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**THIS ACTION IS FUNDED BY THE EUROPEAN UNION**

**ANNEX III**

to the Commission Implementing Decision on the financing of the annual action plan in favour of the Asia-Pacific region for 2023 part 2

**Action Document for SWITCH-Asia Programme - Promoting Sustainable Consumption and Production (Support to the greening of value-chains)**

**ANNUAL PLAN**

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**

<b>1. Title CRIS/OPSYS business reference Basic Act</b>	<b>SWITCH-Asia - Promoting Sustainable Consumption and Production (Support to the greening of value-chains)</b> <b>OPSYS number: ACT-62118</b> Financed under the Neighbourhood, Development and International Cooperation Instrument (NDICI-Global Europe).
<b>2. Team Europe Initiative</b>	No
<b>3. Zone benefiting from the action</b>	The action shall be carried out in the following regions: Asia and the Pacific.
<b>4. Programming document</b>	Regional Multiannual Indicative Programme for Asia-Pacific for the period 2021-2027
<b>5. Link with relevant MIP objectives / expected results</b>	Priority area 1 – Regional integration and cooperation SO 2 – Greener economies through more sustainable consumption and production ER 2.1: Partners in Asia and the Pacific establish and implement sustainable consumption and production (SCP) national action plans or mainstream SCP in national policies
<b>PRIORITY AREAS AND SECTOR INFORMATION</b>	
<b>6. Priority Area(s), sectors</b>	Green Economy, Environment, Climate Change, Regional integration and cooperation.
<b>7. Sustainable Development Goals (SDGs)</b>	Main SDG (1 only): SDG 12 – Responsible Consumption and Production Other significant SDGs targets: SDG 13: Climate Action, SDG 8: Decent work and Economic Growth, SDG 9: Industry, Innovation and Infrastructure, SDG 7: Affordable and Clean Energy, SDG11: Sustainable Cities and Communities, SDG5: Gender equality and women’s empowerment.
<b>8 a) DAC code(s)</b>	32120 - Industrial development (50%) 41010 - Environmental policy and administrative management (50%)

<b>8 b) Main Delivery Channel</b>	51000 - University, college or other teaching institution, research institute or think-tank, business intermediaries			
<b>9. Targets</b>	<input type="checkbox"/> Migration <input checked="" type="checkbox"/> Climate <input checked="" type="checkbox"/> Social inclusion and Human Development <input type="checkbox"/> <input checked="" type="checkbox"/> Gender  <input checked="" type="checkbox"/> Biodiversity <input type="checkbox"/> Education <input type="checkbox"/> Human Rights, Democracy and Governance			
<b>10. Markers (from DAC form)</b>	<b>General policy objective @</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>
	Participation development/good governance	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Aid to environment @	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Gender equality and women's and girl's empowerment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Reproductive, maternal, new-born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Disaster Risk Reduction @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Inclusion of persons with Disabilities @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Nutrition @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<b>RIO Convention markers</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>
	Biological diversity @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Combat desertification @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation @	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Climate change adaptation @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>11. Internal markers and Tags</b>	<b>Policy objectives</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>
	Digitalisation @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	digital connectivity digital governance digital entrepreneurship digital skills/literacy digital services	<b>YES</b> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<b>NO</b> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	/
	Connectivity @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	digital connectivity energy transport	<b>YES</b> <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/>	<b>NO</b> <input checked="" type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/>	/

	health education and research	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	Migration @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reduction of Inequalities @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Covid-19	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<b>BUDGET INFORMATION</b>				
<b>12. Amounts concerned</b>	Budget lines: <ul style="list-style-type: none"> <li>• Budget line 14.020131: EUR 20 000 000 (South and East Asia)</li> <li>• Budget line 14.020132: EUR 4 000 000 (Pacific)</li> </ul> Total estimated cost: EUR 24 000 000 Total amount of EU budget contribution EUR 24 000 000			
<b>MANAGEMENT AND IMPLEMENTATION</b>				
<b>13. Type of financing<sup>1</sup></b>	<b>Direct management</b> through: - Grants			

## 1.2 Summary of the Action

The coronavirus pandemic and the recent war in Ukraine caused **unprecedented socio-economic impacts testing the resilience of societies and economies and disrupting Global Value Chains (GVC)**. In addition, natural catastrophes such as floods and droughts heavily affected the development of many countries (Pakistan, Indonesia, Philippines, Bangladesh, Kiribati, Fiji, just to name few) and accelerated the need to urgently address the causes and effects of climate change and consider models of economic growth decoupled from environmental degradation.

**Micro-small and medium-sized enterprises (MSMEs) are the backbone of economies and the engine of growth in the Asia-Pacific region.** Overall in the region, they comprise 98% of enterprises contributing from about 17% to national GDP in the low-income countries to about 40 to 50% in the countries like Malaysia. MSMEs have generated the largest number of employment opportunities, second only to agriculture, employing more than 50% of the workforce.

In this regard, at the recent United Nations Framework Convention on Climate Change (UNFCCC/ COP 27) in Egypt in November 2022, the international community acknowledged “*the importance of the transition to sustainable lifestyles and sustainable patterns of consumption and production to address climate change*”<sup>2</sup> as well as **the key role played by the private sector in this transition.** In addition, the **Kunming-Montreal Global Biodiversity Framework** adopted in December 2022 also includes relevant targets to notably reduce pollution (target 7), to **encourage and enable businesses to reduce their negative impacts on biodiversity** (target 15), to establish frameworks to encourage people to make sustainable consumption choices, including through reducing overconsumption and waste generation, notably food waste (target 16) to which this Action will contribute.

According to research by the Ellen Macarthur Foundation, 45% of the carbon emission reductions will need to come from the Circular Economy transition, in order to reach the 2050 targets. In this context, it is important to recognise that the extraction, processing, and manufacturing (including final consumption and recycling and/or disposal) of goods and services accounts for close to 50% of the Worlds carbon emission, which highlights the importance of supporting MSMEs (being the backbone of production) in greening their businesses. Furthermore, companies adopting a greener business concept are likely to also invest in renewable energy solutions or apply

<sup>1</sup> Art. 27 NDICI

<sup>2</sup> [https://unfccc.int/sites/default/files/resource/ICMA4\\_ICMP17\\_ICOP27\\_preliminary\\_draft\\_text.pdf](https://unfccc.int/sites/default/files/resource/ICMA4_ICMP17_ICOP27_preliminary_draft_text.pdf)

measures for better energy efficiency. Overall, 70% of all global greenhouse gas emissions are related to material handling and use. So, unless we radically transform how we use materials to satisfy our needs, we cannot meaningfully cut emissions<sup>3</sup>.

**Since 2007, the EU launched the “SWITCH-Asia Programme” aiming at supporting the transition of energy-intensive and high polluting industries in the Asia-Pacific region such as plastics and waste, textiles and leather, agri-food and beverage (most of which are women-oriented sectors).**

Over the last 15 years, the programme has supported over 500 organisations in the region and provided technical assistance to more than 20 countries across Asia in adopting national plans on circular economy and sustainable production, green building codes and frameworks for alternative non-plastics packaging. Successful examples, among others, include the reduction of marine litter in the South Asia Sea, the integration of green technologies in the tanning processing in India and of monitoring, reporting and verification frameworks in the garment sector in Cambodia and a National Standard for Sustainable Textile Production in Mongolia.

