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Chapter 1 - Introduction

The starting point of the desk research is based on the informal dialogues with SMEs. The method of the analysis is a form of secondary research, namely desk research. The aim is to extend and to ensure the correct contextualisation for the development of the self-scan and learning materials.

The COVID-19 crisis accelerated the need for modernisation and digital transformation of training systems in Europe. CIRCULAR SME SCAN (CSS) connects this with a circular economy which is a strategic approach to a greener economy in support of European economic recovery.

Circular, sustainable, environment-climate friendly operation of small and medium enterprises (SMEs) results in their competitive advantage over their rivals. However, the over 25 million European SMEs encounter challenges in grasping these opportunities, as they do not have the knowledge, matching financial, non-financial resources that large companies have to make the due changes. As these enterprises constitute the main body of the business ecosystem in participating countries, a strategic alliance between them and circular economy experts has to be forged. This, especially in the COVID pandemic, generates awareness on and illustrates that outstanding quality, inclusive, digital vocational education tools on circular skills and competences are beneficial for this group.

The main goal of CSS, in support of innovative practices in digital era, aimed at creating a self-scan and learning platform that develops SME circular economy skills-competences by focusing on four main areas of entire SME circularity value chain (supply-acquisition, operation-production, retail, waste stream analysis).

The main results and outputs of the project are:

1. A self-scan, which is an online tool for SME owners and managers to assess their current level of circularity and redirects to multiple tools, strategies and connections to apply a more circular approach in their current business models.
2. A platform which includes:
 - a) Local connections: Becoming more circular is not something one can do on their own. It requires collaborations, synergy and co-work. The platform includes access to several valuable connections in the relevant field of work or region, to support SMEs and guide them in their circular pathways.
 - b) To get a clear picture of how other SME owners and managers like you are upfronting the challenge of becoming more circular, Circular SMA Scan includes inspirational stories and clear examples, small and large, of other businesses.

These are complemented with Stakeholders supporting Guides, which will help you in making the turnaround for the SMEs you support and support them in their efforts to become more circular. This guide is one of these.





Chapter 2 – The CSS guides

The CSS guides target different groups, representing the different stakeholders with the common denominator that all are interested and open towards the innovative methods in the service of circular SME operations.

The present guide is part of this effort and a wider set of guides developed for each of the CSS stakeholders.

CIRCULAR SME SCAN learner's guide, supports the learners and explains in detail how to use the self-scan and learning materials and platform independently but is also inspires and motivates the representatives of the target groups to use the scan and engage in the learning platform.

CIRCULAR SME SCAN guide for VET: focuses on trainers and training organisations by sharing with them the project approach and the way on how to integrate the topics of SME circularity into the training courses they offer in the area of SME development and skills-competency training.

Supporting SMEs to become more circular: aimed at all those organisations and bodies that can support the SMEs in becoming more circular and how they can take stock of the CSS results to do so. Despite the difference between several of the identified stakeholders in the underlying reasons, all have reasons for wanting SMEs to become more circular. This is the guide that will help them in this effort.

CIRCULAR SME SCAN policy brief: set of guidelines for policy makers assisting them in addressing the uptake of good/best practices in circular SME scanning. The brief also elaborates on how to provide training and education in this SME circularity.

Chapter 3 – Target Group

Governments alike are acknowledging that continued long-term value creation requires a new economic model that is less dependent on cheap, easily accessible materials and energy, and that is able to restore and regenerate natural capital. The concept of circular economy demonstrated a clear value creation opportunity.

As many circular economy opportunities have a sound underlying profitability, businesses are driving the shift towards the circular economy. Yet there are often non-financial barriers limiting further scale-up or holding back development pace. Policymakers therefore can play an important role in enabling and, as appropriate, setting the direction for a transition to the circular economy.

