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ANNEX 2

to the Commission Implementing Decision on the financing of the annual action plan in favour of the Republic of Zambia for 2022 part 2

Action Document for Green Economy Promotion and Diversification (GEPD) Programme

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

1. Title CRIS/OPSYS business reference Basic Act	Green Economy Promotion and Diversification (GEPD) Programme CRIS number: NDICI AFRICA/2022/043-348 OPSYS number: ACT-61220 / JAD.1057448 Financed under the Neighbourhood, Development and International Cooperation Instrument (NDICI-Global Europe)
2. Team Europe Initiative	The Action may potentially contribute to a TEI, if a TEI materialises in the future.
3. Zone benefiting from the action	The action shall be carried out in Zambia.
4. Programming document	Multi-Annual Indicative Programme (MIP) 2021-2027 between the Republic of Zambia and the European Union.
5. Link with relevant MIP(s) objectives / expected results	<p>Priority area 1 of the MIP “Green partnerships for sustainable recovery, growth and decent jobs”.</p> <p>Specific objective 1.2: To promote an environmentally sound, gender and youth sensitive and economically viable diversification of the economy and to invest in the creation of green growth and decent jobs in circular economy.</p> <ul style="list-style-type: none"> Result 1.5 – Established companies and start-ups, created and managed by young male/female entrepreneurs, increasingly invest in green, climate-smart/resilient and digital business opportunities and job creation; and Result 1.6 – Investment climate, business regulatory environment and service delivery improved, with a view to foster private sector led sustainable growth and job creation.
PRIORITY AREAS AND SECTOR INFORMATION	
6. Priority Area(s), sectors	<p>DAC – 250 Business and other services</p> <p>DAC – 321 Industry</p> <p>DAC – 430 Multisector</p>
7. Sustainable Development Goals (SDGs)	<p>Main SDG (1 only): SDG 8 (decent work and economic growth)</p> <p>Other significant SDGs:</p> <ul style="list-style-type: none"> SDG 5 (gender) SDG 10 (reduce inequality within and among countries)

	<ul style="list-style-type: none"> • SDG 12 (sustainable consumption and production) • SDG 13 (climate action) 			
8 a) DAC code(s)	DAC code: 32130 – SME development – 64% DAC code: 25010 – Business Policy and Administration – 15% DAC code: 25030 – Business development services – 7% DAC code : 32182 – Technological research and development -7% DAC code: 24030 – Formal sector financial intermediaries – 5% DAC code : 43082 – Research/Scientific Institutions – 2%			
8 b) Main Delivery Channel	6000 – Private sector institutions			
9. Targets	<input type="checkbox"/> Migration <input checked="" type="checkbox"/> Climate <input type="checkbox"/> Social inclusion and Human Development <input checked="" type="checkbox"/> Gender <input type="checkbox"/> Biodiversity <input type="checkbox"/> Education <input type="checkbox"/> Human Rights, Democracy and Governance			
10. Markers (from DAC form)	General policy objective @	Not targeted	Significant objective	Principal objective
	Participation development/good governance	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Aid to environment @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Gender equality and women's and girl's empowerment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Trade development	<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"/>
	RIO Convention markers	Not targeted	Significant objective	Principal objective
	Biological diversity @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
11. Internal markers and Tags:	Policy objectives	Not targeted	Significant objective	Principal objective
	Digitalisation @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	digital connectivity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	digital governance	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	digital entrepreneurship	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	digital skills/literacy	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	digital services			

		<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	Connectivity @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	digital connectivity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	energy	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	transport	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	education and research	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	Migration @ (methodology for tagging under development)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reduction of Inequalities @ (methodology for marker and tagging under development)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	COVID-19	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
BUDGET INFORMATION				
12. Amounts concerned	Budget line(s) (article, item): BGUE-B2022-14.020122-C1-INTPA Total estimated cost: EUR 28 700 000 Total amount of EU budget contribution EUR 28 700 000 IFIs may be associated to the action, such as for example: European Investment Bank (EIB); Netherlands Development Finance Company (FMO), the Nordic Environment Fund Corporation (NEFCO) the German Development Bank (KfW) and its daughter the Deutsche Entwicklungsgesellschaft (DEG) and the Swedish Swedfund,			
MANAGEMENT AND IMPLEMENTATION				
13. Type of financing	Direct management through: - Grants The Action may be complemented by budgetary guarantee(s) under the EFSD+, as set out in section 4.4.3.			

1.2 Summary of the Action

Zambia is exposed to external shocks, due to an economy heavily based on copper and agriculture exports, with a limited diversification base. Water and soil contamination is widespread in urban areas, and the rapid depletion of the country's natural resources, as indicated by the high level of deforestation, is steadily accelerating, along with population growth. Poverty is still very high and the Gini index reflects a society of high inequality and regional disparities. The high level of public debt that keeps the country at high risk, with the consequence that the private sector is crowded out from financing opportunities. President Hichilema has put sustainable and green growth, based on increasing local transformation, value addition and job creation, at the centre of his political agenda.

The President confirmed his commitment by officially opening in May 2022 the 1st EU-Zambia Economic Forum, which promoted “Economic transformation through green growth”. Given the current fiscal constraints, the private sector will play a key role, while the Government of the Republic of Zambia (GRZ) needs to take measures to improve the business-enabling environment and the investment climate. In this context, micro, small and medium-sized enterprises (MSMEs), which represent 70% of the GDP and about 97% of all businesses¹, are bound to play an essential role. Yet, MSMEs remain fragile and face several challenges, such as limited size, lack of entrepreneurial, digital and financial skills, reduced access to affordable business development services as well as to finance, and limited market penetration, particularly at regional and international level.

¹ Ministry of Small and Medium size enterprises, Draft MSME policy, April 2022

Through this action, the EU supports the green economy agenda. Structured in two components, the action will support both GRZ and the private sector, particularly young men/women led MSMEs, in achieving sustainable and inclusive economic growth and diversification, through promoting the green and digital transition, using in particular circular economy business models. The action's overall objective is “to promote an environmentally sound, gender/youth sensitive and economically viable diversification of the economy and invest in the creation of green growth and decent jobs in the circular economy”. The action feeds into priority area 1 “Green partnerships for sustainable recovery, growth and decent jobs” of the MIP 2021-2027², which was jointly developed with and endorsed by EU Member States (EU MS). The action will directly contribute to SDG 8 – decent work and economic growth, SDG 12 – responsible consumption and production, and to SDG 13 – climate action. It will indirectly contribute to SDG 5 – gender equality and women empowerment and to SDG 10 – reducing inequalities.

The action includes technical assistance (TA), such as advice, institutional strengthening and peer review to government and other key stakeholders, to set up a suitable business-enabling environment and investment climate to stimulate green growth, working with key ministries and agencies. The action further envisages TA and capacity building of MSMEs, to build and consolidate entrepreneurship, especially among women and youth³, connecting enterprises with markets and facilitating access to information, business services, and markets. Improving access to finance, including through the mobilisation of EFSD+ funding, will be crucial to complement and scale up interventions. The action also supports the development of the business services market, of business services modalities to reach out to MSMEs in remote areas and of innovative financing products for MSMEs. Likewise, the action promotes innovations and technology development through a virtuous cooperation between research institutions and the private sector.

The action will ensure continuity in relevant areas to the work undertaken under the component on *Inclusive regulatory business environment* of the 11th EDF funded Economic Governance Support Programme. It will also provide inputs and coordinate with the ongoing and future EU and MS interventions in the area of skills development and Technical Vocational Education and Training (TVET). At regional level, the action will coordinate and foster synergies with EU regional initiatives implemented in Zambia and relevant to its objectives, such as the EU-ACP *Development mineral programme*, the EU-ACP *Support to Business Friendly and Inclusive National and Regional Policies*, and *Strengthening Productive Capabilities and Value Chains*, as well as new regional initiatives in the area of circular and green economy, and trade promotion, such as the new *Invest in Young Businesses in Africa* (IYBA) programme. The action will closely cooperate and promote synergies with the other actions under the MIP addressing green growth and private sector, in particular with the action *Green Partnership and Investment Programme along the Agriculture, Forestry, Biodiversity, Water and Climate Nexus*. On access to markets, it will work in close cooperation with the programme of the Swedish National Trade Board on trade facilitation started in April 2022. The action is in line with the Green Deal and the Global Gateway priorities of accelerating green and digital transition of private sector and creation of sustainable growth and decent jobs.

2 RATIONALE

2.1 Context

The Zambian economy is yet to undergo any significant degree of structural transformation. Economic activities remain concentrated in relatively non-complex and low productivity sectors, including agriculture, tourism and mining, which together account for more than 90% of Zambia's total exports.⁴ The agricultural sector is the largest employer, with more than 50% of the population being employed in the sector.⁵ GDP per capita was USD 1,050 in 2021, well below the average for Sub-Saharan Africa (SSA) of USD 1,600 and the global average of USD 11,000⁶. According to World Bank estimates⁷, 60.3% of the population live below the poverty line of USD 1.90 per day, and 40% of the poor live in extreme poverty. According to a recent report by the Chronic Poverty Advisory Network, rural poverty rates are 76.6% and urban poverty rates 35%.

