

amfori Recommendations for an EU Sustainable Recovery Plan

amfori believes that economic and sustainable concerns are not mutually exclusive. The EU Recovery Plan should not only pull companies out of the crisis but also push them towards a more sustainable future.

Towards a Sustainable Recovery

The COVID-19 pandemic has been a shock to the economy, causing serious disruptions within the global supply chain. In Europe, the economy is expected to shrink by more than 7% in 2020. As a consequence, many companies face severe financial challenges in terms of cash flow and liquidity and many workers have seen their livelihood put at risk.

On 27 May, the European Union unveiled a EUR 750 billion [recovery proposal](#), Next Generation EU, as the centrepiece of its economic response to the coronavirus crisis, while also increasing its 2021-2027 EU budget.

To address the economic impacts of the COVID-19 pandemic, the EU opted for an ambitious approach where the objectives previously set under the Green Deal will serve as a framework to calibrate recovery responses and direct financial support towards competitive sustainability.

This means that the entire recovery package will need to be in alignment with achieving net-zero emissions by 2050.

The stimulus package has recently been approved by the 27 EU leaders, following a long negotiation. Alongside the recovery package, EU leaders also agreed on a EUR 1,074 billion long-term EU budget for 2021-2027. 30% of the total expenditure from the Multiannual Financial Framework (MFF) and Next Generation EU will be used for climate-related projects.

This still needs to be approved by the European Parliament. But if it goes through, it will be a moment for Europe to demonstrate that economic and sustainability priorities are not mutually exclusive. With this perspective, here are a few recommendations for the Commission to deliver a green recovery plan, one that is sustainable, inclusive and enhances the EU's resilience to future shocks and crises.

Key Policy Recommendations for the European Union:

- **Take into account the Paris Agreement commitments** when designing and delivering the EU's recovery plan
- Define criteria to make the **use of recovery funds** by Member States **conditional on them respecting sustainability requirements** from the moment they become available
- **Progress the work on Mandatory Green Public Procurement (GPP)** criteria and encourage public authorities across Europe to integrate green criteria in their procurements and thus contribute to a sustainable recovery
- **Engage with business stakeholders** to support a pragmatic implementation of the recovery package that takes into account the reality of global supply chains
- Support companies with the right tools for **more resilient and sustainable supply chains**
- **Encourage and facilitate open and sustainable trade** as an integral part of the EU's recovery plans

Guiding Principles for a Sustainable Recovery Plan

➤ Short-term relief should not impede progress towards the SDGs

Before the crisis, all new policies were considered through an SDG lens. This should continue. If the recovery plan puts even a few SDGs aside, the 2030 goals will no longer be achievable.

For an effective recovery plan, focus should not only be on short-term relief but also on long-term benefits. Short-term benefits that only boost the productivity of European industries might cause more harm to climate and environment in the mid to long-term. It is therefore important to take a holistic approach when proposing measures.

➤ Continue engaging with stakeholders

Better regulation principles which are generally applied for new policies should not be disregarded because of the urgency of the recovery plan.

To ensure future resilience, it is crucial that the recovery plan can be implemented in consultation with stakeholders, so as to make sure that the EU policy decisions are fit for purpose.

The impact of the COVID-19 pandemic is not fully understood yet and different sectors might provide different perspective on measures. Engaging with business stakeholders will support a pragmatic implementation of the recovery package approach that takes into account the reality of global supply chains.

➤ Encourage a sustainable use of public funds

EU funding should be accompanied by sustainability requirements and should not only pull companies out of the crisis but also push them towards a more sustainable future.

In its Communication, the Commission indicates that the EU sustainable finance taxonomy will guide future investments in Europe's recovery. amfori believes that the taxonomy is particularly relevant for new investments that are needed to transition our economy, showing how and where to cut carbon emissions, build climate resilience, optimise supply chains towards sustainability and to stimulate jobs. The newly adopted regulation on sustainable taxonomy is expected to provide the necessary policy frame to create the world's first-ever 'green list' – a classification system for sustainable economic activities. However, it will take some time before the delegated acts that will allow this to happen are actually adopted.

In the meantime, public investments in the recovery should respect the green oath to 'do no harm'. For this reason, the European Commission should already define criteria to make

the use of recovery funds by Member States conditional to the respect of sustainability requirements from the moment they become available. A control mechanism should also be foreseen so as to make sure that funds are actually used in a sustainable manner.

