

# Policy Brief: Maximising public value through social and circular procurement

As the current Public Procurement Directive turns 10 years old, social enterprises active in the circular economy regularly find themselves locked out of procurement opportunities despite their key role in local job creation and resource efficiency. Namely, RREUSE estimates that social enterprises can create 70 local jobs per 1,000 tonnes of items collected with a view of being reused (1), in so doing boosting workers' social mobility and skills and simultaneously reducing waste, energy and monetary costs.

In 2023 alone, the RREUSE-wide network of social economy enterprises ensured that around 260,000 tonnes of goods were locally reused, creating high-quality jobs and saving 110,000 tonnes of CO<sub>2</sub> emissions. In so doing, they were able to reinvest around 1 billion euros of economic turnover into their socially inclusive reuse, repair, and recycling missions, underscoring the importance of public procurement to tap into such activities to create public value for European communities.(2)

However, as attested by Enrico Letta's Single Market report, *“further initiatives need to be taken [...] to significantly increase the impact and market presence of the social economy and social enterprises, recognising their valuable contribution to social and economic well-being.”*(3)

## Main Challenges

### Lowest price predominance

The lack of social and green considerations and predominance of the lowest price as the sole criterion systematically exclude social enterprises from competing, as their activities entail higher upfront costs than mainstream businesses. This restrains support for innovative SMEs and procuring goods and services with positive spillover effects.

### Green and social considerations are rare or in silos

A lack of comprehensive frameworks across the EU that value both social and environmental criteria run counter to the EU's just transition objectives and prevent a level playing field for social enterprises, which face increasingly stiff competition from large businesses.

### Better scope for transposing and reinforcing reserved contracts

A better transposition and enforcement of Art. 20 is crucial to guarantee social enterprises' continuity in reinforcing the social mobility of individuals far from the labour market, especially in the current context of limited public procurement access. Contracting authorities should also be better acquainted with the characteristics of the social economy.

### Complexity of procedures

The length and scale of procurement processes are challenging for SMEs with limited resources and experience. Minimum turnover threshold requirements are often out of reach, resulting in a vicious cycle of exclusion from procurement opportunities. Social enterprises may even be subject to more data and management demands than other SMEs due to a lack of familiarity with their economic models and the reuse sector.

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1. RREUSE (2021), Job creation by social enterprises in the re-use sector (Available [here](#)).
  2. RREUSE (2024), RREUSE 2023 Member Impact (Available [here](#)).
  3. Enrico Letta (2024), Single Market report page 46 (Available [here](#)).

## Policy and best practice recommendations for the Directive revision

1. **Best price-quality ratio criteria:** The Best Price-Quality Ratio criteria should be the default option when evaluating bids that concern services for the person and the environment.
2. **Reserved contracts:** Improve how provisions on reserved contracts for social enterprises are implemented and enforced, ensuring they are eligible and applicable to different underrepresented groups of the labour market.
3. **Promoting circular Public Procurement:** Contracting authorities should not limit public purchases to new goods but follow the EU Waste Hierarchy. Reused, refurbished, and repaired items should be listed among the eligibility criteria to overcome potential concerns around safety and durability.
4. **Clear and enforceable targets:** Set clear and enforceable targets for social and circular objectives to ensure accountability and measurable impact. Examples include total hours of work allocated to social employment, total contract value awarded to social enterprises and rates of reused products in procuring specific product streams.
5. **Limiting scope and simplifying procedures:** Divide large contracts into smaller lots to make them more accessible to SMEs, including social enterprises, and reduce administrative overhead.
6. **Adapted requirements and specifications:** Involve social economy actors during the pre-procurement phase of the tendering process to provide valuable market insights and help establish more suitable procurement conditions. Use flexible requirements and specifications through negotiated procedures, and focus on functionality instead of uniformity to enable the supply of reused goods.
7. **Procurement facilitators:** Create and support entities responsible for disseminating information, increasing awareness, offering guidance, simplifying processes, and reaching out to social economy actors to stimulate innovation and social and green procurement.
8. **Capacity building measures:** Implement capacity-building and mutual knowledge transfers to promote the combination of social and circular criteria in tenders, social economy knowledge and resource pooling.
9. **Pilot projects and market dialogues:** Start pilot projects, market dialogues, and other pre-tender interactions to find and address challenges early on, encourage innovation, build confidence, establish best practices, and align expectations.
10. **Encouraging partnerships and consortia:** Encourage consortia bidding and the creation of social enterprise clusters to meet tender requirements, allowing them to access larger contracts and improve contract execution.
11. **Meaningful monitoring and data collection:** Develop suitable data collection systems with a limited set of meaningful indicators and enough resources for monitoring, evaluation, and learning. Enable knowledge sharing through one-stop-shop online platforms.

Please find more information, including best practices and case studies, in our 2024 research: Advancing Climate, Environmental and Social Goals Through Public Procurement ([here](#)).