



ევროკავშირი
საქართველოსთვის
EU4Business



EUROPEAN UNION (EU) AND UN JOINT PROGRAMME "EU INNOVATIVE ACTION FOR PRIVATE SECTOR COMPETITIVENESS IN GEORGIA" (EU IPSC)

OVERVIEW AND DISCUSSION ON PRODUCER RESPONSIBILITY ORGANIZATION (PRO) MODELS FOR PACKAGING SECTOR

DISCUSSION REPORT

10 | 2020



**EUROPEAN UNION (EU) AND UN JOINT PROGRAMME “EU INNOVATIVE ACTION
FOR PRIVATE SECTOR COMPETITIVENESS IN GEORGIA”
(EU IPSC)**



The European Union
for Georgia
EU4Business



**OVERVIEW AND DISCUSSION ON PRODUCER RESPONSIBILITY
ORGANIZATION (PRO) MODELS FOR PACKAGING SECTOR**

DISCUSSION REPORT

October 2020



The European Union
for Georgia

EU4Business



This discussion report has been prepared with the assistance of the European Union (EU) and the United Nations Development Programme (UNDP). Its contents are the sole responsibility of the author and do not necessarily reflect the views of the European Union and the United Nations Development Programme

Author: Ekaterine Otarashvili

TABLE OF CONTENTS

**Extended Producer Responsibility
(EPR) principle and its introduction
in Georgia**

5

**European experience exchange on Producer
Responsibility Organization (PRO) models
for packaging sector – overview
and discussion**

7

Discussion on the topics of high interest

9

**Questions and Answers
and Discussion Summary**

11

About the Project

16



1

EXTENDED PRODUCER RESPONSIBILITY (EPR) PRINCIPLE AND ITS INTRODUCTION IN GEORGIA

Producers and importers of packaging and packaging materials will be soon obliged to actively participate in the management of packaging waste. The obligation derives from the principle of Extended Producer Responsibility, the introduction of which has been already initiated in Georgia. Extended Producer Responsibility (EPR) is a widely used environmental policy approach in which “producer’s responsibility for a product is extended to the post-consumer stage of a product’s life cycle”¹. In practice, EPR implies that producers take over the responsibility for collecting or taking back used goods and for sorting and treating for their eventual recycling when they become waste.

The general requirement to introduce EPR approach for packaging waste is included in the Waste Management Code of Georgia ², as well as in the National Waste Management Strategy and Action Plan ³. In addition to that, the Association Agreement between EU and Georgia requires the approximation of the waste management standards and legislation with the EU law, where EPR principle plays an important role.

The specific waste streams, packaging waste among them, often include hazardous parts and when treated not appropriately or exposed in the environment, might result in pollution and littering. Also, ignoring specific standards during recycling and recovery operations, might pose risks for human health and cause pollution of soil and underground waters through leaching of hazardous substances. EPR approach has been widely and actively applied in the EU and other developed countries for ensuring the functional system of reuse, recycling and recovery of the specific waste streams. EPR is also considered to be the best international practice and the key financial and organizational instrument, in development of the circular economy and the modern system of waste management. In Georgia, the specific provisions related to the establishment and further functioning of EPR for packaging waste are included in the technical regulation on the management of packaging waste, newly developed by the Ministry of Environmental Protection and Agriculture. The regulation will be soon presented to the Government of Georgia for approval.

The draft regulation defines EPR rules and requirements toward management of all packaging waste (industrial, commercial, office, retailer, service, household, etc.) placed on the Georgian market, regardless of the constituent material. In order to ensure implementation of new regulations is of great importance to collaborate with the representatives of the obliged industry. Based on the latest draft, the new regulation applies to the producers/importers of packaging which:

- packages products or outsources the packaging of products in order to place the packaged products on the Georgian market;
- imports packaged products for the purpose of placing on the Georgian market;
- manufactures or imports packaging for the purpose of placing on the Georgian market.

The new rules will not apply to persons having status of micro entrepreneurs or those who enjoy special regime of fixed taxation.