In parallel, amfori encourages the Commission to quickly progress the work on Mandatory Green Public Procurement (GPP) criteria and targets in sectoral legislation as well as of the launch of a Sustainable Procurement Screening instrument, two key actions foreseen under the Circular Economy Action Plan. This will encourage public authorities across Europe to integrate green criteria in their procurements and thus contribute to a sustainable recovery.

Considering the impact the COVID-19 outbreak had on vulnerable workers, amfori also encourages the Commission to give special consideration to implementing inclusive and gender-responsive strategies that will give the proper level of support to sensitive categories, including women, migrants and the elderly.

Maintaining the Focus on Climate Change

Climate change remains a major threat that exacerbates current challenges and creates emergencies. The risk of re-starting the economy in a 'business-as-usual' scenario but pushing harder to compensate the lost revenue from the last months will only increase the threat that climate change poses.

In order to set a course to reach climate neutrality by 2050, the Commission will need to take into account the impact on Greenhouse Gas (GHG) emissions that the recovery plan will have.

As the fight against climate change cannot be separated from the fight against economic inequality, it is essential that governments are requested to align their recovery plans with the Paris Agreement on climate change, with a special focus on the needs of the most vulnerable to deliver a fair transition.

In that sense, the postponement of the COP26 to 2021 could be considered an opportunity to address these concerns, make it the place where sustainable recovery plans are shared, upgraded and coordinated at global level so that they are consistent with the respective National Development Plans to implement the Paris Agreement.

Building Resilient and Sustainable Supply Chains

When rebuilding our economy, we need resilient supply chains that will be able to absorb future shocks.

Having a clear picture of the fundamental structure of the supply chain as well as the key contacts, suppliers and stakeholders along the supply chain specific to each company is crucial. This enables companies to identify areas of potential vulnerability and opens the conversation on how to minimise, manage or eliminate these risks.

The European recovery plan needs to consider how to best support companies so that they can equip themselves with the right tools to properly map supply chains and facilitate good and quick communication with suppliers in times of crisis, therefore allowing for more resilience.

At amfori, we believe that to be genuinely resilient, supply chains also need to be sustainable. As such, we welcome the recent discussions on the development of an EU harmonized framework for Environmental and Human Rights Due Diligence and on the upcoming new initiative on sustainable corporate governance.

Encouraging Open and Sustainable Trade

amfori shares the Commission's conviction that global trade and its integrated value chains will remain a fundamental growth engine and will be essential for Europe's recovery.

In the post COVID-19 world, EU businesses will, more than ever, need to source products efficiently and cost effectively. The vast majority will continue to rely upon overseas supply chains – 'reshoring' will not be an option in many sectors as production costs will be prohibitively high.

It is therefore essential that the EU – the Commission, the European Parliament, and Member States – makes particular efforts towards finalising negotiations on trade and investment agreements with third countries and getting them implemented promptly. These must be ambitious; covering as many goods as possible with preferable duty rates becoming effective as soon as possible.

At the same time, it is important that meaningful sustainability chapters continue to be included and that third countries' commitments to these chapters are monitored closely; easing up trade should not result in easing up on sustainability. A similar attitude should be taken with the unilateral Generalised Scheme of Preferences. The preferential duties provide significant benefits to EU companies sourcing from the developing countries involved – and these benefits will be even more important post COVID-19. However, this must not detract from the fact that although the GSP certainly improves the poverty rates within those countries, there are also commitments to UN and ILO conventions related to workers' and human rights, and to environmental standards.

Again, the EU must continue to monitor countries' adherence to those conventions to ensure that the rights of people are not diminished. It should not reject the notion of withdrawing preferences as a consequence of non-compliance, although this should be done as a last resort.

Conclusion

Achieving emissions reductions and energy targets could add 1% to the EU's GDP and create almost 1 million new green jobs over the next decade, while investing in a circular economy could add another 700,000 jobs.

More than an overarching climate-friendly strategy, the Green Deal ambitions will frame Europe's growth strategy in a post-COVID-19 world. This will allow Europe to differentiate itself from the recovery packages passed in other countries without any consideration for the climate consequences.

amfori stands ready to engage with policy makers on the implementation modalities of the future recovery package.

About amfori

amfori is the leading global business association that promotes open and sustainable trade. We number over 2,400 importers, retailers and brand manufacturers, from over 40 countries and with a combined turnover of more than €1.5 trillion.

For more information, please visit our website or contact us:
Email: Kathy.Roussel@amfori.org
Phone: +32 493 27 30 17 51
www.amfori.org