Annex I: Description of the Action

**UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION**

**Global Project**

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| **Project number:** | 190161 |
| **Project title:** | SWITCH to circular economy value chains |
| **Thematic area code:** | GC31, Resource efficient and low carbon industrial production |
| **Duration:** | 60 months |
| **Project site:** | Global |
| **Implementing agency:** | UNIDO |
| **Project Inputs:** | |
| ***- Direct costs:*** | €19,504,673 |
| ***- Indirect costs (7%):*** | €1,365,327 |
| ***- Counterpart inputs:*** | In-kind contribution by global value chain leading EU multinational companies |
| ***- Grand Total:*** | **€20,870,000 (€19,000,000 funded by the European Union and €1,870,000 funded by Finland)** |

**Brief description:**

The global "SWITCH to circular economy value chains" project aims to support enterprises within selected value chains to adopt circular economy practices. The project recognises that the application of circular economy practices requires coherent practices by all actors of the value chains, from SMEs to leading companies in the Global Value Chains. Close cooperation is required for multinational companies and suppliers in developing countries to meet their circularity goals.

This "last mile" of working with their suppliers in the developing economies is difficult for multinationals in global value and supply-chains. However, at the same time a multinational company has sufficient influence and resources to encourage, assist and/or convince the private sector in a developing country to make the necessary changes to their practices to become more circular in order to keep acting as their supplier.

The project will assist tier 1, 2 and, when feasible, tier 3 suppliers of EU Multi-National Companies (MNCs) to make the switch towards circularity: such suppliers face significant challenges (technical and financial) in adopting new circular economy practices and the project is aimed at supporting them in this process.

The overall objective of the project is to support "***A just transition to an inclusive climate neutral and circular economy***", including to contribute to sustainable growth, low carbon and climate resilient development, decent jobs creation, and safer, healthier and pollution-free environment.

The project will achieve this overall objective through three outcomes (specific objectives): ***Outcome 1:*** *Engagement established with EU-based MNCs to select high-quality pilots in selected Value Chains (Inception phase);* ***Outcome 2:*** *Improved circularity (and competitiveness) amongst suppliers/businesses of supported value chains; and* ***Outcome 3:*** *Improved policy uptake, business and investment climate for circular economy in target countries.*

The Project will contribute to multiple SDGs, especially SDGs 8 (Decent Work and Economic Growth), 9 (Inclusive and sustainable Industrialization), 12 (Responsible Consumption and Production), and 13 (Climate Action).

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# A. CONTEXT

## A1. Background

The world's population was 7.7 billion people in 2019 and is predicted to rise to 8.5 billion in 2030 (10% increase), further to 9.7 billion by 2050 (26%) and to 10.9 billion in 2100 (42%)[1]. Forecasts suggest that there could be up to an additional 3 billion new middle-class consumers primarily in the Asia Pacific region by 2030[2]. They will drive demand for food, consumer goods and urban infrastructure and the energy needed to produce them to levels unheard of in human history.

There is a strong relationship between resource consumption and GDP: historically for every 1 percent increase in GDP, resource usage has risen on average by 0.4%.[3] On its present course, the use of material resources (such as biomass, fossil fuels, metals and non-metallic minerals) is expected to reach 167 billion tons by 2060 from the 2017 total of 89 billion tonnes[4]. The projected increase in materials use implies a significant increase in a wide range of environmental impacts, including acidification, climate change, eutrophication, and land use, as well as water, human and terrestrial eco-toxicity[5].

Progress to address the environmental crisis and to achieve relevant SDG targets is largely insufficient. While resource extraction and processing currently account for more than 90% of global biodiversity and water stress impacts, and approximately half of greenhouse gas emissions, global material productivity has declined since about the year 2000, as a result of a "large shift of economic activity from very material-efficient economies such as Japan, the Republic of Korea and Europe to, at this time, the much less material-efficient economies of China, India and Southeast Asia"[6]. Consequently, the majority of terrestrial ecosystems in developing countries and their biodiversity are degrading at alarming rates, with a corresponding loss of nature's contributions to people's livelihoods and to socio-economic development[7].

As estimated by the International Resource Panel (IRP), effective policies to improve resource efficiency and tackle climate change could reduce global resource extraction by up to 28%, cut global greenhouse gas emissions by around 60%, and boost the value of economic activity by 1.5%[8] by 2050.

According to the UN, "the challenges associated with preventing, managing and resolving natural resource-induced conflicts may well come to define global peace and security in the 21st century."[9]

Ever since the Industrial Revolution, all economies have been extracting raw materials, using those raw materials as inputs to manufacture products, and selling and distributing those products to as many customers as possible. Those customers then use the products and discard them when they have served their purpose. This "take-make-use-discard" or linear economy practice is enormously inefficient and encourages increasing levels of pollution and waste.

Application of circular economy practices would reduce the waste and pollution that creates the situation whereby 9 million people die of diseases linked to mismanagement of waste and pollutants each year: six

[1] https://population.un.org/wpp/Publications/Files/WPP2019_10KeyFindings.pdf

[2] https://siteresources.worldbank.org/EXTABCDE/Resources/7455676-1292528456380/7626791-1303141641402/7878676-1306699356046/Parallel-Sesssion-6-Homi-Kharas.pdf

[3] Accenture analysis based on data from SERI and Dittrich, M. (2014). Global Material Flow Database. 2014 version and World Bank GDP data, http://data.worldbank.org/

[4] Global Material Resources Outlook 2060, OECD, 2019, p. 19.

[5] Ibid., p. 23

[6] IRP 2016, Global material flows and resource productivity. Summary for Policymakers, pp. 26-27

[7] Intergovernmental Platform on Biodiversity and Ecosystem Services (IPBES) report 2018.

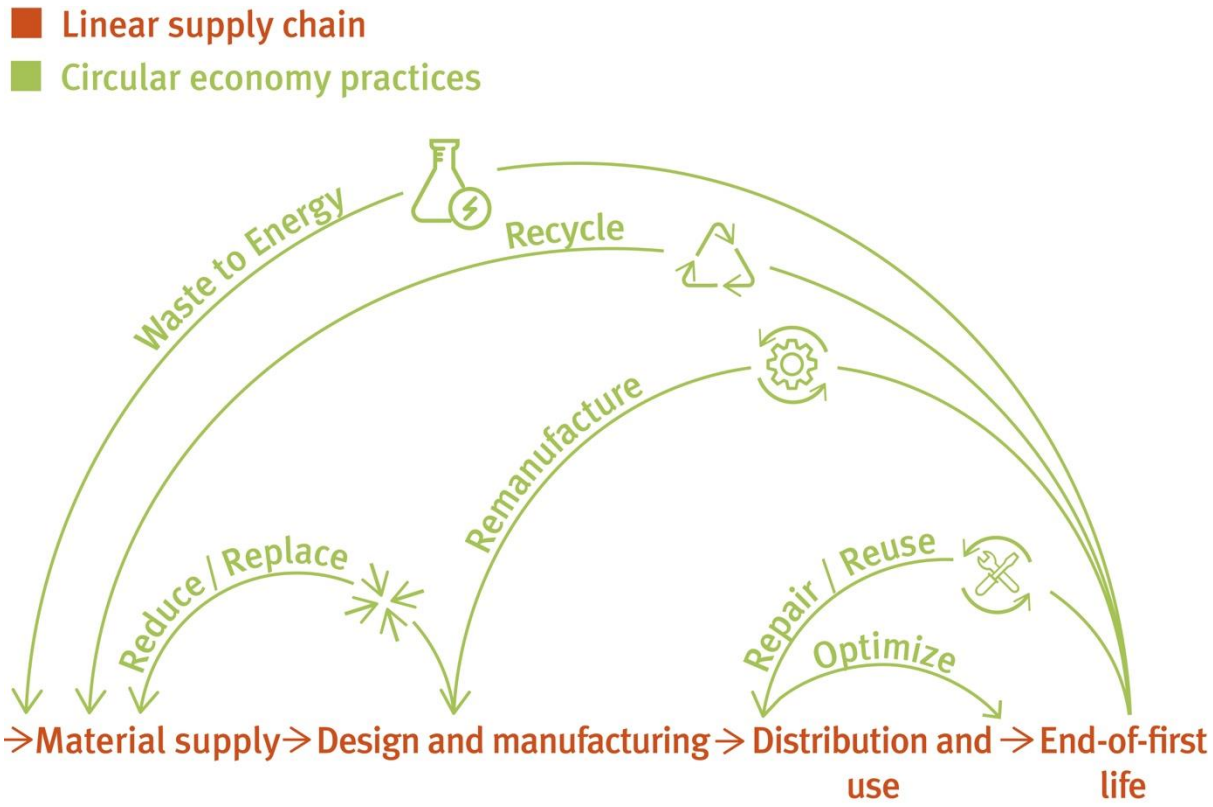
[8] Resource Efficiency: Potential and Economic Implications. A report of the International Resource Panel (IRP), 2017, pp. 285-286

[9] The EU-UN Partnership of Land, Natural Resources and Conflict Prevention; see www.un.org/en/land-natural-resources-conflict

times as many as die from AIDS-related illnesses, and 20 times more than die from malaria.[10] Tragic loss of life and time spent with disabilities due to diseases linked to pollution and waste create tremendous economic losses, particularly in developing countries. Moreover, economic losses are also associated with wasted production capacities, wasted product lifecycles and wasted embedded values of all sorts in products anywhere in the world.

This understanding has given rise to the concept of circular economy and its associated practices as constituting "an industrial system that is restorative or regenerative by intention and design. It replaces the 'end-of-life' concept with restoration, shifts towards the use of renewable energy, eliminates the use of toxic chemicals, which impair reuse, and aims for the elimination of waste through the superior design of materials, products, systems, and, within this, business models''. [11] Figure 1 depicts the differences between a linear supply chain and the case for circular economy practices along the same.

*Figure 1: Linear versus Circular Economy practices*




Source: UNIDO, 2019

The 2030 Agenda for Sustainable Development responds to the need for global action towards environmental sustainability, while economies create prosperity and development reduces social inequalities. Transforming our economies to balance the economic, social and environmental dimensions of development is imperative to successfully implement this Agenda.

Circular Economy practices are among the important tools necessary to achieving the SDGs. Firstly, the circular economy underpins efforts to achieve SDG 1 (no poverty) by shielding growth from the long-term upward trend in resource prices and volatility. It should also make significant contributions to SDG 2 (zero hunger) and SDG 6 (clean water and sanitation) by reducing agricultural, food waste and all other forms

[10] http://www.thelancet.com/commissions/pollution-and-health, an initiative supported by the EU and UNIDO, October 2017

[11] https://www.ellenmacarthurfoundation.org/assets/downloads/publications/Ellen-MacArthur-Foundation-Towards-the-Circular-Economy-vol.1.pdf

of pollution. There is a close link between the circular economy and "good health and well-being" (SDG 3), particularly Target 3.9 which aims to "substantially reduce by 2030 the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination", most of which originate in materials extraction and processing, agriculture and industrial production, transportation and use of goods and services and their unsustainable disposal.[12]

SDG 9 addresses aspirations of almost all developing countries by "promotion of inclusive and sustainable industrialization, infrastructure and innovation". Target 9.4 of SDG 9 defines how to achieve sustainable industrialization: "upgrade infrastructure and *retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes*". Since resource inefficiencies create significant climate impacts, circular economy practices that offer 'sustainable products' and new business models that extend product lifetimes are bound to create major climate benefits.

Secondly, the circular economy also reduces the tension between SDG 8 (decent work and economic growth) and SDG9 (inclusive and sustainable industrialization) and those related to pollution (SDGs 11, 13, 14 and 15): by weakening the link between growth, industrialization and environmental damage, circular economy practices make these goals much more compatible. It can also be a significant contributor to the targets of SDG 8 and SDG9[13] .

Thirdly, the Circular Economy will make a major contribution to SDG 7 (affordable and clean energy). Circular economy practices can help to reduce overall energy needs and achieve higher rates of energy efficiency, for instance through resource efficient and cleaner production, industrial symbiosis and recovery of waste heat of industrial processes or biogas production through anaerobic digestion and by a generic shift towards renewable energy sources.

Finally, the adoption of circular economy practices is the most sensible way of achieving SDG 12 (responsible consumption and production): its achievement will require a switch from the linear to the circular model of production and consumption informed by a major shift in business practices and models and policies globally. SDG 12 is a crosscutting goal that is connected to a wide range of other SDGs as also shown above. The crosscutting nature of sustainable consumption and production (SCP) requires a life cycle approach and will ultimately need to be reflected in economic and environmental policies of high, middle and low -income countries and future business models.

The importance of SCP is also reflected in the new European Consensus on Development adopted in 2017, which identifies SCP practices and circular economy as important priorities, for not only the Planet priority but also the Prosperity priority. "The EU and its Member States will promote an economic transformation that creates decent jobs, increases productive capacity, generates sufficient revenues for public services and social protection, fosters sustainable value chains and diversification, including sustainable industrialisation. This includes promoting sustainable consumption and production patterns in a circular economy…"[14]

In summary, the project will contribute to multiple SDGs, in particular:

[12] E-waste recovery and recycling is a case in point: it significantly lowers the total life cycle impacts of electronic waste compared to other options such as incineration or landfilling, and reduces emissions to air, water and soil. However, e-waste recyclers in low and middle-income countries are highly exposed to a wide range of toxins detrimental to human health, including heavy metals such as cadmium, lead and mercury.

[13] For example, Target 8.2: "Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors", Target 8.3: "Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalisation and growth of micro-, small and medium-sized enterprises, including through access to financial services", Target 9.3: Increase the access of small-scale industrial and other enterprise, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets.

[14] https://www.consilium.europa.eu/media/24004/european-consensus-on-development-2-june-2017-clean_final.pdf

- Goal 8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.
- Goal 9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.
- Goal 12. Ensure sustainable consumption and production patterns (SCP).
- Goal 13. Take urgent action to combat climate change and its impacts.

By contributing to the decoupling of economic growth from environmental degradation, the project will also contribute to SDGs related to pollution (Goals 11, 13, 14 and 15).

Finally, the 2019 European Green Deal[15] aims, among others, to mobilise industry for a clean and circular economy. The new EU Action Plan on Circular Economy adopted on 11 March 2020 as part of the Green Deal, includes a 'sustainable products' policy, with particular focus on resource intensive sectors such as textiles, construction, electronics and plastics. It will encourage businesses to offer, and allow consumers to choose, reusable, durable and repairable products and deploy new business models based on renting and sharing goods and services. The European Green Deal also underlines the promotion of collaboration with industry, and investments in strategic value chains as essential and emphasizes the role of digital technologies among critical enablers for attaining sustainability of Green deal goals in many different sectors.

