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ANNEX 1

to the Commission Implementing Decision on the financing of the annual action plan in favour of the Republic of Zambia for 2024

Action Document for ENTERPRISE Zambia 2.0 – Boost Agriculture Market Access Programme in Zambia - Inclusive and sustainable legume and horticulture agriculture value chains

ANNUAL ACTION 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	ENTERPRISE Zambia 2.0 – Boost Agriculture Market Access Programme in Zambia - Inclusive and sustainable legume and horticulture agriculture value chains OPSYS number: ACT-62071 Financed under the Neighbourhood, Development and International Cooperation Instrument (NDICI-Global Europe)
2. Team Europe Initiative	No. 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	Priority area 1 of the MIP “Green partnerships for sustainable recovery, growth and decent jobs”. Specific objective 1.1: To promote and invest in the green recovery and sustainable growth along the agriculture-forestry-biodiversity-water and climate nexus. <ul style="list-style-type: none"> Result 1.1 – Participation of subsistence and smallholder farmers, including women farmers and youth, in market-integrated value chains is increased and support the transition to greener and more sustainable diversified agro-food systems.
PRIORITY AREAS AND SECTOR INFORMATION	
6. Priority Area(s), sectors	DAC 310 - Agriculture, Forestry, Fishing
7. Sustainable Development Goals (SDGs)	<ul style="list-style-type: none"> Main SDG (1 only): SDG 8 (decent work and economic growth) Other significant SDGs (up to 9) and where appropriate, targets:

	<ul style="list-style-type: none"> • SDG 1 (no poverty) • SDG 2 (zero hunger) • SDG 5 (gender equality) • SDG 10 (reduce inequality) • SDG 12 (responsible consumption and production) • SDG 13 (climate action) 																																																
8 a) DAC code(s)	DAC code 31120: agriculture development – 53 % DAC code 31193 : agriculture financial services-27% DAC code 31191: agriculture services- 20%																																																
8 b) Main Delivery Channel	13000 - Third Country Government (Delegated co-operation) 31000 - Public Private Partnership																																																
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)	<table border="1"> <thead> <tr> <th>General policy objective @</th><th>Not targeted</th><th>Significant objective</th><th>Principal objective</th></tr> </thead> <tbody> <tr> <td>Participation development/good governance</td><td><input type="checkbox"/></td><td><input checked="" type="checkbox"/></td><td><input type="checkbox"/></td></tr> <tr> <td>Aid to environment @</td><td><input type="checkbox"/></td><td><input checked="" type="checkbox"/></td><td><input type="checkbox"/></td></tr> <tr> <td>Gender equality and women's and girl's empowerment</td><td><input type="checkbox"/></td><td><input checked="" type="checkbox"/></td><td><input type="checkbox"/></td></tr> <tr> <td>Reproductive, maternal, new-born and child health</td><td><input checked="" type="checkbox"/></td><td><input type="checkbox"/></td><td><input type="checkbox"/></td></tr> <tr> <td>Disaster Risk Reduction @</td><td><input checked="" type="checkbox"/></td><td><input type="checkbox"/></td><td><input type="checkbox"/></td></tr> <tr> <td>Inclusion of persons with Disabilities @</td><td><input checked="" type="checkbox"/></td><td><input type="checkbox"/></td><td><input type="checkbox"/></td></tr> <tr> <td>Nutrition @</td><td><input type="checkbox"/></td><td><input checked="" type="checkbox"/></td><td><input type="checkbox"/></td></tr> <tr> <th>RIO Convention markers</th><th>Not targeted</th><th>Significant objective</th><th>Principal objective</th></tr> <tr> <td>Biological diversity @</td><td><input type="checkbox"/></td><td><input checked="" type="checkbox"/></td><td><input type="checkbox"/></td></tr> <tr> <td>Combat desertification @</td><td><input type="checkbox"/></td><td><input checked="" type="checkbox"/></td><td><input type="checkbox"/></td></tr> <tr> <td>Climate change mitigation @</td><td><input type="checkbox"/></td><td><input checked="" type="checkbox"/></td><td><input type="checkbox"/></td></tr> </tbody> </table>	General policy objective @	Not targeted	Significant objective	Principal objective	Participation development/good governance	<input type="checkbox"/>	<input checked="" 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"/>	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 type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	RIO Convention markers	Not targeted	Significant objective	Principal objective	Biological diversity @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Combat desertification @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Climate change mitigation @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
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11. Internal markers¹ and Tags:	Policy objectives	Not targeted	Significant objective	Principal objective
	Digitalisation @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	digital connectivity digital governance digital entrepreneurship digital skills/literacy digital services	YES <input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/>	NO <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/>	
	Connectivity @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	digital connectivity energy transport health education and research	YES <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	NO <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	
	Migration @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	Reduction of Inequalities @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Covid-19	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BUDGET INFORMATION				
12. Amounts concerned	Budget line(s) (article, item): 14.020122 Total estimated cost: EUR 36 000 000 Total amount of EU budget contribution: EUR 28 000 000 This Action is co-financed in joint co-financing by: - BMZ (German Federal Ministry for Economic Cooperation and Development) for an amount of EUR 8 000 000			
MANAGEMENT AND IMPLEMENTATION				
13. Type of financing	Indirect management with Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)			

1.2 Summary of the Action

The agriculture sector accounts for 51% of Zambia's labour force, with most of the population dependent on agriculture for their food and income, primarily through smallholder production. Agriculture is also the main source of raw materials for the food processing and manufacturing sectors, thus offering additional job opportunities through downstream value addition and industries. Due to its significant socio-economic importance, the agriculture offers a pivotal and robust pathway for fostering President

Hichilema's vision of a diversified and inclusive socio-economic transformation. This action aims to support the Government of the Republic of Zambia (GRZ) in developing key value chains by enabling investments. Prioritisation of the investments will be based on their contribution to food security and food systems, value addition and potential for decent and green job creation, inclusivity, growth and export (or import substitution) potential as well as demand from the private sector including from SMEs.

The **overall objective** of the ENTERPRISE 2.0 project is to catalyse a transformative shift in Zambia's agricultural sector, leading to increased productivity, market equal access for smallholder farmers, and the widespread adoption of sustainable and inclusive production practices.

The **specific objective** are to (i) support the transition to green, climate-smart, integrated circular and more sustainable and inclusive agri-food systems; (ii) increase smallholder farmers (including women, people with disabilities and youth) participation in market-integrated value chains, and (iii) Support and equal access to sustainable finance for investments that increase producer incomes.

The project will promote and prioritise investment in sustainable, inclusive, climate resilient and deforestation free legumes and horticulture agricultural value chains development in Zambia, with a geographic focus on the economic corridors that link to the Lobito corridor.

Investments will be made through capacity building in inclusive value chain development and through a matching grant facility (MGF), which will improve much needed equal access to finance. Horticultural and legume value chains will be prioritised to achieve a focused and transformative shift. However, while focusing on two core value chains offers immediate efficiency, a long-term, sustainable agricultural system also requires a more diversified approach to address potential future challenges, such as climate change, soil degradation and biodiversity loss. Animals, for instance, play a crucial role in this system. Their manure helps improve organic matter in degraded soils, leading to increased farm productivity and yields per hectare, without the need to expand into new land and deforest existing ecosystems. To capture the potential benefits of diversification while maintaining a focus on our priority value chains, the project will be dedicating a smaller portion of funds (e.g. 10-15%) to non-priority VC proposals. The financing window would support additional, carefully selected value chains alongside the prioritised ones. Establishing clear goals and monitoring metrics, will ensure this additional support remains focused and provides valuable data on the impact of diversification.

The Action falls under MIP 2021-2027 priority area no. 1 "*Green partnerships for sustainable recovery, growth and decent jobs*", specific objective 1.1 "*To promote and invest in the green recovery and in sustainable growth along the agriculture-forestry-biodiversity-water and climate nexus*", and contributes to result 1.1 "*Participation of subsistence and smallholder farmers, including women and youth, in market-integrated value chains is increased and support the transition to greener and more sustainable agro-food systems*". The Action may also contribute to the TEI "*Climate Action for Inclusive Green Recovery and Growth in Zambia*".

1.3 Zone benefitting from the Action

The Action shall be carried out in Zambia, which is included in the list of ODA recipients.

2 RATIONALE

2.1 Context

General country context

Zambia is experiencing a significant demographic increase, with a young population of 19.5 million in 2022 growing at 2.9% annually. This growth is expected to increasing pressure on natural resources and job demand. Despite Zambia's status as one of Sub-Saharan Africa's most urbanised nations, most of its population, 62%, resides in rural areas, with a substantial reliance on natural resources for their livelihoods. The labour market is predominantly informal, with 81.6% of men and 93.6% of women involved in informal jobs, mainly in agriculture, which employs about three-quarters of these workers.

