European SMEs and the Circular Economy

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Flash Eurobarometer 441

Briefing note

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KEY FINDINGS

Involvement in activities contributing to the circular economy

- Almost three quarters of companies (73%) undertook some circular economy related activity, with the most common being minimising waste by recycling, reusing or selling it to another company (55%), or re-planning energy use to reduce consumption (38%).

- The larger the company, the more likely it is to have undertaken at least one activity related to the circular economy: 72% of the smallest companies have done so, compared to 89% of those with 50-250 employees.

- The higher a company’s turnover, the more likely it is to have undertaken at least one activity related to the circular economy: 69% with the lowest turnover have done so, compared to 80% of those with the highest.

Financing activities related to the circular economy

- Amongst companies that have undertaken circular economy related activities:
  - 59% invested at least some turnover in such activities,
  - 13% say accessing external finance for these activities was easy, while 70% self-financed these activities.

- Amongst companies that have not undertaken circular economy related activities:
  - 36% would invest at least some turnover in future activities in this area,
  - 13% think access to finance for these activities would be easy, while 31% think they would self-finance future activities.

- For companies that have undertaken activities related to the circular economy, the most mentioned issues encountered were complex administrative or legal procedures (34%), the cost of meeting regulations or standards (32%), or difficulties accessing finance (27%). Almost four in ten, however, have not encountered any difficulties (38%). There is considerable variation between Member States in the issues encountered.

- Amongst companies that have not undertaken any activities related to the circular economy, the most mentioned potential difficulties are a lack of clear ideas about costs and benefits or improved work processes (27%), a lack of clear ideas about the investment required (27%) or a lack of expertise to implement activities (26%).

Financial incentives to support activities contributing to the circular economy

- More than one third (35%) of companies say they are aware of financial incentives through government programmes supporting activities related to the circular economy, although just 3% have used them.

- Almost one in five (19%) say some or sufficient information on accessing finance for activities related to the circular economy is available, but most (48%) have never searched for such information.
Availability of ‘alternative’ sources of funding for companies

- Nearly six in ten are aware of at least one form of alternative financing available in their country (58%), with risk capital/venture capital and the capital market the most mentioned (both 31%).

- Almost one third (32%) have access to at least one of the listed ‘alternative’ sources of financing, with green banks (17%) and the capital market (12%) the most mentioned.
The circular economy - where waste is minimised, and the value of products and resources are kept in the system for as long as possible - offers a number of benefits to Europe. These include the potential for economic growth and job creation, encouraging innovation, enhancing the security of supply chains and building economic and environmental resilience. It offers an opportunity to make the European economy more competitive and more sustainable – bringing benefits to industry, businesses and citizens The European Commission commissioned the following survey to explore SMEs activities in relation to the circular economy, as well as issues with regard to financing activities in this area.

- Most companies have undertaken some activity related to the circular economy in the last 3 years –

Nearly three quarters of companies (73%) have undertaken some activity related to the circular economy in the past 3 years. The most common activities are minimising waste by recycling, reusing or selling it to another company (55%), or re-planning energy use to reduce consumption (38%).

Although the majority of companies in 25 Member States have undertaken some activities, there are still large variations across the EU. Almost all companies in Malta (95%), followed by 89% in Ireland and 85% in Luxembourg and Spain have undertaken some of these activities, compared to 44% in Bulgaria and Estonia and 47% in Lithuania.

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1 Q1 Has your company undertaken any of the following activities in the last 3 years? 1.1 Re-plan of the way water is used to minimise usage and maximise re-useage; 1.2 Use of renewable energy; 1.3 Re-plan energy usage to minimise consumption; 1.4 Minimise waste by recycling or reusing waste or selling it to another company; 1.5 Redesign products and services to minimise the use of materials or use recycled materials.
The below chart shows the specific types of activities that companies have undertaken in the last 3 years.

