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ANNEX 3

to the Commission Implementing Decision on the financing of the third set of individual measures in favour of the Federal Democratic Republic of Ethiopia for 2023

Action Document towards the Support for the Recovery of Micro Small and Medium Enterprises (MSMEs) in Post-Conflict Areas

MEASURE
This document constitutes the annual work programme within the meaning of Article 110(2) of the Financial Regulation, within the meaning of Article 23 of the NDICI-Global Europe Regulation.

1 SYNOPSIS

1.1 Action Summary Table

1. Title **CRIS/OPSYS business reference** **Basic Act**	Support for the Recovery of Micro Small and Medium Enterprises (MSMEs) in Post-Conflict Areas OPSYS number: ACT-61657 Financed under the Neighbourhood, Development and International Cooperation Instrument (NDICI-Global Europe)
2. Team Europe Initiative	No
3. Zone benefiting from the action	The action shall be carried out in Federal Democratic Republic of Ethiopia.
4. Programming document	Not applicable. Individual Measures outside the scope of programming documents (NDICI-Global Europe Regulation, Article 23.3)[1]
5. Link with relevant MIP(s) objectives / expected results	Not applicable. Individual Measures outside the scope of programming documents (NDICI-Global Europe Regulation, Article 23.3)
PRIORITY AREAS AND SECTOR INFORMATION	
6. Priority Area(s), sectors	Not applicable. Individual Measures outside the scope of programming documents (NDICI-Global Europe Regulation, Article 23.3)
7. Sustainable Development Goals (SDGs)	Main SDGs: - SDG: 8 – Decent work and economic growth Target 8.5: Full employment and decent work with equal pay Target 8.6: Promote youth employment, education and training Target 8.10: Universal access to banking, insurance and financial services Other significant SDGs:

[1] 14.6.2021- Regulation (EU) 2021/947 of the European Parliament and of the Council of 9 June 2021- Article 23.3.: 'Where necessary, an action may be adopted as an individual measure before or after the adoption of action plans. Individual measures shall be based on programming documents, except for cases referred to in paragraph 5 and in other duly justified cases.'

	- SDG: 1 – End poverty in all its forms everywhere Target 1.4: Equal rights to ownership, basic services, technology and economic resources - SDG: 5 – Gender equality Target 5.A: Equal rights to economic resources, property ownership - SDG: 9 – Industry, innovation, and infrastructure Target 9.3: Increase access to financial services and markets - SDG: 10 – Reduce inequalities Target 10.2: Promote universal social, economic and political inclusion - SDG 12 – Responsible consumption and production Target 12.5: By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
8 a) DAC code(s)	Formal sector financial intermediaries – 24030 – 20% Small and medium-sized enterprises (SME) development – 32130 50% Agro-industries – 32161 – 30%
8 b) Main Delivery Channel	- Third Country Government (Delegated co-operation) – 13000 - United Nations Agency, Fund or Commission (UN) – 41000
9. Targets	☐ Migration ☐ Climate ☒ Social inclusion and Human Development ☒ Gender ☐ Biodiversity ☐ Education ☐ Human Rights, Democracy and Governance

10. Markers (from DAC form)	**General policy objective**	**Not targeted**	**Significant objective**	**Principal objective**
	Participation development/good governance	☐	☐	☒
	Aid to environment	☒	☐	☐
	Gender equality and women's and girl's empowerment	☐	☒	☐
	Reproductive, maternal, new-born and child health	☒	☐	☐
	Disaster Risk Reduction	☒	☐	☐
	Inclusion of persons with Disabilities	☒	☐	☐
	Nutrition	☒	☐	☐
	RIO Convention markers	**Not targeted**	**Significant objective**	**Principal objective**
	Biological diversity	☒	☐	☐
	Combat desertification	☒	☐	☐
	Climate change mitigation	☒	☐	☐

	Climate change adaptation	☒	☐	☐
11. Internal markers and Tags:	**Policy objectives**	**Not targeted**	**Significant objective**	**Principal objective**
	Digitalisation	☐	☒	☐
	digital connectivity digital governance digital entrepreneurship digital skills/literacy digital services	YES ☐ ☐ ☒ ☒ ☒	NO ☒ ☒ ☐ ☐ ☐	
	Connectivity	☒	☐	☐
	digital connectivity energy transport health education and research	YES ☐ ☐ ☐ ☐	NO ☒ ☒ ☒ ☒	
	Migration	☒	☐	☐
	Reduction of Inequalities	☒	☐	☐
	Covid-19	☒	☐	☐
BUDGET INFORMATION				
12. Amounts concerned	Budget line(s) (article, item): BGUE-B2023-14 02 01 21-C1-INTPA Total estimated cost: EUR 36 000 000 Total amount of EU budget contribution EUR 30 000 000 This action is co-financed in joint co-financing by: - The Ministry for Foreign Trade and Development Cooperation of the Netherlands for an amount of EUR 3 000 000 - Federal Ministry for Economic Cooperation and Development of Germany (BMZ) for an amount of EUR 3 000 000			
MANAGEMENT AND IMPLEMENTATION				
13. Type of financing[2]	**Indirect management** with: - Kreditanstalt für Wiederaufbau (KFW) - Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) - United Nations Capital Development Fund (UNCDF)			

1.2 Summary of the Action

The northern conflict, Covid-19 crisis, economic downturn and the current food crisis threaten Ethiopia's gains in growth and poverty reduction. The proposed action has an **overall objective** to restore the local economy and build

[2] Art. 27 NDICI

the resilience of Micro, Small and Medium Enterprises (MSMEs) that are affected by the crises in Ethiopia, with a focus on the North of the Country with three specific objectives specific objectives to:

1. increase flow of financing to MSMEs, including youth- and women-led;
2. improve business performance of MSMEs, including youth- and women-led; and
3. strengthen financial institutions, including Digital Financial Services (DFS).

The support to these MSMEs, including youth- and women-led, and their ecosystem, as well as the strengthening of the financing sector with introduction of digital finance, will contribute to the recovery of the local economies, build capacities for job creation and/or retention and a general strengthening of the cash flow enabling entrepreneurs and jobholders to provide for their basic needs. This would also contribute to the national economic recovery efforts, as well ensuring stability in post-conflict Ethiopia.