The 2022’s review of projects funded by the programme so far showed a clear alignment between projects and EU policies supported under the EU Green Agenda. 63% of completed projects reported quantitative data on the adoption of SCP practices by business units and about 43.000 companies engaged in activities through organisations implementing SWITCH-Asia grants reported the adoption of SCP practices. 27.000 MSMEs engaged in the 31 projects focusing on sustainability standards certifications declared having integrated them as a regular practice. Finally, the 39 projects specifically focusing on CO<sub>2</sub>e emission reduction reported to have collectively saved about 25.867.552 t CO<sub>2</sub>e.

Based on this successful experience as of 2023 the programme entered its Phase III being **extended to additional countries in the Pacific**, raising the ambitions of the EU to support small island countries and fragile States in integrating more sustainable GVCs.

During the Phase III, the SWITCH-Asia programme will be structured around two components: (i) the **“Policy Support Component”** (Commission Implementing Decision C(2021)9580 adopted on 16/12/2021) providing direct support to national Governments and regional organisations, complementing bilateral actions and strengthening policy dialogues with policy-makers regionally; and (ii) the **“Grants Scheme” component (corresponding to this specific AAP/Action)** aiming at supporting the green transition of export-led value-chains across the region ensuring that financial instruments available in the market may respond to the real needs of MSMEs and that consumers are capacitated in their choices and protected from greenwashing

This specific Action will support **priorities of the Global Gateway** by strengthening the resilience and integration of value chains **and promoting EU interests and values** by ensuring that supply chains of EU companies in third countries may comply with EU standards and norms (avoiding the disruption of EU value chains in the long term) and in ensuring the import of more sustainable products to the EU market. The Action will also help in countering the perception in partner countries that standards are protectionist measures and it will help demonstrating that investing in the transition to more sustainable and circular models and higher standards both in production processes and in products will instead in the long term allow the private sector in these countries to be part of relevant GVC supporting also their internal economic development.

The Action will also **directly support the implementation of the external dimension of the European Green Deal** such as the Farm to Fork Strategy, the EU Strategy for Sustainable Textiles, the EU Consumer Agenda, the Green Deal Industrial Plan, the Net Zero Industrial Act, the Circular Economy Action Plan and related initiatives, among which the EU Ecodesign for sustainable product Regulation, the Directive on Corporate Sustainability Due Diligence (CS3D), the Packaging and Packaging Waste Directive , upcoming actions on the unintentional release of microplastics, legislations on the Right-to-Repair, the Green Claim Initiative, just to name few. Important links exist also with the **EU Trade Policy**, the programme will notably advise chapters on Trade and Sustainable Development (TSD) as well as activities under the Free Trade Agreements (FTA) – and related Sustainable Food Systems (SFS) Chapters, when existing.

In addition, policy and regulatory aspects of the **EU Deforestation Regulation (EUDR)** will eventually be considered in activities implemented by the Policy Support Component of the programme, while projects

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<sup>3</sup>[https://www.circularity-gap.world/2022?gclid=CjwKCAjwiOCgBhAgEiwAjuv5whAIKggR55gzKqmU24h8R7RFmYkS3s\\_5KMUcsRC7Gb91aujDn9Si5DRoC4TEQAvD\\_BwE#Emissions-x-ray](https://www.circularity-gap.world/2022?gclid=CjwKCAjwiOCgBhAgEiwAjuv5whAIKggR55gzKqmU24h8R7RFmYkS3s_5KMUcsRC7Gb91aujDn9Si5DRoC4TEQAvD_BwE#Emissions-x-ray)

eventually selected under this Action will rather support deforestation-free products and processes. The programme will consider also how to address future priorities of the **European Carbon Border Adjustment Mechanism (CBAM)**<sup>4</sup> shall this mechanism focus on economic sectors supported by the programme.

This Action will also underpin goals of **several EU regional strategies** such as the Indo-Pacific Strategy and the EU-ASEAN Partnership (including its Plan of Action 2023-2027). It will **contribute mainly to the achievement of the SDG12** (Sustainable Consumption and Production) **and SDG13** (climate change), while supporting the specific targets of SDG7 (clean energy), SDG8 (decent work & economic growth), SDG9 (industry, innovation and infrastructure), SDG11 (sustainable cities and communities).

Finally, by engaging directly with financial institutions, this Action will ensure links with proposals under the Window 2 of the **European Fund for Sustainable Development Plus (EFSD+)** and ideally create a pipeline of bankable projects for financial institutions.

## 2 RATIONALE

### 2.1 Context

This Action builds the previous phase of the SWITCH-Asia programme and it aims at adapting its focus to respond to the new challenging economic and geopolitical context – such as the **disruption of Global Value Chains** and the **rise of energy prices** due to the war in Ukraine and the COVID-pandemic. In addition, natural catastrophes such as floods and droughts accelerated the need to urgently address the causes and effects of climate change. **At the recent COP-27 in Egypt, the international community agreed on the importance to move from linear to circular and more sustainable consumption and production patterns.**

SWITCH-Asia positions itself exactly at the intersection of all these aspects and provides the EU with the opportunity to engage directly with organisations in partner countries to **underpin goals of the UN Agenda 2030** and support the **relevant EU policies and strategies.**

In line with the **principles of the Global Gateway and the EU Green Deal**, this Action aims at strengthening the resilience and integration of value-chains between Europe and the region. It will also **contribute to regional strategies in the Indo-Pacific, the EU-ASEAN Strategic Partnership** as well as **to the implementation of the Green Team Europe Initiative (TEI) in Partnership with ASEAN/South-East Asia (incl. supporting dialogue with stakeholders of the ASEAN Circular Economy Platform supported by the EU programme E-READI), to the EU-Pacific Green-Blue Alliance TEI and to bilateral TEIs** in Cambodia, Philippines, Indonesia and Mongolia (most of which emerging directly from actions previously supported by the programme) and to the EU-India Resource Efficiency and Circular Economy Partnership.

A first Action was adopted in December 2021<sup>5</sup> and concerned the launch of its Policy Support Component, which builds on the previous Facility and provides direct supports to Governments in the region through technical assistance and policy dialogues. **This Action concerns the second AAP under the SWITCH-Asia programme and aims at supporting the uptake of more sustainable consumption and production practices within the private sector and consumers in the region.**

The implementation of this Action will require the **launch of a Call for Proposals of a total budget of EUR 24M.** The last Call was launched in November 2020<sup>6</sup> and selected projects started in January 2022. There are currently 43 ongoing projects across 18 Asian countries. Their activities will continue until 2025-2026. The Call will encourage proposals **to address environmental and climate change concerns from a “multi-country perspective”** to ensure the coverage of relevant parts of value chains and increase the ticket-size of the pipeline of projects to be proposed to financial institutions, thus meeting one of the basic requirements of their financial mechanisms (i.e. the size of the project to be funded).

Finally, yet importantly, this Action will **contribute to the efforts of global investments under the Window 2 of the European Fund for Sustainable Development Plus (EFSD+)** by creating a pipeline of bankable projects for the green transition of MSMEs in the region. In this regard, the Call will therefore **encourage proposals to**

<sup>4</sup> Sectors currently considered by this mechanism are cement, iron and steel, aluminium, fertilisers, electricity and hydrogen.

<sup>5</sup> Commission Implementing Decision C-2021/9580

<sup>6</sup> EuropeAid/170427/DH/ACT/Multi

**associate financial institutions** to their actions (as affiliated entities, thus not receiving direct funds) in order to advise them and ensure that their investment mechanisms will respond to the real needs of the transition of the private sector to low carbon and resource efficiency models.