EU's new CE Action Plan has an external dimension and as such reflects the EU's ambition to contribute to set global standards on CE. Furthermore, the EC is emphasising on establishing a frame work for setting ecodesign requirements for sustainable products (as proposed in EC COM(2022) 142) and has developed a strategy for sustainable and circular textiles (EC COM(2022) 141).

The intervention described in this Project Document aims to promote circular economy practices in developing countries through industry collaboration, public-private dialogue and capacity development of stakeholders in selected value chains.

## A2. Problem analysis/priority areas for support

Both UNIDO's experience through its resource efficient and cleaner production programmes implemented since 1994 and EU's experience promoting green business development, e.g. under the SWITCH regional programmes (including the EU funded SwitchMed programme that UNIDO continues to lead), have documented the positive outcomes of environmentally sustainable practices by the private sector. These positive outcomes include financial savings from more resource efficient production processes, market access opportunities, reduced resource consumption and greenhouse gas emissions, more decent working conditions and reduced number of work-related accidents, etc.[16].

Despite this evidence, the pace of progress towards the adoption of greener business practices, contributing notably to the circular economy transition and to the sustainable management of natural resources, is largely insufficient. Barriers are multiple, and include gaps or incoherence in policy frameworks, a lack of awareness and capacities of business operators, the protection of vested interests by those benefiting from unsustainable models, insufficient market demand for certified products, and unavailable or prohibitive access to finance.

Therefore, the project was designed with certain key factors being carefully considered:

[15] Communication from the Commission on "the European Green Deal", 11.12.2019 COM (2019) 640 Final, Brussels

[16] Illustrations of those impacts are provided in Evaluation of EU international cooperation on Sustainable Consumption and Production; Europe Aid/ 137211/ DH/ SER/ Multi Lot 1; Final Report. See https://europa.eu/capacity4dev/public-environment-climate/documents/scp-evaluation-full-package-publications

- The transition towards a circular economy is complex and multi-faceted but imperative in view of its potentially substantial economic, environmental and societal benefits, which can significantly contribute to poverty reduction.
- The transition to a circular economy in developing countries requires a systemic perspective, with attention for the broader framework conditions, including regulatory, and the build-up of intelligence, knowledge and awareness of the specific characteristics of circularity in a given country and value chain. This should also include an overall focus on compliance with market requirements[17].
- Whilst there is significant interest in establishing circular economy practices in developing countries to address these problems[18], these have – so far – been fragmented and, often at the research rather than the implementation level[19]. This stresses the need for action going beyond standard Resources Efficiency and Cleaner Production (RECP), to also promote circular economy practices such as repair, reuse and remanufacture. There is an urgent need for interventions that will progress the circular economy agenda in developing countries from the abstract to the practical through effective, independently verifiable and replicable demonstration of the benefits of the approach and related practices.
- The need for well-designed pilots in selected value chains, involving a selected number of countries and businesses across the full chain, to demonstrate how businesses can implement circular economy practices in developing countries, to monitor the performance of those pilots carefully to learn lessons and then to institute an extensive awareness raising campaign to encourage replication of proven success to the full value chain and beyond (e.g. in value chains of other sectors). The pilots will identify and test circular economy practices in a specific part of the global value chains that EU MNCs operate in, involving a realistic number of businesses and countries across the full value chain. Then the project will encourage the replication of these practices: (i) to the remaining parts of the same value chains (businesses and countries involved in the value chain), and (ii) into broader areas (i.e. in VCs of other EU MNCs, including in other sectors, if applicable).
- Global value chains (GVC) bring together large number of firms of various types and sizes. Large-scale manufacturing or retail firms serving large consumer markets in high-income countries lead the GVCs. These leading firms have supply lines extending to low- and middle-income countries. To achieve their circularity goals and for some significant impact, these GVC leading firms and their suppliers have to take action together. Thus, partnerships between EU based GVC leaders and their suppliers in developing countries are essential for implementation of circular economy practices along value chains.

## A3. Main target groups

In line with the above analyses, the project will target the following groups of beneficiaries:

- National manufacturing companies and related businesses will be the main final beneficiaries of the project. They will receive support directly or indirectly (e.g. through business development service providers and financial intermediaries). In line with lessons from UNIDO's green industry and EU's green economy cooperation, support will cover both thematic issues (e.g. practices contributing to the circular economy) and business management issues (e.g. access to finance). Depending on the nature of value chain, Tier 1 suppliers of MNCs are usually a small number of firms that work with the lower tier suppliers to produce components and directly supply these to the MNC. In progression, Tier 2 suppliers do not directly supply the MNCs, but procure parts/inputs from Tier 3 suppliers to supply Tier 1 suppliers of the MNC. The focus will be on tier 1, 2 and, when feasible, tier 3 suppliers of EU MNCs. For relevant activities, the project will also engage with companies involved in the repair,

[17] Market pressure from GVC leaders to their suppliers is a significant factor for change.
[18] They include, for example, the announced establishment of the African Alliance on Circular Economy and the publication of 'Circular Economy in India'.
[19] This is to be differentiated from cleaner production practices, which are applied widely.

reuse and remanufacturing of products at the end of first life, and in the recycling of products which cannot be repaired, reused or remanufactured anymore, with a view to engaging businesses from all elements of a circular economy.

- Consumers of products (first-life and later life uses) of the MNCs.
- Business development service (BDS) providers and intermediary organisations, including sector-specific business membership organizations in developing countries will play an important role in the delivery of the project. They will receive support to improve their services, contributing to the sustainability of the project, and will deliver support to businesses. Relevant service providers such as*, inter alia,* the National Cleaner Production Centres are already in place in many countries, but they often require external support.
- EU multinational companies (MNCs), including manufacturers and/or retailers playing a key role in selected value chains will not receive support directly. They will be involved in the project as players influencing the development of global value chains and able to stimulate the adoption of greener, circular economy practices by upstream industries along these chains. The project will target in particular EU MNCs committed to environmentally sustainable practices.
- Local financial institutions will be part of the core stakeholders' group. Local financial institutions will both receive technical assistance (e.g. to develop green financial products, to assess relevant projects, to adopt environmental and social safeguards), and act as intermediaries to finance eligible projects. In many countries, there is a lack of appetite and capacity from local financial institutions to scale up investments in green sectors, hence the need for capacity building, as well as financial incentives and improved regulatory frameworks to promote these investments.
- Government institutions: while the project will focus on practices by private sector operators, lessons will also feed into policy development and implementation. Business membership and consumer organizations will also be engaged in policy dialogue and advocacy on adoption of greener, circular economy practices by the private sector and consumer awareness on sustainable products.

### A4. Other stakeholders

Project will engage the EU Delegations (EUDs) and UNIDO Field Offices in countries where the selected pilot projects will be working with the targeted beneficiaries.

EUDs will be consulted during the detailed pilot project design stage to ensure complementarity with EU activities in the country. Similar inputs will be provided by UNIDO Country Offices.

EUDs are expected to play a significant role, for instance, in supporting complementarities with the EU External Investment Plan (EIP), as this project could help identify / develop bankable projects, which may then be supported through the EIP.

UNIDO Country Offices will provide local knowledge and support and contribute to monitoring efforts, as needed.

## B. REASONS FOR UNIDO ASSISTANCE

UNIDO is the specialized agency of the United Nations that promotes inclusive and sustainable industrial development (ISID) by creating shared value, advancing competitiveness, safeguarding environmental sustainability and strengthening knowledge and institutions in developing countries. With this mandate, the Organization engages with its Member States through four core functions:

(i) Technical cooperation

(ii) Analytical and research functions, and policy advisory services

(iii) Normative functions and activities related to setting standards and guidelines

(iv) Convening and partnerships for large-scale investment, knowledge and technology transfer, networking, and industrial cooperation

UNIDO has an extensive and proven record of accomplishment in working with governments, industry and other major stakeholders in environmental sustainability, energy access, quality infrastructure and standards, entrepreneurship, including for women and youth, enterprise development, public-private partnerships and gender mainstreaming under the broader theme of ISID.

The Directorate for Environment and Energy (EAE) of UNIDO is responsible for providing technical cooperation services to enhance the capabilities of developing countries and economies in transition to promote ISID.

The Department of Environment (EAE/ENV) contributes to ISID and the implementation of the SDGs by greening existing industries and products, as well as by facilitating creation of new green industries and products, and by minimizing resource use along value chains and during the lifetime of products to facilitate uptake of circular economy practices. Priorities and programs involve circular economy practices; for instance, sustainable design of products using less materials, being easy to maintain and incorporating longevity. Promoting industrial resource efficiency to improve the effective use of natural resources, in particular materials and water, sustainable access to water for production, reducing release of industrial pollutants to the environment and assisting Member States to achieve the objectives of and compliance with multilateral environmental agreements are cornerstones of technical cooperation and policy advisory services.

The Industrial Resource Efficiency Division (EAE/ENV/IRE) in the Department of Environment supports capacity development of industry, government, environmental service providers, INGOs and NGOs. Services to scale up and mainstream the production of greener products and adoption of resource-efficient and cleaner patterns of production and circular economy policies and practices that save costs for industry, while creating social and environmental benefits are core to technical assistance and policy advice from the Division. Greening of products and industrial processes through Resource Efficient and Cleaner Production (RECP), Transfer of Environmentally Sound Technologies (TEST) and introduction of new business models (for example, chemical leasing, a product-as-service practice) along supply and value chains, promotion of Eco-Industrial Parks and sustainable access to water for productive purposes are among core activities. The Division contributes to Partnership for Action on Green Economy (PAGE)[20] of the Department.

This project will be implemented by EAE/ENV, led by the Industrial Resource Efficiency Division (EAE/ENV/IRE). The Division is currently implementing, as leading partner, the second phases of SwitchMed[21] and EU4Environment programs funded by the EU. Among others, the Industrial Resource Efficiency Division is leading UNIDO's Global Eco-Industrial Parks Program funded by Seco, the Water Stewardship program in collaboration with MNCs in the beverage sector as well as the global Chemical Leasing program in developing countries, a product-as-service business model, in collaboration with Ministries of Environment of Austria, Germany and Switzerland.

UNIDO's other Departments offer various investment promotion services, for instance through a) Investment and Technology Promotion Offices (ITPO) on technology solutions, e.g. ITPO Japan's Sustainable Technologies Promotion Platform (STePP); b) COMFAR (Computer Model for Feasibility Analysis) services; c) Subcontracting and Partnership Exchange (SPX), buyer identification and supplier-buyer matchmaking; d) through investment promotion agencies (IPAs) attracting FDI and facilitating joint ventures, and e) contributions from agribusiness services, should a relevant value chain is selected. Opportunities to integrate some of these services and/or knowledge and experience gained as relevant will be sought, particularly during the detailed design of pilot projects.

[20] https://www.un-page.org

[21] https://www.switchmed.eu/en

The achievement of the triple wins (economic, environmental and employment) that circular economy practices potentially offer to developing countries requires in-depth skills and knowledge in all three areas linked to practical implementation experience on the ground. UNIDO is the only organisation globally that has the skills and expertise in these fields. UNIDO is used to dealing with systemic change and institutional strategies aimed at collaboration with industry chains, governments, and customers to create joint value. Its global networks allow it to collaborate with its Member State partners and innovate using new technologies and business models.

# C. THE PROJECT

## C.1. Objective and expected outcomes

The overall objective of the project is to support "***A just transition to an inclusive climate neutral and circular economy***", including to contribute to sustainable growth, low carbon and climate resilient development, decent jobs creation, and safer, healthier and pollution-free environment.

The project will put emphasis on engagement with the private sector and scaling-up investments in green businesses, sustainable value chains and the creation of green jobs, along the DEVCO Green Economy Results Chain in Annex 1.

The project aims to achieve three specific objectives (outcomes):

***Specific Objective (Outcome) 1:*** *Engagement established with EU-based MNCs to select high-quality pilots in selected Value Chains- Inception phase*

This outcome will be achieved through one output; 1.1: Pilot projects selected and designed. The project will, in total, select up to five pilot projects. The project has selected three pilot projects to date including one in the Plastic Packaging (PP) value chain[22] and two in the Textile &Garments (TG) value chain. One to two additional pilot projects will be selected in the ICT & Electronics value chain through a competitive open call for expressions of interest process initiated in Q2 2022.

***Specific Objective (Outcome) 2:*** *Improved circularity (and competitiveness) amongst suppliers/businesses of supported value chains*

This outcome will be achieved through three outputs. Each output will focus on implementation of pilot projects, including capacity building activities, in each of the selected value chains.

***Specific Objective (Outcome) 3:*** *Improved policy uptake, business environment and investment climate for circular economy in target countries*

Three outputs will lead to achievement of this outcome. Output 3.1 will focus on the policy landscape in each target country and the EU to assess the opportunities for improved dialogue, decision making and cooperation between policy makers, private sector and supporting institutions. Output 3.2 will focus on improving the knowledge and capacity of national Business Development Service (BDS) providers and industry associations to support businesses in the PP, T&G and ICT value chains to adopt circular business practices. Output 3.3 will focus on improving the capacity of financial institutions in the target countries to assess and provide financial services to firms transitioning to circular practices, business models and technologies. Dialogue with Central Banks and Ministries of Finance under this output will also contribute to policy dialogue and uptake.

[22] The call for expressions of interest for the plastic packaging sector had originally yielded 2 pilots selected. However, during the detailed design stage Tetra Pak and its local suppliers in Thailand decided to withdraw from the project due to reasons beyond the control of the project team in May 2022.