Zambia's economy, characterised by its reliance on mining, agriculture, and construction, has struggled with socio-economic advancement, poverty reduction, and mitigating inequalities over the past decade. The country is also facing severe challenges from climate change, affecting essential sectors such as agriculture and energy. The country's location in sub-Saharan Africa makes it particularly vulnerable to climate shifts, with high dependence on rain-fed agriculture, making it highly susceptible to changes in precipitation patterns. Moreover, high rates of deforestation for charcoal production and expansion of agriculture land reduce the capacity of forests to act as carbon sinks and exacerbate the effects of climate change. While Zambia has policies aimed at addressing climate change, implementation and enforcement can be challenging due to limited financial and technical capacity.

External and domestic conditions have put pressure on the external balance and the exchange rate² with rising inflation³. However, economic performance has proven resilient despite these recurrent shocks and delays in debt restructuring. Growth is estimated at 4.3 percent in 2023 thanks to strong performance in the non-agricultural and non-mining sectors, despite weakened mining production. While production in the mining sector could pick up in 2024, a period of prolonged dry spell in the middle of the agriculture season is crippling the economy with devastating consequences on agriculture production and electricity generation. The 2022 Poverty Assessment for Zambia highlighted a national poverty rate of 60%, an increase from 54.4% in 2015. Extreme poverty is particularly severe in rural areas, where 65.1% of households cannot afford the basic food basket. Inequality, especially in rural areas, has worsened, as indicated by the rise in the Gini coefficient from 0.434 in 2015 to 0.444 in 2022⁴. Furthermore, concerning Human Rights, as highlighted in the last Universal Periodic Review for the country⁵, the Government policy of turning export-oriented large-scale commercial agriculture into the driving engine of the economy, with weak land protection and a dual structure of property rights, could push small farmers out of production, having a severe impact on their right to food.

Zambia has formulated the Eight National Development Plan (8NDP) for the years 2022-2026, focusing on economic growth and job creation, targeting increased trade, private investment, and sectoral diversification in agriculture, mining, tourism, and manufacturing. It integrates strategic support for energy, transport, and water, aligning with Vision 2030's development objectives. Under the IMF-Extended Credit Facility (ECF), the Government has managed to increase and safeguard essential social spending, worked towards preserving financial stability, and intensifying structural and governance reforms to unlock Zambia's growth potential.

Gender Equality, Women, Youth and People with Disabilities

Gender equality and women's empowerment in Zambia face significant challenges, with the country ranking 137th out of 193 on the Gender Inequality Index⁶. Sociocultural norms in the patriarchal society restrict women's empowerment, despite Vision 2030's goals to eliminate gender inequalities and the 8NDP (2022-2026) incorporating gender as a key objective, especially in human and social development. Zambia's gender inequality issues include low female representation and education levels⁷, high gender-

² The exchange rate reached an all-time low in February 2024, climbing above 27 ZMW to the USD.

³ Inflation has been increasing steadily from 9.8% in June 2023 to 12.3% in January 2024.

⁴ 2022 Poverty Assessment in Zambia

⁵ A/HRC/WG.6/42/ZMB/2

⁶ Zambia has a higher gender inequality than the average in the Sub-Saharan Africa (SSA) region and other medium human development countries. The Gender Inequality Index (GII) value for 2022 was 0.526, ranking it 137 out of 193 countries. United Nations Development Program (UNDP). 2024. Human Development Report 2023/2024. Breaking the gridlock. Reimagining cooperation in a polarized world. New York, 293 p. Available at: <https://hdr.undp.org/system/files/documents/global-report-document/hdr2023-24reporten.pdf>.

⁷ Human Development Index report 2023-2024 United Nations Development Programme.

based violence rates⁸, and lower female participation in the labour market compared to men⁹, being vulnerable employment among women higher than men¹⁰. Financial inclusion and literacy also show gender disparities¹¹. Additionally, with over 83% of the population under 35 and a youth unemployment rate of 19.9%, Zambia is revising its national youth policy to better integrate young people into its development plans. Concerning persons with disabilities, they make up nearly 11% of the population and as the Zambia Agency for Persons with Disabilities Strategic Plan 2023-2026 highlights “people experiencing poverty are more likely to become persons with disabilities and those who have disabilities are more likely to be poor”. Facing discrimination and lack of opportunity, many Zambians with disabilities are systematically excluded from access to services and places, legal aid, healthcare and more. Often, these disparities are sharper in rural settings with a greater lack of infrastructure, investments and institutional support¹².

Access to Finance

The financial system in Zambia is relatively underdeveloped. The country's commercial banks dominate the financial services industry, which offer low-risk and high-value services to only a limited number of customers¹³. Non-banking financial institutions (NBFIs), such as microfinance institutions (MFIs), are also active, but focus on smaller loans, predominately to micro-businesses and micro, small and medium size enterprises (MSMEs) in urban areas, creating a supply gap for farmers and less formal agricultural MSMEs. In 2017, 85% of agricultural credit was allocated to large farms, with only 8% reaching small and medium-scale farms¹⁴. Nevertheless, over 30% of firms identify access to finance as their primary business environment constraint. High lending rates and the absence of adequate formal financing options further exacerbate this issue, particularly for rural businesses and women entrepreneurs. Most farmers use informal services, such as informal rotating savings schemes, community organisations or informal credit providers to access financial products¹⁵. Access and usage of digital finance in Zambia has been increasing significantly since 2015, with banks, third-party providers, and telecommunication companies offering digital services. Despite the central bank's reduced policy rate, high nominal bank lending rates and short-term credit prevail, exacerbating the challenge for smallholders and agro-processing SMEs to access and afford finance, underlining the need for innovative targeted actions to broaden financial inclusion and support agricultural SMEs.

Agriculture

The agriculture sector remains the largest employer but struggles with low productivity, leading to diminished incomes for workers and a reduced contribution to the nation's GDP and exports. As of 2020, the agriculture sector employed an estimated 8.1 million Zambians, constituting roughly 50% of the national workforce¹⁶ while women comprise a significant portion of this workforce, making up approximately 75%¹⁷, but mainly as contributing family workers or being engaged in informal and seasonal employment which provide little opportunity for economic security. However, agricultural

⁸As highlighted in the National Gender Policy (2023), although incidences of GBV remain high, thanks to the legislation put in place and other measures implemented (i.e. community engagements and dialogues with traditional leaders and faith based organisations, the establishment of fast track courts, one stop centres and the reinforcement of the coordination system and development of GBV referral directories and dashboard), there is an increased knowledge of GBV and a reduced prevalence of physical violence against women aged 15 to 49 from 47 percent in 2007 to 36 percent in 2018.

⁹According to the World Bank's latest figures in Zambia, the labor force participation rate among females is 52.1% and among males is 67.3% for 2023 (<https://genderdata.worldbank.org/en/economies/zambia>)

¹⁰Vulnerable employment among women is 80.1% and among men is 60.6% in Zambia for 2022 (<https://genderdata.worldbank.org/en/economies/zambia>)

¹¹The FinScope Survey (2020) shows that fewer women (56.6 percent) compared to men (62 percent) are banked, and more men (59.3 percent) than women (51 percent) use microfinance services.

¹²<https://zambia.un.org/en/260525-un-zambia-doubles-down-disability-inclusion>

¹³FSDZ, Financial Inclusion Summary Report Zambia 2018.

¹⁴World Bank. 2019. Agriculture Finance Diagnostic: Zambia. © World Bank, Washington, DC

¹⁵BoZ, 2019 Credit Market Monitoring Report: Growth of Credit to Households and Implications for Financial Stability.

¹⁶<https://www.worldbank.org/en/country/zambia>

¹⁷<https://www.fao.org/countryprofiles/index/en/?iso3=ZMB>

productivity has seen little to no growth between 2000 and 2014, contributing to the agriculture's modest share of GDP, estimated at 19% in 2022¹⁸. This stagnation is largely attributed to factors such as inadequate rural infrastructure, limited market integration and technology adoption, lack of innovation, and climate change. Despite these challenges, agriculture remains pivotal for poverty reduction and export diversification, especially considering its nearly 50% share in non-copper exports. For substantial growth, it is imperative to enhance the value added per worker within the agriculture sector, particularly among youth and women in rural areas, who predominantly rely on agriculture for their livelihoods. In particular, regarding gender equality Zambia has a dual land system of ownership, namely state and customary land. The Lands Act provides for the consideration of women with regard to state land but does not apply to customary land. Therefore, although most women have access to land, through their fathers, husbands, brothers, or sons, they do not have control over land.

