 **June 2020**

**Replies by the Government of Finland to the questionnaire by the Special Rapporteur on extreme poverty and human rights**

The Government of Finland thanks the Special Rapporteur on extreme poverty and human rights for his work in relation to these rights and presents the following replies to the questionnaire sent by the Special Rapporteur on 13 May 2020 for the preparation of the thematic report, which will presented at 75th session of the General Assembly in September 2020.

**1. Energy: the switch to renewable energy sources and improved energy efficiency**

**1.1. Which policies (such as relocation grants, job-search assistance and re-skilling programs) have proven to be the most effective to support workers who are affected by the transition to renewable energy and to overcome barriers that low-skilled workers may face in entering the renewable energy sector?**

**1.2. Which innovative fiscal and financial incentives can be relied on to reduce cost gaps between renewables and fossil fuel technologies, in order to make clean energy affordable to all?**

**1.3. Evidence suggests that in rural areas in particular, large-scale on-grid energy production is not cost-effective, whereas mini-grid and off-grid renewable energy systems, deployed in a decentralized manner in collaboration with local communities, are more promising and economically viable. Which obstacles does the establishment of such decentralized renewable energy systems face? Which experiences could provide a source of inspiration in this regard?**

Since 2010, the Government of Finland has been supporting the Energy and Environment Partnership (EEP) Program in 15 Southern and Eastern African countries under its development cooperation. The Program was restructured in 2018 as a multi-donor trust fund managed by the Nordic Development Fund (NDF) with funding from Austria, Finland and NDF. EEP Africa provides early-stage grant and catalytic financing to innovative clean energy projects, technologies and business models, with a particular focus on benefiting poor, vulnerable and underserved groups. Since 2010, EEP Africa has committed more than EUR 70 million to 250 pioneering projects. The Program also produces analytical knowledge products highlighting the lessons learned from its field-level experience in supporting energy entrepreneurship, knowledge exchange, policy and partnerships.

A recent study on the mini-grid sector in Southern and Eastern Africa presents a thorough analysis on the regulatory, technical, financial and socio-economic barriers and opportunities in the sector. Please see <https://eepafrica.org/wp-content/uploads/2019/11/EEP_MiniGrids_Study_DigitalVersion.pdf>

One of the key lessons learned from EEP Africa project case studies is that growth in rural electricity demand is a gradual process and proactive measures to grow demand are often required to achieve commercial viability. Increasing demand by promoting the productive use of energy is an effective way to strengthen the financial sustainability of both minigrids and stand-alone systems. Please see <https://eepafrica.org/wp-content/uploads/2019/12/EEP_PUE_Digital-new.pdf>

**2. Housing: encouraging energy performance of buildings**

**2.1. Which tools have proven successful to ensure that the imposition of higher standards related to the energy performance of buildings do not lead to an increased level of rents, making housing less affordable for low-income households?**

To encourage energy-efficient renovation in Finland, the Finnish government has introduced various financial instruments and incentives. For public and private sector buildings there are financial subsidies available for investments for energy efficiency as well as energy auditing. For households, certain repair and renovation works, e.g., the repair and/or installation of a heat pump, etc., are tax deductible, which enables households to engage professionals for repairs to improve energy efficiency, among other things. To ensure the provision of affordable housing, the Government’s Housing Finance and Development Centre of Finland (ARA) can grant interest subsidy loans for new construction, renovation and purchase of housing, mainly for rental and social housing. Between 2020-2023, the Government is granting 100 million euros for the renovation of the residential buildings (single-family homes, row houses and apartment buildings) to improve their energy efficiency beyond the current energy performance regulations. These targeted renovation startup grants are provided through ARA and include the renovation of the ARA rental and right-of-occupancy housing stock tied to interest subsidy loans while excluding the renovation of market-based rental or profit-making housing. The maximum grant per flat will be EUR 4,000. Please see the Finnish Government’s Housing Policy: <https://valtioneuvosto.fi/en/article/-/asset_publisher/3-1-1-asuntopolitiikka>

In addition, through its development cooperation, the Government of Finland together with several other donors and development financial institutions works with the EBRD to support the Eastern Europe Energy Efficiency and Environment Partnership (E5P) programme. The programme funds a wide variety of projects in the EU’s Eastern Partnership countries in accordance with its objectives to help the countries to achieve the EU’s energy and environmental standards. One example of programme support is a project that provides grants to financial institutions to subsidize and enable affordable loans for residential customers in Ukraine. The project has enabled over 30,000 Ukrainian households to improve the energy efficiency of their homes. Please see