Zambia's economy is largely dominated by MSMEs, which currently account for 70% of GDP, 88% of total employment and 97% of all businesses in the country. MSMEs also fill a key role in society, as they tend to employ a large share of the most vulnerable segments of the workforce, including youth and women. The Zambian MSMEs sector is not homogeneous and small growing businesses, with the potential to create more and better jobs, fall into

² https://international-partnerships.ec.europa.eu/system/files/2022-01/mip-2021-c2021-9057-zambia-annex_en.pdf

³ In coherence with the GAP III and Youth Action Plan for EU external action

⁴ Data drawn from the Harvard Atlas of Economic Complexity

⁵ Based on ILO estimates accessed at data.worldbank.org

⁶ Based on data provided by the FCDO Economic and Evaluation Directorate <https://assets.publishing.service.gov.uk>

⁷ World bank Zambia Country Overview, April 2022, <https://www.worldbank.org/en/country/zambia/overview#1>

at least three categories with similar constraints and support needs: (i) Growth oriented micro enterprises, which are opportunity driven micro businesses on the path to incremental growth. These may be formal or informal, but are mostly informal and employ replicative business models, serving highly local markets or value chains. (ii) Dynamic small businesses, operating in traditional bread and butter industries, including light manufacturing (e.g. wood and textile production), light engineering and metal fabrication, transport and logistics and services (e.g. building and construction, restaurants, etc.). They deploy existing products, proven business models, seek to grow through market extension, incremental innovations and have moderate growth and scale potential, and (iii) Increasing numbers of high growth ventures, deploying disruptive business models, targeting large addressable markets. They have high growth and scale potential, and are typically led by ambitious entrepreneurs, often young men and women, with significant risk tolerance. They have the potential to create large numbers of decent jobs in the green economy.

The financial system in Zambia is relatively underdeveloped. It is dominated by commercial banks, which account for 67% of total financial sector assets. Banks in Zambia are traditionally averse to risks, do not have recent experience in lending to MSMEs and make a large part of their profit from buying government debt, which has in turn a crowding out effect on the private sector. The non-bank financial institution (NBFI) sector is not diversified and is dominated by pension funds. Other NBFIs include building societies, microfinance institutions (MFIs), leasing companies, development finance institutions, and FX bureaus. The NBFIs sector is currently witnessing a rise in new Fintech start-ups that extend SME finance through e-lending platforms. This nascent MSME finance sub-sector shows great promise for innovating MSME financing.

Zambia's fiscal space is constrained by slow economic growth and low productivity, a high negative fiscal balance, which reached -14% of GDP in 2020, and elevated public debt. Zambia's public and publicly guaranteed debt rose to 104% of GDP in 2020.⁸ After increasing rapidly from 2004 to 2014, economic growth declined quickly and is likely to remain low over the medium term. Given these challenges, the private sector must take a leading role in driving investments and growth in the economy.

Against this context and in view of the challenges and opportunities related to climate change, President Hakainde Hichilema confirmed that inclusive, sustainable and green economic growth and job creation for the youth are among his key priorities. The economic development strategy of the new government strives to move away from an economic model, based on unsustainable extraction and exploitation of minerals and natural resources, and to reduce Zambia's dependence from the export of raw materials. The GRZ envisages instead to increase local transformation capacities and value addition. Working on macroeconomic stability, improved public financial management (PFM) and creating a friendly business enabling environment and investment climate, are agreed pre-conditions. These priorities are also reflected in the structure of the new Government, with the creation of the Ministry of Green Economy and Environment (MoGEE), the Ministry of Small and Medium Enterprises (MoSME), as well as a strong Ministry of Finance and National Planning (MoFNP), as well as in the change in leadership at the Central Bank.

The recently adopted Eighth National Development Plan 2022-2026 (8NDP) has 1) Economic Transformation and Job Creation and 2) Environmental Sustainability among its four strategic development priorities. It also recognises that partnering with the private sector is the foundation for successful transformation of the economy and moving towards Zambia's goal of becoming a prosperous Middle Income Country (PMIC), as set out in the National Vision 2030. The 8NDP identifies the traditional sectors, such as agriculture, mining, and tourism as part of a broad based strategy. However, it puts further emphasis on the importance of diversification into higher value sectors, including manufacturing, ICT, services, science and technology as crucial to delivering goals of the Vision 2030. This would need to come along with further development of enabling sectors, such as energy, transport and logistics and digital services. In this context, SMEs are recognised as important drivers of growth and job creation, especially for women and youth.

The 8NDP intends to scale up women's economic empowerment programmes, as well as affirmative action for women, as part of its objective of reducing inequalities. Women experience limited access to finance, lower digitalisation, reduced ownership of capital assets and are strongly impaired by the societal and traditional role of women, still deeply rooted into Zambia society. There is strong evidence that, when being supported, women can be great entrepreneurs and achieve significant growth performances. Women are active in all traditional sectors, ranging from mining to manufacturing, to trade and agri-processing, and to services. This action contributes to the EU Gender Action Plan (GAP) III, and to its key areas of engagement "*Promoting economic and social rights and empowering girls and women*" and "*Addressing the challenges and harnessing the opportunities offered by the green transition and the digital transformation*".

The GRZ and the Zambian people are aware that climate change and variability of weather patterns have become major threats to sustainable development of the country, and have taken related commitments and engagements under the climate action plan. Zambia's Nationally Determined Contributions (NDCs) to the Paris Agreement on Climate

⁸ Data from Mintos.com and Zambia Economic Outlook, African Development Bank 2021

Change from 07/2021 outline the GRZ intends to reduce its greenhouse gas (GHG) emissions by 25% by 2030. With substantial international support, the national target increases to 47%, compared to 2010 levels. In line with Zambia's NDCs, there is a need to move to cleaner and more renewable energy, by phasing out fossil fuels (coal and charcoal), to meet the commitments made at COP26. It will be important to switch to green technologies in the agriculture, transport and manufacturing sector, and to transform the current systems to be more circular in nature. This can be done by eliminating waste and pollution, circulating products and materials, and regenerating nature. Opportunities in the area of circular economy also featured high during several statements made at the 1st EU-Zambia Economic Forum in 05/2022. The newly created MoGEE is currently developing a National Policy on Climate Change (NPCC) and a Green Growth Strategy coherent with the 8NDP and the country NDC

The action supports implementation of the 8NDP in terms of economic diversification climate action. It will contribute to inclusive sustainable growth, decent job creation and cooperation between the private sector, innovation and research entities, as well as to improved environmental sustainability.

The action is fully aligned with the European Commission's top political priorities, including 1) the *European Green Deal* and 2) *An economy that works for the people*. It also resonates perfectly with EU's call to build back better from the COVID19 pandemic, by promoting green, circular, digital and inclusive economic recovery and development models. The action contributes to the partnership for sustainable growth and jobs, envisaged under the comprehensive EU Strategy for Africa. It further aligns with the 2022 EU-AU Summit Declaration, in which promoting a sustainable economy, value addition and private sector development feature prominently. The action also contributes to the Global Gateway, especially under the headings "Accelerating the green transition", "Accelerating the digital transition" and "Accelerating sustainable growth and decent jobs' creation" and "Supporting sustainable financing for growth".

Finally, the action represents a real opportunity to strategically position the EU and its enterprises and investors in Zambia in the green and digital sectors, while promoting decent job creation in a land-connected country that aspires to become a regional trade hub, which could in turn become a comparable advantage vis a vis other development partners and countries.

2.2 Problem Analysis

The Zambian economy has made little progress in structural transformation and diversification even compared to other countries in the region, and private sector remains dominated by MSMEs. While change in internal demand and the rapid urbanisation process represents concrete opportunities, there are still important hindrances to a solid and diversified private sector, particularly for small and medium SMEs.

MSMEs have weak access to finance and business advisory services. Commercial banks dominate the financial sector, and their lending practices continue to rely on several and multiple collaterals for security. Interest rates and other fees make the cost of borrowing high and, combined with requirements for trading records, make it difficult for MSMEs to access loans, particularly start-ups and companies in asset light industries. A number of credit schemes have been piloted to catalyse lending of commercial banks, but these have so far been largely unsuccessful in shifting bank perceptions of risk in the MSME sector. Other financial institutions start to emerge, but this subsector remains so far marginal and concentrated in Lusaka. The Business Development Service Provider (BDSP) market remains thin, expensive, with variable quality focusing mainly on businesses in the agriculture, agro processing and food manufacturing sectors and in the capital. Few BSDP provide services in green, circular and/or the digital and ICT sector. Services for internationalisation are traditional and limited.