## C.2. Logic model

<table>
<tr><th colspan="6">Impact (Overall Objective)</th></tr>
<tr><td colspan="6">A just transition to an inclusive climate neutral and circular economy</td></tr>
<tr><th colspan="6">Outcomes (Specific Objectives)</th></tr>
<tr><td>SO1: Engagement established with EU-based MNCs to select high-quality pilots in selected VCs</td><td colspan="2">SO2: Improved circularity (and competitiveness) amongst suppliers/businesses of supported value chains</td><td colspan="3">SO3: Improved policy uptake, business environment and investment climate for circular economy in target countries</td></tr>
<tr><th colspan="6">Outputs</th></tr>
<tr><td>1.1: Pilot projects selected and designed</td><td>2.1 Pilot circularity projects implemented in Plastic Packaging VC</td><td>2.2 Pilot circularity projects implemented in Textiles and Garments VC</td><td>2.3 Pilot circularity projects implemented in ICT & Electronics VC</td><td>3.1: Enhanced capacity for research on circular opportunities and improved conditions for knowledge exchange and inclusive policy dialogue among policy makers, private sector and supporting institutions, aiming to advance circular policy design and implementation.</td><td>3.2: Improved capacities of Business Development Services (BDS) providers / Business Membership Organisations (BMOs) to promote circular economy business models and practices among businesses</td><td>3.3: Improved capacities of national/regional financial institutions to assess Circular Economy technology and projects and to diversify financial services for Circular Economy investments</td></tr>
</table>

## C.3. Theory of change

The project is premised on evidence that a transition to a circular economy provides benefits to people, the economy and nature. These benefits include lower emissions, less harmful resource extraction, less pollution and waste and the creation of new markets, new job opportunities as well as increased GDP and revenues for businesses. The just transition to an inclusive climate neutral and circular economy is complex and multi-faceted but imperative in view of its substantial contributions to economic competitiveness, the fight against climate change through improvements in material and resource efficiency, and broader social benefits.

Transitioning to a circular economy in developing countries requires a systemic perspective, with attention for the broader enabling conditions, including regulatory frameworks, and the build-up of intelligence, knowledge and awareness of the specific characteristics of circularity in a given country and the circular opportunities that exist within key value chains within that country. While there is significant interest in establishing circular economy practices in developing countries to address these problems[23], these have – so far – been fragmented and, often at the research rather than the implementation level[24]. This stresses the need for action going beyond standard Resources Efficiency and Cleaner Production (RECP), to also promote circular economy practices such as repair, reuse, remanufacture and recycling and scale up of locally designed solutions often found in the informal sector.

If transitions to a circular economy in the target countries are to be just, the public, private, non-governmental and informal sectors, need to develop the requisite skills, knowledge, and technical capacity in the circular economy. These include business management, policy design, engineering as well as research and development. In the selected value chains (Plastic Packaging, Textiles and Garments and ICT/Electronics), industry associations and leading companies are clear about the need for circular approaches to address both firm competitiveness but also long-term sustainability issues.

The agendas of target countries (such as Bangladesh[25] and Morocco[26]) are also clear that green jobs are decent and developing the capacity and skills of these jobs is a top priority to allow these countries to make a just transition to an inclusive climate neutral and circular economy. Yet, tailored training, knowledge, and technical capacity in the circular economy space is a limiting factor in the adoption of green activities in key economic sectors and therefore the creation of decent employment in green jobs remains limited.

Circular economy practices and technologies such as new production technologies that reduce material use and increase efficiency, and enhancing recycling, remanufacturing and reuse of products will be critical components in the shift to net zero emissions. By conducting circularity pilots in each of the target value chains, the private sector and associated organizations will gain valuable experience, build internal teams to recognize circular innovations and take advantage of global investment flows increasingly being directed towards the green economy. These pilots will test in the actual business environment technologies and approaches for collection, sorting, recycling of plastic and textile, and refurbishment of electronics, and as such can deliver tailored insights to refine the policy framework and investment climate.

[23] They include, for example, the announced establishment of the African Alliance on Circular Economy and the publication of 'Circular Economy in India'.
[24] This is to be differentiated from cleaner production practices, which are applied widely.
[25] Aspects of a circular economy can be found in the different long-term planning documents of the Government of the People's Republic of Bangladesh including the Eighth Five Year Plan (July 2020–June 2025): https://oldweb.lged.gov.bd/UploadedDocument/UnitPublication/1/1166/8FYP.pdf , the Perspective Plan 2041: http://oldweb.lged.gov.bd/UploadedDocument/UnitPublication/1/1049/vision%202021-2041.pdf and the Delta Plan BDP2100: https://blogs.worldbank.org/endpovertyinsouthasia/implementing-bangladesh-delta-plan-2100-key-boost-economic-growth
[26] Circular economy in Africa-EU Cooperation – Country Report: Morocco: https://op.europa.eu/en/publication-detail/-/publication/ac782e28-3e8d-11eb-b27b-01aa75ed71a1

**SO1: Engagement established with EU-based MNCs to select high-quality pilots in selected VCs-Inception phase**

During the inception phase, an open call for expressions of interest for the submission of pilot projects in the Textiles and Garments and Plastic Packaging value chains was conducted. The open call resulted in the identification of five pilot project candidates, of which, four were ultimately selected to be piloted and enter a detailed design phase and at the time of the project document revision three had been fully designed.

Through the pilots an extensive body of evidence will be collected (data, information, knowledge, best practices, best technologies) that will support other organizations and entities with the adoption of circular technologies and practices within their organizations. The pilot projects are designed, where possible, to maximize economic, environmental and social benefits while managing and mitigating negative externalities. Entire pilot projects or components of pilot projects will be ready to be replicated and/or scaled up in the target countries by other MNCs, suppliers and other interested parties seeking to maximize their economic competitiveness and environmental and social performance. The body of evidence collected will also help enable enterprises in countries around the world to scale-up and replicate the circular practices adopted by the pilots.

The selection and engagement of the correct pilot projects is key to the long-term success of the project. To attract a range of EU-MNC's to the project, outreach was conducted by project subcontractors, advertisements were placed in sectoral journals and UNIDO engaged its extensive project network to seek out potential applicants. A rigorous selection and due-diligence process was used to select pilot projects that would have a high-potential to deliver positive economic and environmental outcomes.

The pilot project(s) in the ICT and Electronics value chain will be selected through an open call during Q2-Q3 2022, similar to the selection process of the pilot projects in the other value chains.

**SO2: Improved circularity (and competitiveness) amongst suppliers/businesses of supported value chains**

Increasing the technical knowledge and skills among EU MNC suppliers, businesses, and by proxy other supply chain actors such as informal waste picker networks, on circular economy technology, policy, business models and practices will enhance their ability to access finance, improve their resource and material efficiency and lead to an increase in economic gains. Three assumptions are that the 1) enabling environment and government policy for export-oriented suppliers/businesses that provide materials, goods and services to European MNCs will continue to be strong; 2) enabling environment and government policy in the target countries for addressing the global goals such as the SDGs, Paris Accord and the transition to a low-carbon economy will continue; and 3) barriers for suppliers/businesses to access technical assistance can be addressed and removed. The following are the key considerations that will lead to the achievement of this Specific Objective:

- Suppliers/businesses face barriers to access circular economy business models and concepts, but well-designed and accessible training and capacity building programs can reduce these barriers. The project will address these barriers by developing training materials and providing direct training to suppliers/businesses on circular economy business models and the specific interventions that each firm can undertake to improve their circularity, including through reverse logistics to enable recycling at the local level.
- The pilot projects supported will help suppliers/businesses in their growth and expansion by facilitating the knowledge and skills that enable access to financial and business support, as well as other support mechanisms targeting areas such as innovation and technological development.
- Training will improve the circular economy knowledge base in the country and such that entrepreneurs, including suppliers/businesses and associated parties, will have the resources to

identify, design, develop and scale circular economy technologies and businesses and access financial support services such as investment readiness programmes.

- Suppliers/businesses are likely to have experience in a local-context which will ensure the appropriate circular economy technologies and business models are applied in the target countries. Improving access to training and capacity building to empower these suppliers/businesses to advance their businesses will ensure their success in the target country market and within the region, increasing their ability to access financing, technology and business support services. Financial assistance, training and capacity building can ensure these technologies are scaled-up.
- The transition to a circular economy model is not without risk. Job losses within legacy industries can be significant if the enabling environment is ineffective at developing the required skills and knowledge of the most vulnerable members of society[27]. Customers and consumer inconveniences may be challenging to overcome in the case of the behavioural changes needed to adopt circular practices and business models and consistency in the quality of products and services need to be maintained during the transition. Policy makers can encourage the transition to be just by adopting policy that is coherent and well-coordinated.[28] Informal sector workers face risks from loss of income and livelihoods as traditional domains of the informal sector, such as waste picking, become formalized through policy mechanisms such as Extended Producer Responsibility schemes.[29] Lack of support risk worsening the situation for workers within legacy industries which predominantly are women and youth – two groups who are already facing un-, under-, and precarious employment[30].

**SO3: Improved policy uptake, business environment and investment climate for circular economy in target countries**

Increasing the adoption of circular economy technologies and practices requires support from a diverse and well-trained group of institutions, access to finance for circular business models, accessible knowledge about circular opportunities, as well as political frameworks that enable circular solutions. Two assumptions are the 1) suppliers/businesses are looking for opportunities to enhance competitiveness, income and/or social and environmental performance; and 2) the PP, T&G and ICT sectors have access to local ecosystem institutions. The following are the key considerations that will lead to the achievement of this Specific Objective:

- Local institutions best suited to support the adoption of circular economy technologies and practices will be identified, assessed for their capabilities, and provided with training and insights on how to match resources (secondary materials, production waste) with [production demand, so they can support suppliers/businesses and relevant private sector organizations with the uptake and adoption of circular solutions. Through the identification of the local ecosystem that can support the transition to an inclusive circular economy and the building of the capacity of this local ecosystem to understand, circular economy will be incorporated into the programming and advice provided by the local ecosystem to customers, businesses, and government.
- Training provided to the local ecosystem and the private sector (such as local BDS providers and BMOs) presents opportunities for training on a range of important topics such as human and labour rights and gender. Those organizations and individuals receiving this type of training will ensure closer attention is paid to gender issues when delivering services within their normal course of business and in turn advance these issues more broadly ensuring greater inclusivity.

[27] International Labour Organization. (2015). Guidelines for a just transition towards environmentally sustainable economies and societies for all. https://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/documents/publication/wcms_432859.pdf

[28] OECD. (2022). Policy brief on making the most of the social economy's contribution to the circular economy. https://www.oecd-ilibrary.org/docserver/e9eea313-en.pdf?expires=1644904900&id=id&accname=guest&checksum=6FB1404A554388F6E3667EF3AA7B0655

[29] During consultations it was revealed that the informal sector has not be adequately consulted or engaged on the introduction of an EPR scheme within the country.

[30] Dadzie, Christabel E.; Fumey, Mawuko; Namara, Suleiman. 2020. Youth Employment Programs in Ghana: Options for Effective Policy Making and Implementation. International Development in Focus; Washington, DC: World Bank. © World Bank. https://openknowledge.worldbank.org/handle/10986/34349 License: CC BY 3.0 IGO

- The training provided to suppliers/businesses will equip them with the skills and knowledge to formulate their own businesses and technologies. The training would also enable these suppliers/businesses to enter the service sector as circular consultants, filling a demand for experts in circular economy that would be generated by broader adoption of circularity within the target countries.
- The project will engage with and build capacity in the circular economy within relevant industry and business associations within the PP, T&G and ICT sectors within the target countries. Capacity will also be built within institutions including technical institutes, government agencies and other organizations that provide services and support to suppliers/businesses.
- The adoption of circular economy technologies, practices and business models especially in low and middle-income countries have proven to substantially increase the productivity and employment whilst reducing environmental impacts of key economic sectors[31]. The development of knowledge products that highlight the synergies between value-chain specific circular economy solutions, competitiveness and inclusive development will enable the private sector to take advantage of these opportunities.
- To accelerate the circular transition government policy and regulations must support rather than inhibit circular solutions. Because economies have been organised around the take-make-waste model, existing policies and power structures tend to favour existing, linear solutions. The project will engage with relevant institutions to provide a platform for stakeholders with an interest in a circular policy transition, whilst building capacities for circular economy policy research, knowledge exchange and inclusive policy dialogue.
- A just transition to an inclusive climate neutral and circular economy requires well-evidenced, inclusive and consultative policy making. Policy activities will be guided by needs assessments that are sensitive to power structures and barriers to decision-making (for example for marginalized communities) and grant co-ownership to target country stakeholders. By strengthening the research capacities, knowledge exchange, platforms for inclusive dialogue and international networks of target country policy and knowledge institutions, stakeholders will be empowered to identify, adopt and implement circular policies.
- The widespread adoption of circular economy practices is highly dependent on purposeful business-to-business and business-to-customer connections and informational exchanges [32]. These relationships will be supported by local, regional and global networking and communication events planned by the project.
- Research on inclusive/just circular business models taking the form of reports, articles, case studies, etc. will be published and disseminated through the knowledge exchange systems within the country and hosted by the project.
- There is a lack of appetite and capacity from target country financial institutions to scale up investments in green sectors, hence the need for capacity building to ensure small-scale entrepreneurs can access financing for their circular businesses. Technical assistance to the local financial sector will focus on capacity (technical and financial) of financial institutions in the target countries to design and deliver financial products aimed at supporting investment in the circular economy and the development of requisite training materials to support institutional investment in these businesses. The project will ensure proper training on gender lens investing using the Gender Lens Investing Training Programme that UNIDO is developing.[33]

[31] Gower, R. & Schröder, P. (2016). Virtuous Circle: How the circular economy can create jobs and save lives in low and middle-income countries. https://www.researchgate.net/profile/Richard-Gower/publication/306562812_Virtuous_Circle_how_the_circular_economy_can_create_jobs_and_save_lives_in_low_and_middle-income_countries/links/57bf1f9f08aeb95224d0fc07/Virtuous-Circle-how-the-circular-economy-can-create-jobs-and-save-lives-in-low-and-middle-income-countries.pdf and McKinsey & Company. (2017). Mapping the Benefits of a Circular Economy. https://www.mckinsey.com/~/media/mckinsey/business%20functions/sustainability/our%20insights/mapping%20the%20benefits%20of%20a%20circular%20economy/mapping-the-benefits-of-a-circular-economy.pdf?shouldIndex=false

[32] Oghazi, P., & Mostaghel, R. (2018). Circular Business Model Challenges and Lessons Learned—An Industrial Perspective. *Sustainability*, *10*(3), 739. MDPI AG. Retrieved from http://dx.doi.org/10.3390/su10030739

[33] https://www.unido.org/gender-lens-investing . For a short intro video: https://www.youtube.com/watch?v=vymIK3ELhj8

- Within the financial sector, several sustainability frameworks and organizations to support sustainable investment decision making such as the Science Based Targets Initiative, Net-Zero Asset Owners Alliance, UN Principles for Responsible Banking, and the UN supported Principles for Responsible Investment exist. Through the training provided to the financial sector, these frameworks will be discussed in the context of the circular economy, stimulating further interest in responsible banking and investment. Translating interest into action, the development of financial mechanisms for the circular economy by the project will enable the financial sector in the target countries to actively invest in sustainability aligned projects including in low-carbon innovation.