Opportunities for economic diversification and inclusion lie within food processing and agribusinesses. These segments not only create direct jobs but also generate significant indirect employment through demand for related services such as aggregation, storage, and logistics. In addition to this, new jobs can be created within circular business models, focusing e.g. on the production of organic fertilisers, renewable energy, or precision farming. There is a strong need to integrate circularity towards the promotion and investment in sustainable agriculture and food systems along entire value chains, ranging from production via processing to marketing. For Zambia to capitalise on the agribusiness sector's potential, improvements in quality and climate resilience capabilities are crucial. The country ranks low in business sophistication and training, highlighting a gap in business development and advisory services. Most smallholders, in particular women, operate at a subsistence level, with limited knowledge of good agricultural practices and market requirements.

The underutilisation of digital technologies to improve commercialisation and the lack of full exploitation of regional and continental integration are notable gaps. Catalysing private investment remains urgent for Zambia's economic recovery, particularly beyond the mining sector.

The Government of the Republic of Zambia (GRZ) is committed to modernising the sector to improve climate resilience and increase agricultural production, efficiency and productivity in priority agriculture value chains, with a specific focus on women and youth. The GRZ is determined to diversify and modernise the sector, to improve climate resilience and environmental standards, in line with its Nationally Determined Contributions (NDC) to 'Sustainable Agriculture' and 'Sustainable Forest Management'. The current unprecedented historic drought and increasingly unpredictable weather pattern make it mandatory to invest more in these NDCs.

Legume sub-sector

The legumes sub-sector in Zambia, particularly focusing on soybeans, common beans, and groundnuts offers significant opportunities for economic growth, employment, and improving food security. Soybeans have emerged as a priority value chain, attracting attention from various agricultural actors due to rising international demand. Despite the government's efforts to include soybeans in the Farmer Input Support Programme (FISP), access to soybean seed through this programme remains low, highlighting a gap in support for smallholder farmers. Soybean production will demand investments in proper organic fertiliser production, as soybeans require specific nutrients, particularly nitrogen and phosphorus, for optimal growth. Many African soils lack these nutrients, necessitating the use of chemical fertilisers, which can be expensive and harmful to the soil. Moreover, poor transportation infrastructure will make it difficult to move soybeans from farms to markets or processing facilities, leading to post-harvest losses and increased costs. Hence, it is valid for this action to focus on logistics, processing facilities and storage as well. Nonetheless, the increasing involvement of small-scale farmers in soybean production is noteworthy, as they become an essential supply source for processors, including for edible oil or animal feed production. Policy dialogues with Government regarding benefits of sustainable agriculture and sustainable forest management – both are among Zambia's six NDCs – have started some years ago and

¹⁸ <https://www.trade.gov/production-agriculture>

the EU Deforestation-Free Regulation (EUDR) comes in time to intensify these conversations along with other development partners.

The common bean sector has witnessed significant growth over the past 15 years, with productivity doubling and land under cultivation increasing substantially. This growth has transformed the common bean from a subsistence to a commercial crop, with Zambia exporting beans to neighboring countries. The success of the common bean sector is attributed to the bean corridor approach, which enhances the efficiency of bean commodity flow from production hubs to consumption areas, thereby creating strong linkages between value chain actors. This approach has not only improved market access for farmers but also increased employment and business opportunities within the sector.

Furthermore, the bean corridor approach has facilitated the organisation of the bean value chain into production, distribution, and consumption hubs, unlocking business opportunities and encouraging private sector investment, generating local value-addition. This organised approach has led to an increase in the availability of high-demand bean varieties and agro-inputs, significantly benefiting seed companies and agro-input suppliers. The emphasis on good agronomic practices and post-harvest handling technologies has resulted in higher yields and better grain quality, enabling aggregators and grain off-takers to access premium grain and tap into export markets.

Horticulture sub-sector

Zambia's horticulture sector showcases a blend of growth potential and significant hurdles. With annual consumption of horticultural products estimated at 1 million metric tons (MT), valued over US\$330 million, and a projection to increase, the sector represents a crucial segment of Zambia's agricultural economy. The sector generates around US\$235 million in total production out of which US\$200 million is estimated as net farm sales. Horticulture is one of Zambia's fast growing and key agricultural value chains contributing about 1.3% to the national GDP, despite its high marketing informalities. Horticulture also presents Zambia with huge investment opportunities especially in modern wholesaling facilities. However, local supply struggles to meet the quantity and quality demands of major retail stores, leading to continued reliance on imports. This situation is exacerbated by smallholder farmers' challenges, including limited capital, knowledge, and entrepreneurial skills, restricting their effective participation in horticulture value chains. Despite these challenges, the sector's estimated annual consumption suggests a vibrant market, with room for significant growth if these systemic barriers can be addressed effectively. An increase in Zambia's Vegetable exports from around US\$ 7 million in between 2019 and 2022 to US\$ 11 million in 2023 underscores the need for strategic interventions to seize as-yet unrealised export opportunities. The abundant water resources, accounting for around 60% of the Southern African Development Community (SADC) region's watercourses, hint at the untapped potential for horticulture production expansion. Yet, the production of fresh fruits and vegetables remains low, primarily due to limited use of irrigation at the smallholder level, seasonal gluts leading to wastage, lack of cold-chain services, the limited opportunities for value addition and the challenges smallholder farmers face in accessing quality inputs and formal marketing channels. Addressing these issues through investment in market infrastructure, enhancing access to sustainable finance, and building farmers' capacities could unlock the sector's potential for growth and contribute significantly to Zambia's economic development and poverty reduction efforts in and around urban and peri-urban clusters.

Horticulture industry holds a strong promise for alleviating poverty, creating decent and green jobs and improving the health and well-being of Zambians. Fruit and vegetables are key to improving the nutrition of the poorest and lowest-income Zambians. Percentage of food expenditure share on fruits and vegetable is projected to continue increasing in coming years. Horticulture also employs a significant number of Zambians across its value chain, but mainly the inputs (fertilisers, seeds and crop protection solutions) and in large-scale commercial production and processing.

The Government has previously not placed emphasis on this sub-sector, however, in a notable shift in policy, the 8NDP mentions the development of the horticulture value chains along with irrigation and tree crops as priority areas for the Government.

The Action promotes international Green Deal partnerships (linked to EU's Farm-to-Fork Strategy, Biodiversity Strategy, and Circular Economy Action Plan) and 'an economy that works for the people'. It further supports Zambian agribusinesses to comply with the EU Deforestation-Free Regulation. In addition, it aligns with the upcoming EU Act on Food Contact Recycled Plastic. The Action promotes social & economic rights of women, contributing to the objectives of the EU Gender Action Plan III (2021-2025).

The Action aligns with the 8NDP, particularly strategic priorities 1) "*Economic Transformation and Job Creation*" and 2) "*Environmental Sustainability*". It provides climate finance for Zambia's NDCs on "*Sustainable Agriculture*" and "*Sustainable Forest Management*".

2.2 Problem Analysis

In Zambia's agricultural sector, the intertwining issues of low producer incomes, insufficient participation in market-integrated value chains, and the sluggish transformation towards sustainable practices are critical barriers to development. These issues are deeply interconnected, each stemming from a complex web of underlying causes that demand proven approaches to resolution.

Low Incomes and returns to labour for Smallholder Farmers

The root causes of low incomes among smallholder farmers, in particular in the case of women, youth and people with disabilities, are multifaceted. Inability to invest in improving farms and livelihoods, inadequate infrastructure, such as roads, storage facilities access to renewable and affordable energy, availability of efficient low-cost irrigation systems, and a lack of access to quality inputs, alongside knowledge of improved practices or efficient technologies, significantly hinder the ability of small-scale farmers to increase their incomes. These challenges not only limit the economic viability of agricultural activities but also contribute to a cycle of poverty and underdevelopment. The public agricultural extension advisory system, which includes public extension officers and partnerships with NGOs, serves as a primary source of information for small-scale farmers. However, there are notable challenges in the extension services provided, especially concerning the lack of up-to-date information, particularly on emerging crops like soybean. Private operators are however increasingly pivotal in delivering extension services to farmers, driving agricultural innovation and productivity. Companies offer extensive training, farmer visits, and demonstration plots to smallholder farmers, enhancing their agricultural practices. Recent reports¹⁹ highlight the importance of tailored extension services and innovative credit systems, facilitating access to quality inputs and ensuring effective use. Furthermore, the Aquaculture, Groundnuts, and Soy Value Chains Analysis Report²⁰ showcases out grower business models in the soybeans value chain, where companies like Good Nature Agro support farmers with inputs and guidance, promoting improved agricultural techniques. Working with the private sector and increasing its capacity to provide producers with quality, local services (including mechanisation and irrigation) at competitive prices therefore appears to be a worthwhile approach in the Zambian context.