<https://www.ebrd.com/news/2018/30000-ukrainian-households-benefit-from-ebrds-energy-efficiency-programme.html>
and <https://ebrdgeff.com/ebrd-celebrates-achievements-of-residential-energy-efficiency-programme-in-ukraine/>

Finland also supports affordable energy-efficient housing in developing countries through an innovative social impact investment fund, the UNOPS Sustainable Infrastructure Impact Investments (S3I) initiative, based in Helsinki, Finland. The fund aims to de-risk infrastructure investments in affordable housing, renewable energy and health infrastructure in order to break down the barriers that may prevent the private sector investors from engaging in long-term development initiatives. S3I has already kick-started one of most ambitious affordable housing projects in the world, committing to build around 860,000 homes in Ghana, India, Kenya, Pakistan and the Caribbean. E.g. in Ghana, 100,000 houses are to be constructed using energy-efficient solar rooftops, while the implementation work will include local materials, equipment and expertise, which will in turn bear returns for local people. In Pakistan, 500,000 affordable homes to be built in the next 10 years will include some of the latest renewable energy and disease preventative technology – including solar panel roofs, waste-to-energy technology and mosquito-repelling coatings. The people, especially the poor, will have a first opportunity in their lifetime to own a home. Please see https://www.unops.org/about/investing-for-impact and e.g. <https://www.unops.org/news-and-stories/news/new-groundbreaking-deal-to-deliver-half-a-million-affordable-homes-in-pakistan>

**3. Planned obsolescence and life cycle of products**

**3.1. What have proven to be the most effective ways to combat planned or “built in” obsolescence of products, i.e., to prohibit or to discourage manufacturers’ practice of deliberately designing products to fail prematurely or become out-of-date? What are the obstacles in implementing regulations banning such practices?**

**3.2. Consumers of long-life products incur greater purchase costs upfront, but lower total costs per annum, compared to consumers of short-life products (excluding repair costs). What policies should governments consider implementing, in order to encourage consumers to choose long-life products, whose environmental impacts are much less significant? In particular, for persons in poverty, their limited disposable income at the time of the purchase may discourage buying long-life and thus more sustainable products. Which policies could help overcome this obstacle?**

**3.3. Functional economy and sharing economy (collaborative consumption) initiatives, such as the sharing of tools, cars, or tractors, encourage and facilitate the exchange or sharing of underutilized assets, and enlarge access to goods and services whilst reducing environmental impact. Which regulatory or policy measures have been most successful in encouraging such forms of consumption? Which are the most important factors limiting the growth of the repair sector (for example, availability of spare parts, skilled labour, time constraints facing consumers, costs)? And how might such obstacles be overcome?**

Finland adheres to the EU Integrated Product Policy (IPP), which seeks to minimise the negative environmental impacts of the manufacturing, use and disposal of products by looking at all phases of a products' life-cycle and taking action where it is most effective. It covers all the areas from the extraction of natural resources, through their design, manufacture, assembly, marketing, distribution, sale and use to their eventual disposal as waste. It also involves many different actors such as designers, industry, marketing professionals, retailers and consumers. IPP aims to stimulate each part of the individual phases to improve their environmental performance.

While working with such a broad spectrum of actors and products Finland recognizes that a variety of both voluntary and mandatory tools is needed. These include economic instruments, substance bans, voluntary agreements, environmental labelling and product design guidelines. As part of its Circular Economy Action Plan the EU Commission will propose a new sustainable product policy legislative initiative. At the heart of this legislative initiative will be to widen the Ecodesign Directive beyond energy-related products and to make the Ecodesign framework applicable to the broadest possible range of products and make it deliver on circularity.

As part of this legislative initiative, and, where appropriate, through other instruments, the Commission will also consider establishing sustainability principles. The new rules will in particular address the need to improve product durability, reusability, upgradability and reparability, addressing the presence of hazardous chemicals in products and increasing the recycled content in products. The EU will also aim at restricting single-use and countering premature obsolescence. Stricter rules will be proposed to reduce greenwashing and practices such as planned obsolescence.

