional/city programs	18
	Public Procurement	19
	R&D and innovation	19
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 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 Mediterranean¹, the region is not on track for the implementation of the 2030 Agenda and Sustainable Development Goals. The current measures are not sufficient, more systemic change is necessary to protect the environment while creating socio-economic benefits. The COVID-19 pandemic also clearly highlights the need for green recovery strategies.

The Mediterranean economy is still marked by unsustainable production and consumption patterns. The current linear system over-exploits natural resources, causes pollution and thus undermines fragile ecosystems, in a region considered a biodiversity hotspot. Circular economy² is a unique opportunity for Mediterranean countries to ‘build back better’ after the current COVID-19 crisis and to improve the resilience³ 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 enables countries to generate prosperity while staying within planetary boundaries. Green and circular businesses are a key pillar of the circular economy based on sustainable production and consumption. They are the actors of change that implement circular principles⁴ in practice, thereby helping to resolve environmental challenges while adding value to society and the economy. Green and circular businesses are not only associated with recycling, but rather eco-innovative design of products and services. They create business opportunities through waste prevention, reuse and repair, while preserving the natural environment.

Unfortunately, in all countries, green and circular businesses face numerous challenges to establish a successful business case under current (linear) conditions. Unfortunately, many companies are still stuck in a business-as-usual mentality and due to a number of barriers, do not have the means to invest in sustainable, circular strategies⁵. 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, creating fiscal incentives, facilitating access to funding and financing, but also through capacity-building, knowledge dissemination as well as research & development (R&D).

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

² 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).

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

⁴ 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.

⁵ 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.

The policy recommendations below focus primarily on green and circular start-ups and SMEs, which are the backbone of the Mediterranean economy and contribute to sustainable innovations in various sectors.

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

This document was developed by a team of experts⁶, coordinated by the SCP/RAC⁷ 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 ⁸
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, based on a literature review, country profiles, consultation of national stakeholders as well as a SWOT analysis. On this basis, the team of experts developed specific recommendations for each sub-region. This document synthesises the main findings into one document that serves as the basis for the stakeholder consultation process. The country profiles and subregional baseline assessments are available on the [SwitchMed Website](#).

The Summary of Policy Recommendations was submitted to public consultation between the 7th of December 2020 and the 18th of January 2021, having obtained 60 responses from 19 countries. The final version of the Summary of Policy Recommendations reflects the results of the consultation and integrates comments from the respondents. In particular, within each category, the recommendations are presented in descending order of support (recommendations that received higher support are presented first).

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

⁶ Sofiane Benguergoura for Region I, Antoine Karam for Region II, Avi Blau and Camille Janssen for Region III and Lindsey Wuisan and Luisa Marques for Region IV.

⁷ SCP/RAC (Regional Activity Centre for Sustainable Consumption and Production) is a component of the Barcelona Convention - UNEP/ MAP (Mediterranean Action Plan). The Policy Team members that participated in this publication are Magali Outters, Ananda Alonso and Matthew Lagod.

⁸ 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 increasingly incorporate circular economy principles. Policymakers in many European countries tend to be more familiar with the concept of circular economy and many EU countries have already adopted circular economy action plans. In region I, II⁹ and some of the countries in region III these are still missing¹⁰.

⁹ 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.

¹⁰ 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 and face environmental challenges, ranging from localised issues such as water scarcity, pollution and biodiversity loss to wider challenges such as climate change and resources depletion. There is particularly 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. Uncontrolled landfilling, or dumping of waste, is a structural problem in many of the countries, which, besides loss of resources, leads to environmental damage such as soil and water contamination, methane emissions and pollution of waterways. That is why waste prevention and reduction through upstream solutions promoted by green and circular businesses, are extremely urgent to prevent pollution of 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 societal actors. However, much needs to be done still to accelerate the transition from a linear to a circular economy. The current (legislative) framework is mostly based on linear thinking and maintains business-as-usual. Environmental awareness and demand for sustainable products and services are still low and population's consumption patterns and lifestyles are still relatively unsustainable, as in many other parts of the world. The number of green and circular businesses in all countries is very limited, although monitoring is limited. 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 stimulate entrepreneurial activities. 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 :

¹¹ The return-on-investment times of circular business models (e.g. product-service systems) are often longer