Insufficient Smallholder Farmers' Participation in Market-Integrated Value Chains

¹⁹ GIZ. Global Programme Promotion of agricultural finance for agri-based enterprises in rural areas Poultry and Horticulture Value Chains Scooping and Business Models Development – Assignment Report. 2018 & Agriculture Finance Diagnostic, Zambia, The World Bank, 2019.

²⁰ GIZ. Global Programme Promotion of agricultural finance for agri-based enterprises in rural areas. Soya Beans, Groundnuts and Aquaculture Value Chains Business Models Analysis. Value Chains Assessment and Business Identification Report. 2021.

The lack of farmer participation in market-integrated value chains is attributed to limited knowledge of market dynamics and value chains, alongside a lack of market incentives for sustainable products such as fair pricing and consumer labeling. Additionally, weak linkages among the various actors in the value chain, both horizontally and vertically, impede effective collaboration and coordination. For example, there is a disconnect between grain market demand signals and the formal seed system in the soybean value chain, which results in farmers not being able to access the preferred seed varieties through the formal sector. This lack of coordination leads to lower yields as farmers resort to informal grain traders or use saved grain as seed. Additionally, the inclusion of women and youth in downstream bean value chain activities such as aggregation, marketing, and value addition is limited. The system often favours men with capital or resources, further marginalising women and youth from actively participating in market-driven value chains. Inadequate provision of business development services and trading infrastructure limits farmers' ability to access lucrative markets and improve their economic standing, thereby constraining the growth and competitiveness of the agricultural sector. An EIB study²¹ reports that farmers and cooperatives have a low understanding of financial services, tend to sell close to home due to lack and/or cost of transport possibilities, and face post-harvest management challenges contributing to losses.

Inadequate Pace of Transformation towards Sustainable Practices

The slow pace of transformation towards green, climate-smart, circular, and more sustainable food systems stems from several factors. These include difficulties in accessing financing for sustainable practices due to perceived risks or lack of knowledge by financial institutions, difficulties in coordinating among different actors in the agri-food system, lack of transparency and traceability throughout the supply chain, and incoherent government support for sustainable agriculture. These challenges inhibit the sector's ability to adapt to environmental challenges and meet global sustainability standards. Climate change will have a significant impact on agriculture. Average monthly rainfall is predicted to decrease in all provinces, including during the months of September, October and November which are considered to be the start of the rainy season²². Modelling under future climate conditions shows that the combination of reduced rainfall, increased temperature and drought events is likely to cause insufficient soil moisture, crop loss and reduction in agricultural production. It is also projected to affect forest cover, livestock population and length of the growing season, as well as increased water stress²³. The situation is aggravated by the current rate of deforestation which is compromising the country's climate change mitigation potential. On the other hand, the transition to more sustainable systems that are better adapted to climate change is still very slow, and must be supported by an effective aid system.

There is a clear need for mobilising financial instruments that can at least partially remove the economic obstacles slowing down the adoption of long-term, sustainable solutions that can rapidly replace the short-term but unsustainable solutions adopted by the majority of smallholder farmers and agribusinesses.

A cross-cutting challenge that is slowing down the implementation of solutions is the difficulty of accessing financing in the agricultural sector.

Access to finance, for long-term investment or short-term working capital, remains another major challenge across the value chain, particularly for small-scale farmers and micro, small and medium-size

²¹ Technical Assistance Programme supporting EIB intermediated lending operations for small and medium agri-food sector investments integrating smallholders - AA-001212-001. February 2021. Gender Analysis - Zambia. Frankfurt School of Finance & Management.

²² Research Highlights – Climate Change and Future Crop Suitability in Zambia. University of Cape Town, South Africa, undertaken in support of Adaptation for Smallholder Agriculture Programme' (ASAP) Phase 2. International Fund for Agricultural Development (IFAD), Rome; Hunter. R., Crespo. O., Coldrey, K, Cronin, K, New, M. 2020

²³ Impacts of climate change on agriculture and household welfare in Zambia. An economy-wide analysis Hambulo Ngoma, Patrick Lupiya, Mulako Kabisa, and Faaiqa Hartley, SA-TIED Working Paper #132 | August 2020

enterprises (MSMEs)²⁴. Small-scale farmers lack working capital to procure inputs at the beginning of the season, while small aggregators lack the financing to buy from small-scale producers. Small firms in Zambia face challenges accessing credit due to high collateral requirements imposed by lending institutions, which can be up to 200%-250% of the value of loans²⁵.

Lending institutions do not have the necessary infrastructure, skills and data to effectively market financial services to the smallholder farmer segment. This, coupled with high transaction costs of reaching remote rural populations, creates barriers to accessing finance²⁶.

A 2016 survey²⁷ on growth-oriented agro-processing SMEs confirms that access to finance and the cost of finance remain impediments to growth for agro-processing SMEs. 42% of agro-processing SMEs cited the cost of finance as one of the three biggest obstacles to growth, and 20% cited access to finance as a constraint. The cost of finance was the second most widely cited impediment, behind utility problems. In total, about 20% of food processors report access to finance as the most significant obstacle affecting the operations of their businesses. In terms of relative severity, 28% of food processors report access to finance as a “major” or “very severe” business obstacle²⁸. The lack or shortage of capital for both small-scale farmers and MSMEs to engage in production and value-added operations is linked to the limited capacity of smaller actors to make investments and their exclusion from financial services. For example, companies running out-grower schemes are often limited in the numbers of farmers they can support with inputs on credit due to working capital constraints. The MSME agro-processing sectors do not have enough initial capital outlay to buy from aggregators and cooperatives, and to invest in processing equipment.

Introducing a matching grant facility into the project presents a viable solution to these intertwined problems. By providing financial incentives that match the investments made by farmers and other stakeholders, this facility could catalyse significant improvements across the sector. It would encourage investment in farm improvements and infrastructure, foster greater participation in market-integrated value chains through enhanced knowledge and market incentives, and accelerate the transition towards sustainable agricultural practices by mitigating financial risks and fostering collaboration among stakeholders. Matching grants can act as a catalyst for innovation, driving the development and testing of new business models and technologies in the agricultural sector. This not only fosters a more dynamic environment but also empowers firms to scale up solutions faster and maximise their positive impact on smallholder farmers.

Furthermore, by addressing the financial barriers to sustainable transformation, a matching grant facility could unlock new opportunities for growth, sustainability, and resilience in Zambia's agricultural sector, making it a compelling component of the project's strategy to overcome the identified challenges.

Green skills development to support a sustainable increase in agrifood systems productivity

There is a pressing need to continue addressing the shortfall in skills and skills development among farmers, especially those engaged in pioneering new agri-food value chains focused on climate-smart

²⁴ As the National Gender Policy 2023 states “Over 90 percent of MSMEs operate in the informal sector of which the majority are women and incomes are low. According to the International Trade Centre SME Competitiveness Survey 2018, women-owned MSMEs in Zambia represent 30 percent of the total MSMEs”.

²⁵ Zambia Access to Finance Study for partner Country Zambia Project No. 2018/399297/1 FINAL REPORT January 2019. AECOM. Funded by the European Commission

²⁶ Zambia Access to Finance Study for partner Country Zambia Project No. 2018/399297/1 FINAL REPORT January 2019. AECOM. Funded by the European Commission.

²⁷ This was a World Bank survey of 50 purposively selected (non-representative) sample of agro-processing SMEs conducted in 2016 to inform the preparation of the World Bank's Zambia Agribusiness and Trade Project. Cited, in Agriculture Finance Diagnostic, Zambia, The World Bank, 2019.

²⁸ Agriculture Finance Diagnostic, Zambia, The World Bank, 2019.

agriculture. The integration of sustainable farming practices is crucial for enhancing the resilience of agricultural systems to climate change and improving food security. However, there is an increasing awareness of the lack of technical knowledge and practical skills in these areas, which hampers the ability of farmers to effectively implement and benefit from such approaches. By continuing to strengthen the capacity of farmers in green skills and circular business models in agri-food systems, this action can equip them with the competencies required to implement innovative agricultural practices, thus fulfilling the objective of developing sustainable and productive agri-food systems, and at the same time increasing productivity without decreasing the health of ecosystems, biodiversity or climate change resilience.