Hopefully the Agreement for Lasting Peace through a Permanent Cessation of Hostilities,[3] signed on 2 November 2022, will pave the way for sustainable economic recovery. Leveraging a Team Europe Approach in which implementation will take place through cooperation agreement(s) with EU Member States' (EUMS) development finance institution(s), as well as alignment and implementation of business development support through an EUMS aid agency and strengthening financial institutions including digital financial services (DFS) through a UN agency.

With a total indicative budget of EUR 36 000 000, the action has an indicative duration of 60 months from the date of the adoption by the Commission of this Financing Decision.

2 RATIONALE

2.1 Context

The conflict, the impact from the Covid-19 pandemic, inflation and the current food crisis threaten Ethiopia's gains in growth and poverty reduction with Micro, Small and Medium Enterprises (MSMEs) being the most affected through the current economic slow-down. Even before the outbreak of the northern conflict in Ethiopia; due to the COVID-19 pandemic, MSMEs were predicted to have lost about EUR 230 000 000 in monthly net income and 2.07 million jobs. According to the World Bank studies from 2020, women-led MSMEs were six percentage points more likely to close their business temporarily than male-owned businesses and were more likely to report zero or exceptionally low revenues during 2020. The World bank, together with the European Investment Bank (EIB) have therefore invested in a specific credit facility for women-led SME's.

An estimated 1.575 million MSMEs exist nationally, of which 70 % (1.1 million) are micro enterprises (JCC, 2020). These MSMEs created 4.5 million jobs. Majority of them are characterized by high degree of informality; low productivity; temporary employment; poor survival and progression rates; and limited female ownerships (<20 %). The costs of expanding businesses, conditional on entry, are also substantially higher for women compared to men. Lower participation, performance, and profits for women-led MSMEs arises from their lower wealth and access to capital, productive resources, assets and information when compared to their male counterparts. Gender norms and roles also serve as drivers underlying some of the observed variation in women-led MSME presence and performance. Women are also often tasked with additional burdens such as childcare, household tasks and other unpaid labour, which negatively influence their business performance.

Despite the existence of donor-supported specific credit lines, a World Bank study showed that only 11.3 % of small enterprises in Ethiopia have access to working capital loans from banks, as compared to 22 % average in Sub-Saharan Africa. More than 70 % of MSMEs have no access to credit. Of the enterprises that had access to loans, two-third have loans from Micro Finance Institutions (MFI). The multiple crises have also increased the risk averse nature of the financial institutions in Ethiopia despite the heightened need for capital by MSMEs for their economic recovery. Women's access to loans from commercial banks, for example, is hampered by high minimum loan sizes and excessive collateral requirements. Microfinance Institutions are an alternative but tend to offer very small loans to women.

[3] Cessation of Hostilities Agreement between the Government of the Federal Democratic Republic of Ethiopia and the Tigray Peoples' Liberation Front (TPLF) -African Union - Peace and Security Department (peaceau.org)

The proposed action will contribute to the prevention of further conflicts due to limited economic opportunities. As most parts of Northern Ethiopia undergo a transition from ‘a state of war’ to a ‘state of development’, the proposed action will be instrumental in supporting the efforts for post-conflict economic reconstruction. This contribution towards the recovery of the economy in general, and MSMEs in particular, occurs in a setting of security, political and social transitions in the aftermath of a conflict. This underlines the need to create specific approaches for conflict-affected regions that are urgently in need of the restoration of jobs and economic opportunities, especially for women and girls who are disproportionally affected by the crises, to build back social cohesion, peace and political stability in the shortest time possible. Faced with the probability that post-conflict areas have a higher likelihood of going back to war than others, there is a justified need to devise a rapid response mechanism for supporting key drivers of the economy, MSMEs.

The action is aligned with the key domestic policies of the country, i.e. the Ten-year Perspective Plan (TYPP, 2020) and the Home-Grown Economic Reform Programme (HERP, 2019). Its strategic priorities include (i) building technological capacity and digital economy, (ii) ensuring sustainable access to development finance, (iii) ensuring leading role of private sector in development, (iv) building a green economy and circular resilient to natural and man-made disasters, (v) ensuring inclusiveness of growth. Due to the downturn of the economy, especially in the north of the country, these priorities are even more pressing and essential. Building the local private sector capacity and supporting homegrown businesses can also curb the risk of aid dependency and boost sustainable economic growth. Therefore, this action would correspond with focal area green growth (which includes support to private sector and access to finance), envisaged for a future MIP for Ethiopia to be established once circumstance permit.

The action is also aligned with the Country Level Implementation Plan (CLIP Ethiopia) and the EU Gender Action Plan 2021-2025 GAP III and the EU Youth action plan calling for accelerating progress, focusing on the key thematic areas of engagement, including promoting the economic, social and political empowerment of women and girls.

2.2 Problem Analysis

Before the crises, the private sector in Ethiopia faced several constraints related to access to finance, markets, infrastructure, skills gap, etc. The gender gap in employment remains substantial, especially in the private sector. While 77.2 % of women access the job market compared to 87.8 % of men, and working women are still overrepresented in the informal sector (74 %) compared to men (61 %). Many of these have been aggravated by the aforementioned multiple crises (COVID-19, inflation, food crisis) and worsened by the conflict. Consequently, MSMEs have become less resilient against economic shocks.

According to USAID, negative economic shocks of just 5 percent can increase the risk of a civil war by as much as 50 percent in fragile states[4]. While the depth of the impact of the conflict on MSMEs in the North is yet to be studied, it is apparent that operationally enabling services including electricity and telecom were cut while banks and MFIs were damaged and closed operations.

Moreover, a World Bank empirical study through phone surveys[5] indicated that the conflict disrupted livelihoods in Tigray, immensely impacting the supply chain mechanism; diminishing purchasing power of households; and disproportionately curtailing non-farm livelihood and economic activities in urban areas as compared to rural areas. This most likely has had a heavy toll on MSMEs’ operations in the region. Moreover, the conflict has also increased food insecurity by 38-percentage points[6] compared to the pre-conflict situation. Accordingly, the food insecure population is estimated to have reached close to 74 % of the total population in the region.

[4] Doing Business In Post-Conflict Zones: Why SMEs Are Key, Gayle Tzemach Lemmon and Ashley E. Harden. See also Memorandum submitted by Professor Robert Picciotto, printed in International Development Committee, Conflict and Development, HC 464-i, 15 March 2005

[5] The phone interviews were conducted just before the outbreak of the conflict and during the first phase of the conflict, between November 2020 and May 2021. Immediately after the outbreak of the war on 4 November, telecommunication and electricity services were suspended or intermittent in areas under the control of the Tigray region government. These services were later restored, which allowed access to some households by phone. However, in June 2021, all communications were cut off and interviews were no longer possible.