- **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 case¹¹ 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. These are however scarce in the region;
- **Impeding regulations:** current regulations can be outdated (not taking into account eco-innovative developments), or insufficiently stimulate the adoption of circular strategies by companies, like cross-sectoral collaboration to utilise residual streams. Also, the legislative framework may not always accommodate innovative business models that deviate from traditional forms of ownership through new types of product-service systems. This impedes the development of green and circular businesses;
- **Insufficient knowledge (support services):** improved knowledge and skills are necessary to redesign production processes and implement circular economy strategies. However, both new entrepreneurs and existing companies often lack the (strategic or technical) knowledge, practical tools, methodologies (e.g. LCAs, PEF/OEF methodology for LCAs), data and structural support to apply eco-innovative solutions such as eco-design (for sustainable product-service systems development) and valorisation of by-products. Most Business Support Organizations also lack the necessary knowledge and skills to support entrepreneurs and businesses in the transition towards a circular economy. 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 in the financial sector and among business-people on the need and benefits of a circular economy. Traditional private investors therefore see investments in circular economy projects as high risk, even when this is not necessarily the case;
- **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:** green and circular businesses have difficulties to compete with linear businesses whose prices don't reflect social and environmental

externalities. Furthermore, most consumers, companies and organisations are very much price-oriented focusing on lowering costs as much as possible, without much attention for the (hidden) environmental and social costs. As a result, the market opportunities for green and circular products and services are limited when they are not price-competitive. Unfortunately, green public procurement in most countries is still too low to remedy this situation.

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 clear legal frameworks, lack of proper monitoring, insufficient (financial) capacity and number of inspectors, cultural factors;
- **Institutional weaknesses:** preventing coordination of transversal initiatives such as Circular Economy implementation that require coordination across different ministries, policies and sectors;
- **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 maintain the status quo, driving unsustainable resource use and polluting practices;
- **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 due to the low oil prices) are cheaper than secondary raw materials¹², undermining economic incentives to invest in a circular economy;
- **Skilled workforce emigration** creating a gap of technical and managerial human resources skills needed to implement circular economy;
- **High immigration influx of refugees** (specific for some countries) putting additional pressure on social infrastructure, housing, employment, etc.

¹² 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- sustainable sectors are prioritised over environmental protection and circular economy.

At the same time, all countries are 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.

Nonetheless, awareness around climate change and environmental issues is rising¹³, especially among the new generations, driven by civil society organizations. However, they represent a small share in terms of market demand and are concentrated in larger cities. Another major opportunity are the Green Deal¹⁴ and new EU Circular Economy Package¹⁵, 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.

¹³ 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

¹⁴ 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.

¹⁵ 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

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 successful and sustainable business cases. 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 level encompassing quantitative targets¹⁶ and monitoring¹⁷ 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.

A National Commission should be created and chaired by a high-level government official to give sufficient priority and credibility to the process. The Commission should be 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.

- **Develop sustainable product policies and stimulate the application of circular design:** stimulate the application of circular design¹⁸ in national manufacturing industries and imported goods, extending product lifespan, design for reuse, repair, remanufacturing and recycling for instance through a ban on planned obsolescence and mandatory percentage of recycled material in products. In the EU Mediterranean, this process is strongly driven by the EU Circular Economy Package and extension of the

¹⁶ 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.

¹⁷ 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.

¹⁸ 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 doesn't only require interventions at product (or component) level, but also redesigning the business model, value chain and system in which they are embedded.

Ecodesign Directive beyond only energy-efficiency. In other regions this would require developing new legislation.

- **Create a supportive regulatory framework for sustainable businesses:** by firstly adopting a clear definition of “sustainable businesses” 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 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 cycle thinking and eco-design approaches”*¹⁹. This definition encompasses green and circular businesses, making them eligible for potential tax benefits and other incentives.
- **Tax benefits for green and circular businesses:** investments in ecological 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. The criteria for technologies and assets to be considered ecological should be evaluated and approved by a government agency, published and updated on a regular basis. In addition, small SMEs may also deduct environmental consultancy that is needed to make a real transition to a green and circular business model.
- **Promote and enable 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 associations 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 resources, skills and knowledge available. 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 basis for the formal establishment of those national partnerships.
- **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

¹⁹ Conceptual Framework to Guide the Development of Sustainable Business Models

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.

