



A Policy Brief for EU Decision-Makers Shaping SME and Environmental Policy

From Intention to Implementation: Enabling SMEs to Drive Europe's Circular Transition

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KEY MESSAGE

- **Data indicates high readiness among SMEs to adopt circular economy principle:** however, operationalizing these concepts in product development presents complex hurdles. ToCoReRaM (Tool for Complete Recovery of Raw Materials) project's findings reveal that strategic intent does not automatically guarantee implementation, underscoring the need for enabling frameworks.
- **Recommendation:** The EU and Member States should combine clear and harmonised regulation with targeted SME support, stronger market incentives for secondary materials, and facilitate the development, evaluation, and EU-wide implementation of digital tools that translate ESPR requirements into actionable product-development decisions for SMEs, including those already developed by academic and innovation initiatives such as the ToCoReRaM project.
- **SMEs face technical, economic, regulatory and informational barriers.** Limited access to suitable material alternatives, funding, sustainability data and technical expertise makes circular product development particularly challenging for smaller companies.
- **The current regulatory landscape can be both barrier and driver.** Unclear requirements, contradictory regulations, and overwhelming frameworks create uncertainty and disproportionately affect SMEs with limited resources. However, regulations are identified as key driver for change, while future regulations should integrate EU-wide standardization and implementation guidance.
- **Market conditions currently disadvantage secondary materials.** Primary raw materials are often cheaper because environmental costs are insufficiently reflected in their market price, making recovered and secondary materials less competitive.
- **Policymakers are essential to enabling systemic change.** Voluntary action alone is unlikely to achieve the scale required. SMEs need coherent regulation, practical implementation support, economic incentives and accessible digital tools.

1. Context of the Issue: From Policy Ambition to SME-Implementation

The European Green Deal, the Circular Economy Action Plan, the Eco-design for Sustainable Products Regulation (ESPR), and the Critical Raw Materials Act (CRMA) establish an ambitious framework for making products more sustainable, circular, and resource-efficient. This transition requires companies to consider aspects such as durability, repairability, reuse, and recyclability throughout the product development process.

However, the successful implementation of these ambitions largely depends on the ability of small and medium-sized enterprises (SMEs) to translate regulatory requirements into practical measures. With approximately 34 million SMEs ([Council of the European Union, 2026](#)) accounting for around two-thirds

of employment in the EU, they constitute the vast majority of businesses in Europe and play a central role in innovation, manufacturing, and regional economic development. Yet, compared with larger enterprises, SMEs often have more limited financial, technical, and human resources to address increasingly complex sustainability requirements.

1.1 Evidence from the ToCoReRaM project

The ToCoReRaM project investigated the status of the implementation of circular economy and raw material recovery strategies in SMEs through:

- 14 stakeholder interviews
- 40 company surveys
- an international expert workshop involving participants from Austria, Germany and Ireland, including SME representatives, sustainability experts and European-level stakeholders.

The findings point to a central intention-behaviour gap: stakeholders generally express a high willingness to adopt circular economy practices, while the implementation of circular design strategies and the use of secondary materials remain limited. The key issue is therefore not a lack of willingness, but a lack of enabling conditions.

1.2 Key barriers identified

- **Economic barriers:** Limited funding and investment capacity restrict SME's ability to develop and implement circular innovations. At the same time, primary raw materials can remain economically more attractive because their market prices do not fully reflect their environmental costs. This puts secondary and recovered materials at a competitive disadvantage.
- **Technical and informational barriers:** SMEs may lack access to suitable material alternatives, reliable sustainability data, assessment methods and the expertise required to integrate circularity into product development.
- **Regulatory barriers:** Stakeholders identified unclear requirements, uncertainty about the timing and content of new regulations, diverging standards between countries and insufficient implementation guidance as significant obstacles. SMEs face regulatory deadlines without having the necessary guidance, resources or infrastructure to comply effectively.
- **Market and awareness barriers:** Limited customer awareness can reduce the business case and circular products may also struggle to compete with low-cost imports.

1.3 Regulation: Barrier and Driver

ToCoReRaM findings highlight the contrasting effects of regulation on the transition towards a circular economy. While unclear or inconsistent regulations can create uncertainty and discourage investment in circular solutions, effective policy frameworks can provide the clarity and incentives needed to accelerate the transition. Stakeholders therefore identified policymakers as the most important actors in driving this transformation.

Without clear regulatory requirements and appropriate economic incentives, organisations are unlikely to prioritise circular solutions over established, cost-driven alternatives. Voluntary action alone is therefore insufficient to achieve systemic change.

2. Policy Recommendations: Creating the Conditions for Circular SME Innovation

To make the ESPR and the wider circular economy transition effective, EU and national policymakers should focus on regulatory coherence and favourable market conditions, particularly for SMEs.

2.1 Develop a coherent and SME-oriented regulatory framework

- Harmonise definitions, standards and implementation requirements across EU Member States.
- Reduce inconsistencies between EU and national regulations, particularly where differing national requirements, reporting obligations, and administrative procedures create additional administrative burdens for SMEs.
- Provide clear, timely guidance for SMEs on new regulatory requirements.
- Ensure that implementation periods allow SMEs sufficient time to adapt.
- Involve SMEs directly in the development of new requirements for products to ensure that regulations are practical and feasible.

Policy objective: Turn regulatory uncertainty into predictable conditions for investment and innovation.