Women and youth are particularly disadvantaged in their transition to higher value, green, circular and digital businesses. Access to finance, training and advisory services and the lack of collateral are an even bigger hindrance for women and youth. In addition, strongly rooted traditional thinking on women's roles creates a negative attitude towards women-owned businesses and women's confidence in starting and growing a business. The youth obviously lack experience in doing business, and many do not have the right skills to access decent jobs. An outdated TVET framework and a mismatch between private sector needs and graduates' skills exacerbates this situation. In the area of green growth, the gap in relevant skills, particularly among young graduates is even more evident.

Despite the clear positioning of the government in favour of a green economy, Zambia currently lacks a business-enabling environment and investment climate that could stimulate the green transition. Zambia has just started the process of elaborating a green growth strategy and has so far no national circular economy strategy. In addition, gaps in current policies, lack of incentives and contradictory strategic frameworks limit private sector participation in key green growth and circular economy areas, such as waste minimisation and recycling, clean and renewable energy, and regeneration of natural systems. Responsibilities are not clearly defined, existing regulations are not being enforced, capacities within regulatory agencies are reduced, and legislation is disconnected from implementation

frameworks, such as the extended producer responsibility (EPR) legislation. The EPR has instead the potential to support a transition to green and circular packaging and improved waste management.

Current production and consumption practices are not regenerating natural systems, put natural resources under increasing stress, particularly around peri-urban and urban areas and have serious and worsening environmental consequences. The Zambian economy is largely based on sectors, such as mining, agriculture and forestry, which often use unsustainable business models, thus depleting natural resources. Furthermore, the private sector predominantly uses linear business models. The Zambian food system is currently linear, with food waste and organic matter being either buried, dumped or landfilled, preventing nutrients from being recovered and returned to the soil as compost and organic fertiliser. This is a missed opportunity for the private sector, particularly in the current context of increased cost of chemical fertilisers induced by Russia's aggression in the Ukraine. A similar situation exists with the current water and sanitation systems, where groundwater is being used to unsustainable levels, and sanitation systems contaminate groundwater systems, resulting in public health disasters, such as cholera outbreaks. Over 75% of peri-urban and urban households use charcoal as their primary energy source for cooking, resulting in over-exploitation of Zambia's forests. However, there is a lack of sustainable charcoal production and incentives to shift towards more renewable energy sources. Deficits in central electricity generation and distribution are compensated by a widespread use of diesel generators. While alternatives, such as solar technology, bio digesters, wind power, are available on the market, the prices remain high and a barrier for MSMEs and private households. Lack of incentives, the current legal frameworks and ZESCO's financial situation in the electricity sector are significant barriers to promote alternative supply models.

Zambia generates around 19 million tons of solid waste every year, of which only around 3% is reused or recycled and less than 40% is collected and disposed of in landfills. With a growing middle class and changing consumption and production patterns, waste generation will continue to grow in the coming years, exposing Zambia to increasing challenges in terms of environmental degradation, GHG emissions and public health problems, particularly in urban and peri-urban areas. On average 51% of municipal solid waste is made up of organic matter. There are currently only a few private sector initiatives to valorise this waste (only 3% is recycled in Lusaka). Other recyclable materials make up 29% of the waste stream, but are not being re-used or recycled. In turn, manufacturers of packaging and other household items rely on imported raw materials.

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

International organisations (IO), bilateral development agencies (BDA) and international and European development financial institutions (EFDI)

They are IO and BDA running programmes that address climate change, green growth (mostly agricultural and energy sectors), private sector development (particularly agribusiness and mining) and enabling business environment. The action aims at ensuring complementarity and creating synergies with their work.

Relevant IOs include the United Nations Capital Development Fund (UNCDF), the United Nations Environment Programme (UNEP), the United Nations Industrial Development Organization (UNIDO), the International Labour Organisation (ILO) and the International Trade Centre (ITC), the United Nations Development Programme (UNDP), the World Bank Group, and the Global Green Growth Institute (GGGI).

Among EU MS BDAs a specific collaboration is envisaged with Finland, to build on lessons learned and experiences made under their Accelerating Growth of SME (AGS) programme, which will end in 2023 and in relation to their support to the African Circular Economy Network (ACEN), to which Zambia plans to adhere. With SIDA, the cooperation will presumably focus on access to finance and on access to markets with the National Board of Trade, while with SNV it will be in liaison with potential interventions by the Netherlands Development Finance Company (FMO).

Other relevant non EU BDA include the Japan International Cooperation Agency (JICA), which intervenes in waste management and the United States Agency for International Development (USAID), which supports and provides finance to private sector development (PSD) and provides TA for a coherent business environment.

EFDI that have shown initial interest to the action are: the European Investment Bank (EIB), the FMO, the German Development Bank (KfW) and its daughter the Deutsche Entwicklungsgesellschaft (DEG), the Swedish Swedfund, and the Nordic Environment Fund Corporation (NEFCO).

The African Development Bank (AfDB) could be associated as a lead financier of the Green Climate Fund (GEF) and since it is involved in financing actions promoted by the African Circular Economy Network (ACEN).

International and local NGOs and advocacy organisations

The World Wide Fund for Nature (WWF) has been actively lobbying for managing GEF funding, and may be involved in relation to green finance. Local NGOs, including youth and women associations, will be involved through

calls for application to carry out sensitisation actions, monitoring of the policy enforcement and to implement small demonstration and pilot projects on circular economy. Advocacy organisations, such as the ACEN and the Zambian Circular Economy Network (ZamCEN), will be important partners to raise awareness and promote behavioural change.

Government ministries, local municipalities and government agencies with a PSD related mandate

The direct stakeholders of the programme include: the Ministry of Green Economy and Environment (MoGEE) and its associated Zambia Environmental Management Agency (ZEMA), the Ministry of Commerce Trade and Industry (MoCTI) and its associated Zambia Development Agency (ZDA), the Ministry of Technology and Science (MoTS), the Ministry of Small and Medium Enterprise (MoSME), the Ministry of Local Government and Rural Development (MoLGRD), the Ministry of Finance and National Planning (MoFNP), together with the Bank of Zambia (BoZ) and some key municipalities. Other ministries that could indirectly be involved are the Ministry of Energy (MoE), the Ministry of Land and Natural Resources (MoLNR) and the Ministry of Agriculture (MoA) and the Ministry of Education (MoE). These ministries will be also involved in the programme Steering and technical committees. The National Statistic Agency (Zamstat) will be also involved and associated in data collection for monitoring and evaluation.

Research institutes

The action will see the involvement of the research institutes engaged in strengthening the cooperation with the private sector. The National Science and Technology Council (NSTC), which is responsible for coordinating policy and academic research and to supervise scientific research, and the National Technology Business Centre (NTBC), which is mandated with promoting the commercialisation of research outcomes, will be direct stakeholders and beneficiaries of the action. Since data on MSMEs and on circular value chain development is rather limited, other research institutes, such as ZIPAR and leading universities could be involved as service providers.

Local financial intermediaries

The primary financial intermediaries include (i) commercial banks (ii) venture capital and impact investors and (iii) the non-bank financial institutions, including asset finance (e.g. equipment leasing, invoice discounting). They will be directly involved in the action, particularly with regard to strengthening their capacities on green and circular economy project financing and developing new financial products for MSMEs.

Business development service providers (BDSP), incubators and accelerators

BDSPs will be the beneficiary of a part of the action and will also serve as training providers to better reach out to MSMEs, as well as to provide small grants to the very small MSMEs. They include also innovation hubs operating in Zambia, such as Bongohive and Jacaranda iHub and the Business Development Services Providers Association of Zambia (BDSPAZ), which could be a key networking partner to source services and technical expertise on topics such as waste and bio-energy. Most venture capital, impact investors and incubators/accelerators blend their services through the existing BDSP.

Industry associations and business membership organisations

This includes chambers of commerce, business clubs and industry associations, which provide access to networks of corporates and SMEs. Such linkages are valuable to ensure circulation of information, validation of options, awareness raising, and promoting behavioural change. They will therefore be involved throughout the action and across the different activities.

MSMEs

MSMEs are the direct beneficiaries of the component 2. Particular attention will be given to women and youth led MSMEs and to those ones that are committed to promoting greener and increasingly circular business and economic models. The action will primarily focus on those MSME, which are geographically located along the economic corridor from Lusaka to Southern Province, the Copper Belt and Eastern Province, and other Provinces where EU funded related interventions are implemented.

3 DESCRIPTION OF THE ACTION

3.1 Objectives and Expected Outputs

The **overall objective (impact)** is to promote the green growth and an environmentally sound, gender/youth sensitive and economically viable diversification of the economy.