The establishment or membership in Producer Responsibility Organization (PRO) constitutes one of the most important obligation of packaging producer. PRO is a non-entrepreneurial (noncommercial) legal entity set up by producers collectively or individually, responsible for separate collection and transportation to the recycling/recovery facility of the waste, generated by the product, which is being placed on the market by PRO member producers. Membership to PRO includes the obligation to pay the advance-recycling fee. Prior to starting operations, PRO must receive authorization from the Ministry of Environmental Protection and Agriculture.

1 OECD (2001) Extended Producer Responsibility: A Guidance Manual for Governments, OECD, March, Paris, 164p

2 Law of Georgia on Waste Management Code, 2015 Art 9.3

3 National Waste Management Strategy (2016-2030) and National Waste Management Action Plan (2016-2020)



2

EUROPEAN EXPERIENCE EXCHANGE ON PRODUCER RESPONSIBILITY ORGANIZATION (PRO) MODELS FOR PACKAGING SECTOR OVERVIEW AND DISCUSSION

As EPR principle is very new for Georgia and as it is connected to the important obligations, it has generated huge interest from the side of obliged producers. The matters related to the establishment of PRO or a membership of such organization, has been identified as an important challenge and an issue to be dealt with at the initial stage. To satisfy this demand, an online discussion – “European Experience exchange on Producer Responsibility Organization (PRO) Models for Packaging Sector” was conducted on October 21st 2020. The discussion was organized in the framework of EU and UN Joint Program “EU Innovative Action for Private Sector Competitiveness in Georgia”. Supporting companies, active in the packaging and packaging material production, is one of the pilot directions of the Program and includes assistance and cluster coordination of such companies in marketing, innovations and in facilitating dialog with governmental and public entities.

The main objective of the discussion was giving opportunity to the representatives of packaging industry in Georgia to listen to the presentations about the successful European PROs and to receive answers on their most pressing questions. Along with the business sector, the discussion was attended by the officials from Ministry of Environmental Protection and Agriculture, as it is the main state institution, responsible for coordination and state control of future PROs in Georgia.

Representatives of PROs from Ireland and Belgium participated in the discussion in order to convey European experience on establishment and different aspects of functioning of their PROs.

- Tony O’Sullivan and Seamus Clancy, REPAK - Ireland
- Aurelia Leeuw, FostPlus - Belgium
- Monika Romenska, EXPRA (Extended Producer Responsibility Alliance)
- Luk Palmen, Moderator of the discussion, UNDP International Consultant

“I welcome the initiative of the project, making the first hand European experience in PROs available for us. Today the representatives from PROs from Ireland and Belgium are invited to participate in our discussion. Also, the perspectives of cooperation with Extended Producer Responsibility Alliance are of interest for Georgia. Ministry is supporting the opportunity of sharing EU experience. Also, the proposed form of the meeting is attractive. Representatives of both, governmental and business sectors are able to receive answers to their questions. I would like to thank EU and UNDP for supporting the process of introduction of EPR in Georgia” – said Mr. Solomon Pavliashvili, Deputy Minister of Environmental Protection and Agriculture, who actively participated in the discussion.

At the beginning of the discussion, Mr. Luck Palmen explained the reasons behind choosing PROs from Ireland and Belgium as well as EXPRA. Experience from Ireland is very relevant and interesting for Georgia, as the two countries are similar in number of population and territory. Also, there are many small villages along with the big cities in Ireland. Belgium is considered to be the most successful example of waste management and EPR in EU. EXPRA is the alliance for 26 packaging and packaging waste recovery and recycling systems from 24 countries. It acts as the authoritative voice and common policy platform representing the interests of all its member packaging recovery and recycling organizations founded and run by or on behalf of obliged industry.