[6] This percentage point increase is a 106% increase from pre-conflict levels, observed for seven months into the conflict.

Correspondingly, surveys conducted by different ministries indicated the severe impact of the conflict on MSMEs. For instance, in the sampled 108 damaged MSMEs in the most affected four towns of the Amhara region; the conflict caused a 72 % of job losses. The estimated value of the damage of the conflict accounted for more than EUR 3 960 000 while estimated market potential lost due to discontinued operations accounted for EUR 47 140 000. While metal and wood works and agro-processing MSMEs were the most affected ones, others, such as textile & apparel, construction inputs, chemical and leather goods producing MSMEs were also affected. Similarly, in Afar region, the two most affected Zones by the conflict account for 75 % of the total MSMEs in the region.

In addition, consultations conducted with development partners, implementers and research associations indicated that the degree of impact of the conflict in the areas affected depends on three factors: the duration of stay of the military forces, the agglomeration of enterprises in a specific area and their proximity to main roads. The longer military forces stayed in a certain area, the more likely it is for enterprises to be severely affected and vice-versa. The damage also seems to be worse on townships and semi-urban areas that are along main routes and where there are several enterprises located in specific areas.

In order to tackle issues of economic recovery for MSMEs in post-conflict areas, this action adopts a comprehensive approach and will address the following specific problems:

- **MSMEs financing gaps:** Access to finance is a significant factor for the recovery of MSMEs in particular those in manufacturing and agro-processing sectors which have either discontinued business or significantly scaled-down operations as a consequence of the conflict. By nature, these MSMEs require a longer period to receive returns on their investments unlike service related MSMEs that are relatively characterised by quicker returns and cash flows. Inventories and inputs for production may burden these MSMEs from swift repayments to financial resources they would like to access. Support to these enterprises and their ecosystem, through working capital grants/liquidity grants, soft loans, machinery leasing/financing, etc. will enable them to economically recover and support the livelihood of families depending on these MSMEs economic activities. It will further empower them to unlock their multiplier potential in stimulating local economies through creating decent and green jobs for youth and women; and leveraging opportunities in forward and backward linkages with productive and enabling sectors for improved local value addition. The action will further investigate on a specific approach to female-led MSMEs that face a different set of challenges that the male-led ones.
- **Business skill gaps:** MSMEs in Ethiopia in general are skill-constrained i.e. they lack the necessary skillset to grow their businesses in a sustainable manner. This problem has two ends, on the one hand, MSME owners and managers generally do not have best-practice business skills to lead their enterprises and thus depend on traditional methods of operation while on the other hand employees also lack basic soft and technical skills that hinder them from being fully productive at their workplace. The gap in skills and knowledge by MSMEs also hinder them from accessing further finance for investment. These challenges are more acute in the aftermath of a conflict. The proposed action will therefore, devise targeted support to fill these gaps through providing packages of Business Development Services (BDS) i.e. trainings to improve business and technical skills, coaching and mentoring in areas including but not limited to business planning (marketing, production, organization and management and financial), digital literacy, sustainable and circular business models, networking and business matchmaking. BDS will be designed with gender-sensitive approach taking into consideration these and other constrains regarding travelling and household responsibilities that female participants face while participating in trainings as well as less time and resources they may have in comparison to their male counterparts to fully benefit from the planned activities. It will further include supporting the MSME operators through e.g. peer-to-peer learning, business forums, B2B exchanges. In addition, the action will try to leverage Ethiopian diaspora networks for mentoring and skills development of local businesses, while looking into trade, investment finance, and B2B facilitations[7].
- **Damaged or closed financial institutions:** Due to the conflict, a number of banks and MFIs were damaged and closed operations and incapacitated to finance to the extent they used to do. Moreover, at the time of conflict and post-conflict MSMEs are more vulnerable and subject to financial exclusion. Unpredictability negatively affects economic returns. Consequently, the degree of perception by financial service providers, such as banks that MSMEs being too risky to lend increases compared to normal circumstances. Therefore,

[7] Ethiopia is estimated to have a diaspora population of over 3 million (IOM, 2021). Many migration development practitioners do not believe the entrepreneurial and financial potential of the Ethiopian diaspora has been fully realized or mobilized in a systematic manner, especially in alignment with the country's development efforts and priorities

strengthening these financial institutions and enhancing their confidence will contribute to the recovery of the local economies and job creation. It will further contribute to an improvement of the cash flow enabling entrepreneurs and jobholders to provide for their basic needs. Moreover, integrating digital financial services (DFS) as part of service provisions by these financial institutions for transactions such as cash-in-cash-out, person to person (P2P), and/or person to business (P2B), vice versa, is expected to further empower them to expand their operations to other target groups with lessons to be learned. Linkages will be made with programmes delivering cash assistance to conflict and drought affected populations. In the long-term, this action will further contribute to the overall financial sector development.

Identification of main stakeholders and corresponding institutional and/or organisational issues (mandates, potential roles, and capacities) to be covered by the action:

This action targets MSMEs in the post-conflict areas. Based on the National Bank of Ethiopia's data there were close to 60 000 MSMEs in the Northern regions on 2019/2020.

This Action has identified the following primary beneficiary right holders and institutions:

- MSMEs in sectors relevant to the reconstruction and recovery of the local economy (e.g. manufacturing, services, construction, trade and agro-processing), with an emphasis on youth and women entrepreneurs;
- Financial institutions including commercial banks, micro-finance institutions, saving and credit associations;
- Digital Financial Service providers.

Key stakeholders include:

- Federal Government: Ministry of Labor and Skills (MoLS), Ministry of Industry (MoI), and Ministry of Urban Development and Construction (MoUDC);
- Public Business Support Organizations (BSOs): Ethiopian Enterprise Development (EED), Entrepreneurship Development Institute (EDI), and National Bank of Ethiopia as financial regulatory government body;
- Development Bank of Ethiopia;
- Local Government: Regional Bureaus of Labor and Skills; Regional Urban Job Creation and Food Security Agency (ReUJCFSA), and Woreda level government structures;
- Business Membership Organizations (BMOs): National, Regional and City Chambers of Commerce and Sectoral Associations (NCCSAs, RCCSAs and CCSAs); and associations dedicated to women entrepreneurs (e.g., CAWEE, AWiB, EWEA and its regional structures);
- EU Member States or their aid agency and development finance institution;
- UN agencies including United Nations Capital Development Fund (UNCDF) and United Nations Development Programme (UNDP).

