

Social and Circular Economy Policies in the European Semester: Lessons from the 2022 Cycle

OCTOBER 2023



Co-funded by
the European Union

This publication and its contents do not necessarily reflect the position or opinion of the European Commission. Co-funded by the European Union by the EaSI strand of the ESF+ programme.

ANALYSIS OF THE EUROPEAN SEMESTER 2022 CYCLE

EXECUTIVE SUMMARY

- The European Semester plays a crucial role in monitoring national compliance with important EU policy objectives, such as the implementation of the European Pillar of Social Rights and the EU Action Plans on the Social Economy and Circular Economy.
- RREUSE has carried out an annual analysis of the European Semester since 2018. We monitor the prominence of measures supporting the social and circular economies across Member States' National Reform Programmes and in the European Commission's Country Specific Recommendations.
- RREUSE's analysis of the 2022 National Reform Programmes found increased attention to both the circular and social economy, compared to the previous European Semester annual cycles, yet social economy remains a lesser priority. Among the 27 National Reform Programmes, all but one presented measures for the circular economy, but only 19 featured interventions for the social economy (see Table 1, pp. 3-4).
- There are several examples of best practices: Finland, Germany, and Poland announced new national strategies for the social economy. Bulgaria, Croatia, Malta, and Romania announced measures to promote the circular economy, including opening re-use and repair centers. Czechia, Finland, and Slovenia amended public procurement frameworks to better align purchases with social and environmental objectives.
- The 2022 National Reform Programmes of France, Luxembourg, and Spain stand out with examples of measures that intrinsically link the social and circular economies.
- Of all the 2022 Commission's Country Specific Recommendations to Member States, none mention social enterprises or the social economy. On the other hand, the Commission does call on Denmark, Hungary, Ireland, and Portugal to enact better waste management measures in line with circularity principles that promote re-use and repair.
- RREUSE has several recommendations for the EU and national policy makers:
 - i. Make use of the European Semester to upscale social economy enterprises,
 - ii. Adopt circular policies in line with the EU Waste Hierarchy,
 - iii. Reinforce the social dimension of the European Semester process,
 - iv. Strengthen civil dialogue in all phases of the European Semester.

RREUSE is an independent non-profit organisation representing social enterprises active in the field of re-use, repair and recycling, with 32 members across Europe and the USA. Our main vision is for Europe to support the role of social enterprise in a circular economy, providing meaningful work opportunities to thousands of vulnerable members of our community through innovative economic, social and environmentally beneficial activities. RREUSE's primary mission is to help tackle poverty, social exclusion and a throwaway culture by promoting policies, best practices and partnerships that support the professionalism and development of social enterprises working in environmental services with high potential for local and inclusive job creation, notably re-use and repair.

1. INTRODUCTION

The European Semester is a multiannual exchange between the European Commission and EU Member States for macroeconomic policy coordination. It plays a crucial role in monitoring national compliance with important EU policy objectives, such as the implementation of the **EU Action Plans on the Pillar of Social Rights (2021)**¹, **the Social Economy (2021)**², and **the Circular Economy (2020)**³.

RREUSE has conducted an annual European Semester analysis since 2018. We monitor the prominence of measures for the social and circular economies across Member States' National Reform Programmes (NRPs) and in the Commission's Country Specific Recommendations (CSRs).

The 2021 European Semester was an exceptional annual cycle in which EU countries had to submit and merge their post-pandemic Recovery and Resilience Plans (RRP, 2021 - 2026 implementation period) with the National Reform Programmes.⁴ The 2022 European Semester cycle returned to its usual coordination mechanism of annual National Reform Programmes and Country Specific Recommendations.

The 2022 cycle shows increased measures for the social and circular economies, though challenges persist. This paper highlights some of the most significant national best practices of these policy interventions for 2022-2023 to guide policy design and replication. Furthermore, it offers a set of recommendations for the EU and national policy makers to leverage the European Semester for socially inclusive and circular societies.

2. NATIONAL REFORM PROGRAMMES (NRPs)

Overall, the 2022 European Semester National Reform Programmes presented some improvements over the 2021 cycle, suggesting increased attention to both the social and circular economies, in line with the EU objectives.⁵ In the 2021 European Semester cycle, 14 and 22 countries presented reforms for the social and circular economy, respectively.⁶ In 2022 that ratio is 19 - 26 (**Table 1**).

