



# CRNI Pre-Budget Submission

## 1.0 Background Context - Circular Economy and Climate Action

The European Green Deal, presented by the von der Leyen Commission on 11 December 2019, sets an ambitious roadmap towards a **climate-neutral circular economy**, where economic growth is decoupled from resource use.

A circular economy is based on the principles of designing out waste and pollution, keeping products and materials in use, and regenerating natural systems<sup>1</sup>.

Our current consumption model means our greenhouse gas emissions are strongly coupled with economic growth; Ireland's material consumption is well above the EU average and continues to rise as the economy grows. Reuse and recycling are at the heart of the Circular Economy and Ireland's **new Waste Action Plan for a Circular Economy**. Alongside prevention, reuse and repair can help mitigate the negative impacts of consumption as well as the impact of disposal. However, CRNI estimates that current levels of reuse in Ireland are no greater than 3 - 5%<sup>2</sup> of all goods discarded<sup>3</sup>.

If we are to move toward a more climate-neutral circular economy, **we must invest in and support reuse, repair and recycling**. The economic, social and environmental benefits are significant:

- Firstly, the EU acknowledges that prevention, reuse and repair have potential to provide **social and economic benefits** 'including jobs and growth, the investment agenda ... the social agenda and industrial innovation.'
- Secondly, by keeping goods within the economy for longer, prevention, reuse and repair can support **resilience in communities** through localising supply chains. Covid-19 has had a significant impact on global supply chains and impacted the supply of new goods as well as

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<sup>1</sup> <https://www.ellenmacarthurfoundation.org/circular-economy/what-is-the-circular-economy>

<sup>2</sup> Our membership base is broadly representative of the reuse sector in Ireland, including over 460 retail outlets under the umbrella of the Irish Charity Shop Association. The reuse estimate from members at 23,200 tonnes represents less than 1% of all goods discarded. Based on a conservative estimate of non-member reuse including second hand retail and online exchanges we do not estimate the overall figure to be greater than 3 - 5%.

<sup>3</sup> It is noted that an EPA funded research project [Q2Reuse](#) will clarify the scope and scale of reuse activities.



international outlets for reuse (e.g. exports of used textiles effectively ceased) and recycling (e.g. collapse in material value). This clearly demonstrates the potential benefits of a more localised approach and local investment in Circular Economy activities.

- Thirdly, these activities have significant **environmental and climate benefits**, reducing the consumption of new goods (which reduces the impact of upstream extraction, manufacturing and transport - responsible for 55% to 65% of typical national greenhouse gas emissions) as well as avoiding the creation of waste

In the face of the current global priorities - climate change and Covid-19 - we must act urgently to deliver this environmental, economic and social impact. This submission contains **11 budget recommendations** that will help deliver these impacts at low cost.

**BUDGET RECOMMENDATION #1:** Boost investment in and support for prevention, reuse and repair to support a **long term sustainable transformation** to a Circular Economy.

In particular, we welcome the measures set out in the Waste Action Plan for a Circular Economy to seek funds from the EU to **support circular economy projects** for priority sectoral material streams. Additional levies raised from measures that will drive waste up the hierarchy and tackle the problem of single use plastics should also be ringfenced for the Environment Levy (as for landfill levies) to boost funding for Ireland's Circular Economy Programme.

## 2.0 Financial measures to support reuse, repair and recycling

Financial or other policy measures are urgently needed to boost reuse and repair levels by ensuring they are **always the cheapest and/or most convenient options** in Ireland.

The revised Waste Framework Directive in Article 29.2 introduces an obligation on Member States to show how suggested economic instruments (from Annex IVa) have been considered in waste prevention programmes. **Below are some of the key financial measures we believe will drive a more circular economy for Ireland and should be introduced in the 2021 budget.**



## 2.1 0% VAT for Prevention and and Preparation for Reuse activities

According to a European Commission Eurobarometer report<sup>4</sup>, 77% of European citizens would be willing to have their goods repaired but hardly ever do so because it is too expensive. Reuse and repair activities must be made more accessible in order for citizens to keep the value of products and prevent wasting resources.

**Including VAT on used, repaired or refurbished goods is an important barrier to reuse that could be removed through existing mechanisms in this budget at low cost<sup>5</sup>.**

Under the current VAT Directive, reduced VAT rates may be applied to the *'supply of goods and services by organisations recognised as being devoted to social wellbeing by Member States and engaged in welfare or social security work'*. Several Member States have granted social enterprises the opportunity to offer reduced VAT rates for their services or the sale of their goods where their activities contribute to social welfare, social inclusion and the move towards a circular economy. The Directive also allows for reduced VAT on small repairs of product groups clothing, shoes and bicycles.