3 DESCRIPTION OF THE ACTION

3.1 Objectives and Expected Outputs

The **Overall Objective (impact)** of this action is to restore the local economy and build the resilience of Micro, Small and Medium Enterprises (MSMEs) that are affected by the crises in Ethiopia, with a focus on the North of the Country.

The **Specific(s) Objective(s) (Outcomes)** of this action are to:

1. Increase flow of financing to MSMEs, including youth- and women-led;
2. Improve business performance of MSMEs, including youth- and women-led;
3. Strengthen financial institutions, including Digital Financial Services (DFS).

The **Outputs** to be delivered by this action contributing to the corresponding Specific Objectives (Outcomes) are

1.1 Improved access to finance for MSMEs, including youth- and women-led.

2.1 Enhanced business skills and technical capacities of MSMEs, including youth and women.
2.2 Improved creditworthiness or investability of MSMEs.

3.1 Improved capacity of financial service providers to serve mass market customers, leveraging digital financial services DFS and agent banking network.
3.2 Improved value proposition of financial service providers to MSMEs.
3.3 Enhanced inclusiveness of financial services in serving the needs of MSMEs including youth and women.

3.2 Indicative Activities

Activities relating to *Output 1.1: Increased flow of financing to MSMEs including youth and women* may include.

- Providing a diversified range of financial products for MSMEs, including, green investments, working capital, grants/liquidity grants, and soft loans.
- Developing appraisal procedures for selected financial service providers to provide finance to MSMEs, with preference for green and circular business models.
- Providing machineries/equipment leasing for small, micro, and medium enterprises, with a particular focus on improved productivity and resource-efficiency.
- Introducing innovative and preferential saving mobilization schemes.
- Address inequalities in access to financial products for women.

Activities relating to *Output 2.1: Enhanced business skills of MSMEs including youth and women* may include.

- Providing tailored BDS for MSMEs in areas including: business continuity management, sustainable business planning, marketing, production, organizational management and financial management, digital transformation of business processes, green and circular economy practices (e.g., improved resource and energy efficiency) with a gender-sensitive approach.
- Strengthening sustainable value chains and facilitating forward, horizontal and backward linkages to inputs suppliers, wholesalers, peer businesses etc.
- Assisting MSMEs recovery and growth through product and market diversification strategies.
- Providing practical assistance for MSMEs in promoting their products and services through different approaches including digital means (social media marketing and e-commerce), B2B networking, exhibition, etc., with a gender-sensitive approach.

Activities relating to *Output 2.2: Improved creditworthiness of MSMEs* may include.

- Supporting and coaching MSMEs to develop (green) bankable business proposals, improve their investment readiness and post-investment skills.
- Supporting improved financial record history of MSMEs.
- Train and equip MSMEs to use digital tools for record keeping and digital financial services for their transactions to enhance their credit worthiness, prioritising female-led MSMEs.
- Pilot selected digital tools for MSME record keeping and digital financial services for their transactions.

Activities relating to *Output 3.1: Improved value proposition of financial service providers to MSMEs, in terms alternative – data driven – credit scoring mechanisms and more adapted loan products* may include.

- Providing training and technical support to selected financial service providers on agent network management and digital product development for mass market.
- Supporting selected financial service providers to develop strategies and expand their agent network in the target regions.

Activities relating to *Output 3.2: Improved value proposition of financial service providers to MSMEs* may include.

- Supporting financial institutions in developing and rolling out demand-driven financial service products for MSMEs and green investment opportunities, leveraging digital e.g. asset-based, receivable factoring, and/or cash-flow/ working capital financing, overdrafts, etc.
- Supporting select financial service providers develop alternative – data driven - credit scoring mechanisms for financing MSMEs – leveraging available data from the digital tools used by the MSMEs.
- Supporting / fostering the partnerships among financial service providers, technology companies and non-bank institutions to enhance DFS and innovation in product offerings for MSMEs.

Activities relating to *Output 3.3: Enhanced inclusiveness of financial services in serving the needs of MSMEs including youth and women* may include.

- Conducting periodic market analysis (e.g. through survey) to understand the financial needs, preferences and behaviors of MSMEs, and thereby understand the supply gaps and how these can be addressed, with specific recommendations on female-led MSMEs.
- Supporting the implementation of digital means to record credit history.

3.3 Mainstreaming

Environmental Protection & Climate Change

Increased productivity may have certain negative or positive impacts on environment and climate change. On the one hand, more production and manufacturing activities can put more pressure on the environment (land, air, water, etc) and contribute to further climate change. On the other hand, with the revenue and income generated from the increased trade and investment, local and regional Governments and businesses within Ethiopia may have more financial resources to promote sustainable growth and tackle environmental problems and promote the agenda for investments in the green and circular economy.

Outcomes of the Strategic Environmental Assessment (SEA) screening (relevant for budget support and strategic-level interventions)

The SEA screening concluded that no further action was required.

Outcomes of the EIA (Environmental Impact Assessment) screening

The EIA screening classified the action as Category B (not requiring an EIA, but for which environment aspects will be addressed during design).

Outcome of the CRA (Climate Risk Assessment) screening

The CRA screening concluded that this action is no or low risk (no need for further assessment).

Gender equality and empowerment of women and girls

As per the OECD Gender DAC codes identified in section 1.1, this action is labelled as G1. All activities of the Action will be gender-responsive and the specific needs of women will be assessed through a gender analysis that will inform gender-sensitive strategies and project management during the planning phase of the action. Particular focus will be put on collecting gender and age disaggregated data as part of the monitoring and evaluation of this action across the set of indicators listed in the log frame. The action set financial inclusiveness as one of its outputs. This implies that financial service providers will conduct periodic market surveys and analysis of MSMEs preferences and behaviors including those owned or led by youth and women. Following the findings of these analysis financial service providers are expected to enhance their services to the needs of these MSMEs. Moreover, a tailored skills training and BDS support for the youth and women will also be arranged to enhance MSMEs owned by these segments. The action aligns with the objectives of the EU Gender Equality Strategy (2020-2025) and the Country Level Implementation Plan (CLIP) of the Gender Action Plan (GAP) III (2021-2025).