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

- The **community members (women and men, youth and people with disabilities (right holders))**, including SHFs, will be empowered through enhanced knowledge and understanding and benefit from different income generating opportunities. Civil society organisations and cooperatives representing these rights holders will also be consulted and engaged.
- **GRZ national and decentralised authorities (duty bearers)**, including the Ministry of Green Economy and Environment (MoGEE), the Ministry of Agriculture (MoA), the Ministry of Fisheries and Livestock (MoFL), the Ministry of Small and Medium-Sized Enterprises (MoSME), the Ministry of Water Development and Sanitation (MOWDS), leading to the development of policies and legislation, as well as their decentralised implementation.
- Furthermore, together with the relevant gender focal points/units within these Ministries, the Gender Division (formerly known as Ministry of Gender), the Ministry of Youth, Sport and Arts and the Zambia Agency for Persons with Disabilities will be consulted and engaged to the extent possible.
- **Community-level service providers/entrepreneurs, private sector entrepreneurs** that provide more end market solutions, innovative services and technologies. This category embraces agro-entrepreneurs, agro-dealers, commercial farmers' groups/associations providing businesses services, input suppliers, output aggregators and processors, such as large commodity traders and end buyers (including exporters).
- **Financial institutions**, include the non-bank financial institutions, equipment leasing companies, informal lenders (e.g. savings groups or village banking).

3 DESCRIPTION OF THE ACTION

3.1 Objectives and Expected Outputs

The **Overall Objective** of this action is to catalyse a transformative shift in Zambia's agricultural sector, leading to increased productivity and resource-efficiency, market access for smallholder farmers, particularly women and youth, and the widespread adoption of sustainable practices in the agrifood system.

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

1. Specific Objective 1: Accelerated transition to green, deforestation-free, climate-smart, integrated, circular and more sustainable and inclusive agri-food systems;
2. Specific Objective 2: Increased smallholder farmers' participation, including women, youth and people with disabilities, in market-integrated value chains, and;
3. Specific Objective 3: Sustainable Investment supported for better producer incomes.

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

1.1 contributing to Outcome 1 (or Specific Objective 1)

- 1: Comprehensive diagnostic report on legume and horticulture value chains (VCs) in Zambia (as well as complementary critical VCs on a case by case basis) outlining key characteristics and capacity development needs along strategic corridors, including along economic corridors that link to the Lobito corridor and areas targeted under EU funded programmes, such as the Copper Belt as well as the Kafue, Luangwa and Zambezi River catchment areas.
- 2: Identified and prioritised capacity development needs and interests for targeted agri-SMEs and farmers, including women, youth and people with disabilities, covering areas like: (i) Management systems; (ii) Market analysis; (iii) Marketing plan development (iv) Financial analysis and ; (v) Deforestation-free Value Chain development.
- 3: Identified and documented best practices, including those led by women and youth, for scaling up sustainable and inclusive climate-smart agriculture (CSA) practices, deforestation-free production, integrated soil fertility management (ISFM), agro-ecology, production diversification, and sustainable aquaculture and livestock production.
- 4: Developed and delivered capacity building programmes and skills development on sustainable and inclusive agricultural practices, reaching a targeted number of farmers and agri-SMEs, including women, persons with disabilities (when relevant) and youth. Furthermore, in order to eliminate structural causes of inequalities, in the context of these capacity building programmes topics such as women's rights in the agriculture sector (i.e. access to land rights, discriminatory gender roles, limited access to credit, resources or market information, etc.) will be addressed. Also, potential barriers to the participation of people with disabilities will be taken into consideration.

2.1 contributing to Outcome 2 (or Specific Objective 2)

- 1: Established and functional platforms for collaboration amongst stakeholders within the priority value chains legume and horticulture, as well as within strategic market-integrated value chains.
- 2: Increased equal and active participation of targeted farmers, including women, youth and people with disabilities (when relevant), in producer organisations or cooperatives, fostering collective bargaining power and market access.
- 3: Established linkages between targeted farmers and agri-SMEs, including women, youth and people with disabilities (when relevant), with relevant market players such as processors, retailers, and exporters.
- 4: Increased knowledge and capacity of farmers and agri-SMEs, including women, youth and people with disabilities (when relevant) and youth, regarding market entry requirements, including produce specifications, certification processes, and packaging standards.

3.1 contributing to Outcome 3 (or Specific Objective 3)

- 1: Fully established and operational Matching Grant Facility for agri-SMEs in the legume, horticulture sector and strategic market-integrated value chains including technical assistance.
- 2: Transparent and competitive call for proposals process attracting a significant number of applications from agri-SMEs and encouraging those led by women and young people and engaging people with disabilities.
- 3: Selected pool of promising, innovative, and climate-oriented business plans for agri-SMEs, including those led by and/or engaging women, youth and people with disabilities, focusing on:
 - Equal Market access and inclusive value chain participation
 - Adoption of sustainable practices
 - Women, youth and people with disabilities inclusion as well as promoting, when possible, a gender transformative shift in the agriculture sector to overcome the remaining structural inequalities.

4: Awarded grants to a targeted number of agri-SMEs, including women, youth and people with disabilities (when relevant), accompanied by a gender/age/disability sensitive monitoring and evaluation framework to track progress.

5: Increased equal access to finance for agri-SMEs, including those led by women and youth through linkages with financial institutions and facilitation services.

3.2 Indicative Activities

Activities relating to output 1:

- Conduct of comprehensive diagnostic assessment/feasibility studies on legume, horticulture as well as complementary critical VCs in Zambia to identify characteristics and capacity development needs along the strategic corridors and economic corridors linked to the Lobito corridor and other priority areas targeted under EU existing programmes.
- Identify specific capacity development needs and interests based on the gender-age-disability sensitive analysis in areas such as management systems, market analysis, marketing plan development, financial analysis and specific needs regarding the development of green and inclusive business models.
- Identify scaling up needs for agri SMEs (including those led by women and young farmers and engaging people with disabilities) toward sustainable and inclusive climate smart agriculture practices, integrated soil fertility management, agroecology, diversification of production and deforestation-free production.
- Promotion of women, people with disabilities (when relevant) and youth inclusion in inclusive value chains including aspects such as inclusive recruiting and gender equality in business operations, equal access to resources and knowledge, or raise awareness about discriminatory socio-cultural norms, among others.

Activities relating to output 2:

- Organise and/or facilitate participation of agriculture SMEs in B2B events, promoting the active participation of those led by or engaging women, youth and people with disabilities, and ensuring that accessibility criteria is well taken into account.
- Organise networking and investment pitching events, ensuring that equal participation and accessibility criteria are well taken into account.
- Support and widely disseminate accessible knowledge for the prerequisites for market entry (e.g. produce specification, certification, packaging requirements).

Activities relating to output 3:

- Establish/design a Matching Grant Facility for agriculture SMEs including those led by women and youth).
- Organise call for proposals to select the most promising, innovate, inclusive and climate-oriented business plans.
- Provide pre-application and post-award implementation support.
- Award contracts; monitoring and evaluation.
- Provide access to finance facilitation.

Pre-application and post-award implementation support: :

The project will offer a robust three-tiered implementation support structure (with expertise in gender equality and inclusion of specific groups such as youth and people with disabilities) to support both potential and awarded applicants: This includes:

Pre-application Support:

This includes workshops and one-on-one consultations to help applicants with:

- Refining innovative business models and technologies for smallholder farmers.
- Developing strong business plans demonstrating financial viability and social impact.
- Crafting compelling proposals aligned with the grant's objectives.

Post-award Implementation Support: For successful applicants, the facility will provide ongoing support to ensure smooth project execution, including:

- Project management training to strengthen their ability to effectively implement their business plans.

Demand-Driven Post-award Support: This tier empowers grantees to propose specific technical expertise needs within their proposals. The project will fully fund the mobilisation of these experts, potentially including:

- Support tailored to address specific project needs like marketing, financial management, or technology adoption strategies.
- Monitoring and evaluation guidance to track progress and measure impact on smallholder farmers.
- This comprehensive approach equips applicants for success, from initial vision to project implementation, ultimately maximising their positive impact on the smallholder farmer community.

3.3 Mainstreaming

Environmental Protection & Climate Change

Aid to environment and climate change adaptation are significant objectives of this Action, as it will promote sustainable, integrated and climate-smart agriculture practices, and the adoption of more droughts resistant practices and crops through their access to markets. Environmental protection is an induced area of attention by promoting agroecology and agroforestry management and addressing aspects such as soil cover, adoption of less soil depleting crops, organic fertiliser use and reducing land degradation. Promotion of pest and disease control will be promoted, focusing on integrated management techniques and including environmental safeguards for biodiversity conservation.

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

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

Outcomes of the EIA (Environmental Impact Assessment) screening (relevant for projects and/or specific interventions within a project). The EIA (Environment Impact Assessment) screening classified the action as Category B (not requiring an EIA, but for which environment aspects will be addressed during design).