**BUDGET RECOMMENDATION #2:** Set a 0% VAT rate for reuse and repair, a reduced VAT for recycling activities carried out by **social enterprises** in Ireland and a 0% VAT rate on “small” repairs.

This immediate change, and the longer term VAT modifications outlined below, would provide a direct response to the Programme for Government commitment to examining *“changes to the tax system to encourage the efficient use of resources”*.

In the longer term, we support applying different VAT rates<sup>6</sup> in accordance with the waste hierarchy across all enterprises, as follows:

- **Repair:** 0 % VAT should be applied on the cost of the labour of repair, maintenance, upgrade services on products such as furniture, electronic and electrical equipment, construction materials, bicycles, shoes and leather goods;
- **Sales of second-hand goods:** 0 % VAT should be applied on the sale of second-hand goods as VAT was already paid once during the purchase of a new product;

<sup>4</sup> Flash Eurobarometer 388, ATTITUDES OF EUROPEANS TOWARDS WASTE MANAGEMENT AND RESOURCE EFFICIENCY, [https://ec.europa.eu/commfrontoffice/publicopinion/flash/fl\\_388\\_en.pdf](https://ec.europa.eu/commfrontoffice/publicopinion/flash/fl_388_en.pdf)

<sup>5</sup> Given the small scale of the sector, the impact on VAT takings would be minimal

<sup>6</sup> See RREUSE comments on EU VAT rule proposals [http://www.rreuse.org/wp-content/uploads/Position-paper-on-VAT-proposal\\_29-September-2018-FINAL.pdf](http://www.rreuse.org/wp-content/uploads/Position-paper-on-VAT-proposal_29-September-2018-FINAL.pdf)



- **Collection services:** collection services provided by social enterprises that preserve the re-use potential of the collected products should be subject to a 0 % VAT rate;
- **Recycling:** the sale of recycled material or material to be recycled should be entitled to a reduced VAT rate, in order to promote a market for quality recycled materials.

This would give a strong and direct signal to consumers about the impact of consumer goods and provide opportunities for consumers to make savings through better environmental choices.

## 2.2 Introduce tax rebates on donated goods

The revised Waste Framework Directive describes “*Fiscal incentives for donation of products, in particular food*” as an economic instrument to drive prevention and preparation for reuse in Annex IVa.

One difficulty many business-to-business prevention / reuse operators experience is encouraging businesses to pass on unwanted items for reuse. In the absence of any incentives, businesses are more likely to discard than reuse due to the low cost of disposal in skips and short term inconveniences such as limited storage. Worse still, the accounting system may actively discourage such donations as goods cannot be written off if they are donated for reuse.

A tax incentive encouraging businesses to donate surplus goods or food would divert unwanted materials into the reuse sector including:

- end of line, remaindered, surplus and unwanted materials and items with potential from local businesses as handled by ReCreate
- DIY equipment and home improvement materials as handled by Habitat for Humanity
- surplus IT equipment as handled by Rehab Recycle and Camara
- surplus food as handled by FoodCloud for redistribution
- other items including furniture, bicycles, paint donated by businesses to upcycling enterprises

**BUDGET RECOMMENDATION #3:** Introduce **tax rebates on donated goods** from businesses, similar to “Gift Aid”.

This has been very effectively implemented in the UK and Northern Ireland for donations from individuals.



## 2.3 Reduced rates for reuse and repair centres

CRNI supports a nation-wide policy of reduced “commercial” rates for reuse and repair activities, particularly where these are carried out by social enterprises or charities.

Currently these rates are varied due to the different approaches by Local Authorities to commercial activities. In some areas, for example, charity shops pay full commercial rates for their retail premises. As a result, charity shops in Ireland are spending approximately €2 million total or between 1/6 and 1/5 of their store income on rates in areas where they are deemed to be commercial operators. This approach diminishes their potential for social impact e.g. providing essential health and disability services that supplement State services. By contrast, charity shops in Northern Ireland are exempt from commercial rates and in the UK pay approx. 20% full commercial rates.