Human Rights

Support for the economic recovery of crisis affected micro, small and medium enterprises (MSMEs) will have impact of the livelihood of MSMEs' owners, managers and employees. Further, access to finance as the major component of this action, is a derivative of the right to be free from poverty ensuring globally recognized human rights including access to food, shelter, and health under article 25(1) of the 1984 Universal Declaration of Human Rights (UDHR) adopted by the UN.

Disability

As per OECD Disability DAC codes identified in section 1.1, this action is labelled as D0. This implies that disability is not directly related to the scope of the Action. However, all activities have an inclusive approach for people living with disabilities and other vulnerable groups, which are more exposed to the consequences of the conflict. The Action will ensure that rights of persons with disabilities will be respected, and the planned activities related with training, workshops and others are disability inclusive.

Reduction of inequalities

Ethiopia ranked 130th out of 151 nations in the world according to the 2018 inequality-adjusted Human Development Index (IHDI). The intervention of this action, which takes a comprehensive approach to providing crisis-affected MSMEs with access to finance and general support to business development, is anticipated to contribute to the effort to reduce inequality, especially targeting women and youth.

Democracy

The action will utilize the five principles of participatory, accountability, non-discriminatory, transparency, and legality in the formulation and implementation of the project.

Conflict sensitivity, peace and resilience

Following the Conflict Analysis Screening (CAS) exercise by the EUD to Ethiopia, this action considers the dynamic context where the EU operates. Further, with the signatory of peace agreement on 2 November 2022, the action mainstreams conflict sensitivity to avoid tensions and will focus on conflict affected MSMEs. These MSMEs have lost their working capital, machineries, skilled labour, etc. and are constrained with resources for their recovery. The action will assist in the recovery of these MSMEs to promote job creation and income generation minimizing the risk of conflicts over resources. Simultaneously, the action intends to avoid future economic shocks; minimizing the flux of internally displaced people (IDPs) to neighboring towns; and enhance people's resilience.

Disaster Risk Reduction

As per targets identified in section 1.1 this action is not directly targeting DRR and climate change in its scope. However, the action will consider approaches that enable mainstreaming DRR and climate change during the design and implementation.

Other considerations if relevant

Digitalisation

Digitalisation is one of the tools used as an enabler for the implementation of this action. The digital financial services (DFS) are expected to leap frog access to finance for the recovery of the MSMEs. Moreover MSMEs will receive support to improve their skills and capacities for digital transformation, and be supported through digital means to promote their products and services while financial institutions will be strengthened through technical support in the digitalisation.

Migration / Internal Displacement

The conflict in the north has caused unplanned movement of people from those conflict-affected areas in the north to relatively safer locations within Ethiopia in search of temporary or permanent residence, food, employment opportunities; and other basic social services. In particular, the number of Internally Displaced Persons (IDPs) has increased and is depicted in major regional towns and the capital. Through the intervention of this action, by supporting the economic recovery of MSMEs and strengthening the financial institutions to avail finance, IDPs who have lost their livelihoods may have a chance to reintegrate back to their original place of residences and rebuild on their lost economies through new job opportunities. Moreover, the action will investigate to utilize the Ethiopian diaspora network for mentoring and skills development for tailored BDS provided for the MSMEs while leveraging the network for trade and B2B facilitations.

3.4 Risks and Lessons Learnt

Category	Risks	Likelihood (High/ Medium/ Low)	Impact (High/ Medium/ Low)	Mitigating measures
External	**Economic instability:** due to unstable macroeconomic factors including inflation, exchange rate fluctuation, public debt, crowding out of financial credits for the private sector; and the impact of the conflict; the purchasing power of the population might deteriorate and may discourage MSMEs to enhance productivity.	**H**	**M**	Programme implementation flexibility (choice, sequencing and modalities of activities) in order to adjust to evolving situation; and integrate business development services (BDS), for example, B2B networking/exhibiting (regional/ national/international) to promote products/services and create demand, etc. to ease the risk.
External	**Political instability:** could create unstable situation and hindering access to the target areas of the action. The movement of factors of production (labor/capital/finance), and transportation of goods/services for end users could also be affected. This could delay the implementation of some activities and/or losing economic gains made during the implementation.	**M**	**H**	The programme will develop clear criteria for access to Zones, Woredas and Kebeles which will include a consideration of safety issues and safeguards to these risks. Alternative locations should be pre-identified to quickly adapt implementation if needed. In addition, implementing partners will maintain close relations and communications with government institutions to receive updated information on political instability and access.
External	**Weak financial institutions:** Because of the conflict, affecting infrastructure and skilled manpower, financial service provision may be limited by traditional financial service providers (commercial banks, DBE, MFIs, and saving and credit associations).	**M**	**M**	The action plans to address this risk through its strengthening financial institution component and incorporating digital financial service (DFS) providers.
External	**Limited demand from MSMEs:** being risk averse, MSMEs applications to access finance for their recovery may be below expectation.	**M**	**M**	Providing BDS incentives for MSMEs to consider their financial options and strengthen financial institutions'' capacity to identify potential clients, for example through agent banking and DFS. If MSMEs are not approaching financial institutions, the later proactively approached MSMEs on their service package offers.

Planning, process, and systems	**Coordination issues:** a lack of appropriate coordination with implementing partners of leading to weak integration of the different components of the action to maximize the economic benefits.	**M**	**M**	Strong governance coordination mechanisms will be established, including the utilization of joint consultative meetings, steering committees, work plans, putting result financing at the core among implementing partners.

Lessons Learnt:

This will be the first EU funded Action of its kind in Ethiopia in the finance sector, and as such no internal lessons learnt have been identified. However, one lesson that has been identified in ongoing projects dealing with private sector and agro-industrialisation is the interdependency between the different elements (BDS, Finance, Institutions) and the need for a strong coordination between the different implementing partners. A detailed sequencing and coordination mechanism will therefore be integrated in the individual contracts.

Further, experiences from other partners in the sector (World Bank, Kfw, GIZ, EIB) clearly point to the critical role private sector plays for Ethiopia's growth, in terms of their contribution to jobs, innovation, key role in supply chains, and trade logistics. Not supporting this vital part of the economy will likely mean loss of jobs and a slower path to economic recovery with an increased risk of returning to conflict.