The **specific objectives (outcomes)** of the action are:

SO / Component 1	To improve business regulatory environment and investment climate for green economic transition.
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SO / Component 2 To consolidate MSMEs and start-ups particularly youth and women led, and promote their expansion into green economy and digital business.

In terms of supporting GRZ's ambition to diversify its economy and in line with EU's and Zambia's political, economic and environmental priorities in support of climate action, refer to Appendix 2: Circular Economy Diagram.

The **outputs** to be delivered by the action are:

For component 1: To improve business regulatory environment and investment climate for green economic transition.

- 1.1 A Green Growth Strategy (GGS), a Circular Economy Action Plan (CEAP) and a new MSME policy, coherent with green and sustainable growth objectives, are adopted and under implementation.
- 1.2 The legal-regulatory framework for diversification and green growth, is revised and relevant and corresponding fiscal and financial incentives are adopted and introduced.
- 1.3 New value chains are identified and promoted with a focus on green and circular economy sectors.
- 1.4 Improved institutional capacity for research and science-private sector cooperation focussed on innovation and economic diversification, green and circular economy.
- 1.5 Increased awareness and knowledge of the green and circular economy principles among students, the private sector, the financing institutions, the work force and wider population.

For component 2: To consolidate MSMEs and start-ups, particularly youth and women led, and promote their expansion into green economy and digital business.

- 2.1 Improved formalisation, consolidation and management capacities of the targeted MSMEs with a focus on youth and women led MSMEs.
- 2.2 Improved capacities of the targeted MSMEs for increasing their competitiveness, quality standards and for integration into the regional and international markets.
- 2.3 Improved capacities of business development and advisory services to support the MSMEs in green, circular and digital growth, and to facilitate access to finance equally for female and male entrepreneurs.
- 2.4 Financial products, suitable to the size and needs of start-ups and MSMEs, particularly youth and women led, are designed and tested.
- 2.5 Financial products and technical advisory support are available for innovation and commercialisation of emerging technologies that support diversification and greener and circular business models.

3.2 Indicative Activities

For component 1: To improve business regulatory environment and investment climate for green economic transition.

Activities related to output 1.1: A Green Growth Strategy (GGS), a Circular Economy Action Plan (CEAP) and a new MSME policy, coherent with green and sustainable growth objectives, are adopted and under implementation.

The MoGEE is already in the process of drafting its GGS, and the EU funded Technical Assistance (TA) under the 11th EDF funded Economic Government Support Programme (EGSP) will support the strategy formulation. Under this action, TA will therefore focus on supporting the implementation of the GGS and the development of CEAP as a sub-category of the GGS, fostering an inter-institutional approach for coordination and implementation. This will be done by involving the Public Private Dialogue (PPD) platform (note: it was launched by President Hakainde Hichilema in 04/2022), promoting co-working and coordination with the other relevant ministries, dialogue and cooperation among the relevant actors and providing relevant advice and capacity building to the government institution, in charge of the GGS implementation. The TA will further ensure that the CEAP is well-aligned with the priority development areas under the 8NDP and Zambia's NDCs, and is closely linked to activities outputs 1.3 and 1.5. Specific attention will be paid to transfer of expertise with EU MSs and other African countries in the region and to create complementarity with EU regional action on promoting green and circular economy in Eastern and Southern Africa, which will be part of the Regional AAP SSA 2023.

The action will provide support to the development of the implementation strategy of the SME policy currently under development by the Ministry of SME. The intention is to ensure the inclusion of aspects related to green growth, circular economy and digital transformation, considering the important role that SME can have in the implementation of the GGS and CEAP. In addition, the action aims to support mainstreaming of women and youth aspects into MSME development. Support will also be provided in the monitoring, evaluation, learning, refinement and adaptation of the MSME Strategy, including through provision of TA to address emerging issues and opportunities.

Activities related to output 1.2: The legal-regulatory framework for diversification and green growth, is revised and relevant and corresponding fiscal and financial incentives are adopted and introduced

The action will prioritise legislative and regulatory acts and development of appropriate metrics on green and circular outcomes that support private sector growth in high value diversification sectors and facilitate the emergence of green, circular and digital business models and investments. Examples include the strengthening of waste recycling legislation to enable more private sector participation, the development of packaging and product design standards, and the setting of targets for eliminating linear waste management models, such as simple landfills. The action will establish further links of green/circular economy policies with climate change mitigation and industrial policies, to develop a holistic regulatory framework, which better aligns with related NDC targets. Lastly, activities will entail to jointly develop with government, CSOs and the private sector an incentives framework, which will be conducive to stimulate the adoption and rolling out of green and circular practices, focusing on waste, water and emissions, renewable energy and energy efficiency.

Activities related to output 1.3: New value chains are identified and promoted with a focus on green and circular economy

Activities will include TA to identify priority value chains, with the potential to drive economic diversification and to seize opportunities in the transition to a greener, circular and more sustainable economic business models. Value chains could include high productivity high wage services, construction, ICT, light manufacturing, agro-processing, pharmaceuticals and chemicals, plastics and industrial machinery. The value chains will be assessed against key criteria, including contribution to export diversification, market potential, contribution to NDC targets, job creation, inclusivity, value addition, scale and feasibility. The selected value chains will be further disaggregated to identify promising opportunities and strategic bets, which have longer-term transformation potentials. It is further envisaged to carry out studies, data collection and analysis, which could facilitate the development of MSMEs and investments along the identified value chains.

Activities related to output 1.4: Improved institutional capacity for research and science-private sector cooperation focussed on innovation and economic diversification, green and circular economy.

TA will strengthen collaboration processes between research institutions and the private sector, aligning research with private sector needs. Close collaboration will be ensured with the National Science and Technology Council (NSTC), as the coordinating body for research in Zambia, and the Ministry of Technology and Science (MoTS). The activities will (i) identify challenges, priority areas and opportunities for green growth and circularity, (ii) assist research organisations to align with priority sector development, green growth and circular economy areas, and (iii) foster the process of collaboration between researchers and private sector companies, through key channels and industry associations, such as ZAM. Further activities should improve access to data on latest research, for example in materials science, through digital platforms and portals. Potential solutions include a database of green raw materials for product and packaging design, as well as industry specific guidelines, such as circular design guides for products to enable repair, remanufacture and recyclability. The TA will strengthen the capacity of the NSTC to network with international, regional and European research institutions and to promote Zambian research institutes participation in international research initiatives, in particular the Horizon Europe programme, in the specific areas related to green growth and circular economy.

Activities related to output 1.5: Increased awareness and knowledge of the green and circular economy principles, characteristics and benefits among students, the private sector, the financing institutions, the media and wider population.

Activities will entail the mobilisation of CSOs, youth, women and community based associations as well as the Zambian Circular Economy Network, and other partners, to promote green growth and circular economy awareness and culture through specific *Calls for proposals*. This could link into existing campaigns, for example the Zambian Environmental and Climate Change Awards, spearheaded by ZEMA and MoGEE. Activities further include environmental education, such as the organisation of annual school competitions for a green prize on issues promoting behavioural change and awareness among the youngest and their families.

For component 2: To consolidate MSMEs and start-ups, particularly youth and women led, and promote their expansion into green economy and digital business

Activities related to output 2.1: Improved formalisation, consolidation and management capacities of the targeted MSMEs with a focus on youth and women led MSMEs.

Activities will address growth oriented MSMEs, particularly those operated by women and youth, rather than livelihoods or subsistence-oriented businesses. Support will be primarily, but not exclusively, provided to businesses

located along key economic development corridors, which are pro-active, demonstrate potential to grow and commitment to create decent jobs. These enterprises fall in the following categories:

- 1) MSMEs in early stage that need to consolidate their basic skills (entrepreneurship, digital, financial skills).
- 2) MSMEs in need of scale-up and finance for their growth plan.
- 3) Consolidated SMEs that are ready to transit to greener and/or circular business models; SMEs starting to operate in green/circular value chains, and
- 4) Larger SMEs that can operate as off-takers and are ready to green their supply chains.

For micro businesses, the focus will be on building capacities in entrepreneurship, basic management skills, digital literacy (e-commerce), and market development. Activities include also measures to support women's empowerment, including using successful Zambian business women as role models and mentors. Small grants, allocated through a call for applications from BDSPs and dispersed, based on performance milestones, will be provided to selected micro-enterprises. For larger, formal SMEs, TA will be provided to develop growth-oriented business models, identify related financing needs and broker relationships with appropriate providers. This could include guarantee schemes provided through EFSD+, equity providers, loans from commercial banks, asset finance, invoice discounting or trade finance.

To MSMEs operating in conventional sectors, the action will provide TA and concessional finance, to incentivise and stimulate their transition to greener and circular business models, including in the waste management sector. The TA will work with enterprises to review their current business models, identify opportunities to adopt greener and more circular business practices and develop a transition plan, including estimates of financing requirements. For those enterprises, which show commitment to implement the plan, the action will provide concessional finance (e.g. for investment in appropriate technology, the development of new business systems, staff capability building), either through grants, attributed through competitive calls and disbursed against performance milestones, or by connecting businesses to third party providers of concessional green finance.