- **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.
- **Establish clear end-of-waste and by-product criteria:** in many countries, waste legislation needs to be revised to enable the use of residual flows as secondary raw materials. 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.
- **Establish and improve Extended Producer Responsibility schemes (with eco-modulation of fees):** establish schemes that hold producers responsible for the collection and waste treatment costs of their products, while incentivising them to invest in waste prevention and reuse. Effective EPR schemes should be established for at least e-waste, batteries, end-of-life vehicles, packaging, textiles (incl. carpets) and furniture. Other specific product groups, like mattresses, also have potential for EPR schemes but it depends on the regional and national context which product groups are prioritised. 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 products²⁰.

²⁰ 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.

²¹ 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.

- **Waste disposal taxes**²¹: landfilling and burning of waste causes significant pollution of surface water, groundwater, soil and air while emitting GHG emissions. In the European Mediterranean countries, the EU Landfill Directive applies to prevent or reduce the negative effects of landfilling. To reduce the amount of waste (and thus resources), tax disposal charges are a fiscal instrument that make it less economically attractive to landfill or incinerate, creating an incentive to invest in reuse and recycling. The tax revenues can be reinvested in improved inspection, waste prevention programs and mitigation of environmental impacts (for example, the Catalan Waste Agency uses the fund to support businesses to implement circular strategies). To prevent circumvention of waste disposal taxes by illegal dumping, strict inspection and control are needed.
- **Green Free Zones providing incentives to green/circular SMEs and start-ups**: 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.



Capacity-building & knowledge dissemination

Improved levels of knowledge and skills are needed on a broad variety of topics to enable the transition to a circular economy, e.g. concerning material flows (sustainable resources management), ecodesign, circular business models, reuse systems, repair skills and recycling technologies. The exchange and dissemination of knowledge in networks are essential for concerted action, but also the development of new skills and competences that are necessary for circular action on the ground. 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. This calls for support structures and measures.

²² 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.

²³ <https://www.theswitchers.eu/wp-content/uploads/2020/04/Brochure-Switchers-Support-Programme.pdf>

²⁴ Ecopreneur advocates the "Circular Acceleration Houses" <https://ecopreneur.eu/wp-content/uploads/2020/09/2020-09-10-Ecopreneur-eu-advocates-Circular-Acceleration-Houses-in-all-EU-regions.pdf>

- **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 women²². These should incorporate modules specifically focusing on circular design, as well as guidance to develop successful business plans. Such a program could include access to business mentors, investors and partners from established companies looking for synergies. This could be based on the Switchers Support Programme that works²³ to create an enabling ecosystem for entrepreneurs and SMEs for green and circular economy in the Mediterranean. This program has developed the only existing training methodology for the creation of green and circular entrepreneurs in the Mediterranean pursuing Circular Economy business models.²⁴

- **Encourage educational institutions to integrate circular economy modules in curricula**, 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 have access to academic and vocational education or training on circular business models, environmental technologies, renewable energy, etc.
- **Provide targeted information, skills, networking and training on circular entrepreneurship to youth and women** (to stimulate women-led start-ups and SMEs): as men and women's needs and opportunities are different, support structures and capacity development programmes should include a gender perspective²⁵, providing men and women equal access to advice on business development, training and mentoring, market opportunities and networking. This can be achieved through building on existing good practices and initiatives.
- **Create national or regional knowledge centres or networks 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 practices to funding opportunities (example: eco.nomia.pt) but also through national partnerships, like the Switchers Support National Partnership²⁶ (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”). A national or regional knowledge centre could encompass the following actions:
 - *Provide professional training, content, tools and services* on various topics e.g. circular design, circular business models (e.g. servitisation), 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 Costing²⁷, combining information on the economic and environmental (and social) impacts of products and services.
- **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. that support the development of micro circular economy businesses.

²⁵ 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.

²⁶ The Switchers Support National Partnerships have been promoted in Southern 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).