2.2 Provide accessible digital tools for sustainable product development

- The complexity of sustainability requirements can make it difficult for SMEs to translate policy into concrete design decisions. An accessible, digital tool should support SMEs in integrating circularity and raw material recovery into the early stages of product development.
- Such a tool should:
 - translate ESPR requirements into practical product-development decisions;
 - support the assessment of circularity, resource recovery and relevant sustainability indicators by integrating scientific evidence and established assessment methods;
 - be user-friendly, modular and adaptable to different sectors as well as available in multiple European languages;
 - complement existing digital product-development and business systems.
 - The ToCoReRaM project demonstrates how stakeholder-driven approaches can help develop practical support for SMEs.

Policy objective: Bridge the gap between regulatory requirements and day-to-day product development.

2.3 Strengthen the economic competitiveness of secondary materials

The market currently does not consistently provide a level playing field between primary and secondary raw materials. Environmental costs associated with primary material extraction are often insufficiently reflected in prices.

Policymakers should therefore:

- review economic incentives affecting primary and secondary raw materials;
- strengthen incentives for the use of recovered and secondary materials;
- support investment in recycling and recovery infrastructure;

- reduce financial barriers for SMEs adopting circular materials and technologies;
- ensure that circular products can compete with low-cost imports.

Policy objective: Make circular material choices economically viable rather than relying solely on voluntary commitments. Incentives may lead to more acceptance than additional regulations.

2.4 Establish a European SME Circularity Support Network

SMEs require more than regulation: they need practical assistance to implement new requirements. A European support network could be established and coordinated at EU level, building on existing SME support structures such as Enterprise Europe Network, European Digital Innovation Hubs and national and regional innovation and business support organisations. Rather than creating a new institutional structure, the network could function as a coordinated platform that connects existing providers, establishes common service standards, and facilitates the exchange of expertise, tools and good practices across Member States.

The network could provide:

- training and capacity building;
- technical assistance;
- access to sustainability expertise and data;
- peer learning and exchange of good practices;
- support in interpreting and implementing ESPR requirements.

Existing European and national SME support structures should be used wherever possible to avoid duplication.

Policy objective: Ensure that SMEs have access to the expertise and resources needed to act.

2.5 Increase awareness among businesses, consumers and investors

Circular transition cannot be achieved by a business in isolation. ToCoReRaM stakeholders identified limited awareness and demand across the supply chain and throughout the product life cycle as important barriers.

Policy should therefore support awareness campaigns that:

- communicate the economic with environmental and innovation benefits of circular economy practices;
- provide SMEs with positive and practical examples of circular business models;
- increase consumer understanding of circular products;
- improve investor awareness of circular innovation opportunities.

Policy objective: Create stronger market demand and investment incentives for circular solutions.

2.6 Establish monitoring, evaluation and feedback mechanisms

To establish effective monitoring, evaluation and feedback mechanisms without increasing administrative burdens for SMEs, measures should rely on existing data sources, automated reporting and digital tools.

Monitoring should consider:

- uptake of circular design strategies;
- use of secondary and recovered materials;
- SME implementation costs and resource requirements;
- regulatory compliance;
- barriers encountered during implementation;
- measurable environmental and economic benefits.

Collected data should be evaluated regularly to assess the effectiveness and feasibility of policy measures. Feedback from SMEs and other stakeholders should be integrated through low-burden channels (e.g., short surveys, digital reporting tools) to identify implementation challenges and inform adjustments to regulatory requirements, guidance, and support measures.

Policy objective: Build a policy framework that learns from implementation and is continuously improved.

3. Key Findings at a Glance

Challenge	ToCoReRam Finding	Policy implication
Intention–behaviour gap	Willingness to adopt circular practices is generally high, but implementation remains limited.	Focus policy on enabling implementation rather than awareness alone.
Economic barriers	Limited funding and investment capacity restrict circular innovation.	Increase targeted financial support and investment incentives.
Competitiveness of secondary materials	Primary materials can remain more competitive due to their lower market price.	Improve the economic competitiveness of secondary materials.
Regulatory uncertainty	Unclear requirements and insufficient implementation guidance create uncertainty, particularly for SMEs.	Provide clear guidance and sufficient implementation support.
Lack of standardisation	Diverging classifications and national requirements can create additional administrative and legal burdens.	Harmonise standards and improve coherence between EU and national rules.

Technical and informational capacity	SMEs often lack the expertise, data and tools needed to implement circular strategies.	Provide accessible digital tools, training and technical assistance.
Market demand and awareness	Low consumer and investor demand limits uptake of circular solutions.	Increase awareness and strengthen market incentives.

4. Conclusion: Enabling SMEs to Deliver the Circular Transition

Europe's circular economy ambitions will only be achieved if they can be translated into practical action across the entire business landscape.

The ToCoReRaM findings demonstrate that the willingness to act already exists. The challenge is to create the conditions that allow SMEs to turn this willingness into investment, innovation and implementation. A successful policy approach should therefore move beyond regulation alone. It should combine: coherent regulation & implementation support & accessible digital tools & economic incentives & market awareness.

5. Project Partners

The project is carried out by three project partners: Ostfalia University of Applied Sciences, Atlantic Technological University, and the University of Graz.



UNIVERSITÄT GRAZ



6. References

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7. Further Information and Resources

Further information on the ToCoReRaM project, including its funding, publications and project results, is available on the project website:

- <https://designforrecovery.eu/de/>

The website also provides access to the ToCoReRaM Tool Guideline, offering practical guidance for SMEs on integrating circularity and raw material recovery considerations into product development.

8. Contact

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