Setting strong sustainability criteria for public procurement may also stimulate manufacturers to reform their practices. The EU is planning new measures to increase the uptake of green public procurement, such as introducing minimum mandatory green criteria or targets for public procurement. Eco-labelling schemes provide useful information about the sustainability of products to consumers but their impact is limited due to their voluntary nature.

Finland stresses the importance of long guarantee times for products, which may encourage consumers to choose long-life products despite their higher purchase costs. Another key element is to ensure adequate availability of good-quality repair services. Boosting the repair sector can have positive employment co-benefits, provided that skilled labour is available. At the EU-level, the Commission is working towards strengthening the reparability of products. The aim is to embed a “right to repair” in the EU consumer and product policies by 2021.

Finland recognizes that research and easily accessible data on the lower life cycle costs of long-life products may encourage consumers to make more environmentally sustainable choices. Further, digitalisation is a key element in boosting the sharing economy, as online platforms are functional tools for facilitating co-ownership and sharing. Insurance policies and taxation could be developed to better support sharing and joint ownership. Tax or other economic incentives for repair services may encourage consumers to resort to them more actively.

**4. The impacts of the transition on employment**

**4.1. Payments for ecosystem services (PES) schemes, when carefully designed, can both help maintain healthy ecosystems and provide additional revenue for individuals and communities in poverty. This requires the careful and complex integration of economic, ecological and social criteria into the design and implementation of PES to promote economic resilience, environmental integrity and social development. How could PES be designed to ensure that people in poverty (landless poor and smallholders) are not excluded from them, which could occur by requiring formal land title, minimal land size or expensive application processes?**

Finland recognizes that it is important to ensure information, including the financial information related to the PES-schemes is easily understood by non-experts, specifically taking into account the situation of people in poverty, that they promote transparency, accountability and information is accessible by all parties concerned, and that the mechanisms created pose low financial risk and protect vulnerable households and individuals.

An example of a PES model that has been successfully implemented is the reciprocal watershed agreement in Bolivia, where the Law of the Rights of Mother Earth does not permit ecosystem services to be considered as merchandize. The reciprocal watershed agreements (ARA, for its acronym in Spanish) contribute to watershed and biodiversity protection, as well as to climate change mitigation and adaptation, and provide wider development benefits to upstream communities who receive an in-kind compensation to implement alternative livelihood activities and to protect forests. The downstream water users pay for their water, usually to the municipality, but there is an institution that works as an intermediary with the municipality and the upstream communities, providing training and support. Local norms of reciprocity are central to these agreements. Finland financed, through the Andean Regional Programme for Sustainable Forest Management, an ARA in the municipality of San Carlos, Bolivia. The results and lessons learnt are summarized here: http://www.forestalsostenibleandina.net/Innovacion-Detalle.aspx?nodeId=2308 Furthermore, a complete training package on the ARAs is available here: <http://www.forestalsostenibleandina.net/Curso-modular/Mecanismo.aspx>

*The Scaling Up Participatory Sustainable Forest Management Program (2013-2018),*a joint programme between Lao PDR (GoL), World Bank and Finland worked to develop approaches for possible piloting of payment for environmental services (PES). PES work focused on the (Nam Mang 3) hydropower project pilot in Vientiane Province, and supporting the GoL in the development of a PES decree. The project provided support for the PES decree development process, including organizing the drafting of documents required for the development of the PES decree, including the discussion (or consultation) paper, legislative impact analysis, and decree development roadmap, and the coordinating regular technical working group meetings with all relevant government departments and development partners. Further opportunities regarding the drafting of a regulation to support the environmental tax provisions of the Lao Tax Law were also investigated. The GoL showed initial interest in “new” policy approaches that the project experimented with, such as PES and forest landscape management. However, their feasibility could not be confirmed, and the GoL remained undecided as to their relevance in the Lao forest sector. The PES work was suspended in 2015.

Finland is implementing the “Responsible and Innovative Land Administration: REILA” programme in Ethiopia[[1]](#footnote-1). The key expected outcomes are 1) equitable and transparent land administration systems and 2) capacity of local rural land administration and land-users are increased in selected areas. In the case of Ethiopia, all land is formally owned by the state, but farmer have traditional, extensive user rights to their lands. Registration of these lands increases the tenure security, in turn encouraging the farmers to use their lands in a sustainable way and to invest into raising the productivity of the land. Official registration also reduces conflicts over land. More than 107,000 rural farmers have benefitted from land certificates. REILA has invested in long term learning of public sector and other local actors, and through collaboration with local universities and TVET-institutions assisted to develop a harmonized system to register all the land in Ethiopia.