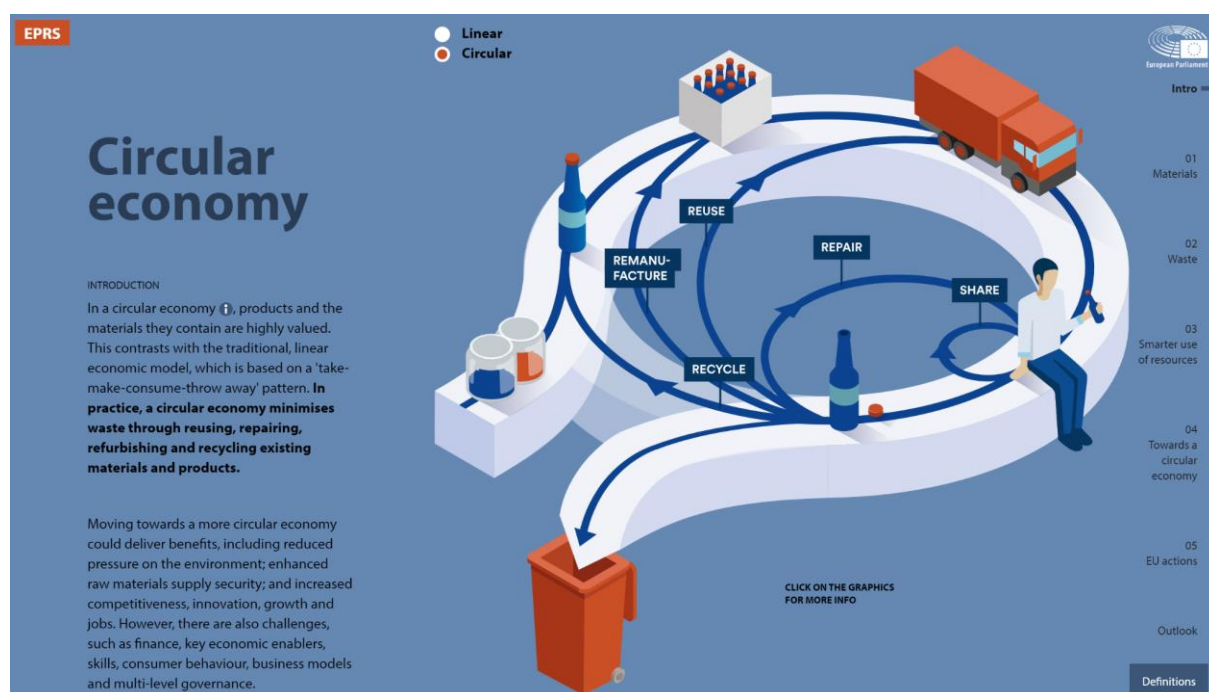
Policymakers at all government levels – municipal, regional, national, and supranational can play an important role in the circular economy.



SMEs often lack knowledge about opportunities of the circular economy and their main priority is on their core business operation. Therefore, we need a powerful government agenda, supported programs by policymakers who understand issues faced by SMEs and encourage them to think and act differently.

Chapter 4 – Policy overview

Policy-making is a complex process that involves many participants with different roles, interests, and resources. The report provides the most important development of circular economy (CE) policy at the EU level and highlights the advantages of the CSS self-scan tool and platform. As the closure of the chapter, it sets out specific policy recommendations.



Source: EPRS | European Parliament (2022)

Chapter 4.1 Universal Circular Economy Policy Goals

As governments and industries around the globe move towards a circular economy, it's key to align ambitions and create a common direction of travel. The Ellen MacArthur Foundation has set out five universal circular economy policy goals that provide a framework for national governments, cities and businesses to accelerate the transition.

In 2021, the foundation published the Universal Circular Economy Policy Goals: five key policy focus areas to develop, deploy and scale circular economy solutions across sectors and around the world.

These are the following:





1. Stimulate design for the circular economy,
2. Manage resources to preserve value,
3. Make the economics work,
4. Invest in innovation, infrastructure and skills,
5. Collaborate for system change.

The 4th key policy highlights the need to invest public money, and stimulate private sector investment to develop the skills required to create circular economy opportunities, which will ensure an inclusive transition, supporting innovation, and developing the infrastructure necessary to scale the transition. The selected policy measures are:

- Providing interdisciplinary research funds.
- Supporting blended finance solutions for physical and digital infrastructure, and innovation.
- Incorporating the circular economy in school and higher education programmes.

The transition to a circular economy is dependent on how individuals and organisations learn to innovate and apply what they've learned in the real world.