The representatives from European PROs presented information about good practices of their organizations. The presentation slides were distributed to the participants. They could be also requested from the project:

<https://www.ge.undp.org/content/georgia/en/home/projects/PrivateSector.html>



3

DISCUSSION ON THE TOPICS OF HIGH INTEREST

Before the discussion, participants already were given the opportunity, to prepare their questions and to send them to the organizers. So, the representatives of European PROs were able to prepare answers to them. It was also possible to ask questions during the discussion.

The participants posed the following questions:

- Who owns the waste? How is the ownership of waste regulated?
- How should a PRO calculate annual fee to be paid by member companies? How to calculate “market share” of the company in order to set annual fee? What are the other indicators to consider when calculating fee? For instance: Material composition of the packaging, trends of the market demand for the particular material, cost of separation of specific material, etc.?
- What kinds of ICT systems are used for management of PROs?
- How the achievement of the recycling target is calculated? Is it based on the input data to the sorting/recycling facilities or output?
- How to calculate the amount to be collected in order to achieve the particular recycling target?
- How does PRO cooperate with the cities? How to avoid overlapping of the responsibilities and tasks of PROs and Municipalities? How to avoid competition over particular waste streams?
- Which policy is more efficient, separation of waste at source or separation in sorting facilities?
- What is done with mixed packaging? How to collect, separate and recycle it?
- Do underground containers provide their efficiency and effectiveness? Are they generally applicable or should one rather prefer other container solutions?



4

QUESTIONS AND ANSWERS AND DISCUSSION SUMMARY

THE DISCUSSION WAS HELD AROUND THOSE QUESTIONS AND ALSO ON THE OTHER ISSUES THAT WERE BROUGHT UP DURING THE MEETING. ONLY MAIN TOPICS OF DISCUSSION ARE SUMMARIZED BELOW. THE FULL INFORMATION PRESENTED BY THE INVITED EXPERTS. INCLUDED IN THE PRESENTATION SLIDES, WHICH WERE SENT TO THE PARTICIPANTS.

How many PROs are working on packaging waste management? What are pros and cons of having more than one PRO?

REPAK is the only organization for management of packaging waste in Ireland. It is financing collection of municipal waste and their recycling/recovery in the recycling facilities all over Ireland. Seamus Clancy from REPAK recommends establishment of one PRO and creation of uniform system of waste collection and management for all packaging waste from all sectors in Georgia.

Also in Belgium, FostPlus operates in all 3 regions and is responsible for managing packaging waste generated from households. Therefore, establishment of “unique scenario”, and enjoyment of all its advantages are possible. First of all, by using the uniformity in collection, the sorting and recycling facilities are being provided by identical streams, which makes the whole system more cost efficient.

Are there different PROs responsible for packaging waste generated from household and from business?

In Ireland REPAK manages packaging waste from both sources. In contrast, FostPlus is responsible for managing packaging waste generated only from households.

Who owns the waste? How is the ownership of waste regulated?

In Belgium, collected packaging waste belongs to FostPlus who is contracting sorting facilities. According to Aurelia Leeuw from FostPlus, ownership is very important, as it gives freedom to the PRO to decide, where and how to recycle,

what type of recycled material to receive and how to sell it further. As for the REPAK, the collection company, who has a contractual obligation to sell the collected fractions, owns the waste. The contract between REPAK and the collection company is very detailed. The maximum transparency is requested.

Generally, PROs differ according to their type of responsibility and could have either only financial or both financial and operational functions. REPAK represents a PRO with financial model. It is responsible for provision of financial resources and the companies, contracted by PRO, conduct the operational activities. Both models could be successful and in European countries there are examples of both. Each country should make decision on the type of PRO model based on its specific conditions. In case of PRO having more than just financial functions, it is absolutely important that PRO owns collected waste.

How does PRO cooperate with the Municipalities?