Outcome of the CRA (Climate Risk Assessment) screening (relevant for projects and/or specific interventions within a project)

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

Gender equality and empowerment of women and girls

As per the OECD Gender DAC codes identified in section 1.1, this action is labelled as G1. This implies that the Action will contribute to social and economic rights and will focus on *increased access for women in all their diversity to financial services and products, and productive resources as well as ensuring that women and men increasingly participate in and have improved access to jobs, entrepreneurship opportunities and alternative livelihoods*. This will particularly support initiatives to improve access to markets and financial services and will contribute to address the root causes of gender inequalities, based mainly on discriminatory socio-cultural norms. As mentioned before, and in alignment with CLIP for the country, the Action will contribute to the GAP III, in particular to the

thematic areas of engagement “Addressing the challenges and harnessing the opportunities offered by the green transition” and “Promoting economic and social rights and empowering girls and women”.

Human Rights

The action will apply the rights-based approach methodology, as outlined in the 2021 European Commission’s updated Toolbox. In particular, its working principles will be taken into consideration by applying all human rights for all; ensuring meaningful and inclusive participation and access to decision-making; promoting non-discrimination and equality; accountability and rule of law for all; and transparency and access to information supported by disaggregated data. The Action will also contribute to Human Rights and Democracy country strategy. The action will have a positive impact on eliminating child labour and the private sector will be abided by the UN Guiding Principles on Business and Human Rights.

Disability

As per OECD Disability DAC codes identified in section 1.1, this action is labelled as D1. This implies that the action will undertake measures to include people with disabilities to the extent possible, by encouraging their participation, strengthening their skills and ensuring accessibility to the different activities. The Action will be in line with the EU Strategy for the Rights of Persons with Disabilities 2021-2030, and the EU Guidance Note Disability inclusion in EU external action.

Reduction of inequalities

Inequalities remain very high especially in terms of income, of access to services, access to nutritious food, etc. The main factors of inequality are the geographical location (rich provinces like Copperbelt versus very poor provinces like Luapula), the urban/rural location (with an extremely disadvantaged rural population – the more remote, the more disadvantaged), the level of education, gender equality, vulnerability (e.g. people with disabilities), etc.

In the areas of intervention of the programme, the main inequalities are based on income level, on gender and on access to education.

The drivers of inequality are often embedded in tradition and customary practices: (i) gender inequality and the condition of women and girls, with very high prevalence of sexual and gender-based violence and early child marriage; (ii) poor nutrition, caused by lack of dietary diversity, which eventually cause long term/irreversible cognitive disadvantages and intergenerational transmission of malnutrition; (iii) high levels of school dropout. Regarding this last point, for girls the dropout is related, in many cases, to lack of adequate menstrual hygiene and sanitation facilities, early pregnancies, child marriage, etc. For boys, this is related to the need for supporting the household in seasonal work, farming, or other income-generating activities.

Government action is therefore key for reversing some of the earlier mentioned inequality trends.

Conflict sensitivity, peace and resilience

Although Zambia is a peaceful country, any actions that contribute to reducing marginalization, exclusion and inequalities is contributing to further building societal peace and resilience. This particular action aims to increase the resilience of the population in the targeted areas through job creation, income opportunities and improved livelihood, with decent chances for both youth and women, in all their diversity, to act as transformative agents and impact the overall country’s social, political and economic development.

Disaster Risk Reduction

The project will promote the transition to green, climate-smart, circular, and more sustainable and inclusive agri-food systems. Through a targeted approach that will deliberately select SME and MSME that will focus on innovative green approaches focused on mitigating environmental disaster risks as well as through building capacity of rights holders to employ climate smart agriculture practices and conservation practices. This is expected to improve environmental sustainability through the adoption of sustainable practices in the sector. Considering Zambia's high vulnerability to climate change effects such as severe and large-scaled floods and droughts, specific shock-sensitive solutions such as Crisis Modifiers may be defined under the implementation contracts wherever considered feasible and suitable to enhance the action's capacity and flexibility to respond to extreme sudden- and slow-onset shocks. Crisis modifiers will enable early action and rapid response to new emergency needs that may arise during the implementation phase.

3.4 Risks and Lessons Learnt

Category	Risks	Likelihood (High/ Medium/ Low)	Impact (High/ Medium / Low)	Mitigating measures
1 – external environment	Changes in global and regional markets prices/trade policies affecting trade opportunities for businesses	High	High	Value chain analyses, taking into account the stability of the value chains in question
1 – external environment	Macroeconomic situation does not improve, and country remains high risk for financing & investment.	High	High	Appraisal of business plans will take the macroeconomic risks into account.
1 – external environment	Climate change and related weather variability (flooding/drought/deforestation) may affect reliable supply of raw commodities from smallholders, which may damage supplier-buyer relations and impede value chain integration.	Medium	High	Climate-smart agriculture practices, agroecology and/or water conservation practices are to be foreseen in agriculture MSMEs to mitigate impact; Appropriate Environmental Impact Assessment might be considered within relevant business plans prior award including climate proofing and climate risk assessments of programme investments. Technical assistance to be provided to agribusiness and close monitoring for implementation. Integration of specific shock-sensitive solutions, such as crisis modifiers to mitigate impact of extreme weather shocks.
2 – planning, processes and systems	Potential of political interference on programme implementation by vested interest	Medium	High	Establishing an Independent Investment Committee with robust selection and award system

2 – planning, processes and systems	Low number of qualitative applications from Agriculture MSMEs to the Challenge Fund and limited capacity of MSMEs to absorb funding	Medium	Medium	Technical assistance will be provided to interested value chain actors prior application and during implementation. In-kind contributions eligible as part of the own contribution. Will be also differentiated between larger and smaller SMEs and/or loan size. Young and female entrepreneurs will have higher share of in-kind contribution;
2 – planning, processes and systems	Agriculture MSMEs fail to implement their business plan	Medium	High	Close gender/age/disability monitoring and technical support will be provided through implementation of business plan. Correction/reduction of EU financing will be considered.
3 – People and the organization	Women, youth and people with disabilities integration in VCs can result in increased workload and challenge to gender/social norms which may generate resistances.	Medium	Medium	Technical assistance with expertise on gender equality as well as youth and people with disabilities will facilitate regular and inclusive community consultations which can ensure that the project adapts to local needs and perceptions, thus reducing resistance and increasing awareness on women, youth and people with disabilities' rights
4 - Risks related to legality and regularity aspects	Staff turnover and low ownership at agriculture MSME	Low	High	Project Managers to be appointed within the existing structure of the agriculture MSME prior award of grant.

Lessons Learnt:

The lessons learned come mainly from the experience of implementing the EU-funded Enterprise Zambia Challenge Fund (EZCF) project, currently the predecessor of the future Enterprise 2.0 project. A mid-term evaluation²⁹ has generated findings and recommendations which have been used in the preparation of Enterprise 2.0 and which will also be used for its implementation. These lessons emphasise the following.

- Companies need significant technical and business development support to equip them with the business management and ESG-focused capabilities to mitigate risks and deliver results.
- Many companies underestimate the rigor and depth of monitoring, evaluation, and reporting required for access to the Challenge Fund.
- Invest in a readiness facility and potentially an incubation period with companies (with strong links to the business development support ecosystem) to de-risk the companies and ensure mindset and commitment.
- Addressing Operational Challenges: The evaluation reveals administrative and reporting burdens on companies. Developing effective grievance redress mechanisms, leveraging stakeholder feedback, and streamlining reporting templates can help ease operational challenges.
- Future support to the agribusiness sector, should have greater clarity around what problem the fund wants to solve, e.g. not only inclusive smallholder agriculture but also a stronger, more competitive,

²⁹ Enterprise Zambia Challenge Fund. Midterm Evaluation Report. Prepared by Enabling Outcomes Ltd. January 2023.

indigenous agribusiness and agri-entrepreneurship start-up sector focused on ESG, future-proofing food security and livelihoods, and delivering on the SDGs.

- **Emphasis on Sustainable Agriculture Practices:** There is a notable absence of training on environmental practices and climate-smart agriculture due to staffing gaps. Prioritising training in these areas and leveraging technical assistance can enhance sustainable agriculture initiatives and environmental conservation efforts.

While some smaller companies may have been deterred by the 50:50 match requirement in ENTERPRISE Zambia, ensuring companies have a vested interest remains important. Future iterations could explore alternative funding models to balance this need with accessibility.

- The evaluation suggests firms with active involvement from founders in day-to-day operations tend to achieve stronger results. Encouraging such a leadership style can be beneficial for project success.