TA, coming along with grant and matching grant finance and/or concessional financing will be provided to MSMEs through a competitive mechanism, built on the lessons learnt from 11th EDF funded ENTERPRISE Zambia Challenge Fund. The scheme will be open to targeted MSMEs working in green and circular value chains, and/or in sectors promoting value addition. Preliminary identified sectors include waste management, food and beverages, climate-smart construction, sustainable artisanal mining, life sciences (pharmaceuticals and health), as well as cosmetics and beauty products. The scheme will leverage the results of other EU funded actions, such as the national roadmap for a circular economy in plastic waste management, developed by the Climate Technology Centre and Network (CTCN) in April/May 2022, the Minerals Development Programme and the NDICI GE funded Green Partnership and Investment Programme along the Agriculture, Forestry, Biodiversity, Water and Climate Nexus.

Activities related to output 2.2: Improved capacities of the targeted MSMEs for increasing their competitiveness, quality standards and for integration into the regional and international markets

TA and financial support will be provided to growth oriented small businesses, to access to business to business (B2B) at domestic, regional and international markets or to undertake detailed market analysis, to improve the quality and standards of their goods and services, to implement measures to improve competitiveness, to meet product certification requirements in target markets, and to upgrade packaging standards. Where appropriate, MSMEs will receive support to use e-commerce and digital market access channels. Market development plans will be developed and related call for proposals will be launched to initiate implementation of these plans.

The action will also facilitate the development of digital ICT platforms to improve access to information for: (i) MSMEs on opportunities to expand or establish new regional and international markets and better understand the prerequisites for market entry (e.g. produce specification, certification, packaging requirements); (ii) potential buyers, seeking access to products from MSMEs, by creating MSME and product profiles, and detailed specifications for available products.

This will include contributions to the futures edition of the EU-Zambia Economic Forum, as relevant and especially focusing on post forum enterprise collaboration. The activities will be carried out, in cooperation with the programme of the Swedish National Trade Board on export promotion, and aid to trade in cooperation with the MCTI and with the regional programmes focusing on fostering trade and investments (such as the EU-ACP facility).

Activities related to output 2.3: Improved capacities of business development and advisory services to support the MSMEs in green, circular and digital growth, and to facilitate access to finance equally for female and male entrepreneurs.

The action will build the capacity of BDSPs, selected through competitive procedures and against performance milestones, to provide better-targeted services to MSMEs that benefit from the action. This will entail training to strengthen their services in areas, such as management systems, market analysis and marketing plan development,

financial analysis, green and circular economy and business model development. BDSP will receive specific capacity building to better serve women and youth entrepreneurs and to support and promote green and circular investments/MSMEs. Grants will help to develop new advisory delivery mechanisms, e.g. through using ICT and digital models, to ensure that advisory services are accessible and affordable and to provide services outside Lusaka.

Activities related to output 2.4: Financial products, suitable to the size and needs of start-ups and MSMEs, particularly youth and women led, are designed and tested.

Local impact and venture capital institutions will be supported through financial grants to (i) develop and pilot new green financial products that are aligned to the needs of start-ups (including women and youth led) and are able to link up with other green financing schemes such as carbon credit, green loans and green bonds. The grants will be further utilised to (ii) develop and pilot new financing products for MSMEs, particularly at early stage or with limited assets, to support business consolidation and growth. Successful pilot approaches for the delivery of financial products and TA will be scaled up through market mechanisms, and facilitate the opportunities offered by EFSD+.

Activities related to output 2.5: Financial products and technical advisory support are available for innovation and commercialisation of emerging technologies that support diversification and greener and circular business models.

TA will strengthen the activities of key research and development institutions e.g. the National Technology Business Centre (NTBC) and the National Science and Technology Council (NSCT), to better support innovation, research and growth of technology-oriented start-ups. The support could cover (i) capacity building for the implementation of the new technology venture fund under the MoTS. Related activities would entail supporting the fund in identifying pre-commercialisation stages of innovative, green and circular technologies that can increase industry competitiveness and drive green diversification into higher value sectors. It could further cover (ii) equipment for the establishment of a new fabrication laboratory ("FabLab"), to provide physical facilities for prototyping technology, including digital technologies, cleantech, fintech, healthtech, construction materials, manufacturing products and processes, and green and circular products and processes. TA could be also provided to (iii) the development of incubation facilities and the provision of small grants for technology oriented start-ups and research projects, as well TA (iv) to broker relationships between technology developers, investors, entrepreneurs, business angels, etc.

. It is subject to the formal confirmation of each respective member's meaningful contribution as early as possible. In the event that the TEIs and/or these contributions do not materialise, the EU action may continue outside a TEI framework.

3.3 Mainstreaming

Environmental Protection & Climate Change

The Action contributes to climate change adaptation and mitigation by introducing greener and circular production models, which reduce the pressure on natural resources, extraction through mining, and pollution by improving waste management.

Outcomes of the SEA screening

The Strategic Environmental Assessment (SEA) screening concluded that no further action is required.

Outcomes of the EIA (Environmental Impact Assessment) screening

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

The Climate Risk Assessment (CRA) screening concluded that this action is no or low risk (no need for further assessment). This project aims to reduce carbon emissions and mitigate climate change, in line with Zambia's NDCs through policy reforms, and private sector development with a focus on green growth and circular economy.

Gender equality and empowerment of women and girls

As per OECD Gender DAC codes identified in section 1.1, this action is labelled as G1. The action acknowledges the potential role women can play to contribute to economic growth and job creation in MSMEs, if they have access to the business services and to finance. The action introduces specific capacity building oriented to women entrepreneurs, including empowerment, and development of financial products specifically addressing the characteristics of women entrepreneurs. The focus on MSMEs, particularly those led by youth and women, will promote inclusion, gender equality and women empowerment.

In line with the EU Delegation's implementation plan of GAP III, the action will focus on the engagement area addressing the challenges and harnessing the opportunities offered by the green transition. In addition, it will contribute to the engagement area on promotion of economic and social rights, and empowering girls and women. It

will support to GAP III specific objectives working to ensure women and men in all their diversity, increasingly participate in and have improved access to jobs, entrepreneurship opportunities and alternative livelihoods in the green economy and the circular economy; and to increase access for women in all their diversity to financial services and products, and productive resources.

Human Rights

The programme focuses on promoting the creation of decent jobs and sustainable development through a green and circular economy. By increasing the support to SMEs outside the most developed part of the country, the Action aims to contribute to reducing the geographical differences. Furthermore, the Action will apply a human rights-based approach by respecting the five working principles: respect to all human rights, participation, non-discrimination, transparency and accountability in every step of the action. In addition, the Action addresses the human right for a clean environment and aims to do no harm.

Disability

As per OECD Disability DAC codes identified in section 1.1, the action is labelled as D0. This implies that the action will not include specific activities addressing disable people.

Democracy

The action promotes institutional coordination, cooperation and consultation with all relevant stakeholders.

Conflict sensitivity, peace and resilience

Through promoting decent jobs and a circular economy, the action will positively contribute to the resilience of the people and of enterprises to climate shocks and a more sustainable use of natural resources.

Disaster Risk Reduction

Promoting greener business models and circular economy has a positive impact on mitigating environmental disaster risks. Targeted value chains, such as in waste management, may contribute to reducing the risk of health diseases linked to air or water pollution.

3.4 Risks and Lessons Learnt

Category	Risks	Likelihood (High/ Medium/ Low)	Impact (High/ Medium/ Low)	Mitigating measures
structural	Risk 1 Macroeconomic situation does not improve, and country remains high risk for financing & investment.	Medium	High	The EU is a key development partner in PFM/accountability and engages, as PFM Troika chair, in dialogues with the MoFNP, relevant DPs and the IMF. The AAP 2022 – Part 2 includes Action 3 on PFM/Accountability.
political	Risk 2 Low buy-in by the political class and vested interest groups.	Medium	High	The Action supports the Government's agenda to develop a green economy. It focuses on sectors and growth of areas that are neither influenced by vested interest nor politicised.
financial	Risk 3 Cost of green transition reduces SMEs willingness to adopt green and circular practices.	Medium	High	The Action promotes access to finance, awareness raising around benefits of green and circular, accessible BDSP for MSMEs on green and circular. The prices for green technology are expected to steadily decrease, as climate action accelerates pace.