**BUDGET RECOMMENDATION #4:** Provide nation-wide guidance to local authorities asking them to support the Circular Economy by limiting “commercial” rates for reuse and repair centres to a maximum of 50% and minimum of 0% rates.

## 2.4 Other taxation measures

CRNI welcomes proposals in the Waste Action Plan for a Circular Economy to make adjustments to environmental levies to tackle single use plastics and drive waste up the hierarchy. This includes, in particular, the introduction of a levy on energy recovery, and new levies on disposable coffee cups, cold drinks cups and food containers.

These economic instruments are very important for incentivising behavioural change, particularly where there is a clear pricing signal to the consumer.

## 2.5 Include Second hand bikes in Bike to Work Grant scheme

The new Waste Action Plan for a Circular Economy acknowledges the importance of a holistic and cross Departmental approach to circular policies.

While the Cycle to Work Scheme supports sustainable transport objectives it does not currently facilitate reuse or repair, as employers can only pay for new bicycles (including accessories). Unfortunately many new bikes are purchased at low cost and often of very low quality, not lasting more than three to five years and are very difficult to repair.



CRNI members at the Rediscovery Centre, An Mheitheal Rothar and Cork Community Bikes recover bicycles from being scrapped, repair and refurbish them to give them a new lease on life. However, commuters are not incentivised to purchase these bicycles which in many cases are higher quality and more durable due to the screening and selection process.

**BUDGET RECOMMENDATION #5:** Open the Cycle to Work scheme to enable the purchase of second hand refurbished bicycles.

## 2.6 Invest in Infrastructure that will grow the sector

The revised Waste Framework Directive describes “*Sound planning of investments in waste management infrastructure, including through Union funds*” as an economic instrument to drive prevention and preparation for reuse in Annex IVa.

The growth of prevention activities including reuse, redistribution and repair will require the development of physical infrastructure as well as investment in operational and behavioural change activities. Reuse and repair infrastructure retains the value of used goods locally and enables the State withstand supply chain shocks, which is highlighted as a key priority in the Waste Action Plan for a Circular Economy.

This includes sorting centres, storage hubs, state of the art reuse parks, refill systems<sup>7</sup>, reverse logistics systems<sup>8</sup>, exchange platforms, redistribution centres, repair / upcycling workshops, surplus food transformation centres and retail spaces, which are all part of the reuse and repair infrastructure landscape. Such infrastructure is currently underdeveloped in Ireland and where it does exist, is under-resourced.

**BUDGET RECOMMENDATION #6:** Budget must be allocated to and prioritise **infrastructure driving reuse, repair and refurbishment** through grants, low interest loans or other mechanisms.

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<sup>7</sup> For example Loop, an innovative waste-free shopping and delivery model for reusable packaging innovations and refillable product formats, the result of a coalition of large companies including other manufacturers, as well as the retailer Carrefour, courier UPS and resource management company SUEZ, along with TerraCycle. See <https://www.unilever.com/sustainable-living/reducing-environmental-impact/waste-and-packaging/rethinking-plastic-packaging/>

<sup>8</sup> For example Zeronet’s reverse logistics system, run by one of Ireland’s first CE100 companies in the Ellen MacArthur Foundation, <https://www.thezeronet.com/how-does-it-work>



## 3.0 Invest in Social Enterprise

Social enterprises play an important role in the circular economy as innovators, experts in their field and providers of social impact<sup>9</sup>. Social enterprise is ideally positioned to develop jobs in the circular economy, because of the level of manual labour and diversity of skills involved in recovering products and materials and returning them to the economy. In return, labour activation schemes give opportunities for meaningful work and progression to people otherwise at distance from the labour market.

### 3.1 Impact of Covid-19

The COVID-19 crisis has had a major impact on the operating capacity of social enterprises including CRNI's reuse, repair and recycling members. While most of our members ceased operation during the lockdown, many of them continued to retain staff including those on labour activation schemes. In the absence of any operating income, they used limited reserves to support associated costs.

In 2019 approximately 2,100 Tus, CE, CSP, wage subsidy and other placements were provided by CRNI members. Many of the people involved came from vulnerable or marginalised backgrounds and would find it difficult to be re-employed especially in the current climate.

With the high levels of unemployment the country is now facing, it is more important than ever that social enterprises are supported in their efforts to stay afloat and continue to provide for these work placements.

**BUDGET RECOMMENDATION #7:** A general emergency grant fund - like the Third Sector Resilience Fund in Scotland – is needed to help third sector organisations to stabilise and manage cash flows and cover operating costs.