#### **Alignment to main EU green policy priorities: the EU Green Deal.**

This Action concretely aims at **timely supporting the ongoing recovery** in a direction consistent with the external dimension of the **European Green Deal**, the **achievements of the UN Agenda 2030** and **EU geopolitical strategies**.

The **European Green Deal**, the **Industrial Strategy for Europe**<sup>7</sup>, and the **Trade Policy Review**<sup>8</sup>, declare the EU commitment to the transformation of value chains by promoting new standards for sustainable growth. In the proposal for **Corporate Sustainability Due Diligence Directive**<sup>9</sup> the EU is working towards mandatory horizontal due diligence for companies to promote the respect for human rights and the protection of the environment along the global value chains, expanding on the voluntary approach set by the OECD Due Diligence Guidance for Responsible Business Conduct and the United Nations Guiding Principles on Business and Human Rights<sup>10</sup>. As well as having a positive impact on human rights and the environment, mandatory European human rights and environmental due diligence legislation would contribute to a level playing field for all companies operating in the EU market.

**In line with the NDICI-Global Europe**<sup>11</sup>, this Action contributes to the Union's commitments to Planet's targets by "*promoting resource efficiency and sustainable consumption and production, in particular throughout the entire supply chain, towards the transition to a circular economy, including by curbing the use of natural resources financing conflicts, and by supporting compliance by stakeholders with relevant initiatives*". It will also contribute to the Specific Objective 2 "Greener economies through more sustainable consumption and production" of the Priority Area 1 (Regional integration and cooperation) of the **Regional MIP for Asia-Pacific (2021-2027)** to implement sustainable consumption and production in national policies.

This Action contributes specifically to the implementation of the external dimension of the **EU Circular Economy Action Plan (CEAP)**<sup>12</sup>, the **Farm to Fork Strategy**<sup>13</sup> as well as the **EU Zero-Pollution Action Plan**<sup>14</sup>, while also indirectly contributing to the objectives of the **EU Biodiversity Strategy 2030**<sup>15</sup>, the **EU Forest Strategy for 2030**<sup>16</sup> as well as the **EU external energy engagement in a changing world**<sup>17</sup>. The programme contributes to discussions and possible participation of partner countries to the **Global Alliance on Circular Economy and Resource Efficiency (GACERE)**<sup>18</sup> and to ongoing negotiations on the **Global Agreement on Plastics**<sup>19</sup>. These strategies all highlight the benefits of a global transition to greener and more circular business models for both goods and services, which would generate fairer economic returns to all actors of the value chain. In this context, it is important to note that 70% of all global greenhouse gas emissions are related to material handling and use. So, unless we radically transform how we use materials to satisfy our needs, we cannot meaningfully cut emissions. The strategies also highlight the importance of the promotion of deforestation-free products and more sustainable food processing, of setting ambitious global standards for products in the market, reducing food loss and waste and supporting the uptake of alternative packaging. Likewise, they highlight the importance of empowering consumers in their daily purchasing choices and promoting economies to be less dependent on natural resources, and to pay

<sup>7</sup> [https://ec.europa.eu/info/strategy/priorities-2019-2024/europe-fit-digital-age/european-industrial-strategy\\_en](https://ec.europa.eu/info/strategy/priorities-2019-2024/europe-fit-digital-age/european-industrial-strategy_en)

<sup>8</sup> [https://trade.ec.europa.eu/doclib/docs/2021/february/tradoc\\_159438.pdf](https://trade.ec.europa.eu/doclib/docs/2021/february/tradoc_159438.pdf)

<sup>9</sup> [Proposal for a Directive on corporate sustainability due diligence and annex \(europa.eu\)](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32021R0947&from=EN)

<sup>10</sup> <https://www.oecd.org/investment/due-diligence-guidance-for-responsible-business-conduct.htm>

<sup>11</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32021R0947&from=EN>

<sup>12</sup> COM(2020) 98 final, SWD(2020) 100 final – "A new Circular Economy Action Plan For a cleaner and more competitive Europe"

<sup>13</sup> COM(2020) 381 final – "From Farm to Fork Strategy"

<sup>14</sup> [https://ec.europa.eu/environment/pdf/zero-pollution-action-plan/communication\\_en.pdf](https://ec.europa.eu/environment/pdf/zero-pollution-action-plan/communication_en.pdf)

<sup>15</sup> COM(2020) 380 final – "EU Biodiversity Strategy for 2030"

<sup>16</sup> COM(2021) 572 final – "New EU Forest Strategy for 2030"

<sup>17</sup> [eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52022JC0023&from=EN](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52022JC0023&from=EN)

<sup>18</sup> [https://ec.europa.eu/environment/international\\_issues/gacere.html](https://ec.europa.eu/environment/international_issues/gacere.html).

<sup>19</sup> [https://ec.europa.eu/environment/topics/plastics/global-action-plastics\\_fr](https://ec.europa.eu/environment/topics/plastics/global-action-plastics_fr)

more attention to the protection of the environment and avoid biodiversity loss related to production.

Finally, this Action is aligned with the UNFCC Gender Action Plan and the ASEAN Community Vision 2025 and its gender equality policy. It will contribute to the **EU Gender Action Plan (GAP) III**<sup>20</sup> and of the **Gender Equality Strategy**<sup>21</sup>, particularly to the thematic area of engagement “*Addressing the challenges and harnessing the opportunities offered by the green transition and the digital transformation (climate change and environment)*”.

### **The importance to support environmentally sustainable GVCs: the Global Gateway.**

This Action will underpin goals of the **Global Gateway** to promote EU standards and norms in third countries as well as more resilient and integrated value chains between the region and the EU.

Value chains are defined<sup>22</sup> as (i) a set of interdependent economic activities that add value to a product, process or service and (ii) a group of interlinked economic actors that operate in a strategic network that includes firms of different sizes, sectors, and countries. According to the OECD, value chains are a substantial component of international trade. Today, about 70% of international trade involves global value chains (GVCs), with services, raw materials, parts, components, data and information crossing borders.

The impact of the globalisation in the 1980s and 1990s was positive for the economies in many countries, especially developing ones. However, the unsustainable production models have progressively put pressure on natural eco-systems. It has become progressively clearer that **GVCs should be made more sustainable from a social and environmental point of view**. Indeed, in the absence of appropriate rules and regulatory mechanisms, businesses might benefit from poor working conditions in developing countries, hinder social inclusiveness and take advantage of low environmental standards. Furthermore, the financial crisis of 2008-2009 and the COVID-19 pandemic have exposed how value chains can be naturally vulnerable to disruptions. Against the backdrop of **the COVID-19 pandemic, there have been radical changes in the way GVCs operate globally. There is now more attention being paid to the environment, sustainability and governance of GVCs.**

Sustainability today is no longer simply about increasing efficiencies or complying with regulations. It is about making fundamental changes in the way business is done and the way the world consumes. Results can only be achieved rethinking business models and value chains and designing new consumption patterns. In this regard, **this Action will tackle both production and consumption challenges in the region**, by reducing the negative impacts of the rapid economic growth in these countries which came at a cost of increased use of natural resources, growing GHG emissions and amounts of waste and by promoting sustainable and environmental-friendly practices among consumers.

### **Alignment to main EU regional strategies.**

The Action is aligned with the policy priorities of several EU strategies and partnerships: the **EU Strategy for cooperation in the Indo-Pacific**, emphasising the common task of addressing the devastating human and economic effects of the COVID-19 crisis and the need to ensure a sustainable and inclusive socio-economic recovery, the recent **EU-ASEAN Strategic Partnership**<sup>23</sup> encouraging the cooperation between the EU and ASEAN Member States on sustainable consumption and production and the support of green growth; the **EU-India Resource Efficiency and Circular Economy Partnership** adopted at the EU-India Summit in July 2020 and the **EU-India Roadmap 2025**.