## C.4. Results Based Management (RBM) code and thematic area code

The RBM code is IC3 Safeguarding the environment. Thematic code is IC31 Resource efficient and low-carbon industrial production. Assignment of these codes are needed to link the project to UNIDO's results-based management framework.

## C.5. Outputs and activities

**Outputs leading to Specific Objective 1**

One output will lead to the achievement of SO1:

| **Output 1.1: Pilot projects selected and designed** | |
|---|---|
| **No** | **Activity**[34]. |
| **1.1.1** | Selection of three value chains based on a carefully designed basket of criteria (COMPLETED DURING INCEPTION)[35] |
| **1.1.2** | Selection through an open and transparent process of the pilot circular economy projects to be supported. (PARTIALLY COMPLETED DURING INCEPTION) |
| **1.1.3** | Detailed design and agreements on the supported pilot projects in collaboration with stakeholders in each target country |

**Activity 1.1.1 Selection of three value chains based on a carefully designed basket of criteria**

The selected value chains are:

- Textiles and Garments
- Plastics (including plastic packaging)
- ICT and Electronics

The process that was used for the selection of the value chains is described in Annex 3 "Value Chain Selection Report".

**Activity 1.1.2 Selection through an open and transparent process of the pilot circular economy projects to be supported.**

The two selected pilot in the Plastics Packaging value chain are:

- Equatorial Coca-Cola Bottling Company (ECCBC) (Spain / Morocco)
- Tetra Pak Packaging Solutions Aktiebolag (Sweden / Thailand)- (*Please note that this pilot has been discontinued during detailed design stage*)

The two selected pilot projects in the Textile and Garments value chain are:

[34] See the details of these activities in section C5 on implementation strategy.
[35] Plastic Packaging, Textiles and Garments and ICT and Electronics were selected.

- BESTSELLER A/S (Denmark / Bangladesh + Viet Nam)
- H&M Hennes and Mauritz GBC AB (Sweden / Bangladesh)

The process that was used for the selection of the pilot projects in the Plastic Packaging and Textile & Garments value chains is described in Annex 4 "Pilot Project Selection Report".

**Activity 1.1.3 Detailed design and agreements on the supported pilot projects in collaboration with stakeholders in each target country**

A detailed design report will be completed for each of the pilots to specify the exact scope, roles and responsibilities, timing, budget allocations for service providers and monitoring and governance mechanisms for each of the pilots.

The selection of the pilots through the open call also included a number of "associated parties" with each of the pilots; these associated parties are service providers and knowledge partners to the lead applicant and as such are an integral part of the pilot. For ECCBC these associated parties are ThirdWay Partners, RED and Roots for Sustainability (R4S); for BESTSELLER they are Global Fashion Agenda (GFA), Reverse Resources and Bangladesh Garment Manufacturers and Exporters Association (BGMEA); for H&M the associated party is Intellecap / Circular Apparel Innovation Factory (CAIF).

The activity will also include the conclusion of a partnership instrument with each of the MNCs to govern the cooperation and management of the pilot.

**Outputs leading to Specific Objective 2**

Three outputs will lead to the achievement of SO2:

| **Output 2.1: Pilot circularity projects implemented in Plastic Packaging VC** | |
|---|---|
| **No** | **Activity** |
| **2.1.1** | Implementation, monitoring and detailed reporting of the ECCBC pilot project on an efficient and scalable bottle-to-bottle collection and recycling scheme to advance circular economy approaches in the Kingdom of Morocco |
| | *2.1.1.1 Support the adoption of a legislative initiative on the use of rPET in plastic goods* |
| | *2.1.1.2 Optimize plastic waste collection and aggregation practices via point-of-sale, waste picking collectives and domestic collection in at least one city including the training and upskilling of waste pickers* |
| | *2.1.1.3 Support the inclusion of recycled plastics in preform production processes e.g. through quality tests and a pilot initiative on the treatment and reprocessing of rPET flakes into preforms* |
| | *2.1.1.4 Develop a traceability system to certify the recycling mechanism based on value chain and end-use needs assessment* |
| **2.1.2** | Knowledge management, communication and dissemination of results of the pilot project(s) |

| Output 2.2: Pilot circularity projects[36] implemented in Textiles and Garments VC | |
|---|---|
| **No** | **Activity** |
| **2.2.1** | Implementation, monitoring and detailed reporting of the H&M pilot to build indigenous capacity and capability of the local supply chain in Bangladesh through surfacing, testing, piloting, and scaling the adoption of collection, sorting and recycling solutions for cotton and polyester |
| | *2.2.1.1 Establishment of an integrated collection, sorting and recycling system for blended textile waste that will enable conversion of blended textile waste into feedstock for textile-to-textile recycling and build indigenous recycling capabilities* |
| | *2.2.1.2 Building of an ethical and traceable PET waste collection and recycling supply by engaging new players who can implement alternative collection mechanisms as a business, by ethically engaging with waste collectors and establishing a traceable PET waste collection supply chain, and by engaging players who can recycle collected PET bottle waste into Polyester Staple Fiber (PSF)* |
| **2.2.2** | Implementation, monitoring and detailed reporting of the BESTSELLER pilot to scale traceable textile recycling with BESTSELLER'S suppliers in Bangladesh, to capture and valorise high volumes of their post-industrial textile waste through a circular system that brings greater value and resilience to local manufacturers |
| | *2.2.2.1 Demonstrate commercial viability of circular fashion systems for manufacturers through templates and toolkits for manufacturers as well as a deeper engagement across the supplier base* |
| | *2.2.2.2 Increased understanding of waste streams structures and relevance of R&D processes and technology innovations between BESTSELLER's manufacturers and recyclers* |
| | *2.2.2.3 Increase and optimize the use of textile waste data availability to support a digital traceability system throughout the supply chain* |
| | *2.2.2.4 Engagement of the informal actors in circular fashion systems through the inclusion of workers and the development of codes of conduct to support the participation of waste handlers in formal supply chains* |
| **2.2.3** | Knowledge management, communication and dissemination of results of the pilot projects |

| Output 2.3: Pilot circularity project[37] implemented in ICT/Electronics VC | |
|---|---|
| **No** | **Activity** |
| **2.3.1** | Implementation, monitoring and detailed reporting on the supported pilot project(s) to advance collection and recycling in the ICT/Electronics value chain in the target country[38] |
| **2.3.2** | Knowledge management, communication and dissemination of results of the pilot project(s) |

[36] Pilot Project 1: BESTSELLER A/S (Denmark / Bangladesh + Vietnam) and Pilot Project 2: H&M Hennes & Mauritz GBC AB (Sweden / Bangladesh)

[37] The pilot will be selected through the ongoing open call for expressions of interest (https://switchtocircular.eu/open-call/ict-electronics-value-chain)

[38] The pilot will be selected through the ongoing open call for expressions of interest (https://switchtocircular.eu/open-call/ict-electronics-value-chain)

**Outputs leading to Specific Objective 3**

Three outputs will lead to the achievement of SO3:

**Output 3.1: Enhanced capacity for research on circular opportunities and improved conditions for knowledge exchange and inclusive policy dialogue among policy makers, private sector and supporting institutions, aiming to advance circular policy design and implementation.**

| No | Activity |
|---|---|
| **3.1.1** | Analysis and mapping of existing economic, business and environment policy and regulatory frameworks related to the selected target countries and value chains, and identification of policy and regulatory recommendations, including on repair, reuse, remanufacture and recycle. |
| **3.1.2** | Design and implementation of two large-scale surveys, following value chain and pilot project selection, to identify trends in stakeholder awareness, understanding and uptake of circular economy practices and consumer attitudes[39] and linkage of these to a communications campaign. An endline survey of stakeholder awareness will be conducted in the exit phase. |
| **3.1.3** | Launch and continued operation, in target countries, of an information and awareness raising campaign based on the results of the surveys in activity 3.1.2 |
| **3.1.4** | Development of the capacity of a selected institution in each target country to undertake the mapping and analysis of circular economy opportunities for inclusive development and enhanced competitiveness, to ensure sustainability. This will involve continuous regular engagement (initial training and ongoing action learning) from the project team with the selected institution. |
| **3.1.5** | Mapping of circular opportunities for inclusive development and enhanced competitiveness in the specific value chains to inform policy recommendations and capacity building |
| **3.1.6** | Capacity building and awareness raising, through a mix of events and publications on circular economy value chain approaches and policies, to empower actors in other value chains within the target countries, as well as neighbouring and other countries to take up these practices. |
| **3.1.7** | Transfer (during the exit phase of the project) the responsibility for ongoing mapping of circular opportunities, information exchange and consultation network to identified and trained partners (Activity 3.1.4). |
| **3.1.8** | Establishment and support to an information exchange and policy consultation network of selected MNCs, the governments of the target countries and other key stakeholders to support adoption of circular economy policies and practices. |

**Output 3.2: Improved capacities of Business Development Services (BDS) providers / Business Membership Organisations (BMOs) to promote circular economy business models and practices among companies**

| No | Activity |
|---|---|
| **3.2.1** | Assessment of the capacity (technical and financial) of the EU MNC's suppliers (goods and services) in target countries to implement circular economy practices. |

[39] Consumer trends related to circular economy policies and practices in the selected value chains.

| | |
|---|---|
| **3.2.2** | Capacity building of the EU MNC's suppliers and companies in target value chains to implement circular economy practices. |
| **3.2.3** | Support to the EU MNC's suppliers (goods and services) to prepare bankable proposals for commercial funding to implement circular economy practices in target countries. |
| **3.2.4** | Development of the capacity of BDS providers in each target country to enable them to provide ongoing support on the implementation of circular economy practices, including but not limited to practices relevant to pilot projects. |
| **3.2.5** | Encourage the establishment of effective collaboration platforms between the selected EU MNCs and their Tiers 1, 2, and, if feasible, the tier 3 suppliers |
| **3.2.6** | Transfer responsibility for the provision of ongoing support to BDS providers trained. |

**Output 3.3: Improved capacities of national/regional financial institutions to assess Circular Economy technology and projects and to diversify financial services for Circular Economy investments**

| No | Activity |
|---|---|
| **3.3.1** | Assessment of the capacity (technical and financial) of selected commercial banks to design and deliver financial products aimed at supporting investment in the circular economy in each target country. |
| **3.3.2** | Development of the technical capacity of selected commercial banks to implement financial products aimed at supporting investment in the circular economy in each target country. |
| **3.3.3** | Development of the capacity of local consultancy companies in target countries so that they can provide ongoing support to banks with the implementation of circular economy financial products. |
| **3.3.4** | Advocacy with and support to the competent Ministries of Finance/Central Banks in the target countries to build government support for the introduction of circular economy financial products and to build the capacity to regulate such products effectively. |
| **3.3.5** | Transfer responsibility to the local consultants for provision of ongoing support to banks to apply circular economy financial products. |

**Communication and visibility plan implemented.**

**Efficient and effective project management and coordination achieved.**

**Independent monitoring and reporting, midterm and terminal evaluations implemented.**

## C.7. Implementation strategy

The project will be implemented in three distinct phases: inception, implementation, and exit.

***Inception phase (December 2020 - December 2021)***

The inception phase of the project has been completed and covers the Strategic Objective 1. Please see ANNEX 3 for the Annual Technical report which provides a detailed overview of the activities completed during the inception phase. The main outcomes during the inception phase were:

1. The establishment of the Steering Committee.

2. Selection by the Steering Committee, of the target value chains based on a carefully designed basket of criteria, with advisory input from a technical advisory group. The value chains selected were Plastic Packaging, Textiles and Garments and ICT.
3. Selection by the Steering Committee (through an open and transparent process) circular economy project proposals submitted jointly by EU multinational companies (MNCs) and their developing country-based supplier[s].
4. The addition of the ICT value chain to the project.
5. Selection and recruitment of the Chief Technical Advisor and set-up of the Project Management Unit within UNIDO HQ.
6. Selection of an independent monitoring service provider.
7. The set-up and launch of the official project website.
8. Finalization of contractual arrangements with project sub-contractors (EIB, Chatham House, Circle Economy).

***Implementation phase (January 2022 – November 2025)***

The implementation phase will run for four years and will complete all activities under SO 2 and SO 3 of the project including:

9. Engagement with the public and private sectors in the target countries to obtain their support for the project and the circular economy approaches, policies and practices.
10. Detailed design of pilot projects in collaboration with the EU MNCs, their suppliers, the governments, the EU Delegations, and the UNIDO Field Office, where they exist, in target countries. The detailed design will ensure that capacity development focuses on business intermediaries and enterprises in the target countries (Activity 1.1.3).
11. Start analysis and mapping of existing development and environment policy frameworks and regulations in the target countries to identify policy recommendations (Activity 3.1.1).
12. Start assessment of the capacity (technical and financial) of the EU MNC's suppliers in target countries (see Activity 3.2.1 and 3.3.1).
13. Design of two large-scale surveys (one in inception, one in exit) to identify trends in stakeholder attitudes towards awareness, understanding and uptake of circular economy practices in the target countries and stakeholder attitudes and linkage of these to a communications campaign (Activity 2.1.5, 2.2.5 and 2.3.5).
14. Review and revise the sustainability and exit strategy and communications and visibility plan.
15. Revise the project document and budget with the approval of the Project Steering Committee and undertake necessary action for approval by the European Commission.
16. Implementation of all activities under SO 2 and 3 in selected pilot projects along the three sectors involving EU MNC value chains in target countries. Integration and coordination of activities under each output and between outputs will be ensured through integrated and consolidated annual work plans of the project team led and continuously monitored by the Chief Technical Advisor. Furthermore, in the way of an example, EIB, the lead for Output 3.3 will provide the input on the specific requirements regarding bankability of CE investment proposals in target countries for Output 3.2, led by Circle Economy during the preparation and implementation of train the trainer programs for BDS providers that will also address wider audiences beyond the pilot projects.
17. Continuous monitoring of results achieved, challenges faced, and remedial action taken and documentation of these.

18. Encouragement of the take up of successful practices in other value chains within the target countries and of the overall circular economy approach by neighbouring and other countries, focusing on both scaling up and replication.
19. Independent mid-term review around the 24th month of implementation, with recommendations focusing on improvements in the rest of project duration.
20. On-going communication and visibility activities to promote circular economy practices and results achieved vis-à-vis target groups.