In Ireland the Municipalities are not involved in collection of waste for PRO. The private companies under the contracts with REPAK do collection. In contrary, FostPlus has contracts with each of the 36 inter-municipalities of Belgium. Usually, packaging waste management related issues do not belong to the federal competences. There are 3 regions in Belgium and each of them has their Ministries responsible for packaging. Despite of this, it was agreed to approach the packaging EPR issue in harmonized way and to designate Inter-regional Packaging Commission as a competent authority. Inter-regional Packaging Commission gives authorization to PROs that are valid for 5 years. In order to be authorized a PRO should present to the Commission 5 year contracts with all 36 inter-municipalities of Belgium. The contracts describe the responsibilities of the Municipalities to perform collection of packaging waste strictly according the “collection scenarios” established by PRO

for the particular waste streams. PRO finances such collection fully. If a Municipality prefers different collection scenario, the Municipality itself should provide the cost of such collection. If a Municipality decides to outsource activities related to collection and transportation of packaging waste to a private operator, PRO will also have a contract with the operator company. All contracting is made based on the transparent public tender procedures.

The representative of Union of Packaging Producers of Georgia - "Georgia Plus" informed participants, that the governmental approval of the already pre-agreed regulation on packaging waste is being delayed as Tbilisi Municipality has an expectation to be able to perform all actions related to the management of packaging, using recycling fee paid by producers. This approach is not acceptable for producers, as the cost efficiency cannot be guaranteed. Representatives from both European PROs agreed that such system would not be able to provide most cost-efficient approach. One of the possibilities to avoid this could be establishment of strict and legally binding requirements related to cost-efficiency, but it would be more effective, to have a competitive environment, where Municipalities would need to compete with the private companies by offering the most cost-efficient way of execution of collection-recycling activities. For example, Brussels Municipality had been problematic for years as they were not able to ensure cost-efficiency and therefore had to cover some costs from their budget.

According to the information, provided by the representative from EXPRA, currently EU is working on the guideline document, where cost calculation procedure will be included.

How were PROs founded?

Enacting of the relevant legislation and establishment of the mandatory recycling rates triggered the creation of PROs in European countries. In Ireland REPAK was founded by the already existing association of the obliged industry representatives. Ministry played an important role in requesting foundation of such organization and then in providing assistance. The experience of other countries was carefully considered when deciding on the model of future PRO.

How should a PRO calculate annual fee to be paid by member companies?

According to the requirements of already enacted Georgian legislation, as well as based on the latest draft regulation, each PRO shall determine the recycling fee for its the member producers to pay. The fee should be calculated based on the market share of the packaging, each producer puts on the market and it has to cover the following costs:

- a) costs of collection of waste and its subsequent transport and treatment, taking into account the revenues from re-use, from sales of secondary raw material from its products and from unclaimed deposit fees;
- b) costs of providing adequate information to waste holders;
- c) costs of data gathering and reporting;
- d) costs of awareness raising;
- e) contingency fund costs;
- f) PRO administrative costs.

The advance recycling fee is being calculated based on the full product life cycle. The specifications of a particular product or group of similar products should be taken into account as far as possible, including the durability of the products, their ability to be repaired, reused and recycled and the presence of hazardous substances in them.

The costs of the PRO organization are clearly defined among the members. These costs shall not exceed the costs required to perform the waste management service effectively.

It is difficult to calculate the amount of the recycling fee at the stage of establishing of the PRO, as there are no data for estimating costs to be covered by that fee. In Ireland, at the time of creation of REPAK, Municipalities were responsible for collection, transportation and recycling. So the first data were provided by the Municipalities and by the recycling facilities. Later on, when the private companies replaced Municipalities, the collection of waste became more cost-efficient and the information on the estimated expenses became part of the contracts between PRO and the private collectors. Also, costs of recycling are now included in the contracts between recycling facilities and PRO. For calculation of the amount of the fee to be paid by a particular member producer, the differentiated cost of materials is being also considered. Twice a year the big companies are submitting to REPAK detailed information on the packaging they put on the market. The fee calculation is done based on this information and the invoices are issued semi-annually. PRO executes random auditions in order to verify the accuracy of the submitted data. The fees paid by the big companies constitute 80% of the budget of REPAK. As for the small companies, a fixed fee is established for them based on their size and turnover.