## 2.2 Problem Analysis

### **Short problem analysis:**

In the Asia-Pacific region, MSMEs are the backbone of the economy being the largest job creators and employers. However, some industrial sectors, dominated by MSMEs, such as fashion<sup>24</sup>, are also largely responsible for the

<sup>20</sup> [https://ec.europa.eu/commission/presscorner/detail/en/IP\\_20\\_2184](https://ec.europa.eu/commission/presscorner/detail/en/IP_20_2184)

<sup>21</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52020DC0152&from=EN>

<sup>22</sup> “Strategic Value Chains: Towards a resilient and sustainable post-pandemic recovery”, CEPS (2021) [https://www.ceps.eu/download/publication/?id=33606&pdf=Strategic-Value-Chains\\_CEPS-TF-WGR.pdf](https://www.ceps.eu/download/publication/?id=33606&pdf=Strategic-Value-Chains_CEPS-TF-WGR.pdf)

<sup>23</sup> <https://www.consilium.europa.eu/en/press/press-releases/2020/12/01/co-chairs-press-release-of-the-23rd-asean-eu-ministerial-meeting/>

<sup>24</sup> <https://www.europarl.europa.eu/news/en/headlines/society/20201208STO93327/the-impact-of-textile-production-and-waste-on-the-environment-infographic>

pollution of water, air and soil due to their unsustainable production models, due to their unsustainable (and unmanaged) production processes or waste management. Recent studies<sup>25</sup> show that business commercial activities and industrial outputs are a major contributor to greenhouse gas emissions in the region. **Traditionally, most carbon-reduction efforts in the business sector have been focused on large-scale corporations,** multinational companies and on firms in heavy industries, with specific support to by policymakers and regulators the broader MSME sector to help their green/sustainability transition. .

**The United Nations Framework Convention on Climate Change (UNFCCC) has now begun to argue that private sector action, including ones of MSMEs, will be critical in addressing climate change.** As a matter of fact, MSMEs can contribute to the protection of the climate, environment, and biodiversity through their products, services, and business practices. Some MSMEs in the region, particularly in the export-oriented sectors, already focus on reducing the environmental footprint of their production process (e.g. resource-efficient processes) or offer green products and services (e.g. renewable energy products) **but the majority of them are still lagging behind.**

The new EU directives and regulations, notably the Corporate Sustainability Reporting Directive (CSRD) and Corporate Sustainability Due Diligence Directive (CS3D) will require EU companies and non-European companies with substantial activity in the EU market to report on higher socio-environmental sustainability standards and conduct human rights and environmental due diligence. MSMEs established outside the region may be indirectly affected as part of the European supply chains.

**Engaging with the private sector in partner countries and support directly their MSMEs in the transition to more sustainable and circular production processes and in complying with high European and global standards will be crucial** to avoid the disruption of Global Value Chains and ensuring their resilience as well as limiting negative socio-economic impacts especially in fragile countries or in those already affected by a high internal debt.

This transition will be possible only by de-risking the testing of sustainable production practices through public funding (grants) to increase the flow of capitals and investments to MSMEs to integrate green practices and establishing a structural dialogue with financial institutions in order for them to align their mechanisms to the real needs of MSMEs in terms of access to finance.

Finally, **consumers also play a very important role in making responsible decisions affecting the market.** Provide consumers with a better information about the environmental sustainability of products they purchase and protecting them against greenwashing will be decisive for them to play a key role in the green transition.

In line with the Global Gateway European, the EU Green Deal, and reflecting regional challenges, **the following value-chains will be prioritised:** textiles and leather, agri-food, building and construction, plastics with particular focus on plastic packaging and electronics. These sectors are not only the most energy-intensive in the region, but also the most polluting ones due to their industrial processes. Most of these sectors are export-led industries which account for a large share of the economies of countries in the region. Additional sectors will be considered as specific needs will arise.

- **Textiles and leather:** the sector highly contributes to the increase of global greenhouse gas emissions due to its long supply chains and energy intensive production, including energy and material-intensive processes in which large amounts of water and chemicals are used. It represents one of the major job providers in the region, accounting for around 80% of total export revenue in Bangladesh and Cambodia, while over 50% in Pakistan. The majority of employees are women, most of which highly exposed to harmful products and to long and irregular working hours.
- **Food sector (incl. agri-food and fishing):** while agri-food sectors sustain livelihoods of major part of the population in the region, its energy and water-intensive processing, the use of large quantities of non-environmentally friendly packaging, and a very significant amount of food loss/ waste makes it one of the most polluting and emitting economic sectors. In most cases, they are poorly paid and are required to work long hours also in post-harvest and industrial processing jobs like drying and storage.
- **Building and construction :** this sector has a great potential for climate change mitigation in the region. The possibilities of retrofitting existing buildings for energy and emissions savings remain mostly unexplored. Although, few efficient technologies remain in use, there exist a combination of ineffective

<sup>25</sup> [www.iseas.edu.sg/wp-content/uploads/2021/12/TRS2\\_22.pdf](http://www.iseas.edu.sg/wp-content/uploads/2021/12/TRS2_22.pdf)

policies and a lack of investments in sustainable building and construction sectors in the region. Likewise, there is a great potential for water savings in the sector, with water embodied in the construction material corresponding to a considerable amount of the total water consumption in a building's life cycle.

- **Plastics with particular focus on plastic packaging (and its waste):** in Asia, millions of plastic containers are consumed per minute, half of which are single-use items. Plastic released from Asian rivers contribute to 86% of the global marine litter. Of the 10 rivers in the world with the highest amount of plastic waste, 8 are located in the region. The main bottleneck are represented by the overuse of plastics in daily activities and the lack of viable alternatives for products' packaging. Selected projects will also support policymakers in the region during the negotiation of the Global Agreement on Plastics, providing them with evidence on viable solutions to address the problem of plastics both downstream and upstream of value chains. **Electronics:** The electronics sector highly contributes to environmental and public health challenges because it often contains lead, mercury, cadmium, and other heavy metals that might contaminate soil/water and leads to heavy metal poisoning. This will result in developmental delays for children/fetus, respiratory issues, neurological damage, and increased risk of certain cancers. The health risks can be worse if there are no proper protective measures during the e-waste handling process. Considering these risks, both production and recycling of e-waste need to be improved, both in terms of material recovery and health and safety measures.

#### **Examples of successful projects:**

In **Sri Lanka, the Maldives and India**, the PROMISE<sup>26</sup> project supports national Governments in identifying policy options to curb marine pollution by preventing and reducing marine litter in the Lakshadweep Sea.

In **India**, the Effective Waste Management<sup>27</sup> project supports tanning MSMEs in the Kolkata Leather Cluster to introduce recycling solutions and integrate green technologies for their tanning processes.

In **Cambodia**, by engaging with the Garment Manufacturers Association in Cambodia (GMAC), the SWITCH to Garment<sup>28</sup> project facilitated the identification of measures to support sustainable energy investment in the garment sector and the introduction of a monitoring, reporting and verification framework in local MSMEs.

In **Mongolia**, activities implemented through the STEP Ecolab<sup>29</sup> project supported the formulation of a Voluntary Code of Practice for Sustainable Production which subsequently brought to the adoption of a "National Standard for Sustainable Textile Production"<sup>30</sup> by the Textile Technical Committee of the Mongolian Agency for Standardization and Metrology.