***In the exit period (last 6 months)***

21. Implementation of exit activities as per the sustainability and exit strategy
22. Independent terminal evaluation of the project, including recommendations on potential follow-up actions.

## C8. Gender mainstreaming strategy

Despite progress in various fields, women's participation rates in economic life including employment and business opportunities vary from country to country and is typically well below parity. This is mainly due to socio-cultural, institutional and legal barriers that hinder the economic integration of women. Even with economic incentives, women may remain unable to benefit from opportunities due to high demand on their time, as well as differential access to productive assets such as land, credit, networks, education and skills, and infrastructure, utilities and services (for example, health, transport, water, and electricity).

In accordance with the 2019 UNIDO Policy on Gender Equality and the Empowerment of Women[40] and the Environmental and Social Safeguards Policies and Procedures[41] UNIDO seeks to identify and integrate the different needs, constraints, contributions and priorities of women and men into its project design. UNIDO is committed to identifying risks and adverse gender-related impacts on women, men, girls and boys as early as possible as part of the screening process, including adverse impacts with respect to gender equality, gender-based violence (GBV), and sexual exploitation and abuse (SEA). Where possible, UNIDO will enhance the positive gender-related impacts of projects by implementing programmes that challenge gender-based discrimination faced by women and girls, whatever their background and identity. Such programmes will facilitate the transformation of social norms and power relations, prioritizing increased women's participation and leadership in formal economic sectors and in environmental conservation and climate action.

UNIDO prohibits sexual exploitation and abuse (SEA), or any other kind of exploitation and abuse, on the part of its personnel[42] and executing partners. Violations will be subject to disciplinary measures. Furthermore, UNIDO requires the adoption of appropriate prevention and mitigation measures to prevent and respond effectively to GBV, including the organization of activities to prevent and address potential exposure of project-affected people to GBV; the provision of trainings on prevention and response to GBV, as well as the provision of appropriate and confidential reporting, investigation and

[40] https://www.unido.org/sites/default/files/files/2019-11/DGB_2019_16_Policy_on_Gender_Equality_and_the_Empowerment_of_Women_1.pdf
The terminal independent evaluation of the previous Gender Policy (2015) and Strategy (2016-2019) can be accessed here: https://www.unido.org/sites/default/files/files/2021-10/EvalRep_THEM_EVAL_Gender%20Equality_Empowerment%20of%20Women_2020.pdf
Activities of the UNIDO Office for Gender Equality and the Empowerment of Women can be viewed: https://www.unido.org/our-focus-cross-cutting-services/gender-equality-and-empowerment-women
[41] https://www.unido.org/sites/default/files/files/2021-07/AI_2021_03_UNIDO_ENVIRONMENTAL_AND_SOCIAL_SAFEGUARDS.pdf
[42] In accordance with the UNIDO Constitution, Staff Regulations and Rules, the ICSC Standards of Conduct, and the UNIDO Code of Ethical Conduct.

response protocols in relation to allegations of GBV, including modalities to provide services and redress to survivors.

To contribute to high-level results on the Sustainable Development Goals and to achieve the UNIDO vision in which women and men equally lead, participate in, and benefit from ISID, The Strategy for Gender Equality and the Empowerment of Women 2020-2023 has formulated a theory of change for UNIDO's work on this area. It draws on the 2019 theory of change for the United Nations system-wide contributions to gender-responsive implementation of the SDGs[43] and, in line with the UNIDO mandate, targets four of the eight change areas contained in the United Nations system-wide theory of change, namely: Women are economically empowered, have income security and decent work; Women lead, participate in and are represented equally within gender-responsive governance systems; Knowledge is generated, managed and transferred to enhance the integration of gender equality and women and girls' empowerment across the SDGs; and that Internal United Nations system changes enable gender equality and the empowerment of women and girls.

In addition, UNIDO also strives to deliver four additional mandate-specific outcomes, namely: Women have the skills and ability to access higher-skilled positions and productive assets; Women access and use technological innovations and services, and participate in higher value-added value chains, including export markets; Intermediary institutions deliver and implement gender-responsive services and policies targeted towards increasing women's engagement/participation; and Sectoral policies, strategies and reforms include gender equality objectives based on gender analyses.

The project's overarching principle is to equitably support the participation women in the implementation of project activities, with a target to have approximate gender parity (40-60%) among beneficiaries. To contribute to the achievement of these global results, the proposed project interventions will deliver all results in a gender-responsive manner and with a view to transform underlying gender biases and discriminatory practices. This will be achieved through the development of gender analysis reports as part of the development of the Environmental and Social Monitoring Plan (ESMP) and documented as part of the monitoring effort. The project will also, where necessary, subcontract national gender specialists to support the implementation of the project within the target countries and value chains. These gender specialists will provide oversight of and guidance on the gender responsiveness of the project activities and have a critical role in the development and delivery of gender training materials, strategy documents and knowledge products.

It is expected that application of circular economy practices will create new business opportunities and jobs. In such cases, women's participation will enjoy preferential treatment in trainings and capacity building activities and benefit from other supporting measures to enable women to take advantage of these new opportunities and jobs.

Throughout the project implementation, sex disaggregated data collection and analyses will be carried out in line with UNIDO's 2019 Gender Policy and 2020-2023 Gender Strategy for specific project components. Training will be provided to ensure compliance with these requirements. Sex disaggregated data will also be used for monitoring the project's performance. Wherever possible, links with government agencies, NGOs, community-based organizations, and women's associations or groups whose work focuses on gender and the specific area of the project's interventions will be strengthened with specific capacity building activities adjusted to women's needs. Any unanticipated

[43] The theory of change was developed by a working group of 14 United Nations agencies, including UNIDO. The United Nations System-wide theory of change posits that if the SDGs are to be achieved in a gender-responsive manner and if the goal of gender equality and the empowerment of women by 2030 is to be achieved, two high level outcomes must be achieved: gender-balanced power relations and an enabling environment for gender equality and the empowerment of women and girls. Eight system wide results areas are cascaded down from these high-level outcomes. www.unwomen.org/-/media/headquarters/attachments/sections/how%20we%20work/unsystemcoordination/un-swap/un-swap-2-theory-of-change-for-systemwide-gender-related-results.pdf?la=en&vs=2948

risks and/or negative gender impacts of the project will be discussed with relevant groups and mitigating strategies developed.

The project will benefit from UNIDO tools and research papers, such as the findings of a recent analysis by RAUN[44] regarding challenges and opportunities for women's entrepreneurship in the cleantech sector and the rolling out of the Impact Gender Lens Investing Training Programme that UNIDO has been developing.[45] UNIDO also has a joint course with UN-Women, I know Gender Module 15[46] as well as a growing set of internal training courses and guidance documents, such as on Gender Analysis and Gender Mainstreaming the Project Cycle[47] and thematic Gender Mainstreaming Guides[48]. The progress and performance indicators of the project, which will be refined during the inception phase when the monitoring system is to be set up, will be sex disaggregated, as relevant.

## C9. Environmental and social assessment

To proceed with providing technical assistance to the proposed pilot projects, UNIDO needs to comply with DGB/2017/07, UNIDO Policy on Business Sector Partnerships. Based on the policy, a due diligence screening is a mandatory prerequisite for all prospective business partners. To deliver the pilot projects effectively, UNIDO must enter into a partnership arrangement with the EU MNCs representing the pilots. The due diligence checks provide an overview of the reputational and associated risks that a partnership with a specific business sector entity may entail. Any risks identified during the due diligence process would be subject to the proper oversight and risk mitigation strategies.

Based on the due diligence checks completed, UNIDO can continue to partner with the EU MNCs responsible for the pilot projects for the textiles and apparel and plastic packaging value chains. A similar due diligence will be conducted on the lead applicant in the ICT/Electronics successful application.

The clearance of the original project document indicated the need for the project to ensure that environmental and social (E&S) risks are treated as key considerations when selecting the project's pilot initiatives. Under the UNIDO Environmental and Social Safeguards Policies and Procedures (ESSPP), the project will be upgraded to an ESS Category B and be required to develop an Environmental and Social Management Plan (ESMP) as per the Category B rating for each pilot project. The Category B classification means the project is likely to have less adverse impacts, which will be few in number, site-specific, and few if any will be irreversible. In most cases impacts can be readily minimized by applying appropriate management and mitigation measures or incorporating internationally recognized design criteria and standards.

Based on initial indications from the size and scale of the pilot projects, it is likely they will trigger three operational safeguards. Preliminary information describing the risk and the mitigation strategies has been added below. The development of an ESMP for each pilot project will ensure safeguards are protected and risks are appropriately mitigated.

| **E&S Risk** | **Risk description** | **Mitigating measures** |
|---|---|---|
| **OS 8: Labour and Working Conditions** | | |
| Occupational incidents of project beneficiaries (informal and private | Activities related to the piloting of circular technologies may expose | A range of combined mitigation measures will be deployed to address this risk. Beneficiaries piloting technologies will be required to |

[44] http://www.ra-un.org/uploads/4/7/5/4/47544571/unido_sustainable_and_inclusive_development.pdf
[45] https://www.unido.org/gender-lens-investing . For a short intro video: https://www.youtube.com/watch?v=vymIK3ELhj8
[46] https://portal.trainingcentre.unwomen.org/product/i-know-gender-15-gender-and-sustainable-industrial-development/
[47] https://www.unido.org/sites/default/files/files/2021-06/Gender_mainstreaming_Guide_1_Main%20guide.pdf
[48] https://www.unido.org/our-focus-cross-cutting-services-gender-equality-and-empowerment-women/publications

| | | |
|---|---|---|
| sector and small-scale entrepreneurs) piloting and prototyping circular economy technologies. | beneficiaries to physical or chemical hazards including noise and noxious fumes/emissions. These hazards could be encountered when prototyping and testing technologies and through the use laboratory equipment or pilot site machinery. | complete a short training course on occupational health and safety and compliance with national and local occupational health and safety laws. Where required and unavailable, Personal Protective Equipment will be provided. Occupational health and safety documents will be reviewed for compliance with existing laws and regulations. Prior to equipment/technology use, safety communications graphics and procedures will be reviewed to ensure broad understanding and where appropriate, instructions for use are in local languages. |
| Labour and human rights violations of beneficiary organizations | Beneficiaries receiving support from the project, primarily capacity building and piloting of circular business models and technologies, may violate labour and human rights and may not have appropriate or adequate management systems and procedures in place to mitigate and prevent violations. | Beneficiaries receiving support from the project will be screened prior to ensure there are procedures in place for managing labour and human rights within their organization. Existing human rights managements systems will be reviewed and where necessary updated to ensure compliance with local and global best practices including a code of conduct that incorporates labour and human rights. Training will be provided to ensure an understanding of labour and human rights, and suggested model management systems for labour and human rights will be provided. Regular monitoring of the ESG performance will be conducted. |
| **OS 9: Resource Efficiency and Pollution Prevention** | | |
| Beneficiaries lack the capacity/awareness to properly identify and mitigate the E&S risks of their technologies and business models. | The pilot projects proposed by beneficiaries may have unintended consequences on the environment and society given a lack of understanding of the circular economy. | Specific training modules will be delivered to beneficiaries that focus on all aspects of the circular economy including the identification of potential E&S risks. Involve MNC with internationally recognized accreditation schemes regarding ESG and as well, if applicable, encourage membership in the UN Global Compact. |
| Technologies proposed by beneficiaries have unintended negative E&S impacts | The pilot projects proposed by beneficiaries may have unintended E&S impacts including the emissions or greenhouse gases, NOx, SOx, PM2.5, etc. or discharge of wastewater into the environment from equipment/technology operation | Technical assistance will be provided to pilot projects to validate E&S risks and benefits of the proposed pilot technology or business model. Training will be provided to beneficiaries on E&S risks in circular economy technology, practices and business models so that beneficiaries have a greater understanding of their responsibility to address E&S risks in their businesses |
| Non-compliance with national regulations. | Beneficiaries may not comply with national regulatory requirements | Pilot projects will go through a detailed design process and verification to ensure compliance with national regulations. Where necessary, the project will liaise with regulators and standards |

| | | |
|---|---|---|
| | (e.g. products/technologies do not meeting quality/safety standards or violate environmental regulations) | authorities to validate compliance. The project may also contract third parties to conduct independent evaluations of the pilot technologies. |
| **OS 10: Community Health, Safety and Security** | | |
| Poor community engagement. | The community where pilot projects may be field tested may not be properly engaged by the beneficiaries and there may be anger or frustration about improper consultation about the siting of technologies. | Beneficiaries will receive training on community engagement procedures and community members will be engaged prior to any pilot project testing. Manuals/standard operating procedures will be distributed to pilot projects on community engagement procedures and onsite environmental and occupational health and safety.<br>All field-tested pilots will be monitored to ensure compliance with local and national regulation |
| **Cross cutting OS** | | |
| Pilot infrastructure developed is vulnerable to climate change risks | Beneficiary pilot projects may deploy infrastructure including equipment which could be vulnerable to physical climate impact. | Pilot companies will be trained on mitigation of physical climate risks and climate risk due diligence will be undertaken prior to the deployment of infrastructure or technology to the field. Where necessary technical assessments including the feasibility and integration of resilience and future proofing of infrastructure will be undertaken where the scope of the project demands such assessments.<br><br>Technical assessments would include a review of historical event records, site hydrology and geography, integrate global indices such as Global Climate Risk Index, and identification of potential climate risks such as heat or extreme weather with particular focus on flooding/inundation. |