¹ European Commission (2021), The European Pillar of Social Rights Action Plan (Available [here](#)).

² European Commission (2021), Communication: Building an economy that works for people: an action plan for the social economy (Available [here](#)).

³ European Commission (2020), Communication: A new Circular Economy Action Plan For a cleaner and more competitive Europe (Available [here](#)).

⁴ RREUSE (2022), RREUSE 2021 European Semester Analysis (Available [here](#)).

⁵ European Commission's Action Plan on the Social Economy (2021, Available [here](#)) and on the Circular Economy (2020, Available [here](#)).

⁶ RREUSE (2022), RREUSE 2021 European Semester Analysis (Available [here](#)).

Social economy interventions continue to receive lesser priority than the circular economy. Only a few countries are tapping into the expertise of the social economy to promote an inclusive circular economy. Additionally, despite almost every Member State foreseeing circular interventions for the 2022-2023 period, not all circular policies presented in the 2022 National Reform Programmes explicitly referred to the EU Waste Hierarchy.⁷ The European Commission thus should monitor Member States' compliance with the Waste Hierarchy and promote re-use and repair over incineration and premature recycling, including via the European Semester process.

Table 1. Presence of measures for the social and circular economies in the 2022 NRPs.

COUNTRY	SOCIAL ECONOMY	CIRCULAR ECONOMY
AUSTRIA	✘	✓
BELGIUM	✓	✓
BULGARIA	✓	✓
CROATIA	✘	✓
CYPRUS	✓*	✓
CZECHIA	✓	✓
DENMARK	✘	✓
ESTONIA	✓	✓
FINLAND	✓	✓
FRANCE	✓	✓
GERMANY	✓	✓
GREECE	✓	✓
HUNGARY	✘	✓
IRELAND	✓*	✓
ITALY	✓*	✓
LATVIA	✓	✓

⁷ The waste hierarchy is a tool used in the evaluation of processes that protect the environment alongside resource and energy consumption from most favourable to least favourable actions. The EU Waste Hierarchy is enshrined in Article 4 of the EU Waste Framework Directive 2008/98/EC.

COUNTRY	SOCIAL ECONOMY	CIRCULAR ECONOMY
LITHUANIA	✓	✗
LUXEMBOURG	✓*	✓
MALTA	✓	✓
NETHERLANDS**	✓*	✓
POLAND	✓	✓
PORTUGAL	✓	✓
ROMANIA	✓	✓
SLOVAKIA	✗	✓
SLOVENIA	✓*	✓
SPAIN	✓	✓
SWEDEN	✗	✓
TOTAL	19	26

* Measures that can support of the social economy, but that do not directly target it.

**The Netherlands did not submit a 2022 National Reform Programme as it was integrated into the Dutch Recovery and Resilience Plan (RRP) submitted in the same year.

2.1 OVERVIEW OF MEMBER STATES' REFORMS

RREUSE is pleased to see several national policies aimed at boosting the social economy, in line with the EU objectives specified in the Action Plan on the Social Economy (2021).⁸ For instance:

- **Finland, Germany, and Poland** announced new social economy strategies.⁹
- Among other things, **Germany** foresees measures to remove systematic barriers to finance and funding access.
- **Poland** envisions a 45 million euro investment (2021-2025) to improve social economy entities' participation in the provision of social services, including by leveraging the EU Recovery and Resilience Facility.

⁸ European Commission (2021), Communication: Building an economy that works for people: an action plan for the social economy (Available [here](#)).

⁹ Finland's National Reform Programme 2022 (Available [here](#)); Germany's National Reform Programme 2022 (Available [here](#)); Poland's National Reform Programme 2022 (Available [here](#)).