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

This Action aims at engaging directly with **stakeholders from the EU and the region (Asia and Pacific) through collaborative consortia** implementing small-scale projects between aprox. EUR 500 000 and 1.5 million for the duration of aprox. max. 36 months<sup>31</sup>.

These stakeholders will primarily include:

- (i) *Businesses / private sector organisations* (e.g. organisations of MSMEs, clusters, chambers of commerce, CSR Networks, etc.)

<sup>26</sup> <https://www.switch-asia.eu/project/promise/>

<sup>27</sup> <https://www.switch-asia.eu/project/effective-waste-management-and-sustainable-development-of-the-msme-tanning-companies-in-the-kolkata-leather-cluster/>

<sup>28</sup> <https://www.switch-asia.eu/project/promotion-of-sustainable-energy-practices-in-the-garment-sector-in-cambodia/>

<sup>29</sup> <https://www.switch-asia.eu/project/step-ecolab/>

<sup>30</sup> National MNS 6926:2021 - Standard for Sustainable Textile Production

<sup>31</sup> The last Call for Proposals (launched in November 2020) proposed a budget between EUR 1M and EUR 2,5M and a duration between 36 and 48 months. The review of projects carried out in 2021-2022 to advise on possible improvements of the Calls for Proposals under NDICI-GE indicated that a reduction of budget and time of implementation would not affect the outcomes of projects but would instead benefit the programme overall by ensuring the selection of a larger number of pilot-projects and a better focus of implementers to deliver results in a shorter laps of time.

- (ii) *Research and Technology Organisations / RTOs* (e.g. university, research centres, technology transfer centres, etc.)
- (iii) *Trade and consumers organisations*
- (iv) *EU Member States Development Agencies and associations in the EU and the region* with expertise in implementing projects supporting circular economy and climate change mitigation in association with the private sector in the region.
- (v) *Financial institutions* (including EU Development Financial Institutions and organisations implementing EFSD+ Guarantees) will be encourage to apply as “Associated Partners” (i.e. not receiving EU funds) to consortia in order to ensure the linkage between the outcomes of projects and their financial mechanisms.

Just as in the last Call for Proposals launched in November 2020, international organisations will not be eligible for this Action but synergies with them will be ensured through the “Policy Support Component” of the programme.

Local authorities are not the main target group of this Action and they will rather be involved in the activities of the “Policy Support Component” of the programme being capacitated in preparing and adopting Sustainable Consumption and Production policy frameworks (e.g. on domestic and industrial waste management, circular economy, green public procurements, etc.).

Civil Society Organisations (CSOs) will be engaged in this Action mostly through projects dealing with sustainable consumption orienting consumers in their choices through increased products’ traceability and in greenwashing prevention.

### 3 DESCRIPTION OF THE ACTION

#### 3.1 Objectives and Expected Outputs

Over the next programming period, the SWITCH-Asia programme will be built around two components: (i) a “Policy Support Component” providing direct support to governments and regional organisations in adopting sustainable policy and regulatory frameworks as well as facilitating policy dialogues between countries in the eligible regions and (ii) a “Grants Scheme” component supporting the greening of value-chains between Europe and the region underpinning goals of the Global Gateway. **This action refers exclusively to the second component of the programme.**

The **Overall Objective (of the SWITCH-Asia programme)** is to support the transition of the region to a low-carbon, resource efficient and circular economy, whilst promoting more sustainable value chains and products between the region and Europe, contributing to the recovery of local economies.

The **Specifics Objectives** of this action (implemented through the “Grants Scheme” component) are to:

- **Specific Objective 1:** support the green transition of key economic value-chains either within the eligible region or to the EU to reduce their carbon and environmental footprints.
- **Specific Objective 2:** ensure that available or new green and climate finance instruments will respond to the needs of MSMEs in the region.
- **Specific Objective 3:** support local consumers in acting more responsibly in choosing low-carbon and environmentally and socially sustainable products and services.

The **Outputs** to be delivered by this action contributing to the corresponding Specific Objectives are:

- **Output 1.1:** sustainable industrial solutions will be tested and de-risked in local MSMEs, viable business models (promoting green and just transition) will be designed to allow a larger scale up of solutions in the region. These solutions will include for instance: resource efficient practices, circular approaches, reduction of GHG emissions, prevention and reduction of plastics use in processing, production and finished goods, waste prevention and better management of waste and chemical-waste in industries, promotion of eco-design, etc.
- **Output 2.1:** through evidence provided by funded projects, EU and local financial institutions will

be advised on how to adapt and better align their financial mechanisms to the needs of MSME's green (industrial) and just transition in the region.

- **Output 3.1:** consumers will be capacitated in their choices through increased products' traceability and in greenwashing prevention.

## 3.2 Indicative Activities

### Activities relating to Output 1.1:

- In joint cooperation with the EU Delegations in the region: selection and implementation of small-scale projects (between aprox. EUR 500 000 to EUR 1.5M) for the duration of aprox. max. 36 months to identify and test SCP solutions in MSMEs in the region.
- Examples of practices funded in selected projects will include, for instance:
  - reduction of water and energy consumption throughout the product's lifecycle and in post-harvesting activities implementing resource efficiency measures;
  - reduction of carbon footprints of products, industrial processes and logistics through improved resource-efficiency and circularity of materials;
  - 3R (reduce, reuse, and or recycle by-products of production);
  - promote the use of reliable certification and eco-labelling for products;
  - support MSMEs to integrate EU and international standards for products, particular with focus on the EU Sustainable Products Initiative, the Packaging and Waste Directives, the Right-to-Repair, etc. (as well as relevant ISO certifications);
  - promote remanufacturing and high-quality recycling;
  - promote circular economy principles by implementing innovative solutions across the whole product's design and life-cycle;
  - restrict the single-use and countering premature obsolescence of products;
  - improve product durability, reusability and reparability;
  - promote measures to ensure that products are designed for circularity;
  - promote traceability and improving transparency for circular products (e.g. in relation to EUs new Digital Products Passport);
  - boost circularity through regulatory measures and encouraging industrial applications supporting countries in meeting separate waste collection obligations for circularity;
  - integrate circularity in innovative, public and pre-commercial procurements;
  - support the development of codes and regulatory frameworks for responsible business and marketing conduct in the food-supply chain;
  - promote the use of sustainability due diligence in value chains.
  - promote measures and initiatives for Products as a Service (PaaS),
  - promote designs and value chains for reuse
  - promote sustainable construction and retrofitting with recycled materials.

### Activities relating to Output 2.1:

- through evidence provided by funded projects, EU and local financial institutions will be advised on how to adapt and better align their financial mechanisms to the needs of MSME's green (industrial) transition in the region.
- selected projects will need to prove at full-application stage how they will clearly engage EU/local financial institutions through the implementation of their activities.
- in addition, with the support of the Policy Support Component of the programme, projects' implementers will draft sounded business cases and propose them to EU/local financial institutions for the large reproduction of tested practices in the market.

### Activities relating to Output 3.1:

- In joint cooperation with the EU Delegation in the region: selection and implementation of small-scale projects (between aprox EUR 500 000 to EUR 1.5M) for the duration of aprox max. 36 months to identify and test SCP solutions in MSMEs in the region.