## C.10. Risks

In addition to the Environmental and Social risks and safeguards identified above in section C.9, project has the following risk profile and risk management measures:

| Risks | Probability of Risk (H/M/L) | Severity of Risk (H/M/L) | Mitigating measures |
|---|---|---|---|
| Insufficient high-quality applications for support from EU MNCs | M | H | Undertake rigorous research and analysis linked to in-depth consultation with EU MNCs in selected value chains to ensure the business case for greener practices in the selected value chains is made strongly and that private operators are therefore willing to apply circular economy practices.<br>Well-structured and organised webinars as well as individual outreach will prepare applicants for engagement process and alleviate potential concerns of MNCs. |
| Insufficient private and public financing available for the adoption of green business practices | L | H | EIB technical support to the commercial banks linked to careful explanation of the business case for circular economy practices and support to commercial banks to apply for Development Finance Institution funding support. |
| Vested interests and an inappropriate enabling regulatory environment may slow down the adoption of green/circular economy practices | L | M | The involvement of the EU MNCs should introduce positive pressure to adopt circular economy practices by their suppliers. Motivation from suppliers and other actors might be higher since these are the primary beneficiaries of the SWITCH support.<br>Careful involvement of the Government and other key stakeholders in target countries should increase buy in and understanding of the need to create a favourable environment for CE practices. Several EU MNCs have a genuine interest in working on local CE policies with the EC and UNIDO. In addition the access to financing is also very appreciated by MNCs. |
| Possible overlap/competition with other key players, including donors. | L | M | The planned Project Steering Committee and Project Consultative Forum should reduce the risks involved with overlapping or competing initiatives. |
| Ongoing global restrictions due to global shocks (e.g. COVID19) | L | L | Some of the support is intended to be face to face. However, if this is not possible due to travel and/or group meeting restrictions then the training/events will be organized on-line with the aim of providing an experience as close as possible to the physical events, with side events and one to one meetings also possible. |

| Risks | Probability of Risk (H/M/L) | Severity of Risk (H/M/L) | Mitigating measures |
|---|---|---|---|
| Lack of political support to mainstream innovative circular economy technologies and business models. | L | L | UNIDO has extensive experience working with Member State governments to implement projects. Member State government entities will be directly involved in the project and receive capacity building and training on circular economy. |
| Lack of interest by the public and private sectors in in participating in training and capacity building activities resulting in limited participation in the circular economy. | L | L | Outreach activities will be a key component of the project in each of the target countries. To ensure a high quality of publicity, a clear and concise communication strategy will be developed and implemented. Global and regional networks will provide marketing support through their networks in the circular economy. Close cooperation with project counterparts will also be sought to help mitigate this risk, allowing the project to make use of existing communication channels and relationships. The project consultative forum will also ensure stakeholders can provide feedback and share best practices on circular economy. |
| Vested interests and inappropriate regulatory environment may slow down the adoption of circular economy practices | L | L | The involvement of a diverse stakeholder group including the public sector, private sector, NGO's, and the informal sector should introduce positive pressure to adopt circular economy practices within the country. |
| The long-term sustainability of the project will be at risk. | L | M | Building capacity of institutions, including relevant ministries and agencies, private sector companies, institutes for understanding and adoption of circular economy policies and practices. The project will work with existing entities that are already institutionally and financially viable. Outreach to partners, donors and the local ecosystem on future funding will begin during implementation to ensure the long-term sustainability of the project is secure. |
| Social and gender risks | M | M | To ensure gender inclusiveness of all project activities, UNIDO methodology for gender assessment and gender responsive communication showing the benefits of gender equality for both women and men will be applied. To mainstream women |

| Risks | Probability of Risk (H/M/L) | Severity of Risk (H/M/L) | Mitigating measures |
|---|---|---|---|
| | | | entrepreneurship, adequate and gender responsive communication strategy as well as further sensitization workshops will be employed. There is also a real risk that there is low women and youth participation in all project activities. Social safeguarding will address this through the former being included in the E&S criteria and stringent screening and the latter will be mitigated with gender and youth mainstreaming actions. |

## C11. Sustainability and exit strategy

The project has been designed with a view to self-sufficiency and long-term sustainability. The project's sustainability and exit strategy is based on building capacity of domestic institutions, including relevant Ministries and Agencies, BDS providers and financial institutions and the local private sector, particularly local businesses for understanding and adoption of circular economy policies and practices in the target countries. Tools and actions developed in target countries and value chains will be used for wider uptake and replication in neighboring countries.

UNIDO's long-term experience provides sufficient proof that environmental sustainability measures, such those that improve resource efficiency result in on-going cost savings over the lifetime of technologies and management practices adopted and invested in, and in cases where green finance is available and accessible, encourage additional investments with good returns. As such, the project is supporting three to five pilot projects in the Plastics Packaging, the Textiles & Garments, and the ICT value chains. The pilot projects have been screened for their technical and financial feasibility further ensuring that they will have lasting institutional and financial sustainability in the target countries. It is expected that the learnings disseminated through the project will lead to an increase in the skill and acceptance of circular economy practices throughout the target countries and the pilots and/or certain components of the pilots will be replicated worldwide.

During the engagement of MNC's for inclusion in the project, it was noted that circularity is a topic many MNCs have ambitions for. Many of the MNC's engaged during the open call for EOI's have started individual as well as pre-competitive circular economy projects. These initiatives are supported by public commitments and sustainability strategies. Sharing information and knowledge about the Switch pilot results will likely provide further support to these MNCs to accelerate their circular projects in main supplier countries around the world.

On the policy front, project subcontractors will conduct a thorough review, identification and formulation of policy recommendations to be delivered and implemented during the project to further support widespread adoption of circular economy practices within the target countries. UNIDO's extensive experience within the target countries will enable direct linkages into the ministries, agencies and policy institutions relevant to the implementation of circular economy policy and regulation. The project will also be working through local, national, regional and global policy networks to share best practices and approaches to the adoption of circular policies. As part of the overall project design, the project will not finance or create new during the implementation period which will have little or no chances for survival upon the closure of the project and the ending of project funding.

Instead, the project will work with existing government entities, commercial banks, private sector consultancies and possibly institutes and/or think tanks that are already institutionally and financially viable. Each project component undertaken in the target countries will be launched with an advance targeting of actors/groups/institutions that could continue to carry out circular economy activities on an ongoing basis along the project's broad exit strategy of transferring responsibilities to suitable parties at the end of the project.

Additional stakeholder engagement will be supported by the through a participatory and consultative effort based on public-private dialogue, networking among EU MNCs, their suppliers and other relevant stakeholders, such as the BDS providers trained by the project, institutions that have gained capacity in identifying circular economy opportunities as well those that have gained capacity to analyse regulatory barriers and mitigating measures in each target country. This stakeholder engagement and capacity building will empower actors to take actions that will be complemented by an advocacy and communications campaign to gather additional support from relevant stakeholders and strengthen willingness to take action within the target countries.

Knowledge management and capacity building in the project underpins the project's sustainability. The sustainability of the project is reinforced by the following:

a. Strengthening the local circular economy ecosystem such that the skills and experience gained during the project can sustain circular economy innovation, technology and business practice adoption and sectoral transitioning toward a circular economy. Building capacity of local experts and institutions, so that they can offer their services on market terms to entrepreneurs, private and informal sector organizations and individuals not supported by the project.
b. The development of an impactful communication, awareness creation and promotion strategy will ensure the enhanced awareness of the value of circular economy will be highlighted to encourage more widespread understanding and adoption of circularity.
c. Partnering and linking with the innovation ecosystems in target countries and the region will create a business environment and incentives for circular enterprises, policy makers, and industry associations to work across countries. This will be sustained through these stakeholders investing their own resources in these activities beyond the life of the project.
d. The project will, as necessary, work with scientists, academics, and innovators to develop actionable research about circular economy innovations that could be applicable in target countries that can be used to develop new technologies and business models.
e. Development of long-term partnerships with the private sector which will form part of national exit strategy and guarantee continued funding of the project.
f. The project also provides considerable potential for additional scale-up because it will enhance the ability of businesses to access services like investment facilitation, acceleration and commercialization services and expected to effectively increase job creation, competitiveness, wealth generation and environmental benefits.
g. The sustainability and exit strategy will be reviewed and revised, as needed, during the implementation phase.

## C12. Project management and governance

**Project Management**

UNIDO will appoint a Project Manager who will have overall responsibility for the implementation of the project, the achievement of its targets in a timely manner and the coordination and quality control of the inputs of all members of the Partnership. The Project Manager will be supported by a Chief Technical Adviser and other project staff, some of which located in target countries.

The UNIDO Project Manager will also be supported by the UNIDO Country Office network to maintain regular liaison with the Governments of target countries.

**Project Governance**

*Project Steering Committee (PSC)*

The Project will receive oversight and policy direction from a PSC. The PSC shall meet at least once annually and may be convened as necessary at the call of the UNIDO and EU Project / Task Managers.

The PSC shall be co-chaired by the European Commission and UNIDO. UNIDO will also act as Secretariat of the PSC and will support EC in the organization and logistics of the meeting. Initially it will be comprised of the following members:

- UNIDO and European Commission, as co-chairs;
- Representative of Ministry of Foreign Affairs, Finland;
- European Investment Bank, Circle Economy and the Royal Institute of International Affairs (Chatham House);
- Representatives of Governments of target countries: the representatives should be high level and ideally be from a cross-sectoral coordinating ministry;
- Representatives of the EU MNCs, which have responsibility for the selected pilot projects.

The membership of the PSC will be finalised following the selection of the projects submitted by EU MNCs and their target country supplier[s].

The PSC may also at any time act to amend its membership, as it deems necessary, and can include ex officio, non-voting observers, such as the team leader of the independent monitoring company.

The general function of the PSC will be to monitor the overall progress during project implementation, make recommendations regarding ways in which the Project could be more effectively implemented, identify lessons learned, and problems encountered and remedial action.

PSC will convene each time in two sessions: a session where management and administrative issues, and a session with the full PSC membership, including representatives of the Governments of the target countries and EU MNCs to discuss substantive issues.

*Project Consultative Forum (PCF)*

The Project will organise a broad consultative forum with a wide range of stakeholders (Governments (both politicians and officials, both national and local), NGOs, and the private sector) to present circular economy practices and the specific findings, results and ongoing activities of the project. As such, PCF will also act as a tool for communications and visibility vehicle for circular economy practices both in target countries as well as in neighboring countries and support replication efforts.

Sitra, the Finnish Innovation Fund, will be invited to join the PCF as agreed with the Ministry of Foreign Affairs, Finland and the European Commission.

The PCF will be held at least three times (2023; 2024; 2025) with its location varying to encompass the different regions in which the project is operational.

## C.12. Timeline of the activities

| Output | Activity | Year 1 | | | | Year 2 | | | | Year 3 | | | | Year 4 | | | | Year 5 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| **1.1: Pilot projects selected and designed** | 1.1.1: Selection of three value chains based on a carefully designed basket of criteria | | | | | | | | | | | | | | | | | | | | |
| | 1.1.2: Selection through an open and transparent process of the pilot circular economy projects to be supported | | | | | | | | | | | | | | | | | | | | |
| | 1.1.3: Detailed design and agreements on the supported pilot projects in collaboration with stakeholders in each target country | | | | | | | | | | | | | | | | | | | | |
| **2.1: Pilot circularity projects implemented in Plastic Packaging VC** | 2.1.1 Implementation, monitoring and detailed reporting of the ECCBC pilot project on an efficient and scalable bottle-to-bottle collection and recycling scheme to advance circular economy approaches in the Kingdom of Morocco | | | | | | | | | | | | | | | | | | | | |
| | 2.1.2: Knowledge management, communication and dissemination of results of the pilot project(s) | | | | | | | | | | | | | | | | | | | | |
| **2.2 Pilot circularity** | 2.2.1. Implementation, monitoring and detailed reporting of the H&M pilot | | | | | | | | | | | | | | | | | | | | |

| Output | Activity | Year 1 | | | | Year 2 | | | | Year 3 | | | | Year 4 | | | | Year 5 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| **projects implemented in Textiles and Garments VC** | to build indigenous capacity and capability of the local supply chain in Bangladesh through surfacing, testing, piloting, and scaling the adoption of collection, sorting and recycling solutions for cotton and polyester | | | | | | | | | | | | | | | | | | | | |
| | 2.2.2. Implementation, monitoring and detailed reporting of the BESTSELLER pilot to scale traceable textile recycling with BESTSELLER'S suppliers in Bangladesh, to capture and valorise high volumes of their post-industrial textile waste through a circular system that brings greater value and resilience to local manufacturers | | | | | | | | | | | | | | | | | | | | |
| | 2.2.3 Knowledge management, communication and dissemination of results of the pilot project(s) | | | | | | | | | | | | | | | | | | | | |
| **2.3 Pilot circularity project implemented in** | 2.3.1: Implementation, monitoring and detailed reporting on the supported pilot project(s) to advance collection and recycling in | | | | | | | | | | | | | | | | | | | | |

| Output | Activity | Year 1 | | | | Year 2 | | | | Year 3 | | | | Year 4 | | | | Year 5 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| **ICT/Electronics VC** | the ICT value chain in the target country | | | | | | | | | | | | | | | | | | | | |
| | 2.3.2: Knowledge management, communication and dissemination of results of the pilot project(s) | | | | | | | | | | | | | | | | | | | | |
| **3.1 Enhanced capacity for research on circular opportunities and improved conditions for knowledge exchange and inclusive policy dialogue** | 3.1.1: Analysis and mapping of existing economic, business and environment policy and regulatory frameworks related to the selected target countries and value chains, and identification of policy and regulatory recommendations, including on repair, reuse, remanufacture and recycle.<br><br>3.1.2: Design and implementation of two large-scale surveys, following value chain and pilot project selection, to identify trends in stakeholder awareness, understanding and uptake of circular economy practices in the target | | | | | | | | | | | | | | | | | | | | |

| Output | Activity | Year 1 | | | | Year 2 | | | | Year 3 | | | | Year 4 | | | | Year 5 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| | countries and consumer attitudes in key EU countries and linkage of these to a communications campaign. An endline survey of stakeholder awareness will be conducted in the exit phase. | | | | | | | | | | | | | | | | | | | | |
| | 3.1.3: Launch and continued operation, in target countries, of an information and awareness raising campaign based on the results of consumer attitude and stakeholder awareness surveys in activity 3.1.2 | | | | | | | | | | | | | | | | | | | | |
| | 3.1.4: Development of the capacity of a selected institution in each target country to undertake the mapping and analysis of circular economy opportunities for inclusive development and enhanced competitiveness, to ensure sustainability. This will involve continuous regular engagement (initial training and ongoing action learning) from the project | | | | | | | | | | | | | | | | | | | | |

| Output | Activity | Year 1 | | | | Year 2 | | | | Year 3 | | | | Year 4 | | | | Year 5 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| | team with the selected institution. | | | | | | | | | | | | | | | | | | | | |
| | 3.1.5: Mapping of circular opportunities for inclusive development and enhanced competitiveness in the specific value chains to inform policy recommendations and capacity building | | | | | | | | | | | | | | | | | | | | |
| | 3.1.6: Capacity building and awareness raising, through a mix of events and publications on circular economy value chain approaches and policies, to empower actors in other value chains within the target countries, as well as neighbouring and other countries to take up these practices. | | | | | | | | | | | | | | | | | | | | |
| | 3.1.7: Transfer (during the exit phase of the project) the responsibility for ongoing mapping of circular opportunities, information exchange and consultation network to identified and | | | | | | | | | | | | | | | | | | | | |