The Wheel estimates an additional €125m will be needed to compensate the sector for income lost during the COVID-19 crisis. While a range of supports have been delivered through the Department of Rural and Community Development and other agents, many have been focussed on emergency response organisations which are understandably a priority. However, we believe the long term

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<sup>9</sup> See RREUSE feedback on the New Circular Economy Action Plan, available at <https://www.rreuse.org/rreuse-feedback-on-the-new-circular-economy-action-plan/>



importance of the social and environmental work of our members warrants funding being also made available to them.

In addition, a financial plan is required for recovery and rebuilding social enterprises post-crisis.

**BUDGET RECOMMENDATION #8:** Introduce multi-annual (three-to-five-year) funding arrangements as the default approach to facilitate better services and increasing budget allocations for the Department of Rural and Community Development to ensure full implementation of the Five Year Strategy for the Sector and the Social Enterprise Policy.

**Finally, ongoing support for and expansion of labour action schemes that currently underpin most social enterprises working in reuse, repair and recycling is critical.** The Community Services Programme (CSP) has proven particularly effective at delivering training and opportunities to its participants while also contributing to the output of social enterprises in this area.

The Waste Action Plan for a Circular Economy also commits to ensuring jobs and skills in repair and refurbishment are included in national future skills and Just Transition planning, which is an important measure for aligning supports and labour requirements.

## 3.0 Investment in Communications and Awareness

### 3.1 Invest in a Coordinated National Awareness Campaign

An essential component to driving reuse and repair is engaging citizens and supporting behavioural change. This involves sustained and consistent communications to encourage citizens and businesses to adopt reuse or prevention practices as part of their everyday activities.

Engaging citizens in a truly circular economy will challenge a system that is designed around consumption, product ownership and growth. It will require transformative changes to the way citizens behave towards goods and services, supported by clear, bold and ambitious communications.

The Waste Action Plan for a Circular Economy commits to developing a new national communications and education programme. This will require proper and coordinated investment for it to be effective in a crowded communications space dominated by marketing for the sale of new products.

**BUDGET RECOMMENDATION #9:** Provide adequate budget in collaboration with DCCA for the national communications and education programme.





### 3.2 Invest in ReMark to transform behaviour toward second hand goods



One important step taken to address citizens' attitudes toward reuse was the development of a quality mark “ReMark” through the EPA Green Enterprise programme. This was established to address negative consumer perceptions about second hand goods due to concerns about quality and safety. It is an organisational level accreditation process for the reuse sector.

In addition to addressing consumer engagement, the quality mark delivers broad and positive impacts to reuse operators participating in the ReMark accreditation programme as summarised in the videos [here](#).

According to Zero Waste Scotland, the Scottish quality mark [Revolve](#) (upon which ReMark is based) is a **key part of the reuse development work** being taken forward as part of the Scottish Government’s *Making Things Last* strategy<sup>10</sup>. This quality mark has been funded by the Exchequer through the Zero Waste Scotland programme for over 8 years and has accredited over 150 stores. It is used in Scotland to provide transparency and assurance to businesses, public bodies and citizens for procurement of services or goods.

When the Irish ReMark pilot programme finished in March 2019, the final report recommended that ReMark be rolled out throughout Ireland and Northern Ireland. **This will require funding commitment** to be realised. The estimated annual funding requirement for this is approx €100,000 .

**BUDGET RECOMMENDATION #10:** Allocate budget to fund the further development and national roll-out of **ReMark** on an all-island basis and in collaboration with Northern Ireland’s DAERA<sup>11</sup>

## 4.0 Insurance Reform

The issues arising from “duty of care” in Irish tort law are an ongoing concern for the sector. The reuse or repair of a range of items from take out containers to repaired electrical and electronic equipment is restricted by liability concerns.

<sup>10</sup> <https://www.letsrecycle.com/news/latest-news/zero-waste-scotland-reports-growth-of-revolve-standard/>

<sup>11</sup> DAERA commits through *Delivering Resource Efficiency* to supporting “the development of a certifiable re-use voluntary quality assurance scheme and work with DECLG in assessing the feasibility of introducing a scheme on an all-island basis”.