- Examples of practices funded in selected projects will include, for instance:
  - o strengthen consumer protection against green washing and premature obsolescence;
  - o promote the use of minimum requirements for sustainability labels and for information tools;
  - o promote the use of nutrition and sustainability labelling and mandatory provenance indicators;
  - o inform consumers about sustainable products and choices especially for food.

Activities under this output should always be considered in connection with industrial practices and should not be considered as a “stand-alone awareness-raising activities” which will not support the achievements of the goals at programme’s level.

Projects focusing on actions aimed at reducing greenhouse gas emissions should provide clear evidence in their proposal on how they will address this issues, how it will be measured and how the projects will provide with a transformative change.

The activities of selected projects will need to **report again clear EU/ international indicators** set, for instance, by the **SDG goals/ targets**<sup>32</sup> (see below table) or **DG INTPA’s set of indicators on Green Economy**<sup>33</sup>. Other substantial international indicators may be identified by each project proposal.

<b>SDG 12</b> <b>Responsible Consumption and Production</b>	<b>ALL TARGETS</b>	<b>ALL INDICATORS</b>
<b>SDG 13</b> <b>Take urgent action to combat climate change and its impacts</b>	<b>TARGET 13.2</b> Integrate climate change measures into national policies, strategies and planning	<b>INDICATOR 13.2.1</b> Number of countries that have communicated the establishment or operationalization of an integrated policy/strategy/plan which increases their ability to adapt to the adverse impacts of climate change, and foster climate resilience and low greenhouse gas emissions development in a manner that does not threaten food production (including a national adaptation plan, nationally determined contribution, national communication, biennial update report or other)
	<b>TARGET 13.3</b> Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning	<b>INDICATOR 13.3.2</b> Number of countries that have communicated the strengthening of institutional, systemic and individual capacity-building to implement adaptation, mitigation and technology transfer, and development actions
<b>SDG 7</b> <b>Ensure access to affordable and sustainable energy</b>	<b>TARGET 7.3</b> By 2030, double the global rate of improvement in energy efficiency	<b>INDICATOR 7.3.1</b> Energy intensity measured in terms of primary energy and GDP
<b>SDG 8</b> <b>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</b>	<b>TARGET 8.4</b> Improve progressively, through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation, in accordance with the 10-year framework of programmes on sustainable consumption and production, with developed countries taking the lead	<b>INDICATOR 8.4.1</b> Material footprint, material footprint per capita, and material footprint per GDP
		<b>INDICATOR 8.4.2</b> Domestic material consumption, domestic material consumption per capita, and domestic material consumption per GDP
		<b>INDICATOR 8.4.3</b>

<sup>32</sup> <https://unstats.un.org/sdgs/metadata/>

<sup>33</sup> <https://www.switchto-green.eu/new-sector-indicator-guidance-on-green-economy/>

		Number of countries and policy instruments to ensure decent work for all, including the ratification of Conventions of the International Labour Organization and respective plans for implementation
<b>SDG 9</b> <b>Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation</b>	<b>TARGET 9.4</b> By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities	<b>INDICATOR 9.4.1</b> CO2 emission per unit of value added
	<b>TARGET 9.B</b> Support domestic technology development, research and innovation in developing countries, including by ensuring a conducive policy environment for, inter alia, industrial diversification and value addition to commodities	<b>INDICATOR 9.B.1</b> Proportion of medium and high-tech industry value added in total value added
<b>SDG 11</b> <b>Sustainable Cities and Communities</b>	<b>TARGET 11.6</b> By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management	<b>INDICATOR 11.6.1</b> Proportion of municipal solid waste collected and managed in controlled facilities out of total municipal waste generated, by cities
<b>SDG 5</b> <b>Gender equality and women's empowerment</b>	<b>TARGET 5.C</b> Adopt and strengthen sound policies and enforceable legislation for the promotion of gender equality and the empowerment of all women and girls at all levels	<b>INDICATOR 5.c.1</b> Proportion of countries with systems to track and make public allocations for gender equality and women's empowerment

### 3.3 Mainstreaming

#### **Environmental Protection & Climate Change**

Increased international trade may have certain negative or positive impacts on environment and climate change. On the one hand, more trade and investment activities can put more pressure on the environment (land, air, water, coastal area, fisheries, etc) and contribute to further climate change. On the other hand, with the revenue and income generated from the increased trade and investment in resource-efficient production, Governments and Industry within the Region may have more financial resources to tackle environmental problems and promote the agenda for investments in the green and circular economy.

#### **Outcomes of the SEA screening** (relevant for budget support and strategic-level interventions)

The Strategic Environmental Assessment (SEA) screening concluded that key environmental and climate-related aspects need be addressed during design.

#### **Outcomes of the EIA (Environmental Impact Assessment) screening** (relevant for projects and/or specific

interventions within a project)

The EIA (Environment Impact Assessment) 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** (relevant for projects and/or specific interventions within a project)

The Climate Risk Assessment (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. This implies that while the action will not focus mainly nor specifically to support gender equality and empowerment of woman and girls, it will nevertheless ensure the participation of women in policy dialogue activities empowering them in mastering Environmental, Social and Governance (ESG) criteria and developing new greener and more sustainable businesses, thus providing them with additional employment opportunities in the future.

### **Human Rights**

Human rights-based approach and its key principles (applying all human rights for all; meaningful and inclusive participation and access to decision-making; non-discrimination and equality; accountability and rule of law for all; and transparency and access to information supported by disaggregated data) will be integrated throughout the action.

### **Disability**

As per OECD Disability DAC codes identified in section 1.1, this action is labelled as D0. This implies that the action is not considered relevant for inclusion of persons with disabilities.

### **Reduction of inequalities**

This action is not considered relevant for issues related to reduction of inequalities.

### **Democracy**

This action is not considered relevant on democracy.

### **Conflict sensitivity, peace and resilience**

This action is not considered relevant for issues related to conflict sensitivity, peace and resilience.

### **Disaster Risk Reduction**

This action is not considered relevant for issues related to disaster risk reduction.

## 3.4 Risks and Lessons Learnt

<b>Category</b>	<b>Risks</b>	<b>Likelihood</b> <b>(High/ Medium/ Low)</b>	<b>Impact</b> <b>(High/ Medium/ Low)</b>	<b>Mitigating measures</b>
2-to planning, processes and systems	The participation of business organisation across the EU and the PanAsia region is not ensured.	M	M	The programme will liaise with organizations such as EuroChambres or CSR Europe to ensure the presence of EU companies (Tier 1 companies active in the selected value chain) as well as local business organisations (e.g. ASEAN CSR Network, EuroChambres, etc.) to ensure

				the presence of local stakeholders.  EU Delegations will also play a key role in the identification relevant stakeholders in the region.
1-to the external environment	Weak capacities of private sector stakeholders across the region to design quality investment projects.	H  (especially in LDC)	H	Before the launch of the call for proposals the Policy Support Component of the programme will provide support to stakeholders in the region to understand rules of the European calls for proposals and the focus areas of the programme (based on the above mentioned value-chain analysis).
1-to the external environment	Weak capacities of projects consortia to design sound-business plans to be presented to investors to receive finance for their green transition.	H	H	Throughout the implementation of the selected projects, the Policy Support Component of the programme will provide funded projects with a tailor-made support to design robust business plans to be presented to financial institutions/ investors.