A detailed matrix is shared as an annex to this action document to fully explore lessons learnt which will serve as basis for the approach of ENTERPRISE 2.0 project.

The impact of severe weather shocks in Zambia (e.g. riverine floods; drought; disease outbreaks) requires the integration of flexible and effective mechanisms such as a “crisis modifier” to address sudden needs arising from unforeseen extreme shocks.

3.5 The Intervention Logic

The ENTERPRISE 2.0 project utilises a market systems and demand driven approach to address inherent structural inefficiencies with a focus on the legume and horticulture sectors, and flexibility to also focus on complementary critical chains and those seen to fall within strategic market-integrated value chains. The goal is to catalyse a transformative shift within Zambia's agricultural framework, enhancing productivity, increasing market access for smallholder farmers (including women, youth and people with disabilities) and fostering the widespread adoption of sustainable farming practices.

Central to the project are activities that include comprehensive value chain analysis, robust capacity building programs, and the establishment of a matching grant facility. These activities are anticipated to generate tangible outputs, such as detailed diagnostic reports on primarily legume and horticulture value chains as well as complementary critical chains and strategic market-integrated value chains to be determined in consultation with GIZ, the identification of capacity development needs for agri-SMEs and farmers, documentation of best practices for sustainable and inclusive climate-smart agriculture, and the creation of platforms for collaboration within these value chains. A critical component of the project is the establishment of a Matching Grant Facility, designed to fund innovative and climate-oriented investments based on business plans from agri-SMEs. This facility not only provides the necessary financial support but also includes a transparent, inclusive and competitive call for proposals, ensuring that the most promising projects are selected and supported. The facility is complemented by efforts to increase equal access to finance through linkages with financial institutions, facilitating broader economic inclusive growth within the sector. If these outputs are effectively delivered under the project's assumptions - such as ongoing farmer participation and the submission of strong proposals - they are expected to lead to a series of specific objectives. Notably, the project shall accelerate the transition to green, climate-smart, circular, and more sustainable and inclusive agri-food systems, enhance all smallholder farmers' participation in market-integrated value chains, and support sustainable investments that improve producer incomes.

This will happen because (Outcome 1) : Capacity building programmes and access to best practices will equip farmers (including women, youth and people with disabilities) with the knowledge and skills to adopt sustainable practice ; and (ii) Outcome 2: Collaboration platforms, producer organisations, and market linkages will improve farmers' access to markets and bargaining power (iii) Outcome 3: The Matching Grant Facility, combined with increased equal access to finance, will incentivise investment in the sector.

Assuming these specific objectives are achieved and the initial assumptions hold true - such as continued demand and effective implementation - the project will significantly contribute to the overarching goal of transforming Zambia's agricultural sector. This transformation is expected to improve productivity and environmental sustainability through the adoption of sustainable practices, increase incomes and economic activity by improving market equal access, and encourage further innovation and growth through increased investment in the sector.

To ensure sustainability, the action will assist with funding facilitation by linking with existing financial facilities and venture capital funds.

The **main assumptions** of this action are that the agriculture continues to be a priority of the government in Zambia with further development of favorable policies, the macroeconomic framework remains favourable, financial market conditions favours financial innovation, new financial products are developed to encourage greater women, youth and people with disabilities participation and demand grows for the priority commodities.

3.6 Logical Framework Matrix

This indicative logframe constitutes the basis for the monitoring, reporting and evaluation of the intervention.

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

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

The indicative logical framework matrix may evolve during the lifetime of the action depending on the different implementation modalities of this action.

The activities, the expected Outputs and related indicators, targets and baselines included in the logframe matrix may be updated during the implementation of the action, no amendment being required to the Financing Decision.

Results	Results chain (a): Main expected results (maximum 10)	Indicators (a): (at least one indicator per expected result)	Baselines (values and years)	Targets (values and years)	Sources of data	Assumptions
Impact	To catalyse a transformative shift in Zambia's agricultural sector, leading to increased productivity, market access for smallholder farmers particularly women and youth, and the widespread adoption of sustainable practices.	<p>1. Percentage of smallholder farmers in the project area who report selling their produce through formal markets, disaggregated at least by sex, age, and disability when applicable</p> <p>2. Percentage of smallholder farmers in the project area who report using at least three productivity improving practices disaggregated at least by sex, age, and disability when applicable</p>	1.TBD	<p>1.75% report increase access</p> <p>2. 50% adopt at least two practices</p>	<p>1. Programme's M&R reports</p> <p>2. Baseline and Endline surveys</p>	<i>Not applicable</i>
Outcome 1	1 Accelerated transition to green, climate-smart, integrated, circular and more sustainable agri-food systems	1.1 Percentage of agri-businesses in the project area that report implementing at least one circular economy practice (e.g., composting crop residues, using recycled materials) or climate smart practices, disaggregated by male/female and age lead businesses	1.1.0	1.1. 60% implement CE practices	1.1.Programme's M&R reports	Green and sustainable Agriculture remains a priority for government, donor, private sector and NGO intervention.

Outcome 2	2 Increased smallholder farmers' participation in market-integrated value chains	2.1 Volume and value of products sourced from smallholder farmer supported by the project				
		2.2 Percentage of smallholder farmers in the project area who demonstrate knowledge of market requirements, such as produce specifications, certification processes, and pricing trends, disaggregated at least by sex, age, and disability when applicable	2.1.0	2.1 TBD	2.1 -2.2- Programme's M&R reports	Private and public sector investment in infrastructure
		2.3 % of workers in each stage of the value chain of a product related to green technologies, disaggregated by sex (GAP III indicator)	2.2.0	2.2 60% SHFs have knowledge of product requirements		
Outcome 3	3 Sustainable investment supported for better producer incomes		2.3.0	2.3 TBD		
		3.1 Total amount of private sector investment (e.g., loans, grants) supported by the project in the project area.	3.1.0	3.1 EUR 55m	3.1-3.2- Programme's M&R reports	85% of projects are successful in achieving their goals
		3.2 Number of women and men headed enterprises receiving credit, micro-	3.2.0	3.2 TBD		

		credit/financial services, disaggregated at least by sex (GAP III indicator) 3.3 Number of matching grants awarded to agri-SMEs in the project area, disaggregated, at least by male/female and age status of the grantee		3.3 200 <table><tr><td>Av FSTP Award</td><td>Number Firms</td><td>Total</td></tr><tr><td>€ 1,000,000</td><td>12</td><td>€ 12,000,000</td></tr><tr><td>€ 300,000</td><td>25</td><td>€ 7,500,000</td></tr><tr><td>€ 100,000</td><td>50</td><td>€ 5,000,000</td></tr><tr><td>€ 25,000</td><td>100</td><td>€ 2,500,000</td></tr><tr><td>TOTAL</td><td>187</td><td>€ 27,000,000</td></tr></table>	Av FSTP Award	Number Firms	Total	€ 1,000,000	12	€ 12,000,000	€ 300,000	25	€ 7,500,000	€ 100,000	50	€ 5,000,000	€ 25,000	100	€ 2,500,000	TOTAL	187	€ 27,000,000		
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€ 100,000	50	€ 5,000,000																						
€ 25,000	100	€ 2,500,000																						
TOTAL	187	€ 27,000,000																						
Output 1 relating to Outcome 1	1.1 Identified and prioritized capacity development needs for targeted agri-SMEs and farmers, covering areas like: (i) Management systems ; (ii) Market analysis ; (iii) Marketing plan development (iv) Financial analysis and ; (v) Green business model development	1.1.1 By end Y1 Q3 a needs assessment report will be completed, identifying the top 3 most critical capacity development areas (from the listed options) for at least 70% of targeted agri-SMEs and farmers 1.1.2 Based on the needs assessment, a capacity development plan will be developed by end Y1 Q3, outlining targeted training programs for each of the top 3 identified capacity needs, catering to at least 50% of the targeted agri-SMEs and farmers	1.1.1 None 1.1.2 None	1.1.1 End Y1 Q3 1.1.2 End Y1 Q3	1.1.1 -1.1.2- Programme’s M&R reports	Availability of high quality and affordable TA services																		