Focusing on female-led MSMEs will have a positive impact on the overall economic performance of the country. According to the World Bank and UN WOMEN studies, addressing this financing gap and investing in women-owned enterprises is one of the highest-return opportunities available in emerging markets. The growth of female-owned enterprises can be a key driver in reducing overall high unemployment rates since unemployment rates among women are higher and since women are more likely to hire other women.

Finally, experiences in neighboring countries have shown that financial inclusion can leapfrog through digitalisation. While Ethiopia has taken its first steps in digitalisation of the financial sector, still a lot needs to be done and a number of activities in this field have been integrated in the proposed action.

3.5 The Intervention Logic

The action aims at restoring the local economy and building the resilience of Micro, Small and Medium Enterprises (MSMEs) that are affected by the crises in Ethiopia with a focus on the North of the Country. It does so by addressing three main areas, namely access to finance, business development services and strengthening financial institutions including digital finance. More specifically:

- ***Improved access to finance*** for MSMEs to resume business in face of destroyed and/or stolen assets and property, by providing e.g. working capital grants/liquidity grants, soft loans, machinery leasing/financing.
- ***Business Development Services (BDS) to improve business skills*** (business planning, financial literacy, marketing skills), including gender-sensitive support for MSME operators through e.g. peer-to-peer learning, business forums, B2B exchanges and creating platforms for the reactivation of social networks. In particular, MSMEs, specifically women and youth, are supported to improve their investment readiness to increase their chances of accessing the financial services (supply), as well as build up sustainable value chain linkages.
- ***Through strengthening financial institutions and working on the supply side constraints*** of financial service providers, the action aims to improve lost traditional capacity of the financial institutions to lend in combination with tech-based Digital Financial Services (DFS) for MSMEs.

In order to allow for a successful implementation, the action assumes political stability and absence of conflict in areas where it is to be implemented, as well as government commitment to enhance access to finance and address the needs of the the private sector.

3.6 Logical Framework Matrix

This indicative logframe constitutes the basis for the monitoring, reporting and evaluation of the intervention.
On the basis of this logframe matrix, a more detailed logframe (or several) may be developed at contracting stage. In case baselines and targets are not available for the action, they should be informed for each indicator at signature of the contract(s) linked to this AD, or in the first progress report at the latest. New columns may be added to set intermediary targets (milestones) for the Output and Outcome indicators whenever it is relevant.

- At inception, the first progress report should include the complete logframe (e.g. including baselines/targets).
- Progress reports should provide an updated logframe with current values for each indicator.
- The final report should enclose the logframe with baseline and final values for each indicator.

The indicative logical framework matrix may evolve during the lifetime of the action depending on the different implementation modalities of this action.
The activities, the expected Outputs and related indicators, targets and baselines included in the logframe matrix may be updated during the implementation of the action, no amendment being required to the Financing Decision.

Results	**Results chain:** **Main expected results**	**Indicators:**	**Baselines (values/years)**	**Targets (values/years)**	**Sources of data**	**Assumptions**
Impact	To restore the local economy and build the resilience of Micro, Small and Medium Enterprises (MSMEs) that are affected by the crises in Ethiopia with a focus on the North of the Country.	1. Average annual income of supported MSMEs. (disaggregated by female vs male owners) 2. Number of jobs supported/sustained. (disaggregated by sex)	1. TBD 2. TBD	1. TBD 2. TBD	• Base line and end line surveys • Progress and final reports • Regional and Woreda Bureaus of Labor and Skills • MSMEs' financial statement.	*Not applicable*
Outcome 1	Increased flow of finance to MSMEs	1.1. Volume of finance flowing to MSMEs from financial service providers. 1.2. MSMEs' share in banks' lending portfolio.	1.1. TBD 1.2. TBD	1.1. TBD 1.2. TBD	• Project progress reports. • Mid-term / end-term evaluation reports.	• Government commit for political stability. • MSMEs' commit to re-open and engage in the intervention action. • Financial service providers show willingness to finance MSMEs.
Outcome 2	Business performance of MSMEs improved	2.1. Number of MSMEs reporting improved business performance. (disaggregated by female vs male led)	2.1. TBD	2.1. TBD	• Base line survey. • Project progress reports. • Mid-term / end-term evaluation reports.	
Outcome 3	Financial institutions, including digital financial services (DFS), strengthened	3.1. Key financial indicators for financial service providers – to do with increased outreach, MSME financing, etc. 3.2. Number of financial products offered for MSMEs. 3.3. Number of financial service providers with increased capacity to leverage an authorized DFS to serve MSMEs.	3.1. TBD 3.2. TBD 3.3. TBD	3.1. TBD 3.2. TBD 3.3. TBD	• Periodic report of financial service providers.	
Results	**Results chain:** **Main expected results**	**Indicators:**	**Baselines (values/years)**	**Targets (values/years)**	**Sources of data**	**Assumptions**

Output 1.1 relating to Outcome 1	1.1. Improved access to finance for MSMEs.	1.1.1. Number of MSMEs reporting having access to finance. (disaggregated by female vs male led). 1.1.2. Number of new appraisal procedures adapted to MSME lending developed based on financial products.	1.1.1. TBD 1.1.2. TBD 1.1.3. TBD	1.1.1. TBD 1.1.2. TBD 1.1.3. TBD	• MSMEs' financial statement. • Project progress reports. • Mid & end term evaluation reports.	• Financial service providers show willingness to finance MSMEs.
Output 2.1 relating to Outcome 2	2.1. Enhanced business skills and technical capacities of MSMEs including youth and women.	2.1.1. Number of MSMEs that have received tailored BDS to improve MSMEs' capacities. (disaggregated by female vs male led) 2.1.2. Number of people (business managers, entrepreneurs) with improved business skills (disaggregated by sex) 2.1.3. Number of MSMEs that have taken measures to improve their access to market, suppliers, strengthen their value chains, diversify their products, etc. (disaggregated by female vs male led) 2.1.4. Number of MSMEs that have improved their financial literacy / skills. (disaggregated by female vs male led)	2.1.1. TBD 2.1.2. TBD 2.1.3. TBD 2.1.4. TBD	2.1.1. TBD 2.1.2. TBD 2.1.3. TBD 2.1.4. TBD	• MSMEs' periodic reports. • Project progress reports.	• MSMEs' commit to re-open and engage in the intervention action.
Output 2.2 relating to Outcome 2	2.2. Improved creditworthiness or investability of MSMEs.	2.2.1. Number of business proposals submitted to financial service providers.(disaggregated by female vs male led) 2.2.2. Number of MSMEs that have improved their creditworthiness / investability (according to pre-defined criteria) (disaggregated by female vs male led) 2.2.3. Number of MSMEs trained and equipped to use digital tools for record keeping and digital financial services for their transactions to enhance their credit worthiness (disaggregated by female vs male led) 2.2.4. Number of digital tools /services (e.g. on social media marketing, e-commerce, B2B networking, etc.) for targeted MSMEs.	2.2.1. TBD 2.2.2. TBD 2.2.3. TBD 2.2.4. TBD	2.2.1. TBD 2.2.2. TBD 2.2.3. TBD 2.2.4. TBD	• Base line survey. • Project progress reports. • MSMEs' periodic reports. • Financial service providers' periodic reports.	