#### Lessons Learnt:

So far the programme has proved to have a great potential to support **both the environmental, economic and social development dimension** of countries in Asia by introducing better social and environmental standards, sustainable supporting the local economic growth while decoupling it from environmental degradation. The recent evaluations of the SWITCH regional programmes<sup>34</sup> highlighted their relevance to the regional priorities (climate change, environment degradation, plastics and waste, access of MSMEs to global value chains and promotion of export-led industries, creation of more sustainable jobs). The evaluation proposed to further engage with the private sector also on the green policy dimension of the EU development cooperation in order to ensure that its development will duly take into consideration socio-environmental concerns and support development countries in achieving a more inclusive and sustainable growth.

Finally, the 2022's review of projects funded by the programme so far showed a clear alignment between projects and EU policies supported under the EU Green Agenda. 63% of completed projects reported quantitative data on the adoption of SCP practices by business units and about 43.000 companies engaged in activities through organisations implementing SWITCH-Asia grants reported the adoption of SCP practices. 27.000 MSMEs engaged in the 31 projects focusing on sustainability standards certifications declared having integrated them as a regular practice. Finally, the 39 projects specifically focusing on CO<sub>2</sub>e emission reduction reported to have collectively saved about 25.867.552 t CO<sub>2</sub>e.

<sup>34</sup> Green economy evaluation of EU international Cooperation on Sustainable Consumption and Production in 2017.

### 3.5 The Intervention Logic

The underlying intervention logic for this Action is that the support provided by programme to MSMEs and business organisations across the region will facilitate the integration of Sustainable Consumption and Production (SCP) solutions into their production models and **ensure that environmental-friendly products will be placed on the European and global market.**

**This support will provide incentives for the private sector to shift to greener and more circular production models** which will ultimately bring to an improvement in the environmental and climate change problems in the region, the reduction of the carbon and material footprint of industrial processes, improved circularity of processes-goods-services, the reduction of industrial and domestic waste as well as an improvement of their treatment, and the possibility for local populations to live more sustainably allowing them to enjoy their rights and benefitting from a socio-economic model which will promote growth while decoupling it from natural resources degradation. All this would also **support EU businesses to green their supply chains originating in Asia and the Pacific region and facilitate trading of their finished or semi-finished goods to Europe.**

The Action may also indirectly contribute to the implementation of other **Team Europe Initiatives at regional or bilateral level** (such as the EU-ASEAN Green TEI, the EU-Pacific Green-Blue Alliance TEI, TEIs in Cambodia, Philippines, Indonesia and Mongolia) through projects implemented in regions/ countries part of the TEIs. Potentially the Action could help to achieve strategic objectives on trilateral cooperation with major emerging economies.

**This Action is therefore expected to have a significant and transformative impact in many countries in the region and it will represent an important step to support the green recovery process regionally.**

### 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.

#### PROJECT MODALITY<sup>35</sup>

Results	Results chain	Indicators	Baselines	Targets	Sources of data	Assumptions
<b>Impact</b>	<p><b>Overall Objective (at programme level)</b></p> <p>To support the transition of the region to a low-carbon, resource efficient and circular economy, whilst promoting more sustainable supply chains and products between the region and Europe, contributing to the recovery of local economies</p>	<p>Increase of SCP &amp; CE practices adopted by the private sector in the region by 2027.</p> <p>Reduction of water pollution due to plastics, to not adapted wastewater treatment systems per year.</p> <p>Reduction of pollution due to GHG emissions linked to unsustainable industrial practices per year.</p> <p>Reduction of energy and material consumption in industrial practices per year.</p> <p>Financial mechanisms available to finance sustainable industrial practices in MSMEs in the region.</p>	<p>According to UNESCAP<sup>36</sup>, the region is lagging behind in terms of implementation of SCP-related SDGs (SDG12, mainly).</p> <p>Lack of data on SDG12 progress both at regional level (aggregated data) and country-level (disaggregated data).</p>	<p>SCP / CE-action plans / frameworks will be adopted by governments in the region thanks to evidence provided by projects selected under this Action.</p> <p>30% of MSMEs in the region will be able to report progress on sustainability in their industrial plants.</p> <p>50% of grants funded under this Action will secure financing from investors / financial institutions.</p>	<p>UN database, R/NAP-SCP, CEAP</p> <p>Reports and data available through reports from governments and regional organisations.</p> <p>Annual sustainability reports from associations of MSMEs and chamber of commerce.</p>	<i>Not applicable</i>

<sup>35</sup> Based on DG INTPA's Green Economy Results Chain: [Results Chain-Green-Economy\\_AUG21.pdf \(switchtogreen.eu\)](https://www.switchtogreen.eu/Results_Chain-Green-Economy_AUG21.pdf)

<sup>36</sup> [www.unescap.org/sites/default/files/publications/ESCAP\\_Asia\\_and\\_the\\_Pacific\\_SDG\\_Progress\\_Report\\_2019.pdf](http://www.unescap.org/sites/default/files/publications/ESCAP_Asia_and_the_Pacific_SDG_Progress_Report_2019.pdf)

<b>Outcome 1</b>	<p><b>(Specific Objective 1)</b></p> <p>The green transition of key economic value-chains with high export potential are supported and their carbon and environmental footprints reduced.</p>	<p>Tons of CO2 reductions in industrial plants per year.</p> <p>Tons of material use reduction in industrial plants per year.</p> <p>kWh reduced in industrial plants per year.</p> <p>Volume of water consumption reduced in industrial plants per year.</p> <p>Volume of industrial wastewater recycled per year.</p> <p>Tons of plastics use prevented per year in industrial plants.</p>	<p>To be defined at project level in each country concerned by the project.</p> <p>Aggregated data per region / sub-region not available.</p>	<p>The total share of energy/ water consumption in countries was reduced by 30%.</p> <p>Industrial plants reduced their use and waste of plastics by 30%.</p>	<p>UN database, R/NAP-SCP, CEAP.</p> <p>Reports and data available through reports from governments and regional organisations.</p> <p>Annual sustainability reports from associations of MSMEs and chamber of commerce.</p>	<p>The private sector is interested in reducing its environmental and carbon footprints.</p> <p>National Governments are tightening legislations obliging the private sector to reduce their environmental and carbon footprints.</p>
<b>Outcome 2</b>	<p><b>(Specific Objective 2)</b></p> <p>Green and climate finance instruments are aligned with the needs of MSME's green (industrial) transition in the region.</p>	<p>Number of financial institutions whose awareness/abilities have been raised through the sharing of projects results.</p>	<p>To be defined at project level in each country concerned by the project.</p> <p>Aggregated data per region / sub-region not available.</p>	<p>Selected projects responding to the Specific Objective 1 engaged in discussions with financial institutions in the region or in Europe to promote the understanding of sustainable production practices.</p>	<p>Reports and data available through reports from financial institutions.</p> <p>Project reports and monitoring of progress in the elaboration of a business case</p> <p>Reporting of MSMEs and business organisations engaged in funded projects</p>	<p>Financial institutions / investors are looking for a pipeline of projects supporting the green transition of the private sector in the region.</p>
<b>Outcome 3</b>	<p><b>(Specific Objective 3)</b></p> <p>Local consumers are supported to act more responsibly in choosing low-carbon and sustainable products and services.</p>	<p>Number of consumers associations and national measures who adopted measures to prevent green washing and premature obsolescence and sustainability labels.</p>	<p>To be defined at project level in each country concerned by the project.</p> <p>Aggregated data per region / sub-region not available.</p>	<p>70% of countries in which selected projects were implemented have adopted sustainability labels and measures to prevent green washing and premature obsolescence.</p>	<p>Reports and data available through reports from governments and regional organisations.</p> <p>Report of consumers organisations.</p>	<p>There is an increased awareness of consumers in the region about the need to reduce their environmental and carbon footprints.</p> <p>National Governments are introducing tighten regulations on transparency and traceability for local consumers.</p>