Q1 Has your company undertaken any of the following activities in the last 3 years? (% - EU)

- **MINIMISE WASTE BY RECYCLING OR REUSING WASTE OR SELLING IT TO ANOTHER COMPANY**
  - Yes, activities have been implemented: 36%
  - Yes, activities are underway: 19%
  - No, but we plan to do so: 5%
  - No, and we do not plan to do so: 8%
  - Don't know: 2%

- **RE-PLAN ENERGY USAGE TO MINIMISE CONSUMPTION**
  - Yes, activities have been implemented: 24%
  - Yes, activities are underway: 14%
  - No, but we plan to do so: 12%
  - No, and we do not plan to do so: 31%
  - Don't know: 3%

- **REDESIGN PRODUCTS AND SERVICES TO MINIMISE THE USE OF MATERIALS OR USE RECYCLED MATERIALS**
  - Yes, activities have been implemented: 21%
  - Yes, activities are underway: 13%
  - No, but we plan to do so: 9%
  - No, and we do not plan to do so: 7%
  - Don't know: 4%

- **RE-PLAN OF THE WAY WATER IS USED TO MINIMISE USAGE AND MAXIMISE RE-USAGE**
  - Yes, activities have been implemented: 12%
  - Yes, activities are underway: 7%
  - No, but we plan to do so: 7%
  - No, and we do not plan to do so: 5%
  - Don't know: 4%

- **USE OF RENEWABLE ENERGY**
  - Yes, activities have been implemented: 10%
  - Yes, activities are underway: 6%
  - No, but we plan to do so: 13%
  - No, and we do not plan to do so: 67%
  - Don't know: 4%

*Base: companies who undertook at least one activity (N=10,618)*

- The majority of the companies that have undertaken activities related to the circular economy have invested 1% to 5% of their turnover in these activities -

Amongst companies that have undertaken at least one activity related to the circular economy in the last three years, nearly six in ten (59%) made some investment. More specifically, almost half invested between 1% and 5% of turnover per year (46%), while 8% invested between 6% and 10% and 5% invested 11% or more on average.

Finally, almost one third of companies have not invested any part of their turnover in activities related to the circular economy (32%)².

**Q2a Over the last 3 years, what percentage of your company’s turnover have you invested on average per year to undertake these activities? (% - EU)**

- 0%: 32%
- BETWEEN 1% AND 5%: 46%
- BETWEEN 6% AND 10%: 8%
- 11% OR MORE: 5%
- DON’T KNOW: 9%
- TOTAL ‘MADE SOME INVESTMENT’: 59%

*Base: companies who undertook at least one activity (N=7,771)*

² Q2a Over the last 3 years, what percentage of your company’s turnover have you invested on average per year to undertake these activities?
- Just over one third would invest a proportion of their turnover in future activities related to the circular economy -

Amongst companies that have not undertaken activities related to the circular economy, 36% would invest a proportion of their turnover in these activities.

**Q2b** Should you decide to undertake activities related to the circular economy, what percentage of your company’s turnover would you intend to invest on average per year?

<table>
<thead>
<tr>
<th>Percentage</th>
<th>EU Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>BETWEEN 1% AND 5%</td>
<td>28</td>
</tr>
<tr>
<td>BETWEEN 6% AND 10%</td>
<td>6</td>
</tr>
<tr>
<td>11% OR MORE</td>
<td>2</td>
</tr>
<tr>
<td>DON’T KNOW</td>
<td>11</td>
</tr>
<tr>
<td>TOTAL 'WOULD MAKE SOME INVESTMENT'</td>
<td>36</td>
</tr>
</tbody>
</table>

*Base: companies who have not undertaken any activity (N=2,847)*

- Most companies self-financed their activities related to the circular economy –

Amongst the companies that have undertaken at least one activity related to the circular economy in the past three years, the majority (63%) did not use external sources to finance these activities, they self-financed instead. 18% say that it was difficult to access finance, while just over one in ten (13%) say accessing external finance was easy.