	Risk 4 Delays in development of policy frameworks e.g. SME and green growth policy, and lack of technical and financial capacity for strategy development and implementation.	Low - Medium	High	Support policy dialogue and collaboration through the Cooperating Partners for PSD. Provision of TA, including through the Economic Governance Support Programme (EGSP). Mobilisation of other resources, such as TAIEX, and D4Dhub.
	Risk 5 Commercial Banks perceptions towards SME financing and risk do not change, thus excluding SMEs from accessing commercial finance.	High	High	The Action stimulates competition and provides alternatives through NBFIs. Involve banks in the discussions and awareness on the green economy and de-risking SME and circular projects. TA to the banks through EFSD+ and regional initiatives.
	Risk 6 Poor enforcement of legislation and regulation.	Medium	Medium	Collaborate with CSOs in the green and circular economy, including using their role as watchdog. Support agencies and build capacity to sustain their operations and effective law enforcement.

Lessons Learnt:

Lessons learnt from other programmes, such as ENTERPRISE Zambia, indicate the need to operate with an integrated and systemic approach, covering both, the business-enabling environment and the investment climate, as well as provide direct support to MSMEs. Work in a systemic way, e.g. combining access to finance with training, business advisory services, market linkages and supporting reforms in the enabling environment, is more effective in terms of MSME development and private sector growth than addressing singular issues and creates higher impact. There are already a number of initiatives of other donors, which could be taken up and further expand/consolidate. Focusing on systemic and behaviour change in the market systems, rather than only giving grants to MSME, is more effective to achieve sustainable results, given the important market failures.

Zambian MSMEs are very small, as compared to the EU definition of MSME. Only few are able to absorb grants or access loans of a size that would reduce transaction costs for financial institutions and/or cooperating partners.

3.5 The Intervention Logic

The action intends to address two fundamental challenges of the Zambian economy:

- 1) The lack of diversification of the economy, with consequent economic and societal vulnerability from external and climate shocks, with low productivity and local value addition.
- 2) The increasing depletion of, and pressure on, natural resources due to linear production and consumption models, fast population growth and urbanisation, and a lack of alternative livelihood opportunities. The action is structured in two components that reflect the systemic approach of the action.

Component 1 intends to create/facilitate the establishment of a positive business enabling regulatory environment and investment climate to catalyse transition towards green and circular business models and practices.

Component 2 aims to consolidate the growth potential of MSMEs, particularly those created and managed by young male/female entrepreneurs, to have more MSME that invest in green, climate smart and digital business opportunities and to increase MSME access to market opportunities. Component 2 will also support MSMEs to respond effectively to the opportunities for private sector growth, which shall be stimulated and incentivised through component 1.

It is expected that through these two components, the conditions for a more resilient, sustainable and inclusive economic growth, will be created/strengthened and that more decent jobs will be created.

Component 1 will operate more specifically at the policy, legislative and regulatory level and related institutional and strategic frameworks. TA will foster collaboration and consultation among key actors, build institutional capacities and review regulatory frameworks and incentives schemes. The TA will also transfer relevant green growth and circular economy expertise from EU MSs and from other African countries, through promoting partnerships with

initiatives such as the ACEN and facilitating the use of instruments, such as TAIEX. This shall facilitate the implementation of Zambia's GGS. The action will contribute to making Zambia's MSME Policy coherent with the GGS, thus ensuring economic diversification and consolidation of MSMEs. The CEAP will be elaborated in a way that it will promote a gradual transition to circular and more sustainable production and consumption models in promising and strategic key sectors. Sensitisation actions on green and circular production and consumption model targeting different stakeholders, from media to youth, to school pupils, to general population, will support behavioural change in favour of greener and circular production and consumption models.

Component 2 will target MSMEs and providers of MSMEs support services, including financial and advisory services, and strengthening the use of innovation and technology by SMEs. TA to MSMEs they will improve their skills, resilience and access to markets, making it easier for them to access to finance and therefore realise their growth potential. Furthermore, the risk profile of MSMEs will be improved by providing mentoring support, making them more attractive to the financial sector, and thus improving conditions for access to affordable finance. Through the combination of TA, capacity building and financing, MSMEs will be not only able to consolidate and scale up their business, but also develop capacities to access new markets, to enter into new sectors, to embrace green and circular business models and to develop and use innovative technologies. Ensuring links with programmes in TVET will facilitate the access to relevant skills, while cooperation with other programmes that promote value addition and green and circular economy, will increase the overall positive impact on MSME development.

Where the services to MSMEs are not available in the market, the action will facilitate market development. This will involve the provision of TA and grants to catalyse service providers and venture capital firms to develop and pilot new financial products for very early stage businesses, or to provide grants to BSDPs that invest in the development of new advisory products for women and youth. Given their knowledge of the market and ability to reach the smallest MSMEs, local BSDPs will provide services, particularly capacity building, to MSMEs. They will themselves receive TA to upgrade their competences and to ensure they can facilitate green transition and support women and youth entrepreneurs with specific products and reach MSMEs in remote locations.

The action will further provide TA to create market connections e.g. by connecting SMEs to existing finance providers, connecting small firms to procure opportunities in larger firms, providing information on opportunities in B2B, regional and international markets and ensure follow up to results of B2B activities. Finally, TA and grants will be provided to support increased pre-commercialisation investment in new technologies that can be adopted and scaled by MSMEs, through working with the National Technology Business Centre.

In all cases, grants will be allocated on a competitive basis, through a call for proposals with clear and transparent eligibility and appraisal criteria for selection of beneficiaries. Criteria to promote women and youth led and green and circular business models may be introduced. Grants will be disbursed against clearly defined performance milestones and recipient enterprises will be expected to demonstrate commitment through their contributions.

The main underlying assumptions in the intervention logic are:

- That diversification and transition to a greener and more circular economy remain key political priorities for the medium term, as stated in 8NDP, the Vision 2030 and Zambia's NDCs, and are mainstreamed in policy implementation and public procurement.
- That government will be able to progressively shift public investments in support of higher value sectors with diversification potential.
- That financial institutions will establish appropriate ESG frameworks to inform and influence their investment and lending decisions, and develop more appropriate products for MSMEs.
- That, by creating appropriate incentives and market opportunities and building greater awareness of the green and circular agenda among key stakeholders, including consumers and financial institutions, MSMEs will adopt greener and circular business models.

In terms of supporting GRZ's ambition to diversify its economy and in line with EU's and Zambia's political, economic and environmental priorities in support of climate action, refer to Appendix 2: Circular Economy Diagram.

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 developed and established for each indicator at signature of the contract(s) linked to this AD, and be fine-tuned during the inception phases of related actions. New columns may be added to set intermediary targets (milestones) for the output and outcome indicators, whenever it is relevant.

- the inception 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 new circumstances that may arise and 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, without an amendment being required to the Financing Decision.

Results	Results chain (a): Main expected results	Indicators (a):	Baselines (values and years)	Targets (values and years)	Sources of data	Assumptions
Impact	To promote the green growth and an environmentally sound, gender/youth sensitive and economically viable diversification of the economy.	<p>1 . contribution to GDP of non-traditional (sectors different from mining, agriculture and tourism) target sectors. (EUR)</p> <p>2 - CO2 and other greenhouse gas (GHG) emissions per unit of value added (kg/\$), subject to their measurability, to be assessed during inception phase.</p> <p>3.# SMEs in circular economy business</p> <p>4. # targeted MSMEs demonstrating growth (increased turn over and employees) (% increase above trend, % women owned, % youth, % by region)</p>	<p>1 TBD</p> <p>2 120,604 Gg CO2- equivalents (2010)</p> <p>3 TBD</p>	<p>1 TBD</p> <p>2 TBD</p>	<p>1 National statistics</p> <p>2 National statistics/NDC reports</p> <p>3. CEAP Monitoring system</p>	<i>Not applicable</i>
Outcome 1	To improve business regulatory environment and investment climate for green economic transition.	<p>1.1. # Inclusive Green Economy (IGE) policy instruments adopted and implemented, disaggregated by category of document (GGS, CEAP, MSME policy)</p> <p>1.2 Value of finance for green and diversification investments available in the country linked to the implementation of the GGS and CEAP</p> <p>1.3 Quantity of waste that is recycled by type of waste in Lusaka and secondary cities</p> <p>1.4 # of research projects focusing on green and circular economy with potential applications for private sector carried out by Zambian research institutes</p>	<p>1.1. None</p> <p>1.2 TBD</p> <p>1.3 3% (Lusaka)</p> <p>1.4 TBD</p>	<p>1.1. Adopted, under implementation according to annual AP</p> <p>1.2 TBD</p> <p>1.3 TBD</p> <p>1.4 TBD</p>	<p>1.1 Programme's and M&E's reports</p> <p>1.2 Green growth strategy's M&E</p> <p>1.3 Programme's and M&E's reports</p> <p>1.4 Reports by NCST</p>	Government remains committed to mainstreaming green growth and circular economy Government follows-up on funding and monitoring of the Green Growth Strategy, Circular Economy Action plan and the MSME new Policy.
Outcome 2	To consolidate MSMEs and start – ups, particularly youth and women led, and promote their expansion into green economy and digital business	2.1 # MSME and new registered start-ups supported by the Action (% women owned, % youth, % by region) that are using the tools and skills provided by the Action	<p>2.1 0</p> <p>2.2 0</p> <p>2.3 0</p> <p>2.4 0</p> <p>2.5 0</p>	<p>2.1 TBD</p> <p>2.2 TBD</p> <p>2.3 TBD</p> <p>2.4 TBD</p> <p>2.5 TBD</p>	Programme M&E reports	Macroeconomic framework remains favourable for enterprise start up and growth