For example, it is now extremely difficult to find any insurance company that will provide cover for repair cafes<sup>12</sup>. Although there are over 2,000 repair cafes worldwide, in Ireland these events have been stymied by insurance concerns. Specialist recycling operators in our membership are experiencing significant increases in insurance premiums. For example, one member saw their premium double from €14,000 to €27,000 between last year and this year.

Additional insurance levies are now imposed on organisations with TuS workers. Social enterprises operating in this area are directly impacted by such increases, which hamper their ability to provide people from marginalised backgrounds with jobs and skills through training and placements.

To help tackle these issues, CRNI has joined the Alliance for Insurance reform<sup>13</sup> and supports its work to deliver reforms to the insurance sector.

All of the reforms that will deliver a sustainable insurance environment have been identified by the Alliance for Insurance Reform and much of the groundwork has been done. We now require reforms that will have a meaningful impact quickly, such as:

- Cutting unfair general damages to reflect international norms and ensuring that legitimate minor injuries attract modest damages.
- Urgently reviewing and re-balancing the “common duty of care” so that occupiers are required to take a duty of care that is reasonable, practical and proportionate but not absolute, ignoring personal responsibility
- Ensuring that An Garda Síochána has the resources necessary to pursue insurance fraud to its fullest extent as a matter of urgency
- Getting commitments from insurers to a schedule of reductions following the delivery of all the reforms listed above and in the Programme for Government.

**BUDGET RECOMMENDATION #11:** Invest in the above and continue to support further insurance reforms - in general, **these reforms will not cost the State** and in the long term will save the State money particularly if the frequency and cost of claims against the State are reduced.

The effect of these reforms will be that grant aided organisations will be able to use their grants for the purposes for which they were intended, not to pay their insurance bill.

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<sup>12</sup> See <https://repaircafe.org/en/>

<sup>13</sup> <https://insurancereform.ie/>



## 5.0 Community Resources Network Ireland

CRNI’s vision is an Ireland where the word waste doesn’t exist and the entire community benefits from the environmental, social and economic benefits of reuse. We work towards this vision by supporting our members, mainstreaming community resources and developing our capacity and are funded by the EPA under the National Waste Prevention Programme.

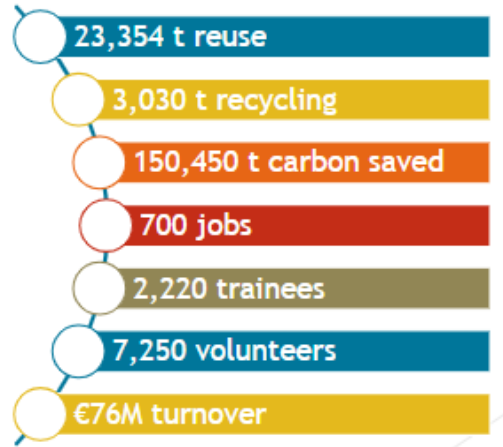
We represent a diverse range of 31 social enterprises, funded projects and other enterprises in reuse, repair and recycling as shown below.



The term “**Community**” in our title refers to our social enterprise members working in and for the community. They do this by providing much needed local jobs and training for people with high barriers to employment, boosting the local economy by recirculating products and supporting marginalised communities by providing access to low cost household goods. By “**entire community**” we refer to making reuse, repair and recycling accessible to citizens, public sector and businesses, and across all sectors of society.

The term **resources** in our title refers to the goods and materials that our members aim to keep within the economy for as long as possible.

The **environmental, social and economic benefits** of our members in 2019 were as follows:



Of these figures:

- Approximately 14,500 tonnes relates to **textile reuse** through the extensive charity shop network within the Irish Charity Shop Association (ICSA) and other actors. Over half of this is reused locally, which is high compared with other Member States and likely due to the quality of goods collected in-store.
- The next largest product groups included in the reuse figure are **food** redistributed (approx 2,000 tonnes) followed by **IT equipment** reuse (approx. 1,000 tonnes).
- Other materials included in this reuse figure are furniture, paint, bicycles, wood and surplus packaging and other stock redistributed by ReCreate
- The recycling figure reflects Ireland's network of social **mattress recyclers** as well as other streams that cannot be reused such as IT equipment, rag from textiles<sup>14</sup> and so on.

The number of jobs and training positions created by our members demonstrates the strong social impact of this work. It highlights the potential impact that the investments outlined above could have on jobs growth as well as environmental gain, in moving Ireland toward a more climate-neutral, circular economy as outlined above.

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<sup>14</sup> rough estimate based on ICSA figures