UNECE

Enhancing Traceability of Products along International Value Chains for the Circular Economy and Sustainable Use of Resources

Policy Paper: Key Findings and Recommendations

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### Policy Paper: Purpose & Methodology

#### What is it for?
To review the state of play of traceability and transparency approaches in the UNECE region and outline policy recommendations for fostering the use of traceability and transparency across critical sectors in support of a circular economy transition in UNECE’s programme countries.

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Consultation process with government representatives based on interviews and collection of inputs in writing.

A questionnaire with 24 items was developed and provided to national focal points.

Desk research of policies, regulations and guidelines, and industry good practices in the UNECE region.

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Background Scenario

16% share of Europe & Central Asia in the global value chains of agricultural and fish production

$2 tn projected revenue of the global apparel market in 2026

81 c depends on mineral resource extraction, they represent 1/4 of global gross GDP and 50% of the world’s population

31% share of the agrifood sector in global GHG emissions

90 m tons of waste is created by the garments & footwear sector

50% of the production of copper, gold, iron ore and zinc is concentrated in areas where water stress is already high, especially in Central Asia
Traceability is the ability to trace history, application or location of an object, “...the conditions in which they were produced through the supply chain” (OECD, 2018).

Higher level of protection of human health and the environment

Better understanding of the value chain

Value chain efficiency and resource management

Accurate and reliable information to consumers that allows them to make more informed and responsible choices

Better brand reputation and risk management

Effective and efficient communications with business partners
Traceability Challenges

- Lack of incentives
- Lack of mandatory due diligence obligations
- Technological barriers, including the viability, scalability, and access to technologies
- Lack of traceability infrastructure

Value chain fragmentation and complexity
- High costs associated with technologies

Lack of a harmonized regulatory framework
- Data privacy and data security

No binding agreements at the international level that enshrine the principles of identification
- Insufficient financial resources

Lack of knowledge

Source: UNECE questionnaire.

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Circularity Challenges

Value chain transparency
Lack of access to sustainable materials
Competition with large companies
Lack of consumer awareness on sustainable production consumption
Lack of support networks & circularity hubs
Infrastructures for reuse and recycling
Lack of knowledge of what is a circular economy
Lack of skills

Value chain and business operations

Economic

CHALLENGES

Lack of sustainability criteria/requirements for products to facilitate circularity
Administrative barriers
Lack of definitions and occurrence of gaps in legislation
Different and conflicting implementations of a legislation

Policy and regulatory

Lack of incentives
High costs
Lack of rewarding
Lack of funding to support reskilling
Lack of understanding of circular business models
Lack of women participation
Lagging or incomplete implementation or enforcement of legislation
Lack of incentives & financial support for sustainable players
Lack of common standards
Lack of business knowledge & awareness of available funding

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Why Traceability is needed for the Circular Transition?

Circular Product Design
Scaling-up efforts to reduce, reuse, recycle and remanufacture both downstream and upstream in support of circular production processes, business models and sustainable investments

Waste Management
Waste prevention and waste management

Behavioral Change
Informing consumers

Better Chemicals Management
Efficient use and management of chemicals

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Drivers

- Policy developments
- Consumer attitude
- Investors' demand
- Circular business practices
Consumers and Investors are For Sustainability and Circularity

54%
Consumers want to make more sustainable choices

40-60%
Consumers would pay more for products with better environmental performance

61%
Consumers do not understand environmental claims

44%
Consumers do not trust environmental claims

Sustainably invested assets among investors worldwide in 2020 with a forecast for 2025, by region

Source: Statista, 2021
Policy and Regulatory Frameworks on Traceability: Mapping

Policy and regulatory frameworks on traceability and transparency

+100 policies, regulations and guidelines mapped

Industries: cross-industry, garments & footwear, agrifood, minerals, cosmetics, timber

Geographical areas: Asia, Africa, Europe, Oceania, USA, Global
Policy and Regulatory Developments in the European Union

- Upcoming EU Due Diligence Directive
- National Due Diligence Laws
- Upcoming Amended Non-Financial Directive
- European Green Deal
- Circular Economy Action Plan
- Chemical Strategy for Sustainability
- Proposal of a Regulation on eco design requirements

- Sustainable Products Initiative
- Proposal of a Directive on empowering consumers for the green transition
- Legislative Proposal on Substantiating Green Claim
- Data Strategy
- Digital Strategy
- Blockchain Strategy

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Understanding of a circular economy in UNECE programme countries is often limited to the waste management. Its full potential remains to be untapped.

Circular economy should be explained
Understanding of a circular economy in UNECE programme countries is often limited to the waste management. Its full potential remains to be untapped.

What's a link between traceability and circularity?
The concept of traceability as an instrument for the circular transition is not well known in UNECE programme.

Food safety is a major factor
Traceability provisions are included mainly in the food safety guidelines of UNECE programme countries.

The European Union is a trendsetter
Traceability and circularity landscape has been transforming at a faster pace in UNECE member States - the EU candidate countries.
### Examples of Traceability Approaches in UNECE Programme Countries

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Examples of Circularity Approaches in UNECE Programme Countries

Waste management is the most frequent area shaping the circular economy in UNECE programme countries.

Source: UNECE desk research and consultations.

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Circular Business Practices in the UNECE Region

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Supporting Role of Traceability Technologies to Accelerate the Circular Transition

- Alphanumerical Codes
- Bar code
- Radio-Frequency Identification
- Geographic Information System
- Global Positioning System
- Digital Product Passports
- Blockchain
- Internet of Things
- Artificial Intelligence
- Advanced Manufacturing Technology
PILLAR I. CIRCULAR STRATEGY:
DEFINING STRATEGIC DIRECTIONS OF THE CIRCULAR ECONOMY

1. Assessing the market scenario and market drivers in a targeted sector
   (e.g. agrifood, minerals, textiles)

2. Tailoring policies to the specificities of the target sector
   with industry actors

3. Setting up a multi-stakeholder dialogue and partnership
   with industry actors

4. Developing a circular economy strategy that supports adoption of circular economy business models

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Recommendations

PILLAR II. CIRCULAR ACTIONS AND CROSS-SECTORAL CONNECTIVITY:
INTRODUCING TARGETED POLICY MEASURES

1. Defining a circular economy road map with checkpoints to assess progress
2. Creating an effective and efficient system of incentives, particularly for SMEs
3. Supporting a national, globally connected, trading platform to connect value chain actors
4. Providing information and support to SMEs and MSMEs
5. Raising consumer awareness and providing education and incentives

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Recommendations

PILLAR III. FROM TRACEABILITY TO CIRCULARITY:
ENHANCING THE TRACEABILITY ENVIRONMENT FOR THE CIRCULAR TRANSITION

1. Establishing mandatory requirements on traceability, with a minimum criteria and data set
2. Identifying and analyzing international best practices on traceability and circularity
3. Developing common traceability standards for the collection and exchange of information
4. Promoting research and development, to harness the potential of innovation
5. Facilitating the adoption of digital tools and advanced technologies
6. Encouraging strong partnerships among organizations, investors, consumers and other stakeholders
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