The education sector, from primary school to postgraduate study, plays a vital role in ensuring students of all ages are equipped with the key skills and knowledge to apply circular thinking in their chosen careers.

Chapter 4.2 Circular Economy Action Plan

The European Commission adopted the new circular economy action plan (CEAP) in March 2020. It is one of the main building blocks of the European Green Deal, Europe's new agenda for sustainable growth. The EU's transition to a circular economy will reduce pressure on natural resources and will create sustainable growth and jobs. It is also a prerequisite to achieve the EU's 2050 climate neutrality target and to halt biodiversity loss.

The new action plan announces initiatives along the entire life cycle of products. It targets how products are designed, promotes circular economy processes, encourages sustainable consumption, and aims to ensure that waste is prevented and the resources used are kept in the EU economy for as long as possible.

It introduces legislative and non-legislative measures targeting areas where action at the EU level brings real added value.

In February 2021, the Parliament adopted a resolution on the new circular economy action plan demanding additional measures to achieve a carbon-neutral, environmentally sustainable, toxic-free and fully circular economy by 2050, including tighter recycling rules and binding targets for materials use and consumption by 2030.





In March 2022, the Commission released the first package of measures to speed up the transition towards a circular economy, as part of the circular economy action plan. The proposals include boosting sustainable products, empowering consumers for the green transition, reviewing construction product regulation, and creating a strategy on sustainable textiles.

In November 2022, the Commission proposed new EU-wide rules on packaging. It aims to reduce packaging waste and improve packaging design, with for example clear labelling to promote reuse and recycling; and calls for a transition to bio-based, biodegradable and compostable plastics.

The Commission will implement all 35 actions listed in the [action plan](#).

It emphasizes the importance of training and education for SMEs in the production processes (under the Enterprise Europe Network on cluster collaboration, and on knowledge transfer via the European Resource Efficiency Knowledge Centre), further investment in education and training systems, lifelong learning, and social innovation (which will be promoted under the European Social Fund Plus) among others.

In accordance with this, the CSS project one of the primary objectives is to provide a practical, innovative training and education for SMEs; focusing on four main areas of the entire SME circularity value chain (supply-acquisition, operation-production, retail, waste stream analysis).

Chapter 4.3 European Skills Agenda & European Year of Skills (2023)

The European Skills Agenda is a five-year plan to help individuals and businesses develop more and better skills and to put them to use, by:

- strengthening sustainable competitiveness, as set out in the European Green Deal,
- ensuring social fairness, putting into practice the first principle of the European Pillar of Social Rights: access to education, training and lifelong learning for everybody, everywhere in the EU,
- building resilience to react to crises, based on the lessons learnt during the COVID-19 pandemic.

In the same time, 2023 is the European Year of Skills and the Commission, the European Parliament, Member States, social partners, public and private employment services, chambers of commerce and industry, education and training providers, workers and businesses will work together to promote skills development, thereby improving professional and life opportunities for people.

It will help to address the skills gap because the green/ circular transition could create up to 1 million additional jobs in the EU by 2030, however companies are often struggling to find workers with the right skills.

In parallel with the mentioned policies, CSS also identified the lack of competences and therefore offers its training program to help SMEs becoming more circular by developing





skills and competences, gathering knowledge for the transition, which are crucial to their success and long-term sustainability.

Chapter 4.4 The advantage of CSS for policymakers

Policy-makers need to first better understand the complex challenges faced by SMEs in order to develop appropriate supportive policy frameworks. SMEs clearly have financial limitation compared to large, multinational companies. But they also need to get over non-financial obstacles (lack of time, skills and competences, missing key economic enablers or the limitation of recycling). The gathered CSS learning materials, the establishment of collaboration and partnerships between SMEs can help them develop a common understanding of overcoming the challenges related to circularity.

The good practices presented in the CSS platform highlights that SMEs are able and want to overcome the obstacles for the circular transition. SMEs are able to recognise the circular activities by reading others examples and habits of practice, which helps in circular SME scanning. (Without even completing the self-scan).

The SMEs, which fill out the CSS self-assessment, get a diagnosis where they stand regarding their circularity and what they can do differently. They get inspiration from the cases and materials, which can be taken into account at the education and training of new circular policies.