**Q4a** Thinking specifically about accessing finance to undertake activities related to the circular economy how easy or difficult was it?

<table>
<thead>
<tr>
<th>Difficulty</th>
<th>EU Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very easy</td>
<td>4</td>
</tr>
<tr>
<td>Fairly easy</td>
<td>9</td>
</tr>
<tr>
<td>Fairly difficult</td>
<td>10</td>
</tr>
<tr>
<td>Very difficult</td>
<td>8</td>
</tr>
<tr>
<td>Don't know</td>
<td>6</td>
</tr>
</tbody>
</table>

*Base: companies who undertook at least one activity (N=7,771)*

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3. Q2b Should you decide to undertake activities related to the circular economy, what percentage of your company’s turnover would you intend to invest on average per year?

4. Q4a Thinking specifically about accessing finance to undertake activities related to the circular economy how easy or difficult was it? Very easy; Fairly easy; Fairly difficult; Very difficult; The company did not use external sources to finance the activities, it was self-financed; Don’t know.
- Just over one in eight companies think accessing finance for activities related to the circular economy would be easy, while more than one quarter say they would self-finance –

Amongst the companies that have not undertaken any activity related to the circular economy in the past three years, 44% think accessing finance for these activities would be difficult and 13% think accessing external finance would be easy.\(^5\)

Around a quarter of companies would self-finance such activities (27%).

Base: companies who have not undertaken any activity (N=2,847)

- A majority of companies self-financed their activities related to the circular economy –

70% of companies that have undertaken at least one activity related to the circular economy in the past three years are most likely to have self-financed these activities\(^6\).

Just over one in ten companies financed these activities using a standard bank loan (13%). Very few used EU related funds, a government grant or an alternative source of funding (all 1%) and almost no companies made use of a green loan (0%)\(^7\).

\(^5\) Q4b Thinking specifically about accessing finance to undertake activities related to the circular economy how easy or difficult would you expect this to be in general? (% - EU)

\(^6\) Q5a How did you finance your activities related to the circular economy? Standard bank loan; Green loan; EU related funds; Government grant; Alternative source of funding (e.g. crowdfunding or the capital market); It was self-financed; Other; Don't know

\(^7\) 19 companies made use of a green loan at EU level
Companies that have not implemented any measures relating to the circular economy are most likely to say they would self-finance any future activities in this area (31%)\(^8\). At least one in ten would use a standard bank loan (15%), EU related funds (13%) or a government grant (12%). 2% or less would use a green loan or an alternative source of funding.

**Base: companies who have not undertaken any activity**  
(N=2,847)

- **Almost four in ten companies have not encountered any issues when undertaking activities related to the circular economy** -

Amongst companies that have undertaken activities related to the circular economy, 61% say they have encountered at least one of the listed issues, while 38% have not encountered any\(^9\).

The most mentioned potential obstacles are complex administrative or legal procedures (34%), the cost of meeting regulations or standards (32%) and the difficulties in accessing finance (27%).

**Q3a** Have you encountered any of the following issues when undertaking activities related to the circular economy? Please indicate all that apply. (MULTIPLE ANSWERS POSSIBLE)  
(% - EU)

**Base: companies who undertook at least one activity**  
(N=7,771)

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\(^8\) Q5b How would you finance your activities related to the circular economy? Standard bank loan; Green loan; EU related funds; Government grant; Alternative source of funding (e.g. crowdfunding or the capital market); It would be self-financed; Other; Don’t know

\(^9\) Q3a Have you encountered any of the following issues when undertaking activities related to the circular economy? Please indicate all that apply. (MULTIPLE ANSWERS POSSIBLE): Lack of human resources; Lack of expertise to implement these activities; Complex administrative or legal procedures; Cost of meeting regulations or standards; Difficulties in accessing finance; Other; None; Don’t know.
Amongst companies that have not undertaken activities related to the circular economy, the most mentioned potential obstacles are the lack of a clear idea about cost benefits or improved work processes (27%), the lack of a clear idea about investment required (27%) or the lack of expertise to implement these activities (26%)\textsuperscript{10}.

