



REFRAME

**Circular Economy strategy FRAMEwork
for sustainable SMEs**

IO3: Circular Economy Implementation Framework (CE Framework)

Disclaimer:

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SIGMA



3.4 Legal factors

Considering the legal factor, SMEs often see it as a barrier in their transition to CE due to the inflexibility of national and EU legislative frameworks and the slowness of changes in legislation. Nonetheless, CE is a core priority of the European Union, and the decision-makers aim to create a favourable regulatory environment for the transition to a sustainable economic system.

There is a strong interconnection between the political and legal factors. The political frameworks and strategies envisage the long-term directions of legislation. The knowledge of European strategies makes long-term planning possible since the national laws must follow the European Directives. Depending on the intention of the decision-makers, legislation can be a barrier or a driver too from the point of view of SMEs. It is necessary to reform rules to create initiatives to change currently unsustainable business practices, existing policy, and legislation but the governments must be cautious at the same time¹. Legal frameworks can be a barrier for SMEs with a reactive approach, which adapt their processes only to avoid penalties, but these changes can be also drivers if SMEs incorporate them into their strategy proactively.

The first step for an SME in exploiting the benefits of the legal environment is to identify the relevant legislations that affect the SME. This research can be challenging because in the field of CE there are both sectoral and generic regulations. All EU legal documents on EUR-Lex are available in all of the EU's 24 official languages and the site is updated daily. Using advanced search and selecting themes helps to find the right legislation.

For example, if an SME operator wants to find information on recycling, she/he needs to select the theme of *environment* -> *environmental policy* -> *waste recycling*, select *legal acts* and the site lists all relevant directives and regulations.

Besides EU legislation, SME operators have to be aware of national rules, as Member States transpose EU acts – mainly directives – into their national law. The transparency and the user-friendliness of national legislation portals vary widely from country to country. A complicated national legislation portal can be a barrier for an SME who is looking for valid legal information. A useful guide² is available on how to search in national transposition but not all national legislations can be found in this database.

The legal factor can be seen as a driver if the changes in legislation are communicated in time, and SMEs are informed about the next steps and the potential opportunities. For instance, in the case of the ban on disposable plastic, the well-informed SMEs had time to change their raw materials or find new suppliers, but the laggards may face penalties or significant market losses. SMEs do not have the capacities to read

¹ <https://www.edie.net/definition/Circular-Economy-Package/144>

² <https://eur-lex.europa.eu/collection/n-law/mne.html>

strategies and policies but reading the new CE Action Plan may influence the long-term plans of the business. The CE Action Plan is not a legal document but it defines future legislative initiatives to make the circular transition easier and to minimise burdens on people and businesses.

Some future actions from the Action Plan that demonstrate the importance of the legal factor:

- Legislative proposal for a sustainable product policy initiative in 2021.
- Legislative and non-legislative measures establishing a new “right to repair” in 2021.
- Policy framework for bio-based plastics and biodegradable or compostable plastics 2021.

If an SME gets stuck with identifying or understanding legislation, several organisations can provide free legal advisory services. One of them is the Enterprise Europe Network. The regional office can answer legal questions or help if an SME experiences unfair rules, decisions or discriminatory procedures. Also, it is important to note that SMEs can take part in the legislative processes. Citizens and businesses can share their views on new EU policies and existing laws by participating in public consultations of the European Commission.