- The **Czech Republic** announced measures to create quality and stable employment for disadvantaged groups via its Act on Social Entrepreneurship.¹⁰

Countries with weaker circular frameworks presented positive steps forward in promoting re-use and repair:

- Having primarily focused on the energy and agricultural sectors in the past, **Bulgaria** announced investments in the use of waste as a resource. They include the establishment of new preparation for re-use and repair centres across the country, upgrading the municipal waste systems; and supporting SMEs active in the circular economy.
- **Croatia** foresees new re-use centers to tackle landfilling. It also plans to introduce re-use and repair targets by 2025.
- **Malta** announced the establishment of four new re-use centers by 2022.
- As part of its new circular economy strategy and action plan, **Romania** announced measures to support repair centres and to enact a green private procurement revision to allow one enterprise's waste to be re-used by another as raw material resources. The introduction of a new digital platform aims to facilitate such exchanges.¹¹

In a context where socially responsible and green public procurement needs better implementation at the national level,¹² several Member States amended their national public procurement frameworks:

- The **Czech Republic** introduced social considerations in all tendering procedures including waste management and announced measures to address the increasing national per capita material consumption.¹³
- **Slovenia's** decree on green public procurement added procuring furniture and construction to the list of items to comply with sustainability principles like reusability.
- **Finland** announced it will increase the use of the employment criterion in public procurement to employ jobless persons with partial work ability in enterprises.¹⁴

Among all Member States, the 2022 National Reform Programmes of France, Luxembourg, and Spain stand out and are therefore presented in more detail.

2.2 FRANCE

The 2021 Anti-waste and Circular Economy Law (*Loi anti-gaspillage pour une économie circulaire, AGEC*) foresees combating waste and promoting solidarity-based re-use as one of its five pillars. The French

¹⁰ Czech Republic (2022), National Reform Programme 2022 (Available [here](#)).

¹¹ Bulgaria's National Reform Programme 2022 (Available [here](#)), Croatia's National Reform Programme 2022 (Available [here](#)), Malta's National Reform Programme 2022 (Available [here](#)), Romania's National Reform Programme (Available [here](#)).

¹² RREUSE (2023), Buying Social and Green from Social Enterprises - Updated Position Paper on the 2014 Public Procurement Directive (Available [here](#)).

¹³ Czech Republic (2020), Environmental Report, p.194 (Available [here](#)).

¹⁴ Czech Republic's National Reform Programme 2022 (Available [here](#)); Slovenia's National Reform Programme 2022 (Available [here](#)); Finland's National Reform Programme 2022 (Available [here](#)).

government estimates that between 10,000 and 20,000 tonnes of new textile items alone end up destroyed annually in France - twice the weight of the Eiffel Tower.¹⁵ Alongside promoting a circular economy, the law aims at creating 300,000 additional jobs in the re-use, repair, and recycling sectors.¹⁶

To foster inclusive job creation, the law also creates a solidarity-based re-use fund (*fond de réemploi solidaire*) with a total of 50 million euros yearly. The initiative will guarantee that 5% of the fees collected via the Extended Producer Responsibility schemes covering re-usable waste streams (such as textiles, furniture and electronic equipment) are used to finance re-use and preparing for re-use activities run by social enterprises.¹⁷ The solidarity-based re-use fund is an important step forward in guaranteeing social enterprises' access to finance. However, its overall success will be measured based on whether it sufficiently addresses the common issue of the social economy's lack of funding opportunities.

2.3 LUXEMBOURG

In 2021, Luxembourg started the implementation of the new Circular Economy Strategy (*Strategie Kreeslafwirtschaft Lëtzebuerg*) with the launch of an interministerial consulting mechanism to integrate different Ministries' expertise for a comprehensive strategy. In its 2022 National Reform Programme, Luxembourg announced an expansion of this mechanism to include the Ministry of Labour to bring social and solidarity economy aspects to the table.¹⁸

Given the lack of institutional coordination hindering public authorities from linking environmental and social policies, Luxembourg is taking a positive step forward in integrating social economy considerations in circular policy design. Similar initiatives are fundamental not only to guarantee the involvement of social economy enterprises in waste prevention strategies but also to ensure vulnerable groups are not left behind in the green transition.

2.4 SPAIN

The 2022 National Reform Programme lays out Spain's first nationwide circular economy reform.¹⁹ The new Law on Waste and Contaminated Soil for the Circular Economy (*Ley de Residuos y Suelos Contaminados para la Economía Circular*) foresees the reservation of 50% of the total award amount of public tenders for the collection, transport, and treatment of re-used products to social enterprises.²⁰

¹⁵ French Ministry of Ecological Transition (2021), La loi anti-gaspillage dans la vie quotidienne des Français (Available [here](#)).