Output 2 relating to Outcome 1	1.2 Developed and delivered capacity building programs on sustainable agricultural practices, reaching a targeted number of farmers and agri-SMEs.	1.2.1 By [date], a minimum of X number of capacity building programs will be developed, covering the top 3 identified capacity development needs (from Output 1.1) 1.2.2 At least Y number of targeted farmers and agri-SMEs will successfully participate in and complete the capacity building programs offered by [date] disaggregated at least by sex, age, and disability when applicable	1.2.1 None 1.2.2. 0	1.2.1 TBD 1.2.2 a) 200,000 farmers & b) 400 SMEs	1.2.1-1.2.2- Programme's M&R reports	Availability of demand driven capacity building approach
Output 1 relating to Outcome 2	2.1 Increased knowledge and capacity of farmers and agri-SMEs regarding market entry requirements, including produce specifications, certification processes, and packaging standards.	2.1.1 By [date], participants will demonstrate a minimum Z% increase in their average score on the post-training assessment compared to the baseline established during pre-training assessments, disaggregated at least by sex, age, and disability when applicable 2.1.2 At least W% of participants in the market entry training program will report feeling confident in their ability to meet market	2.1.1. 0 2.1.2. 0	2.1.1 TBA 2.1.2 75%	2.1.1 -2.1.2. Programme's M&R reports	

		requirements for targeted legume and horticulture crops after program completion, disaggregated at least by sex, age, and disability when applicable				
Output 2 relating to Outcome 2	2.2 Established linkages between targeted farmers and agri-SMEs with relevant market players such as processors, retailers, and exporters.	<p>2.2.1 Number and type of established market linkages between smallholder farmers and key market players (e.g., processors, retailers, exporters) .</p> <p>2.2.2 At least Y% of respondents from both groups will report a positive experience with the facilitated connections, disaggregated at least by sex, age, and disability when applicable</p>	<p>2.2.1 0</p> <p>2.2.2 0</p>	<p>2.2.1.TBD</p> <p>2.2.2. 80%</p>	2.2.1. -2.2.2- Programme's M&R reports	Presence of SMEs in nutrition sensitive VCs
Output 1 relating to Outcome 3	3.1 Fully established and operational matching grant facility for agri-SMEs with a focus on legumes and horticulture VCs.	<p>3.1.1 A fully functional matching grant facility with clear eligibility criteria, application procedures, and selection processes will be established and operational by the end of Yr1 Q3</p> <p>3.1.2 By end of Yr1 Q3, all necessary documentation and resources for the matching grant facility will be developed and readily available, including</p>	<p>3.1.1 0</p> <p>3.1.2 None</p>	<p>3.1.1. end of Yr1 Q3</p> <p>3.1.2 end of Yr1 Q3</p>	<p>3.1.1. Programme's M&R reports</p> <p>Grant Contracts Agreements</p> <p>3.1.2 Programme's M&R reports</p>	The matching grant facility is established and disbursing grants.

		application forms, grant manuals, and communication materials				
Output 2 relating to Outcome 3	3.2 Increased access to finance for agri-SMEs through linkages with financial institutions and facilitation services	<p>3.2.1 The project will facilitate at least 10 successful linkages between agri-SMEs and financial institutions for loan applications or other financial services by the end of the project</p> <p>3.2.2 Compared to the baseline, there will be a Y% increase in the number of agri-SMEs reporting access to formal financial services within the targeted legume and horticulture sector by end of the project disaggregated by male/female and age leaded</p>	<p>3.2.1 0</p> <p>3.2.2 0</p>	<p>3.2.1. 10 supported FIs improving services to Agri-SMEs</p> <p>3.2.2. 50% increase</p>	<p>3.2.1.-3.2.2- Programme's M&R reports</p> <p>Business Plans and Loan Contracts</p>	<p>Financial products available on the market are appropriate for prospective applicants</p>

4 IMPLEMENTATION ARRANGEMENTS

4.1 Financing Agreement

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

NA

4.4 Implementation Modalities

The Commission will ensure that the EU rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures³⁰.

4.4.1 Indirect Management with an entrusted entity

This action may be implemented in indirect management with Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ).

The implementation by this entity entails contributing to achieving all three specific objectives of the Action:

1. Specific Objective 1: Accelerated transition to green, deforestation free, climate-smart, integrated, circular and more sustainable and inclusive agri-food systems;
2. Specific Objective 2: Increased smallholder farmers' participation, including women, youth and people with disabilities, in market-integrated value chains, and;
3. Specific Objective 3: Sustainable Investment supported for better producer incomes.

The envisaged entity has been selected using the following criteria: i) technical capacities and ability to promote climate smart agriculture and enhance the resilience of smallholder farmers; ii) ability to strengthen capacity of small scale private sector operators and to support their access to markets and finance; iii) good knowledge of the Zambian context and good presence of staff on the ground; iii) previous successful experience managing EU funds in sustainable agriculture and nutrition; and; iv) availability of transparent and accountable systems in place for efficient and effective project implementation, monitoring and reporting.

³⁰ 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.

In case the envisaged entity would need to be replaced, the Commission's services may select another replacement entity using the same criteria.

4.4.2 EFSD+ operations covered by budgetary guarantees

This section 4.4.2 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.

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

If due to exceptional circumstances outside of the Commission's control, the activities foreseen under indirect management with an entrusted entity cannot be implemented, the management mode can be changed to direct management mode through grants.

The type of applicants targeted will be pillar-assessed International Organisations that meet the same criteria. The recipient will be selected using the following criteria: i) technical capacities and ability to promote climate smart agriculture and enhance the resilience of smallholder farmers; ii) ability to strengthen capacity of small scale private sector operators and to support their access to markets and finance; iii) good knowledge of the Zambian context and good presence of staff on the ground; iii) previous successful experience managing EU funds in sustainable agriculture and nutrition; and; iv) availability of transparent and accountable systems in place for efficient and effective project implementation, monitoring and reporting.

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).

4.6. Indicative Budget

Indicative Budget component	EU contribution (amount in EUR)	Third-party contribution, in currency identified
Implementation modalities – cf. section 4.4		
Specific objective 1: Accelerated transition to green, climate-smart, circular and more sustainable agri-food systems, composed of:	306 000	TBC
<i>Indirect management with GIZ – cf. section 4.4.1.</i>		
Specific Objective 2: Increased smallholder farmers' participation in market-integrated value chains, composed of:	144 000	TBC
<i>Indirect management with GIZ – cf. section 4.4.1.</i>		

Specific Objective 3: Sustainable Investment supported for better producer incomes, composed of:	27 250 000	TBC
<i>Indirect management with GIZ - cf. section 4.4.1</i>		
Evaluation – cf. section 5.2 Audit – cf. section 5.3	300 000	N.A.
Totals	28 000 000	8 000 000

4.7 Organisational Set-up and Responsibilities

A Programme Steering Committee (PSC), comprising all key stakeholders, shall be established to oversee the implementation of the action. Members of the PSC will be (indicative list): The EU Delegation, the MoFNP (Donor Coordination Unit), the MoA, the MoFL, MoGEE, MoCT and civil society representative and the implementing partner - GIZ. The implementing partner will act as Secretariat to the PSC. Other donor programmes with similar or relevant topic will be invited as observers. The Programme Steering Committee will meet twice a year and it will be chaired by the line Ministries above.

In addition to the PSC, a Technical Working Group (TWG), 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 TWG shall meet quarterly, as to ensure technical and operational coordination with line Ministries. The TWG will make recommendations to the annual PSC.

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

5 PERFORMANCE MEASUREMENT

5.1 Monitoring and Reporting

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

Roles and responsibilities for data collection, analysis and monitoring:

The implementing partner will be responsible for data collection, analysis, and monitoring. The implementing partner's current M&E systems include comprehensive results-based monitoring system which assigns clear responsibilities for data collection and reporting and ensures that all relevant data to report on the indicators in the log frame is collected on a regular basis.

In addition, the implementing partner will be required to contribute to the regular and structured monitoring of the results achieved by the Action through OPSYS. This responsibility will include encoding of the log-frame and regularly update indicator values in OPSYS.

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

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 value chain integration and desired impact, and the use of the grant for supporting innovation and technology.

A final evaluation will be carried out for accountability and learning purposes at various levels.

Evaluation shall also assess to what extent the action is taking into account the human rights-based approach as well as how it contributes to gender equality and women's empowerment and disability inclusion. Expertise on human rights, disability and gender equality will be ensured in the evaluation teams.

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.

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

concerned are implemented by the Commission, partner countries, service providers, grant beneficiaries or entrusted or delegated entities such as UN agencies, international financial institutions and agencies of EU member states.

However, action documents for specific sector programmes are in principle no longer required to include a provision for communication and visibility actions promoting the programmes concerned. These resources will instead be consolidated in Cooperation Facilities established by support measure action documents, allowing Delegations to plan and execute multiannual strategic communication and public diplomacy actions with sufficient critical mass to be effective on a national scale.

Appendix 1 REPORTING IN OPSYS

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

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

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

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

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

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

The intervention level for the present Action identifies as:

Contract level		
<input checked="" type="checkbox"/>	Single Contract 1	Individual single contract