<p><b>Output 1</b> relating to <b>Outcome 1</b></p>	<p>Sustainable industrial solutions will be tested and de-risked in local MSMEs.</p>	<p>Number of MSMEs having integrated resource efficient practices, circular approaches, measures to reduce GHG emissions, chemical-waste management systems, etc.</p> <p>Number of MSMEs having integrated measures to prevent / reduce the amount of plastics in their industrial processing and in finished goods.</p> <p>Number of MSMEs having integrated eco-design approaches, etc.</p>	<p>To be defined at project level in each country concerned by the project.</p> <p>Aggregated data per region / sub-region not available.</p>	<p>70% of MSMEs engaged through the selected projects have included sustainable production practices.</p>	<p>UN database, R/NAP-SCP, CEAP.</p> <p>Reports and data available through reports from governments and regional organisations.</p> <p>Annual sustainability reports from associations of MSMEs and chamber of commerce.</p>	<p>The private sector is interested in reducing its environmental and carbon footprints.</p> <p>National Governments are tightening legislations obliging the private sector to reduce their environmental and carbon footprints.</p>
<p><b>Output 2</b> relating to <b>Outcome 1</b></p>	<p>Evidence provided by funded projects, EU and local financial institutions were advised on how to adapt and better align their financial mechanisms to the needs of MSME's green (industrial) transition in the region – incl. implementeris of the EFSD+ Guarantees.</p>	<p>Number of green financial schemes established/ advised by selected projects.</p> <p>Number of selected projects funded through EFSD+.</p> <p>Number of MSMEs that obtain financial services for green solutions or processes.</p>	<p>Lack of financial schemes dedicated to the greening of MSMEs in the region, notably to micro and small-size companies which are considered at low return capacity from investors.</p>	<p>At least 4 funding mechanisms available through EU financial institutions will include SCP and CE concerns thanks to evidence provided by selected projects.</p> <p>At least 50% of selected projects will be taken into consideration for funding from EFSD+.</p>	<p>Reports and data available through reports from financial institutions.</p> <p>Project reports and monitoring of progress in the elaboration of a business cases.</p> <p>Pipeline of projects under consideration for EFSD+ funding.</p>	<p>Financial institutions / investors are looking for a pipeline of projects supporting the green transition of the private sector in the region.</p>
<p><b>Output 3</b> relating to <b>Outcome 1</b></p>	<p>Consumers will be capacitated in their choices through increased products' traceability and in greenwashing prevention.</p>	<p>Number of consumers trained about measures against green washing and premature obsolescence, on the information of sustainability labels and provenance indicators (in the case of goods).</p> <p>Number of consumers sensibilized on viable alternatives to plastics and on measures to reduce the use of plastics in their daily consumption.</p>	<p>To be defined at project level in each country concerned by the project.</p> <p>Aggregated data per region / sub-region not available.</p>	<p>70% of consumers engaged through selected projects increased their understanding of sustainability labels on products.</p> <p>80% of consumers engaged through selected projects increased capacity to chose alternatives to plastics or to reduce their use in their daily consumption.</p>	<p>Reports and data available through reports from governments and regional organisations.</p> <p>Report of consumers organisations.</p>	<p>There is an increased awareness of consumers in the region about the need to reduce their environmental and carbon footprints.</p> <p>National Governments are introducing tighten regulations on transparency and traceability for local consumers.</p>

## 4 IMPLEMENTATION ARRANGEMENTS

### 4.1 Financing Agreement

In order to implement this action, it is not envisaged to conclude a financing agreement with the any partner country /territory.

### 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 **72 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 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.

#### 4.3.1 Direct Management (Grants)

##### **Grants: (direct management)**

##### **(a) Purpose of the grant(s)**

The grant component will contribute to the achievement of the Specific Objectives indicated in Section 3 of this document and of their related Outputs.

##### **(b) Type of applicants targeted**

As indicated in Section 2.2 of this document, this Action will engage directly with stakeholders from the EU and the region (Asia and Pacific) through collaborative consortia including primarily:

- (i) *Businesses / private sector organisations* (e.g. organisations of MSMEs, clusters, chambers of commerce, CSR Networks, etc.)
- (ii) *Research and Technology Organisations / RTOs* (e.g. university, research centres, technology transfer centres, etc.)
- (iii) *Trade and consumers organisations*
- (iv) *EU Member States Development Agencies and associations in the EU and the region* with expertise in implementing projects supporting circular economy and climate change mitigation in association with the private sector in the region.
- (v) *Financial institutions* (including EU Development Financial Institutions and organisations implementing EFSD+ Guarantees) will be encourage to apply as "Associated Partners" (i.e. not receiving EU funds) to consortia in order to ensure the linkage between the outcomes of projects and their financial mechanisms.

### 4.4 Scope of geographical eligibility for procurement and grants

The provisions adopted by Regulation (EU) 2021/947 of the European Parliament and the Council of 9 June 2021 (Article 28 of NDICI-Global Europe Regulation) will apply.

## 4.5 Indicative Budget

<b>Indicative Budget components</b>	<b>EU contribution (amount in EUR)</b>
<b>Grants</b> – total envelope under section 4.3.1	24 000 000
<b>Evaluation</b> – cf. section 5.2 <b>Audit</b> – cf. section 5.3	to be covered by another Decision
<b>Totals</b>	<b>24 000 000</b>

## 4.6 Organisational Set-up and Responsibilities

The overall coordination of the SWITCH-Asia Programme is **ensured by DG INTPA.C3 in coordination with EU Delegations in partner countries, which will be strictly associated to the selection process of the proposals and of their implementation.** This will ensure also synergies and complementarities of selected projects with bilateral Actions and Team Europe Initiatives. The possibility to include funded projects in relevant (new) Team Europe Initiatives will be discussed with **INTPA Unit D1**, as the opportunity may arise.

DG INTPA.C3 will also liaise regularly with **INTPA Directorate F (Green and Digital Agenda) and INTPA Directorate E (investments and private sector development)** to ensure synergies and complementarities with Global Actions under the NDICI-Global Europe.

**The European External Action Service (EEAS) and relevant Commission Services** will be regularly informed about the implementation of selected projects and proposed to contribute to relevant events and meetings to provide guidance on (new) policy documents (notably on the Green Deal) which could further guide the implementation of projects.

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 partners' responsibilities. To this aim, the implementing partners of awarded projects 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.

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).

Roles and responsibilities for data collection, analysis and monitoring: specific data collection exercises will be carried out throughout the implementation of the projects by EU Delegations directly managing projects as well as by the Policy Support Component in order to assess programme's performance and results.

## 5.2 Evaluation

Having regard to the importance of the action, a mid-term evaluation may be carried out for this action or its components via independent consultants.

It will be carried out for problem solving and learning purposes, in particular with respect to the relevance of the policy areas covered by selected projects against priorities of the EU Green Deal and of Global Gateway as

well as of the effective support to local stakeholders in adopting greener and more circular industrial models and sustainable lifestyles.

The Commission shall inform the implementing partner at least 1 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. The implementing partner and the Commission shall analyse 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 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.

**While selected projects will not be allocated with a specific budget for communication and visibility purposes, as per specific derogation to the SWITCH-Asia programme, these activities will be ensured by the Policy Support Component of the programme which will overall communicate on the progress and achievements of the two components of the programme, included projects selected under this Action.**