		<p>2.2 Value of private sector investments in green and circular business models leveraged with the Action support</p> <p>2.3 # new equity, loans and mezzanine products and financing scheme for MSME introduced in the market with the support of the Action</p> <p>2.4 Increased sales by supported enterprises in the regional or international markets (% owned by women, % owned by youth, province)</p> <p>2.5 # business partnerships developed under EU support (% led by women, % led by youth, province)</p>				Financial market condition and competition among operators favour financial innovation and support increase access to finance for MSME
Output 1 Related to Outcome 1	A Green Growth Strategy (GGS), a Circular Economy Action Plan (CEAP) and a new MSME policy, coherent with green and sustainable growth objectives, are adopted and under implementation .	1.1.1 Achievement of the targets of annual action plans for the GGS, CEAP and SMES policy	1.1.1 No action plans	1.1.1 Action Plans, are drafted, discussed, adopted and implemented	1.1.1 M&E reports of the GGS, CEAP and MSME policy	Government remains committed to green growth Key Ministries have the internal capability to manage strategy implementation, monitor and adapt accordingly
Output 2 Related to Outcome 1	The legal-regulatory framework for diversification and green growth, is revised and relevant and corresponding fiscal and financial incentives are adopted and introduced	<p>1.2.1 Status of the package of legislative, regulatory and administrative reforms in areas such as plastic, waste recycling, packaging</p> <p>1.2.2 Status of Regulations promoting value chains in waste recycling</p>	<p>1.2.1 None</p> <p>1.2.2 None</p>	<p>1.2.1 TBD</p> <p>1.2.2 TBD</p>	GGS and CEAP monitoring report	Monitoring and supervision by the Cabinet, for effective enforcement, including in Provinces
Output 3 Related to Outcome 1	New value chains are identified and promoted with a focus on in green and circular economy sectors.	1.3.1 Status of the schemes and descriptions of the identified value chains	1.3.1 None	1.3.1 TBD	Programme's and M&E's reports	Effective promotion of business opportunities in new VCs, and access to finance and capabilities
Output 4 Related to Outcome 1	Improved institutional capacity for research and science-private sector cooperation focussed on innovation and economic diversification, green and circular economy	1.4.1. # international scientific partnerships focusing on green and circular economy facilitated by the Action	<p>1.4.1 0</p> <p>1.4.2. 0</p>	<p>1.4.1 TBD</p> <p>1.4.2. TBD</p>	Programme's and M&E's reports	Research institutions have the capacity and resources to respond to private sector needs or supported by

		1.4.2 # of agreements signed between research centres and Zambia private sector supported by the Action				innovation / research funds
Output 5 Related to Outcome 1	Increased awareness and knowledge of the green and circular economy principles, characteristics and benefits among students, the private sector, the financing institutions, the work force and wider population.	1.5.1 # people involved in green and circular practises at community level through small projects supported by the action 1.5.2 Number of schools that are supported to adopt CE practises.	1.5.1 0 1.5.2 0	1.5.1 TBD 1.5.2 TBD	Programme M&E's reports	Producers, consumers and other stakeholders change their production and consumption habits in response to increased awareness
Output 1 Related to Outcome 2	Improved formalisation, consolidation and management capacities of the targeted MSMEs with a focus on youth and women led MSMEs.	2.1.1 # MSME that have received EU support to improve digital and financial and entrepreneurship skills through TA (% owned by women, % owned by youth, province) 2.1.2 # MSME that have received support by the Action to adopt green and circular business models (by type, sector, province, gender of the owner) 2.1.3 # MSME that through EU support have accessed to concessional funds during the Action by type, gender and age of the owner 2.1.4 #MSME supported by the Action that are formally registered	2.1.1 0 2.1.2 0 2.1.3 0 2.1.4 0	2.1.1TBD 2.1.2TBD 2.1.3TBD 2.1.4 TBD	Programme M&E reports	The supported MSMEs receive after-care support by the specialised business advisory Viable tools can be developed to access women and youth at scale and in the provinces
Output 2 Related to Outcome 2	Improved capacities of the targeted MSMEs for increasing their competitiveness, quality standards and for integration into the regional and international markets	2.2.1. Number of MSMEs that received support from the action to improve their capacity in quality improvement processes and standards, marketing, e-commerce, B2B negotiations, (disaggregated by the sex of the owner or the staff as applicable) 2.2.2. Status of the digital platform to inform on markets' entry preconditions 2.2.3. # of business partnership resulting from B2B followed up by the support of the Action	2.2.1 0 2.2.2 None 2.2.3. None	2.2.1TBD 2.2.2 TBD... 2.2.3. TBD	2.2.1 Programme's and M&E's reports, 2.2.2 Programme's and M&E's reports 2.2.3. the digital platforms and the certificate of the web-page/product	Continued reform of trade policies and reduced Non-Trade Barriers enable competitive access to regional and international markets

Output 3 Related to Outcome 2	Improved capacities of business development and advisory services to support the MSMEs in green, circular and digital growth, and to facilitate access to finance equally for female and male entrepreneurs.	<p>2.3.1 # Business Service Development Providers (BSDP) that received support in green and circular business models and green finance and to upgrade their services related to supporting MSME in access to finance</p> <p>2.3.2 # PSDP that have developed and provide services targeted at women and youth-owned MSMEs with the support of the Action</p> <p>2.3.3 # PSDP that that have developed services for MSMEs outside Lusaka Province with the support of the Action (by modality, region and # of MSME reached in those areas)</p>	<p>2.3.1 0</p> <p>2.3.2 0</p> <p>2.3.3 0</p>	<p>2.3.1 TBD</p> <p>2.3.2 TBD</p> <p>2.3.3 TBD</p>	Programme M&E reports	<p>BSDP do not increase the cost of the new services</p> <p>The role of BSDP is appreciated by the different stakeholders and allow to increase the offer and keep it accessible to MSMEs</p>
Output 4 Related to Outcome 2	Financial products, suitable to the size and needs of start-ups and MSMEs, particularly youth and women led, are designed and tested and introduced in the market	<p>2.4.1 # new Impact and Venture Capital investors supported by the Action to develop and test new products for MSEM</p> <p>2.4.2 . # Products that are developed with the Action support which successfully pass the testing phase</p>	<p>2.4.1 0</p> <p>2.4.2 0</p>	<p>2.4.1 TBD</p> <p>2.4.2 TBD</p>	Programme M&E reports	<p>Financial institutions have the incentives and capacity to innovate</p> <p>The financial sector regulatory framework and the macroeconomic situation allow for financial innovation</p>
Output 5 Related to Outcome 2	Financial products and technical advisory support are available for innovation and commercialisation of emerging technologies that support diversification and greener and circular business models	<p>2.5.1 # early stage innovation start-ups or technologies in green/circular economy sectors under the Technology Venture Fund of the MoST that have received financial and TA support from the Action</p> <p>2.5.2 # of prototypes that have benefitted from testing in the Fablabs equipped with the support of the Action</p> <p>2.5.3 # of technology or investment partnerships established with the support of the Action</p>	<p>2.5.1 0</p> <p>2.5.2 0</p> <p>2.5.3 0</p>	<p>2.5.1 TBD</p> <p>2.5.2 TBD</p> <p>2.5.3 TBD</p>	Programme M&E Annual reports on the Technology Venture Fund implementation	<p>The Technology Venture Fund is established and funded</p>

4 IMPLEMENTATION ARRANGEMENTS

4.1 Financing Agreement

In order to implement this action, it is envisaged to conclude a financing agreement with the Republic of Zambia.

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 entry into force of the financing agreement.

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 measures⁹.

4.4.1 Direct Management (Grants)

Each of the two components will be wholly implemented through a grant contract; one grant per component. Each of the two grant beneficiaries will implement the activities under each of components and provide financial support to third parties (sub-granting) for activities related to certain outputs under each of the components. In the case of component 1, the grant will also provide non-conditional support to third parties (prizes) to schools and higher education facilities.

Component 1:

(a) Purpose of the grant(s)

A first grant will be awarded to implement the whole of component 1. Under activity 1.5 the grant beneficiary¹⁰ will provide both; i) financial support to third parties (sub-granting) and; ii) non-conditional support to third parties (by organising and awarding annual prizes) in order to raise awareness and promote behavioural change in line with green and circular economy principles.