**4.2. For green restructuring, new skills will be needed by workers in many existing occupations and industries. Governments, worker representatives and employers should work together to: (1) identify early potential job losses in emitting industries and (2) propose skills upgrading and training to the workers of those industries either to adapt their skills to a new green technology or to move to green industries.  What labour market policies or measures can ensure that the most vulnerable workers in the labour market receive targeted assistance and preferential treatment to identify their skills’ deficiencies and ensure their access to green jobs through tailor-made training, directly linked to specific job openings?**

Finland recognizes that Green restructuring can impact jobs through, 1) job creation in new domains reflecting new goods and services provided as a result of the transition, 2) reallocation of jobs from high-carbon sectors to low-carbon sectors, 3) elimination of some jobs and 4) transformation of jobs in sectors where production and manufacturing adopt cleaner practices.

People in the in the informal sector are most at risk, as they do not qualify for targeted poor-relief, and are excluded from social protection offered to those employed in the formal sector. Women are typically overrepresented in the informal sector. Analysis of the situation of people in the affected sectors is required for governments to provide targeted assistance and preferential treatment to those affected by the transition.

Social dialogue mechanisms, including the practice of tripartism and collective bargaining, serve as effective tools for the design of labour market policies. Collaboration between government, business, trade unions and civil society are important to ensure that voices of vulnerable people are included in the planning and policy processes.

Comprehensive social policies can respond to the uncertainty relating to how exactly climate change impacts and adaptation and transition needs fall on different groups.

Bringing informal workers within the scope of social protection would therefore dramatically increase climate-resilience particularly in rural areas. Access to some form of unemployment assistance, public works or employment guarantees facilitates the movement of workers between sec tors and reduces harm to households when assets are destroyed or sectors phased out.

Initiatives that aim to promote entrepreneurship are one way to support vulnerable people out of under and unemployment. Finland uses a range of instruments, including support to civil society and bilateral programming to support entrepreneurship training for people in vulnerable situations. These programmes can be an effective means of targeting the poor and vulnerable groups, but as many newly established firms register a high failure rate, it is important to consider what are the necessary skills the entrepreneurs need to have in order respond to emerging market demands.

Especially youth are in a vulnerable position in the labour market, and the Covid-19 pandemic has shown that youth are in a particularly vulnerable situation. Investment in future skills development is therefore crucial to ensure that young people entering the labour market have skills required by the labour market. Reskilling and training of workers, including through work-place based learning, including ageing people, is necessary, and dialogue between the public sector, private sector and labour unions are important.

Public works programmes could be targeted to sectors and projects that are critical to adaptation and carbon-neutral transition. Such projects could include building renewable energy infrastructure or restoring ecosystems. To ensure that the assets generated by public works programmes are truly useful and suit the skill-sets of local workers, the local community should be involved in the selection of projects.

The Zambia Green Jobs Programme (ZGJP) (2014 – 2018) was a joint UN programme funded by the government of Finland and implemented with the government of Zambia[[2]](#footnote-2). The programme focused specifically on the construction sector, which is characterized by informality while the nature of services offered by the social security system is mostly fashioned upon formal sector employment (long-term, and formally registered business). Due to irregular employment, workers are of lower income and education groups, meaning that their resources for savings and insurance, particularly for long-term risks such as old age are scarce. Workers may lack official registration papers needed to help relevant authorities target them for coverage. This poses challenges of coverage to existing contributory schemes. The programme piloted flexible administrative measures to improve access to social security services by MSMEs and included allowing flexible contributions regarding frequency, registration campaigns, mobile registration, and training of associations on social protection.

The experiences from the ILO-ZGJP project have shown that rolling out social security programmes for informal economy require adapting the design and mechanisms of implementation of social security to the needs and characteristics of workers in the informal economy, including review of legislation, administrative procedures and development and testing of tailored social insurance packages for informal workers in various economic sectors and value chains.

1. <https://um.fi/special-target-groups/-/asset_publisher/hVUm8qOoXH3u/ahaKytInterventionType/id/1164626> [↑](#footnote-ref-1)
2. http://www.zambiagreenjobs.org/images/zambia/articoli/pdf/morethanbusinessZGJP.pdf [↑](#footnote-ref-2)