In Belgium, payment by producers to manage waste from their products is called “green dot fee”. In most of the European countries there is “advance recycling fee” which is calculated and paid in advance. Unlike this, the “green dot fee” is based on the actual expenses. The costs of management, including recycling/recovery costs, related to the particular fractions of the packaging waste are calculated and are presented as the amount to be paid per kilogram. The producer that places to the market packaging that is non-recyclable is

obliged to pay penalty, so the green dot fee of such producer will be high. In Belgium the fees are very diversified. For example, there are different tariffs for transparent colorless PET bottles, transparent blue PET bottles, and all other PET bottles.

How are the producers, that avoid participation on the EPR schemes identified and penalized? The problem of “free riders”.

Any EPR system requires maximum participation of producers to be successful. A large number of so-called “free riders”- the obliged producers, who avoid participation in the EPR scheme, could jeopardize the functionality of the entire system. The problem of “free riders” is an important concern for every country with EPR systems. In Ireland, every company with annual turnover of more than 1 million euro, and that places on the market min. 10 tone of packaging is obliged to take part in the EPR scheme. According to the assessment of REPAK, from 10 % to 15% of producers are avoiding the mandatory participation in the EPR scheme. In order to identify “free riders” REPAK is conducting monitoring of different databases and cooperates with the Municipalities, as in Ireland, the Municipalities are responsible for the enforcement of the EPR regulations. Certain penalties are established for the non-complaining producers. In addition to the penalties, a “free-rider” company is obliged to pay its annual fees to the PRO for as many as 10 years retroactively. In practice however, the retroactive payment to PROs is the subject of negotiation. Usually, it is less than possible maximum, as the goal is to encourage participation in the EPR scheme of companies with a “free-rider” history.

In Belgium, “free riders” are estimated to be 10 % off all obliged companies and this is considered to be a severe problem. It is to be taken into account that the threshold for compulsory participation in the EPR system is very low (min. 300kg of packaging placement

on the market). FostPlus is putting efforts in identification of “free riders” and provides information to the Ministry. Unfortunately, the enforcement instrument in Belgium lacks efficiency and the Ministry is able only partially oblige the non-complying producers. Also in Belgium the 5 years retroactive payment is requested for “free riders”.

The representative from EXPRA, Monika Romenska confirmed that existence of “free riders” concern all countries with EPR system. It is imperative, already at the stage of designing the system, to incorporate a clear procedure of monitoring in the relevant legislation. Coordinated work of the different state institutions in the monitoring is also of high importance. In addition, it is interesting that countries, where there is more than one PRO, have larger number of “free riders”.

Which policy approach can prove more efficiency, separation at source or at the sorting facility?

In Ireland, all waste streams that might be recycled are collected together and later separated in the sorting facilities.

Also in Belgium, recyclable waste is collected together in “blue bags”. The decision to collect different waste streams together depends on the local capacities of sorting and recycling facilities. At the same time, separation at source plays an important role in raising awareness of population.

ABOUT THE PROJECT

The „EU Innovative Action for Private Sector Competitiveness in Georgia“ is a joint initiative of European Union and four UN Agencies - United Nation Development Program (UNDP), Food and Agriculture Organization (FAO), United Nations Industrial Development Organization (UNIDO), and International Organization for Migration (IOM). The initiative responds to the objectives set out in the Annual Action program 2017 and supports one of the three components of the Programme: Enhancing greater business sophistication.

The joint initiative is being implemented in close cooperation with the Ministry of Economy and Sustainable Development, the Ministry of Environmental Protection and Agriculture, and the Diaspora Relations Department of the Ministry of Foreign Affairs as well as stakeholders within and connected to the private sector or to the private sector development. The Project also aligns with other entities and agencies working on private sector development.

In the framework of this project implemented by UNDP, the following goals are expected to be achieved:

- Development and functioning of the clustering approach in the packaging (UNDP) and seeds/seedlings sectors (FAO)
- Development and support of strategic investments in companies deemed necessary to improve the cluster (UNDP)