¹⁶ France (2022), Programme National de Reforme (Available [here](#)).

¹⁷ The OECD defines Extended Producer Responsibility (EPR) as an environmental policy approach in which a producer's responsibility for a product is extended to the post-consumer stage of a product's life cycle.

¹⁸ Luxembourg (2022), Tableaux annexes du Programme national de réforme 2022 (Available [here](#)).

¹⁹ Spain (2022), Programa Nacional de Reformas 2022 (Available [here](#)).

²⁰ RREUSE (2022), New Spanish law mandates 50% of tenders to social and circular enterprises (Available [here](#)).

Furthermore, the Spanish reform envisions incentives – in the form of VAT exemptions – for donating unsold surplus goods to non-profit actors. This should encourage private companies to partner with social economy enterprises and support their mission-driven activities. Equally, Spain prohibits the destruction of non-perishable unsold goods like textiles, electronic products, and toys. Finally, the reform envisions measures to enhance products’ traceability to improve transparency and address greenwashing in value chains. Regrettably, the legislation lacks minimum re-use and preparation for re-use targets and it remains unclear how it addresses the risk of public authorities’ non-compliance. While its overall impact remains to be seen, the Spanish Waste Law is an encouraging step forward that shows national authorities can change public procurement and taxation frameworks to support socially fair and green practices.

3. COUNTRY SPECIFIC RECOMMENDATIONS FOR 2022 - 2023

At the end of each European Semester cycle, the European Commission publishes Country Specific Recommendations – policy guidance to Member States for the next financial period. Besides recommending measures to mitigate the socio-economic effects of the Russian invasion of Ukraine and rising living costs, the recommendations also stress the urgency for national-level implementation of the European Union’s environmental and social objectives.

The European Commission calls on **Denmark, Hungary, Ireland, and Portugal**, to strengthen the circular economy in waste management by shifting away from waste incineration and landfills, including by promoting re-use. In particular:

- In Denmark – with the highest amount of municipal waste per capita in the EU at 845 kg/year – the Commission recommends the development of a new waste management and circular economy strategy. To ensure the integration of socio-economic considerations in environmental legislation, the EC calls on Denmark to mobilise the instruments available under the EU Just Transition Mechanism and European Social Fund+.
- In Ireland – where waste generation is 25% higher than the EU average and incineration has increased – the Commission recommends accelerating re-used and recycled content by developing waste prevention infrastructures and policies.²¹

To guarantee work and societal integration, the EC calls upon Member States to improve access to upskilling and reskilling opportunities for vulnerable groups. The Commission for instance calls on:

- **France**, for the integration of disadvantaged youth.
- **Hungary**, for the integration of Roma.
- **Sweden**, for migrants.

²¹ European Commission (2022), Recommendation for a Council Recommendation on the 2022 National Reform Programmes of Denmark (CSR 3.2022, Available [here](#)), Hungary (CSR 5.2022, Available [here](#)), Ireland (CSR 2.2022, Available [here](#)), and Portugal (CSR 3.2022, Available [here](#)).

- **The Netherlands**, for people outside the labour force.²²

These are only some of the vulnerable groups that find job and training opportunities within social economy enterprises, as RREUSE’s recent study shows in more detail.²³ The Commission also calls on **Austria** to improve labour market outcomes for women and disadvantaged groups and on **Poland** to improve social benefits’ accessibility. Finally, the Commission recommends **Latvia** improve access to finance for small and medium enterprises (SMEs) that promote the green transition.²⁴

As in the previous European Semester cycles, the European Commission continues to miss out on the opportunity to provide specific recommendations on enhancing support for the social economy.²⁵ There are no explicit mentions of social enterprises or social economy in the 2022 Country Specific Recommendations. This lack of acknowledgement of the social economy runs counter to the objectives the EU has set in its **Social Economy Action Plan**,²⁶ namely to improve enabling frameworks for the social economy across all Member States.

4. POLICY RECOMMENDATIONS

The European Semester process has been gradually gaining prominence as a monitoring mechanism for several EU objectives. The European Commission should not miss out on its potential to steer Member States for supporting measures for social economy actors, including those acting as pioneers for inclusive green job creation in the re-use and repair sectors of the circular economy.