\textbf{Q3b} For which of these reasons have you not undertaken any activities related to the circular economy? Please indicate all that apply. (MULTIPLE ANSWERS POSSIBLE) (% - EU)

\begin{itemize}
\item NO CLEAR IDEA ABOUT COST BENEFITS OR IMPROVED WORK PROCESSES: 27%
\item NO CLEAR IDEA ABOUT INVESTMENT REQUIRED: 27%
\item LACK OF EXPERTISE TO IMPLEMENT THESE ACTIVITIES: 26%
\item DIFFICULTIES IN ACCESSING FINANCE: 25%
\item COST OF MEETING REGULATIONS OR STANDARDS: 23%
\item COMPLEX ADMINISTRATIVE OR LEGAL PROCEDURES: 23%
\item LACK OF HUMAN RESOURCES: 20%
\item OTHER: 29%
\item DON'T KNOW: 16%
\end{itemize}

Base: companies who have not undertaken any activity (N=2,847)

\textbf{- Just over a third of companies are aware of government financial incentives for activities related to the circular economy -}

More than one third of companies are aware of financial incentives through government programmes supporting activities related to the circular economy (35%)\textsuperscript{11}. However, the majority of companies are not aware of any such financial incentives (63%).

\textbf{Q7} Are you aware of any financial incentives through government programmes supporting activities related to the circular economy? (% - EU)

\begin{itemize}
\item YES, AND I HAVE USED THEM: 3%
\item YES, BUT I HAVE NOT USED THEM: 19%
\item YES, BUT I DO NOT KNOW EXACTLY WHAT THEY ARE: 13%
\item NO: 63%
\item DON'T KNOW: 2%
\item TOTAL 'YES': 35%
\end{itemize}

Total base (N=10,618)

\textsuperscript{10} Q3b For which of these reasons have you not undertaken any activities related to the circular economy? Please indicate all that apply. (MULTIPLE ANSWERS POSSIBLE) Lack of human resources; Lack of expertise to implement these activities; No clear idea about cost benefits or improved work processes; No clear idea about investment required; Complex administrative or legal procedures; Cost of meeting regulations or standards; Difficulties in accessing finance; Other; Don't know.

\textsuperscript{11} Q7 Are you aware of any financial incentives through government programmes supporting activities related to the circular economy? Yes, and I have used them; Yes, but I have not used them; Yes, but I do not know exactly what they are; No; Don't know.
Less than one in ten companies say sufficient information is readily available to help companies access finance for activities related to the circular economy. Relatively few companies (7%) think sufficient information is readily available to help companies access finance for activities related to the circular economy. However, companies are most likely to say they have never searched for such information (48%).

The majority of companies are aware of alternative financing available in their country. 58% of companies say at least one of the mentioned alternative sources of financing is available in their country. 12% mention none of these financial sources, while 27% have never heard about these types of funding.
- Around one third of companies say at least one kind of alternative financing is available to them -

32% have access to at least one of the listed alternative sources of financing. Green banks (17%) and capital market (12%) are the most mentioned\(^4\). Almost four in ten companies mention none of these financial sources (38%) and 23% have never heard of these types of funding.

Q9 And which of the following 'alternative' sources of financing are available to your company? Please indicate all sources your company has access to. (MULTIPLE ANSWERS POSSIBLE) (% - EU)

\(^4\) Q9 And which of the following 'alternative' sources of financing are available to your company? Please indicate all sources your company has access to. (MULTIPLE ANSWERS POSSIBLE) Crowdfunding; Green banks or other private institutions stimulating circular economy and green investment; Peer-to-Peer lending; Business Angels; Risk Capital/Venture Capital; Capital market; None; You have not heard of these types of funding; Don’t know