SMEs need training on circular competences and skills, which provides the ability to become circular after completing it. The CSS project offers these innovative, digital tools (self-scan, platform), which policy makers can implement into their agenda, programs etc.

The CSS project involved SMEs and stakeholders (experts, NGOs, public authorities, innovation hubs etc.) to its preparation and implementation and the feedback is clearly positive. The learnt circular practices and knowledge can be adapted and applied in SMEs daily operations taking into account local circumstances and the industries, sectors!

Based on desk- research, interviews, focus groups, dissemination events, semiformal discussions, the experiences show that SMEs need more support from policy-makers first of all in non-financial barriers.

Barriers include unintended consequences of existing regulations (e.g. definitions of waste that hinder trade and transport of products for remanufacturing), social factors such as a lack of experience among companies and policymakers to detect and capture circular economy opportunities, and market failures such as imperfect information (e.g. for businesses to repair, disassemble and remanufacture products) and unaccounted externalities (e.g. carbon emissions).

In addition to creating enabling conditions, policymakers can, as appropriate, set direction for a transition to the circular economy.

Chapter 4.5 Policy framework recommendation for SME circularity

The chapter formulates recommendations for concrete policy measures that can





be implemented in the short/mid-term to support green and circular businesses.

Develop a national Circular Economy Strategy: outlining a general vision for CE at national level encompassing quantitative targets and monitoring to create the system conditions to maintain resource value at their highest level and design out waste – explicitly acknowledging the role of green and circular businesses. In addition, governments should formulate a CE Action Plan detailing the practical measures to achieve the objectives of the national strategy, formulating concrete measures to actively support green and circular businesses through various types of policy instruments and strategies.

Develop sustainable product policies and stimulate the application of circular design: stimulate the application of circular design in national manufacturing industries and imported goods, extending product lifespan, design for reuse, repair, remanufacturing and recycling for instance through a ban on planned obsolescence and mandatory percentage of recycled material in products.

Promote and enable national partnerships aimed at supporting green and circular business development: National Partnerships should be set up bringing together Public and Private Business Development Service Providers (BDSP) providing various support services to Green and Circular Entrepreneurs (training, mentoring, incubation, technical assistance, etc.). Those national partnerships could be voluntary associations of public and private actors that cooperate on green business development services to achieve a mutually agreed-upon objective which can potentially benefit all the involved parties making resources, skills and knowledge available.

Encourage educational institutions to integrate circular economy modules in curricula, both dedicated courses as well as incorporated in existing courses, to give rise to a new generation of circular professionals. Educational institutions should also ensure that both men and women have access to academic and vocational education or training on circular business models, environmental technologies, renewable energy, etc.

Provide targeted information, skills, networking and training on circular entrepreneurship to youth and women (to stimulate women-led start-ups and SMEs): as men and women's needs and opportunities are different, support structures and capacity development programmes should include a gender perspective, providing men and women equal access to advice on business development, training and mentoring, market opportunities and networking. This can be achieved through building on existing good practices and initiatives.

Create national or regional knowledge centres or networks specialized in CE: disseminating knowledge on Circular Economy strategies and practices, to encourage and facilitate their implementation among existing and new businesses. This can be achieved through an online platform that aggregates all relevant information on circular economy, from relevant policies to best practices to funding opportunities but also through national partnerships.

Foster the development of funding to green and circular businesses: green and circular start-ups often experience difficulties in accessing funding.





Support awareness-raising campaigns on sustainable/circular practices among consumers: it is important to raise awareness about environmental issues and the importance of a circular economy in order to stimulate responsible behaviours and boost sustainable consumption patterns/lifestyles, increasing the demand for green and sustainable products and services, focusing on waste prevention, reuse and repair.

Chapter 5 – Concluding Remarks

This report indicates that the concept of the circular economy at the EU level has been changing. It has moved beyond a focus on waste and towards addressing more priorities higher up the waste hierarchy, such as reducing and reusing products.

However, so far it does not adequately recognise the importance of SMEs skills and competences to become more circular and reach the full circular economy transition in the EU.

Circular economy policies need to engage better SMEs in the circular transition and provide them the necessary resources and opportunities for this process. The CSS project help find the changes needed to get SMEs moving in the right (circular) direction.





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