Results	Results chain: Main expected results	Indicators:	Baselines (values/years)	Targets (values/years)	Sources of data	Assumptions
Output 3.1 relating to Outcome 3	3.1. Improved capacity of financial service providers to serve mass market customers, leveraging digital financial services DFS and agent banking network.	3.1.1. Number of financial service providers equipped to provide digital services to MSMEs. 3.1.2. Number of financial service providers that expand their agent network.	3.1.1. TBD 3.1.2. TBD	3.1.1. TBD 3.1.2. TBD	• Project progress reports. • Mid & end term evaluation reports. • Financial service providers' periodic reports.	• Financial service providers shows willingness to finance MSMEs and to enhance operations with technologies and digital means. • NBE enhances the implementation of the credit bureau and credit information system.
Output 3.2 relating to Outcome 3	3.2. Improved value proposition of financial service providers to MSMEs.	3.2.1. Number of demand-driven DFS enabled financial service products for MSMEs. 3.2.2. Diversified and increased loan book of financial service providers (banks and MFIs). 3.2.3. Number of partnership agreements signed among financial service actors.	3.2.1. TBD 3.2.2. TBD 3.2.3. TBD	3.2.1. TBD 3.2.2. TBD 3.2.3. TBD	• Project progress reports. • Financial service providers' periodic reports.	
Output 3.3 relating to Outcome 3	3.3. Enhanced inclusiveness of financial services in serving the needs of MSMEs including youth and women.	3.3.1. Number of periodic project implementation and MSMEs' market survey analysis and gender-analysis reports. 3.3.2. Percentage of MSMEs whose credit history is recorded digitally. 3.3.3. Number of de-risking guarantee facilities established.	3.3.1. TBD 3.3.2. TBD 3.3.3. TBD	3.3.1. TBD 3.3.2. TBD 3.3.3. TBD	• Financial service providers' periodic reports. • NBE report on credit bureau and credit information system.	

4 IMPLEMENTATION ARRANGEMENTS

4.1 Financing Agreement

In order to implement this action it is not envisaged to conclude a financing agreement with the Federal Democratic Republic of Ethiopia.

4.2 Indicative Implementation Period

The indicative operational implementation period of this action, during which the activities described in section 3 will be carried out and the corresponding contracts and agreements implemented, is 60 months from the date of adoption by the Commission of this Financing Decision.

Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this Financing Decision and the relevant contracts and agreements.

4.3 Implementation of the Budget Support Component

N/A

4.4 Implementation Modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures[8].

4.4.1 Indirect Management with an entrusted entity

A part of this action may be implemented in indirect management with Kreditanstalt für Wiederaufbau (KFW).

This implementation entails ***output 1.1. (Increased flow of financing to MSMEs including youth and women).***

The envisaged entity has been selected using the following criteria:

- Financing and promotional services aligned with the UN Agenda 2030 and contribute to the achievement of the Sustainable Development Goals (SDGs).
- Experience in effectively exercising or planning to undertake activities within the field of development finance for the private sector in countries outside the European Union.
- Technical competencies in managing over EUR 20 000 000 in private sector development programmes in developing countries.
- Working experience in Africa, if possible in Ethiopia with government institutes, donor agencies, local development and commercial banks, and private sector.

In case the envisaged entity would need to be replaced, the Commission's services may select a replacement entity using the same criteria. If the entity is replaced, the decision to replace it needs to be justified.

4.4.2 Indirect Management with an entrusted entity

A part of this action may be implemented in indirect management with the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ).

[8] www.sanctionsmap.eu. Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

This implementation entails ***output 2.1.–2.2. (Enhanced business skills of MSMEs including youth and women and improved creditworthiness of MSMEs).***

The envisaged entity hasbeen selected using the following criteria:

- Financing and promotional services aligned with the UN Agenda 2030 and contribute to the achievement of the Sustainable Development Goals (SDGs).
- Experience in effectively exercising or planning to undertake activities within the field of development finance for the private sector in countries outside the European Union
- Technical competencies in managing over EUR 5 000 000 in private sector development programmes in developing countries.
- Working experience in Africa, if possible in Ethiopia with government institutes, donor agencies, local development and commercial banks, and private sector in the area of private sector development.

In case the envisaged entity would need to be replaced, the Commission's services may select a replacement entity using the same criteria. If the entity is replaced, the decision to replace it needs to be justified.

4.4.3 Indirect Management with an entrusted entity

A part of this action may be implemented in indirect management with UN Capital Development Fund (UNCDF).

This implementation entails ***output 3.1 to 3.3 (Improved capacity of financial service providers to serve mass market customers, leveraging digital financial services DFS and agent banking network; Improved value proposition of financial service providers to MSMEs; Enhanced inclusiveness of financial services in serving the needs of MSMEs including youth and women).***

The envisaged entity has been selected using the following criteria:

- The entity contributions align with the UN Agenda 2030 and SDGs, primarily to SDG 1, with a focus on reaching the last mile and addressing exclusion and inequalities of access, and SDG 17, with a focus on unlocking public and private finance for the poor at the local level.
- Technical competencies in managing over EUR 5 000 000 in digital financial service provision development programmes in developing countries.
- Implementing EU funded projects in Africa including Ethiopia.

In case the envisaged entity would need to be replaced, the Commission's services may select a replacement entity using the same criteria. If the entity is replaced, the decision to replace it needs to be justified.