| Output | Activity | Year 1 | | | | Year 2 | | | | Year 3 | | | | Year 4 | | | | Year 5 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| | trained partners (Activity 3.1.4). | | | | | | | | | | | | | | | | | | | | |
| | 3.1.8: Establishment and support to an information exchange and policy consultation network of selected MNCs, the governments of the target countries and other key stakeholders to support adoption of circular economy policies and practices. | | | | | | | | | | | | | | | | | | | | |
| | 3.2.1: Assessment of the capacity (technical and financial) of the EU MNC's suppliers (goods and services) in target countries to implement circular economy practices. | | | | | | | | | | | | | | | | | | | | |
| **3.2 Improved capacities of Business Development Services (BDS) providers / Business Membership Organisations (BMOs) to** | 3.2.2: Capacity building of the EU MNC's suppliers and companies in target value chains to implement circular economy practices. | | | | | | | | | | | | | | | | | | | | |
| | 3.2.3: Support to the EU MNC's suppliers (goods and services) to prepare bankable proposals for commercial funding to implement circular | | | | | | | | | | | | | | | | | | | | |

| Output | Activity | Year 1 | | | | Year 2 | | | | Year 3 | | | | Year 4 | | | | Year 5 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| **promote circular economy business models and practices among companies** | economy practices in target countries. | | | | | | | | | | | | | | | | | | | | |
| | 3.2.4: Development of the capacity of BDS providers in each target country to enable them to provide ongoing support on the implementation of circular economy practices, including but not limited to practices relevant to pilot projects. | | | | | | | | | | | | | | | | | | | | |
| | 3.2.5: Encourage the establishment of effective collaboration platforms between the selected EU MNCs and their Tiers 1, 2, and, if feasible, the tier 3 suppliers | | | | | | | | | | | | | | | | | | | | |
| | 3.2.6: Transfer responsibility for the provision of ongoing support to BDS providers trained | | | | | | | | | | | | | | | | | | | | |
| | 3.3.1: Assessment of the capacity (technical and financial) of selected commercial banks to design and deliver financial products aimed at supporting investment in the circular | | | | | | | | | | | | | | | | | | | | |

| Output | Activity | Year 1 | | | | Year 2 | | | | Year 3 | | | | Year 4 | | | | Year 5 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| | economy in each target country | | | | | | | | | | | | | | | | | | | | |
| **3.3 Improved capacities of national/regional financial institutions to assess Circular Economy technology and projects and to diversify financial services for Circular Economy investments** | 3.3.2 Development of the technical capacity of selected commercial banks to implement financial products aimed at supporting investment in the circular economy in each target country. | | | | | | | | | | | | | | | | | | | | |
| | 3.3.3: Development of the capacity of local consultancy companies in target countries so that they can provide ongoing support to banks with the implementation of circular economy financial products. | | | | | | | | | | | | | | | | | | | | |
| | 3.3.4: Advocacy with and support to the competent Ministries of Finance/Central Banks in the target countries to build government support for the introduction of circular economy financial products and to build the capacity to regulate such products effectively. | | | | | | | | | | | | | | | | | | | | |
| | 3.3.5: Transfer responsibility to the local consultants for provision of ongoing | | | | | | | | | | | | | | | | | | | | |

| Output | Activity | Year 1 | | | | Year 2 | | | | Year 3 | | | | Year 4 | | | | Year 5 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| | support to banks to apply circular economy financial products. | | | | | | | | | | | | | | | | | | | | |
| **Communication and visibility** | Communication and visibility strategy rolled out | | | | | | | | | | | | | | | | | | | | |
| **Project management, coordination, monitoring and reporting** | Efficient and effective project management | | | | | | | | | | | | | | | | | | | | |
| | Monitoring and reporting | | | | | | | | | | | | | | | | | | | | |
| | Project Steering Committee | | | | | | | | | | | | | | | | | | | | |
| **Independent monitoring and reporting, midterm and terminal evaluations** | Independent monitoring | | | | | | | | | | | | | | | | | | | | |
| | Independent mid-term evaluation | | | | | | | | | | | | | | | | | | | | |
| | Independent terminal evaluation | | | | | | | | | | | | | | | | | | | | |

# D. INPUTS

## D.1. Counterpart inputs

Each pilot project will be co-financed (cash and/or in-kind) minimum of 25%, by the participating EU-based MNC and/or other pilot partners.

## D.2. UNIDO inputs

Project implementation team at UNIDO HQ and the field.

| Staff (% of working time, duration) | Tasks and responsibilities | Location |
|---|---|---|
| **UNIDO PM (P4)**<br>25%, 5 years | A UNIDO staff member at senior professional level responsible for the overall steering and managerial supervision of the project, including contract management with the European Commission and the partners. The Project Manager will also undertake alignment of technical inputs with international best practices and UNIDO quality standards. The time input of the Project manager will be charged as direct cost to the project at around 25% of his/her working time. | UNIDO HQ, Vienna |
| **UNIDO Senior Project Manager (P5)**<br>10%, 5 years | A UNIDO staff member at the P5 level will be responsible for the strategic coordination of the project and act as the UNIDO representative in the Project Steering Committee. This input will be charged as direct cost to the project at approximately 10% of his/her working time. | UNIDO HQ, Vienna |
| **Chief Technical Adviser (L5)**<br>100%, 5 years | Chief Technical Adviser (CTA) is a full time, UN staff at L5 level, contracted for the duration of the project and located at the UNIDO HQ. The CTA will be responsible, under the overall guidance and direct supervision of the UNIDO Project Manager, for consolidated operational planning and reporting, and backstopping of the independent monitoring, will provide substantive, technical inputs towards the design of pilot projects and their implementation; establishment of effective collaboration platforms between EU MNCs and their suppliers and information exchange and policy consultation networks at country levels; policy recommendations, and ensure coordination, and provide substantive inputs and quality assurance for knowledge management, and communications and visibility activities. | UNIDO HQ, Vienna |
| **Technical Assistance Expert**<br>50%, 5 years | Technical Assistance experts: covering all the required expertise areas necessary for the implementation of the project's UNIDO components (Members of the Partnership to deploy expertise under their contracts with UNIDO). A part-time (50%) Communications and visibility expert will establish and manage operations of the communications and visibility infrastructure, including coordination of Partnership's contributions with respect to content. | UNIDO HQ, Vienna |
| **Senior Project Assistant (G6)**<br>35%, 5 years | Senior Project Assistants: A UNIDO staff member at general service level will assist in financial management of the project by booking of expenditures in line with UNIDO financial rules and procedures, preparing financial reporting, including consolidating financial data from partners, and in organization of events, procurement of goods and services, and maintaining filing system and project database. The time | UNIDO HQ, Vienna |

| | | |
|---|---|---|
| | input of the Senior Project Assistant will be charged as a direct cost to the project at ~35% of his/her working time. | |
| **Project Procurement Expert**<br>20%, 5 years | Project Procurement Expert: A UNIDO staff member at the professional level will be responsible for all matters directly related to procurement, such as drafting Terms of Reference, providing expert advice and assistance during the procurement procedure, maintain and deliver regular and ad-hoc procurement and contracting-related reporting information. The time input of the Project Procurement Expert will be charged as a direct cost to the project at approximately 20% of his/her working time. | UNIDO HQ, Vienna |
| **Project Recruitment Expert**<br>10%, 5 years | Project Recruitment Expert: A UNIDO staff member at the professional level will be responsible for all issues related to recruitment of personnel under TC projects, such as managing end-to-end recruitment processes from establishment of the recruiting requirements to on-boarding. Maintains up to date filling system and HR database. The time and effort of the Project Recruitment Expert will be charged as a direct cost to the project at around 10% of his/her working time. | UNIDO HQ, Vienna |
| **Project Finance Expert**<br>15%, 5 years | Project Finance Expert: A UNIDO staff member at the professional level will be responsible for all issues related to the financial management of the project, and ensure compliance with applicable UNIDO and EC rules and standards. The time and effort will be charged as a direct cost to the project at around 15% of his/her working time. | UNIDO HQ, Vienna |
| **National Project Officer/Country Representatives**<br>10-15%, 5 years | National Project Officer/Country Representatives (3 to 4): Coordination and oversight of project activities in the country for the project; coordinate the interaction with government counterparts and national stakeholders. Identify synergies and assures coherence with the technical cooperation portfolio in the country. The time and effort will be charged as a direct cost to the project at 10-15% of their working time. | Dhaka, Rabat, tbd |
| **National staff**<br>(assigned to respective thematic Outputs) | National consultants: contracted by the project to coordinate and support project implementation, including contributing to communications and visibility activities at a national level and act as the main interface with national stakeholders; support the work of the internal and external expert teams at country levels. Where available, the national consultants will be accommodated within UNIDO Offices or in suitable shared office spaces. UNIDO offices are usually co-located with other UN offices in One UN Houses or in some cases, in offices provided to UNIDO by counterparts or in rented space. In all cases, depending on the country, costs of accommodating the project's national staff will be covered by the project and substantiated appropriately. | HQ, Dhaka, Rabat, tbd |

- Sub-contracts

  UNIDO will subcontract multiple entities to deliver the project and will enter into a contractual agreement with each on the delivery of the respective output(s) and related activities. Services will be procured from:

  ***European Investment Bank (EIB)***

  The EIB was created by Articles 129 and 130 of the Treaty establishing the European Economic Community (EEC), signed by six countries (Belgium, France, Germany, Italy, Luxembourg and

the Netherlands) on 27 March 1957 in Rome. Its founding objective is to promote sound projects, especially for the development of the less-developed regions, this being financed by borrowing on the international capital markets and from its own resources. It is the only bank owned by and representing the interests of the European Union Member States.

The EIB is a major partner for circular economy investments in the EU and provided EUR 2.38bn in co-financing for circular projects between 2012 and 2016 on industry and services, water management, agriculture and bioeconomy, waste management and product-to-service.

In this project, EIB will have a technical assistance provider role for building capacity of financial sector institutions in developing countries where the pilot projects will take place. Technical assistance to the local financial sector will focus on assessment of green financing project proposals and bankability and development of green financial products. EIB will also support and bring to the table local financial institutions, the Central Banks, Ministries of Finance for policy dialogue, and contribute to technical assistance to local consultancy companies on development of bankable proposals for investments in circularity.

***Circle Economy (the Netherlands)***

Circle Economy (www.circle-economy.com) is a social enterprise, organised as a cooperative, whose goal is to accelerate the transition to circularity. Based in Amsterdam, Circle Economy works on the transformation of cities and regions, sectors and supply chains[49] as well as individual companies from a linear to a circular economy.

Circle Economy is focusing on solutions that support the transition to a circular economy in various areas:

- Systemic Initiatives (circular finance and capital goods circular platform)
- CE Cities Programme
- CE Textile Programme
- CE Built Environment Programme
- CE Finance Programme
- CE Design Programme
- CE & International Development
- CE Business + Insights Programme

Circle Economy also has strong links with major multinational companies through its Membership Programme. These include enterprise such as ABN-AMRO, Phillips, DHL, Canon and the Port of Rotterdam. Its financial sponsors include organisations such as the eBay Foundation, the C&A Foundation, the Netherlands National Postcode Lottery, and the Goldschmeding Foundation.

Circle Economy will be working with developing country suppliers, business consulting companies and other BDS providers in building capacity of businesses to understand and implement circular economy practices in collaboration with other partnership members.

***The Royal Institute of International Affairs (Chatham House, United Kingdom)***

The Royal Institute of International Affairs, hereinafter, the Chatham House has been actively involved in policy conversations around the sustainable production and consumption of natural resources going back as far as the 1970s. Circular economy has been on the agenda of the Energy, Environment & Resource (EER) department since the publication of a widely cited

[49] https://www.circle-economy.com/case/on-the-road-to-the-circular-car/

policy briefing paper[50] in 2012, followed by a briefing paper supported by UNIDO and RECPnet in 2017[51], and a 2019 paper on circular economy in developing countries[52].

The EER has an extensive policy consultations network of governmental and non-governmental stakeholders at the international level. The Department's research focuses on energy, environment and resources policy and aims to support decision-makers and stakeholders to take well-informed decisions that contribute to both achieving sustainable development and mitigating potential future climate and resource-related insecurities. Chatham House has also an international policy communication infrastructure and media capability, summarizing project findings and developing recommendations for decision-makers. It is currently exploring new thinking about innovation in the circular economy, supported by the MAVA Foundation and examining the circular economy alongside a range of other disruptive business models, technology trends and demand-side shifts underway in the global economy through its new Hoffman Centre for Sustainable Resource Economy.

The role of Chatham House through its EER Department will involve analysis of policy frameworks, development of policy recommendations, and building capacity of selected institutions to undertake mapping and analysis of circular economy opportunities in developing countries where pilot project will take place.

**Associated parties to be subcontracted in each of the pilot projects**: these include ThirdWay Partners, RED, R4S, GFA, Reverse Resources, BGMEA Intellecap / CAIF. Associated parties can be added or changed by as required for the successful completion of the pilot. This will be agreed by both the MNC and UNIDO.

In addition, the following (non-exhaustive) list of services may be procured:

- Independent monitoring, mid-term review, and terminal evaluation
- Inception and exit surveys
- Awareness raising and communications
- Development of ESS and Gender Mainstreaming strategies
- Outreach and communication strategies and activities
- Due Diligence
- Life Cycle Analysis (LCA) for pilots

All procurement will be undertaken in full adherence to the UNIDO procurement rules and regulations. The project was approved and started implementation under the procurement pillar and will continue to be administered accordingly.

- Training
  - Training for beneficiaries;
  - Training for national and local government officials and other key stakeholders in the beneficiary countries;
  - Workshops: national, regional and global.