The 2022 European Semester cycle is going in the right direction but a more robust social component is imperative to guarantee that Member States prioritise the development of the social economy and design green policies with socially fair and just transition objectives in mind.

RREUSE has the following recommendations for the EU and national policy makers to address the current European Semester’s shortcomings and better support social enterprises active in the circular economy:

- **Make use of the European Semester to upscale social economy enterprises.**

The European Commission should ensure the Country Specific Recommendations encourage

²² European Commission (2022), Recommendation for a Council Recommendation on the 2022 National Reform Programmes of France (CSR 3.2022, available [here](#)), Hungary (CSR 3.2022, available [here](#)), Sweden (CSR 3.2022 available [here](#)), and the Netherlands (CSR 3.2022, available [here](#)).

²³ RREUSE (2023), Position Paper on the 2023 European Year of Skills (Available [here](#)).

²⁴ European Commission (2022), Recommendation for a Council Recommendation on the 2022 National Reform Programmes of Austria (CSR 3.2022, available [here](#)), Poland (CSR 3.2022, available [here](#)), and Latvia (CSR 3.2022, available [here](#))

²⁵ RREUSE also highlighted this in its 2018 and 2020 Semester Cycle analysis (Available [here](#) and [here](#), respectively). No CSRs were issued for the extraordinary 2021 European Semester cycle due to the post-pandemic recovery policy mechanisms.

²⁶ European Commission (2021), Communication: Building an economy that works for people: an action plan for the social economy (Available [here](#)).

Member States to enact better social economy framework conditions, including for social enterprises advancing an inclusive green transition. Member States themselves should capitalise on their National Reform Programmes to put forward long-term social economy strategies that can tackle the structural challenges of social exclusion and ensure a just transition, in line with the **Commission’s proposal for a Council recommendation for social economy framework conditions (2023)**.²⁷

- **Adopt circular policies in line with the EU Waste Hierarchy.**

While most EU countries set forward measures to promote the circular economy, the Commission should monitor whether their implementation is in line with the EU Waste Hierarchy.²⁸ To align with this hierarchy, Member States should: prioritise re-use and repair whenever possible; avoid premature recycling; and phase out waste incineration and landfills. Circular economy strategies should integrate social economy aspects to ensure an inclusive green transition with the cooperation of social inclusion actors. Environmental policies should always be designed with social and employment considerations, taking into account the most vulnerable.

- **Reinforce the social dimension of the European Semester process.**

The European Semester should promote a more social Europe that Europeans are overwhelmingly in favour of.²⁹ The European Semester should also reinforce its role in implementing the **European Social Pillar**, including monitoring measures in support of social economy actors who uphold its principles in their daily work. In the current socio-economic uncertainty, a stronger social Europe is crucial for protecting trust in institutions and public support for transformative green policies.

- **Strengthen civil dialogue in all phases of the European Semester.**

Member States should engage with civil society when designing and implementing the National Reform Programmes. Among other things, they should make it easier for stakeholders to reach out to European Semester officers.³⁰ Social enterprises in the circular economy already provide innovative solutions to today’s challenges. They use adaptive methods for vulnerable groups in their job and training opportunities in the re-use, repair, and recycling sectors. National

²⁷ European Commission (2023), Communication: Proposal for a Council Recommendation on Social Economy Framework Conditions (Available [here](#)).

²⁸ The waste hierarchy is a tool used in the evaluation of processes that protect the environment alongside resource and energy consumption from most favourable to least favourable actions. The EU Waste Hierarchy is enshrined in Article 4 of the EU Waste Framework Directive 2008/98/EC.

²⁹ Special Eurobarometer (2021), Eurobarometer survey on social issues (Available [here](#)). The survey reveals that nine in ten Europeans (88%) consider a social Europe to be important to them personally. The most pressing issues for citizens are equal opportunities and access to the labour market; fair working conditions; and access to quality health care. At the same time, 71% of the respondents say they consider a lack of social rights a serious problem.

³⁰ Social Platform (2021), Social Platform guidance document to EU Member States on improving civil dialogue in the European Semester process (Available [here](#)).

governments should capitalise on their expertise to guide policy design and implementation across all levels.

For more information, please contact: Simone Schirru, Policy Officer in Social and Economic Policies - simone.schirru@rreuse.org