4.5 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply.

The Commission's authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of services in the markets of the countries or territories concerned, or in other duly substantiated cases where application of the eligibility rules would make the realization of this action impossible or exceedingly difficult (Article 28(10) NDICI-Global Europe Regulation).

4.6 Indicative Budget

Indicative Budget components	**EU contribution (amount in EUR)**	**Third-party contribution, (amount in EUR)**
Implementation modalities – cf. section 4.4		

Output 1.1 Increased flow of financing to MSMEs including youth and women composed of	**24 000 000**	
Indirect management with an entrusted entity - cf. section 4.4.1	24 000 000	
Output 2.1 – 2.2 Enhanced business skills of MSMEs including youth and women and improved creditworthiness of MSMEs composed of	**1 000 000**	**6 000 000**
Indirect management with an entrusted entity- cf. section 4.4.2	1 000 000	6 000 000
Output 3.1 to 3.3 Improved capacity of financial service providers to serve mass market customers, leveraging digital financial services DFS and agent banking network; Improved value proposition of financial service providers to MSMEs; Enhanced inclusiveness of financial services in serving the needs of MSMEs including youth and women composed of	**5 000 000**	
Indirect management with an entrusted entity - cf. section 4.4.3	5 000 000	
Evaluation – cf. section 5.2 **Audit** – cf. section 5.3	May be covered by another decision	N.A.
Totals	**30 000 000**	**6 000 000**

4.7 Organisational Set-up and Responsibilities

This action will have two level steering committees: (1) an overall Project Steering Committee (PSC); and (2) Project Component Specific Steering Committee (PCSSC) aligned with the implementation modalities of this action, mainly contribution agreement (cf. section 4.4.1 – 4.4.3).

The PSC is the highest governing body of this action and will be composed of the European Union, and a representative from the three PCSSC and EU Member State finance entities(NL, DE). It will meet quarterly to discuss on project progress; challenges; opportunities; communication gaps/strength; any recurring events affecting the project implementation; and solutions.

The three PCSSCs will oversight the implementation of project activities to ensure deliverables (outputs). It will be composed of the implementing partners as well as the relevant stakeholders. Each PCSSCs will have every two-month meeting with the business manager(s) for early detections of challenges and measures to take.

As part of its prerogative of budget implementation; and to safeguard the financial interests of the Union, the Commission may participate in the above governance structures set up for governing the implementation of the action and may sign or enter into joint declarations or statements, for the purpose of enhancing the visibility of the EU and its contribution to this action and ensuring effective coordination.

5 PERFORMANCE MEASUREMENT

5.1 Monitoring and Reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process, and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (Outputs and direct Outcomes) as measured by corresponding indicators, using as reference the logframe matrix (for project modality).

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

All monitoring and reporting shall assess how the action is considering the principle of gender equality, human rights-based approach, and rights of persons with disabilities including inclusion and diversity indicators shall be disaggregated at least by sex.

Roles and responsibilities for data collection, analysis and monitoring:

Some of the data will be drawn from surveys made by the government, UN Agencies, or World Bank, while other data will have to be provided by implementing partners. Details are referred to in the logframe.

5.2 Evaluation

Having regard to the importance of the action, a mid-term or final evaluation(s) may be carried out for this action or its components through a joint mission with one or several implementing partners.

A mid-term evaluation will be carried out for problem solving and learning purposes, in particular with respect to the effectiveness and complementarity of the action with other initiatives.

A final evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that progress on issues tackled under this Action are part of an ongoing process.

The evaluations will assess to what extent the action is taking into account the human rights-based approach and how it contributes to gender equality and women's empowerment. Expertise on human rights and gender equality will be ensured in the evaluation teams.

The Commission shall inform the implementing partner at least one month in advance of the dates envisaged for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports may be shared with the partners and other key stakeholders following the best practice of evaluation dissemination[9]. The implementing partner and the Commission shall analyses the conclusions and recommendations of the evaluations and, where appropriate, apply the necessary adjustments.

The financing of the evaluation may be covered by another measure constituting a Financing Decision.

5.3 Audit and Verifications

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audit or verification assignments for one or several contracts or agreements.

6 STRATEGIC COMMUNICATION AND PUBLIC DIPLOMACY

The 2021-2027 programming cycle will adopt a new approach to pooling, programming and deploying strategic communication and public diplomacy resources.

In line with the 2022 "Communicating and Raising EU Visibility: Guidance for External Actions", it will remain a contractual obligation for all entities implementing EU-funded external actions to inform the relevant audiences of the Union's support for their work by displaying the EU emblem and a short funding statement as appropriate on all communication materials related to the actions concerned. This obligation will continue

[9] See best practice of evaluation dissemination

to apply equally, regardless of whether the actions concerned are implemented by the Commission, partner countries, service providers, grant beneficiaries or entrusted or delegated entities such as UN agencies, international financial institutions and agencies of EU member states. However, action documents for specific sector programmes are in principle no longer required to include a provision for communication and visibility actions promoting the programmes concerned. These resources will instead–be consolidated in Cooperation Facilities established by support measure action documents, allowing Delegations to plan and execute multiannual strategic communication and public diplomacy actions with sufficient critical mass to be effective on a national scale.

Appendix 1 REPORTING IN OPSYS

A Primary Intervention (project/programme) is a coherent set of activities and results structured in a logical framework aiming at delivering development change or progress. Identifying the level of the primary intervention will allow for:

Articulating Actions or Contracts according to an expected chain of results and therefore allowing them to ensure efficient monitoring and reporting of performance;

Differentiating these Actions or Contracts from those that do not produce direct reportable development results, defined as support entities (i.e. audits, evaluations);

Having a complete and exhaustive mapping of all results-bearing Actions and Contracts.

Primary Interventions are identified during the design of each action by the responsible service (Delegation or Headquarters operational Unit).

The level of the Primary Intervention chosen can be modified (directly in OPSYS) and the modification does not constitute an amendment of the action document.

The intervention level for the present Action identifies as:

Contract level		
☒	Single Contract 1	Indirect management with an entrusted entity - cf. section 4.4.1 (EUR 24 000 000)
☒	Single Contract 2	Indirect management with an entrusted entity- cf. section 4.4.2 (EUR 1 000 000)
☒	Single Contract 3	Indirect management with an entrusted entity- cf. section 4.4.3 (EUR 5 000 000)