²⁷ 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/>



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:** an overview of public funds available at different levels should be gathered and explained on a single platform to facilitate access. Environmental taxes levied over polluting activities and sectors²⁸ can be a source of public environmental subsidies;
- 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;
- Women often have limited access to credit and loans²⁹. It is important to put in place financial instruments to benefit **women-led and women-owned circular businesses**. At the same time, awareness about gender barriers to access funding should be raised among relevant stakeholders;
- Support the finance industry in the provision of Sustainable Finance by **channelling private impact investments** for the transition to a circular economy.

- **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 Taxonomy³⁰). This is paramount to ensure that investments meet robust environmental standards and are consistent with the Sustainable Development Goals and the Paris Agreement on Climate Change³¹. In addition, financial market actors should disclose sustainability risks and impacts to increase transparency in the finance sector.

- **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.

- **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.

²⁸ 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.

²⁹ 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>

³⁰ 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

³¹ 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.

- **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 green and circular businesses with reaching international markets:** whilst local markets should be prioritised to minimise the carbon footprint, for markets where domestic demand is insufficient, green and circular businesses may need to export their products or services abroad to become viable. 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 businesses³²; or even trade agreements.
- **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 (Evidence highlights that women are very well positioned to drive responsible consumption behaviours³³), 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.



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.

³² To improve SMEs skills and knowledge-sharing while opening new markets. Shortening circuits to bring back manufacturing industries to Mediterranean countries.

³³ 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>)

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 industry³⁴. 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 upcycling³⁵ of residual streams.

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

³⁵ 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.

³⁶ See the International Best Practice Factsheets <https://switchmed.eu/policy/international-best-practice-factsheets-on-policy-instruments/>

³⁷ https://www.researchgate.net/publication/340620860_ZERO_WASTE_CONCEPT_IN_TOURISM

³⁸ <https://www.acrplus.org/en/projects/2-content/2622-tourisme#activities>

³⁹ IUCN (2020). Source: <https://www.iucn.org/news/marine-and-polar/202010/over-200000-tonnes-plastic-leaking-mediterranean-each-year-iucn-report>

- **Promote sustainable principles and practices in the tourism industry:** national certification schemes (like the one in Costa Rica³⁶) 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 strategies³⁷, to prevent the use of single-use plastic and waste generation. Initiatives like the TOURISME³⁸ 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.

- **Introduce a ban on certain single-use plastic products (non-EU countries):** Over 200,000 tonnes of plastic are leaking into the Mediterranean each year³⁹. 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 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).

- **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).
- **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 products⁴⁰. 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 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

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

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 France⁴¹).

⁴¹ More examples available in ACR+ publication: https://www.acrplus.org/images/technical-reports/2019_ACR_Sustainable_construction_guidelines_for_public_authorities.pdf



Regional/city programmes

- **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 centre 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 programmes:** 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 programmes, 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.
- **Incentivise programmes 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 supply and demand. **FLOOW2**⁴² is an example of such a platform that can be implemented basically anywhere in the world.
- **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, create more jobs, and facilitate internationalization and could be achieved through the establishment of networking mechanisms and partnerships⁴³.

⁴² 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

⁴³ See policy recommendations of the Med Green Growth Community: https://interregmedgreengrowth.eu/wp-content/uploads/2019/03/synggi_policy_rec_report_v5.pdf

- **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.



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.

- **Funding for research & innovation for the circular economy (EU Mediterranean):** small and medium-sized businesses should be able to benefit from the available research & innovation resources and technologies, such as through collaborative laboratories (Colabs) for the Circular Economy⁴⁴. Special focus should be put on technologies or processes with a high Technology Readiness Level (TRL) that can reach the market sooner. Public agencies should support private actors to gain access to national or

⁴⁴ E.g. Cecolab is a collaborative laboratory for the Circular Economy in Portugal. www.cecolab.pt

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.

- **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 an agenda should be “living labs⁴⁵”, 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.

- **Enhance data collection and knowledge production on gender aspects of circular businesses and the demand for sustainable products⁴⁶** 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).

- **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”).

⁴⁵ 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>

⁴⁶ 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 (particularly sub-regions 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 disincentivise 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 policies⁴⁷ 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 disabilities) 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 indicators⁴⁸ 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.

⁴⁷ 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.

⁴⁸ Indicators for a circular economy EASAC policy report 30 (November 2016) www.easac.eu

Disclaimer

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