In all cases of financial support to third parties (sub-granting and prizes), the eligibility and award criteria, the amount of the financial support, and the payment arrangements will be defined in the guidelines to grant applicants.

(b) Type of applicants targeted

Eligible applicants include both for profit and not for profit legal entities belonging to one of the following specific types of organisations: i) EU MS research centres; ii) specialised public organisations related to the green and/or circular economy; iii) political foundations, think-tanks and circular economy networks; iv) not for profit organisations and; v) international (inter-governmental) organisations.

Eligibility for financial support to third parties (result 1.5) will be defined in the guidelines for grant applicants and in the case of non-conditional support to third parties (prizes) may be expanded to include; natural persons or groupings without legal personality, community based organisations, public and private schools.

Component 2:

(a) Purpose of the grant(s)

⁹ 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.

¹⁰ The term 'grant beneficiary' is used to refer to both mono and multi-beneficiaries grants.

A second grant will be awarded to implement the whole of component 2. The grant beneficiary⁸ will provide also financial support to third parties (sub-granting) covering activities for outputs 2.1 to 2.5. Under output 2.5 the grant beneficiary will work closely with the NTBC when selecting the entities for financial support. The eligibility and award criteria, the amount of the financial support to third parties, and the payment arrangements will be defined in the in the guidelines for grant applicants.

(b) Type of applicants targeted

Eligible applicants include both profit and non-for profit legal entities belonging to one of the following specific types of organisations: i) non-governmental organisations; ii) public sector entities; iii) private sector entities; iv) international (inter-governmental) organisations or; v) civil society organisations.

4.4.2 EFSD+ operations covered by budgetary guarantees

This section is included for information purposes only. A comprehensive action plan covering all EFSD+ budgetary guarantees and the financing decision for the entire annual commitment under the EFSD+ budget line are adopted separately.

This action is expected to be complemented by budgetary guarantees under indirect management. The budgetary guarantees would fall within the following priority area 1 of the MIP “Green Partnerships for sustainable recovery, growth and decent jobs”, specific objective (SO) 1.2 “to promote an environmentally sound, gender and youth sensitive and economically viable diversification of the economy and to invest in the creation of green growth and decent jobs in circular economy.”

4.4.3 Changes from indirect to direct management mode (and vice versa) due to exceptional circumstances

In case that direct management (grants) (section 4.4.1) fails due to circumstances outside of the Commission’s control, the alternative implementation modality will be as follows:

Component 1 may be implemented in indirect management with a pillar assessed entity, which will be selected by the Commission’s services, using the following criteria. Previous experience in; i) policy and strategy implementation; ii) institutional coordination and strengthening, iii) mobilising EU and other countries’ expertise in the green / circular economy and in research and development; iv) understanding economic development in low/middle income countries and of private sector needs in Africa.

Component 2 may be implemented in indirect management with a pillar assessed entity which will be selected by the Commission’s services using the following criteria: Previous experience in; i) strengthening MSMEs capacities; ii) innovative financing products for MSMEs, including green financing and access to finance; iii) MSME’s access to market; iv) the green and circular economy; vi) promoting innovation and technology development for private sector; vii) knowledge and understanding of the MSME sector in Africa.

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 realisation of this action impossible or exceedingly difficult (Article 28(10) NDICI-Global Europe Regulation).

4.5 Indicative Budget

Indicative Budget components	EU contribution (amount in EUR)
Implementation modalities – cf. section 4.4	
Objective 1: To promote an enabling business regulatory environment and investment climate, which supports green economic transition and fosters private sector led sustainable growth, job creation and investment in circular economy	4 700 000
<i>Grants (direct management) – cf. section 4.4.1</i>	<i>4 700 000</i>
Objective 2: To support the creation and consolidation of SMEs and start-up companies, particularly created and managed by young male/female entrepreneurs	22 700 000

Indicative Budget components	EU contribution (amount in EUR)
that invest in green, climate smart and digital business opportunities and decent job creation.	
<i>Grant (direct management) – cf. section 4.4.1</i>	22 700 000
Evaluation – cf. section 5.2	400 000
Audit – cf. section 5.3	
Contingencies	900 000
Totals	28 700 000

4.6 Organisational Set-up and Responsibilities

A Programme Steering Committee (PSC), comprising all key stakeholders, shall be established to oversee the implementation of the action, which shall indicatively meet at least once a year. Members of the PSC will be (indicative list): The EU Delegation, the MoFNP, the MoGEE, the MoSME, the MoCTI, the MoTS, the Secretariat of the PPD Forum, representatives of the private sector (e.g. President of the EUZBC, ZAM and selected Chambers of Commerce of Zambia and of EU member states) and the implementing partners. The grant beneficiary of component 1 will act as Secretariat to the PSC.

In addition to the PSC, two Technical Committees (TC), one for each component shall be established, to provide technical guidance, monitoring the implementation and ensure that timely and appropriate decisions are made relating to challenges or issues emerging during programme implementation. The TCs shall meet at least each semester (if needed quarterly) at component level and at least annually (if needed twice annually) together, as to ensure technical and operational coordination between the two components. The TCs will make recommendations to the annual PSC. The TC for component 1 will also involve ZEMA, ZDA, NSTC and representatives of advocacy organisations working in the circular economy. The TC for component 2 will involve the BDSPs Association, the Banking Association, the NBFI, youth and women associations, as well as Chambers of Commerce from the locality of programme concentration, and of EU member states. The EDFI will participate as relevant. A representative of the technical working group of the *Action Green Partnership and Investment Programme along the Agriculture, Forestry, Biodiversity, Water and Climate Nexus* will be invited to join the TC meeting for component 2.

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.

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) and the partner's strategy, policy or reform action plan list (for budget support).

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).

During the first six months of implementation of each component, the implementing partners will verify if the National Statistic office, Bank of Zambia or other relevant research institution have carried out any data collection and mapping of MSMEs relevant to define the baselines. Otherwise, the implementing partner will identify the needed baseline studies, the costing and possible financing sources, including the Action budget. This may include a gender mainstreaming analysis and a strategic risk assessment. As much as possible the baseline studies should also serve the data needs of the relevant ministries.

As much as possible, the monitoring system of each component will reflect the action plans developed by the ministries for the implementation of the strategy (i.e. GGS, and strategy to implement the MSME policy) and revise indicators and targets accordingly. This is to ensure that the monitoring systems set up by government and those set up under the Action will mutually benefit and complement each other.

Each component will set up its own monitoring system. Responsibilities for data collection, analysis and monitoring will be defined at the beginning of the contract implementation by the two main implementing partners taking into account data collected by national entities, such as the Bank of Zambia, and the Office of Statistics as well as data collected to the grants beneficiaries.

5.2 Evaluation

Having regard to the importance of the action, a mid-term evaluation and a final evaluation will be carried out via independent consultants contracted by the Commission.

A mid-term evaluation will be carried out for problem solving and learning purposes, in particular with respect to appropriateness of the support developed for MSMEs, the degree of utilisation of new financial products, and the use of the direct grant for supporting innovation and technology.

A final evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account the fact that this is the first operation supporting economic diversification and SMEs outside the agriculture sector and the first one promoting a transition to circular economy at both policy and sector level.

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.

Evaluation services may be contracted under a framework contract.

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.

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.

Appendix 1 REPORTING IN OPSYS

An intervention (also generally called project/programme) is the operational entity associated to a coherent set of activities and results structured in a logical framework aiming at delivering development change or progress. Interventions are the most effective (hence optimal) entities for the operational follow-up by the Commission of its external development operations. As such, interventions constitute the base unit for managing operational implementations, assessing performance, monitoring, evaluation, internal and external communication, reporting and aggregation.

Primary interventions are those contracts or groups of contracts bearing reportable results and respecting the following business rule: ‘a given contract can only contribute to one primary intervention and not more than one’. An individual contract that does not produce direct reportable results and cannot be logically grouped with other result reportable contracts is considered a ‘support entities’. The addition of all primary interventions and support entities is equivalent to the full development portfolio of the institution.

The present Action identifies as

Contract level		
x	Single Contract 1	Individual contract for Component 1 – Grant Contract
x	Single Contract 2	Individual contract for Component 2 – Grant Contract

Appendix 2: Circular Economy Diagram

(Source: Towards a Circular Economy (Vol. 1), Ellen MacArthur Foundation www.ellenmacarthurfoundation.org)

The Action will work on both, promoting and supporting the green economic transition and circularity of biological materials as well as of technical materials (refer to figure of the “Circular Economy Diagram ” below), in selected sectors most relevant and promising for Zambia. The relevance will however be determined, in line with the overall objective of the action to promote the diversification of Zambia’s economy (beyond the agriculture-forestry-biodiversity-water nexus), and in support of the achievement of Zambia’s NDCs.