## E. BUDGET

The budget is presented in a separate document, which is also appended to the European Union Contribution Agreement, as Annex III. Budget of the Action. Based on the provision of Annex II –

[50] https://www.chathamhouse.org/publications/papers/view/182376

[51] https://www.chathamhouse.org/sites/default/files/publications/research/2017-12-05-circular-economy-preston-lehne-final.pdf

[52] https://www.chathamhouse.org/publication/inclusive-circular-economy-priorities-developing-countries

General Conditions for Contribution Agreements, the Annex III. Budget of the Action has been updated based on the following:

1. The selection of the first three pilot projects.
2. The entry into the COVID-19 recovery phase when it will be clearer as to the practicalities of international travel. Limited knowledge of CE practices in developing countries places a large burden on international expertise (at least initially) and this is reflected in the budget.
3. A clear delineation of the tasks allocated to the each sub-contractor following the selection of value chains, pilot projects and the countries of implementation. Funds initially allocated under budget lines 1100, 1500 and 1700 were largely redeployed into budget line 2100 contracts with the exception of the expertise provided by UNIDO international and national experts.

# F. MONITORING, REPORTING AND EVALUATION

## F.1. Reporting

The following reporting will be undertaken during the implementation of the project:

Annual Progress Report (APR): The APRs are composite reports combining information on the status of implementation with an assessment of the current situation, identifying such factors as additional measures required and synergies achieved. They should meet EU requirements, as per annex II of the EU Contribution Agreement. The project results are assessed against project outcomes (immediate objectives) and outputs as a means of continually improving project performance and productivity (results-based management). The APRs will be:

- Prepared every twelve months, i.e. at the end of December of each year,
- Accompanied by an annual report prepared by the independent monitor—see section F2.

## F.2 Monitoring

The monitoring of the project is sub-contracted to an independent, specialist project monitoring company. The monitoring company will:

- Establish, in discussion with the project team and the PSC, the indicators of success for the whole project, including relevant indicators from UNIDO's Integrated Results and Performance Framework (IRPF);
- Determine the baselines for each defined indicator;
- Determine, in consultation with the PSC, the targets for each indicator;
- Design, establish and operate an online computerised Project Monitoring System once approved by the PSC;
- Prepare inputs on progress for the annual progress reports and *ad hoc* monitoring reports as requested by the UNIDO Project Manager and/or the PSC;
- Undertake quarterly site visits to the projects selected for support to confirm the validity of reporting.

## F.3. Evaluation

**Mid-term evaluation**

The project will undergo an independent Mid-Term Evaluation. The Mid-Term Evaluation will determine progress being made toward the achievement of outcomes and will identify course correction, if needed. It will focus on the relevance, effectiveness, efficiency and prospects for impact and sustainability of project implementation; will highlight issues requiring decisions; and will present

initial lessons learned about project design, implementation and management. Findings of this review will be incorporated as recommendations for enhanced implementation during the final half of the project's term. The organization, terms of reference and timing of the mid-term evaluation will be decided after consultation between the parties to the project document.

**Independent terminal evaluation**

An independent terminal evaluation will take place three months prior to the final PSC meeting and will be undertaken in accordance with UNIDO's Evaluation Policy and Regulations. The terminal evaluation will focus on the delivery of the project's results as initially planned (and as corrected after the mid-term evaluation, if any such correction took place).

The terminal evaluation will look at impact and sustainability of results, including the contribution to capacity development, the achievement of environmental benefits/goals and contain recommendations for future work.

## G. PRIOR OBLIGATIONS AND PREREQUISITES

None.

## H. LEGAL CONTEXT

*Bangladesh*

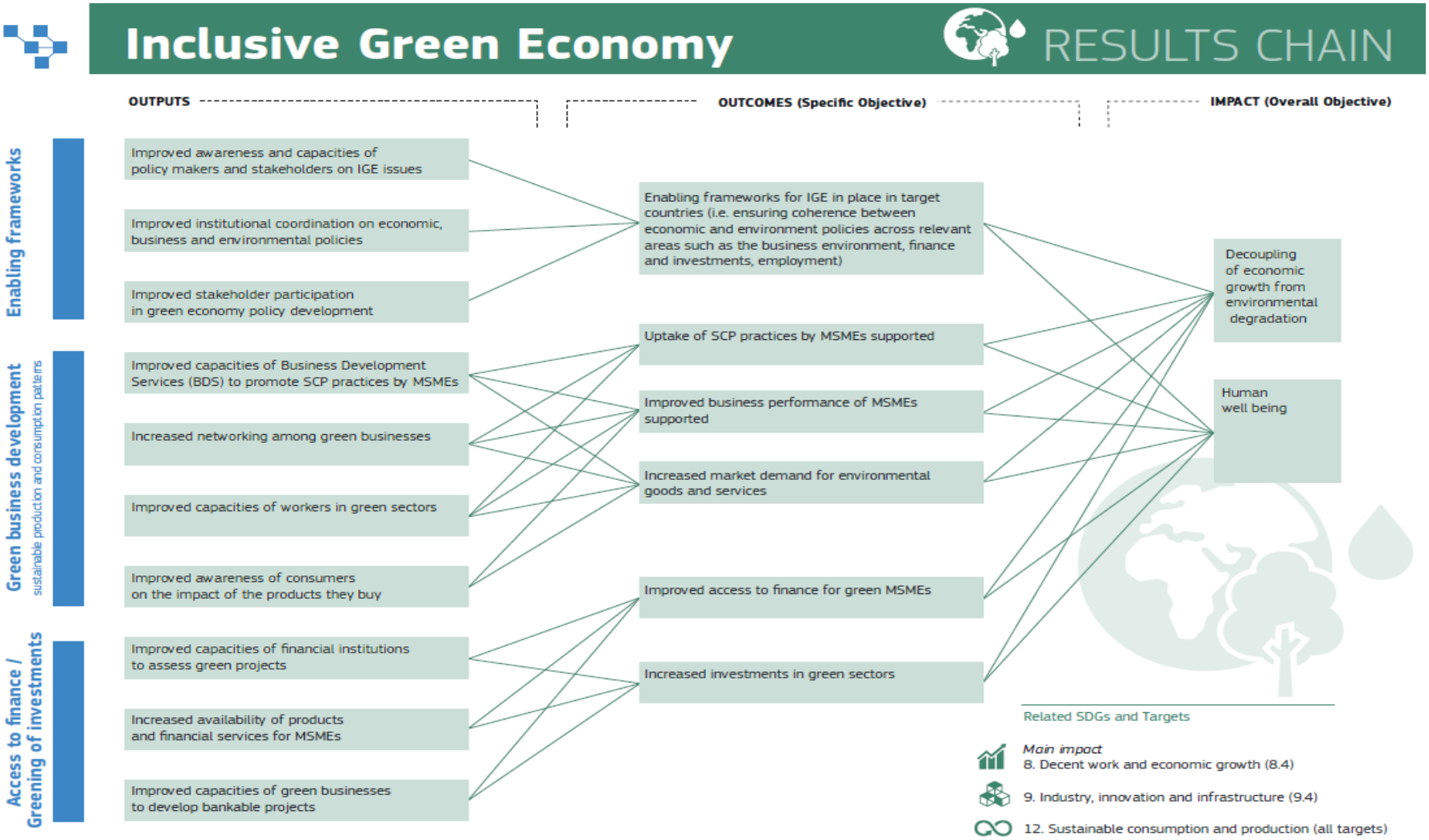
The Government of the People's Republic of Bangladesh agrees to apply to the present project, mutatis mutandis, the provisions of the Standard Basic Assistance Agreement between the United Nations Development Programme and the Government, signed and entered into force on 25 November 1986.

*Morocco*

The Government of the Kingdom of Morocco agrees to apply to the present project, mutatis mutandis, the provisions of the Standard Basic Assistance Agreement between the United Nations Development Programme and the Government, signed on 6 September 1988 and entered into force on 30 September 1993.

It is expected that each set of activities to be implemented in the additional target countries will be governed by the provisions of the Standard Basic Cooperation Agreement concluded between the Government of the recipient country concerned and UNIDO or – in the absence of such an agreement – by one of the following: (i) the Standard Basic Assistance Agreement concluded between the recipient country and UNDP, (ii) the Technical Assistance Agreements concluded between the recipient country and the United Nations and specialized agencies, or (iii) the Basic Terms and Conditions Governing UNIDO Projects.

## Annex 1: DEVCO inclusive green economy results chain



# Annex 2: Indicative logical framework matrix[53]

| | Results chain: Main expected results | Indicators[54] | Baseline | Target | Sources of data | Assumptions |
|---|---|---|---|---|---|---|
| Impact (Overall Objective) | A just transition to an inclusive climate neutral and circular economy | Cumulative improved material efficiency by companies supported by the intervention (ENV.4) | 0 | Reduction in cumulative resource usage by supported companies (10% reduction in raw material use) | Baseline performance and exit surveys | Not applicable |
| | | Number of additional jobs created and jobs retained (SOC.1)<br><br>Number of firms with economic gains (Net additional income of companies supported by the intervention per year, disaggregated by sex[55]) (ECO.1) | 0 | 3000 green jobs supported/sustained (disaggregated by sex)<br><br>15-20 companies (increase of 5 per cent in net income) (disaggregated by sex) | Baseline performance and exit surveys | |
| | | Cumulative reduction of $CO_2$eq emissions by companies supported by the intervention (ENV.1) | 0 | Reduction in cumulative emissions by supported companies (15-20% reduction) | Baseline performance and exit surveys | |
| Outcomes (Specific Objectives) | SO1: Engagement established with EU-based MNCs to select high-quality pilots in selected VCs-Inception phase | Number of actors engaged (REA.2) | 0 | 4-5 pilot projects developed with budget expenditure (cash and in-kind) of approximately €2.2 million each | Engagement logs/project records | EU Multinational Companies (MNCs) engage effectively with their suppliers to apply for the project support |

[53] Indicators, baselines and targets will be revised upon identification of pilot projects in the inception phase of the project

[54] Based on IRPF and DG INTPA Circular economy results chain and indicator guidance: https://europa.eu/capacity4dev/results-and-indicators/circular-economy

[55] Change in net income of direct and indirect beneficiaries as a result of the EU-funded intervention between two points in time (i.e., two distinct years). For a firm, net income is defined as gross sales minus cost of sales, including cost of goods sold. For an individual, net income includes total wages/salaries or profit from self-employment

| | | | | | | |
|---|---|---|---|---|---|---|
| | SO2: Improved circularity (and competitiveness) amongst suppliers/businesses of supported value chains | Cumulative number of firms with improved management practices on circularity (BUS.1) | 0 | At least 10 companies[56] engaged in each country, directly supported by the pilot projects, and 500 throughout the value chains;<br>70% of supported MSMEs state they have improved understanding of the circular economy principles and practices | Project monitoring and evaluation reports | No significant downturn within selected value chains |
| | | Value (currency) of new investments leveraged (INV.3) | 0 | €6,250,000 investment in circularity by supported companies (numbers will be disaggregated by countries) | | |
| | SO3: Improved policy uptake, business environment and investment climate for circular economy in target countries | Cumulative number of new or revised policies adopted by policymakers (POL.1) | 0 | 5 circular economy policy instruments adopted / implemented on the regulatory framework and business investment climate | Project monitoring and evaluation reports | Lack of political support and institutional capacity to mainstream innovative circular economy approaches |
| | | Number of projects or businesses financed (INV.2) (disaggregated by women-owned enterprises) | 0 | 4 relevant financial products and circular economy initiatives established by financial institutions | | Finance Institutions in target countries are responsive to the need to establish special circular economy financing lines |
| | | Number of actors gaining awareness/knowledge on circular economy (KASA.1) (disaggregated by sex) | 0 | 1,000 participants, disaggregated by sex, in physical networking events and 10,000 involved through virtual social networks, reaching | | In-person events and long-distance travel are not inhibited by a pandemic or other restrictions. |

[56] Companies are defined as local businesses active in the value chain

| | | | | | | |
|---|---|---|---|---|---|---|
| | | | | out to at least 10 country governments and value chains | | |
| Outputs | 1.1: Pilot projects selected and designed | Number of interventions (projects/programmes) in partnership with MNCs (non-UN institutions) (CPO.5) | 0 | 4-5 pilots selected and jointly designed with MNCs in 3 VCs | Project and pilot reports | |
| | 2.1 Pilot circularity projects implemented in Plastic Packaging VC | Number of capacity building activities provided (TCO.1)<br><br>Number of circular business models and plans developed (TCO.4) | 0 | 5 capacity building activities organized, disaggregated by sex and relevant actors;<br>1-2 transformative business models developed and elaborated in the pilot(s) | Project and pilot reports | |
| | 2.2 Pilot circularity projects implemented in Textiles and Garments VC | Number of capacity building activities provided (TCO.1)<br><br>Number of circular business models and plans developed (TCO.4) | 0 | 5 capacity building activities organized, disaggregated by sex and relevant actors;<br>2 transformative business models developed and elaborated in the pilot(s) | | |
| | 2.3 Pilot circularity projects implemented in ICT/Electronics VC | Number of capacity building activities provided (TCO.1)<br><br>Number of circular business models and plans developed (TCO.4) | 0 | 5 capacity building activities organized, disaggregated by sex and relevant actors;<br>1-2 transformative business models developed and elaborated in the pilot(s) | | |
| | 3.1: Enhanced knowledge on circular opportunities, capacity for policy-oriented research on circularity | Number of analytical and statistical publications produced (PAO.2) | 0 | 20 publications (e.g. policy briefings, research papers, reports, media opinion pieces) reports on circular policy and value chains | Project monitoring and progress reports | |

| | | | | | | |
|---|---|---|---|---|---|---|
| | opportunities and dialogue/ networking facilitated in selected countries among policy makers, private sector and supporting institutions | | | published in partnership with target country institution | | |
| | | Number of national and international fora, workshops/EGM/side events organized (CPO.1) | 0 | 20 communication/networking events organized, which improve access to circular policy analysis and discussion for marginalized stakeholders. | | In-person events and long-distance travel are not inhibited by a pandemic or other restrictions. |
| | 3.2: Improved capacities of Business Development Services (BDS) providers / Business Membership Organisations (BMOs) to promote circular economy business models and practices among businesses | Number of toolkits and guidelines produced (TCO.3) | 0 | At least 4 country and value chain specific capacity assessment modules under the Circularity Assessment Tool | Project monitoring and progress reports | |
| | 3.3: Improved capacities of national/regional financial institutions to assess Circular Economy technology and projects and to diversify financial services for Circular Economy investments | Number of business plans developed (TCO.4) (% targeting women owned- enterprises) | 0 | 25 bankable proposals developed for supported companies (aiming for 30% women owned-enterprises)[57] | Project monitoring and progress reports | |
| | | Number of capacity building activities provided (TCO.1) | 0 | 20 capacity building activities for financial institutions conducted in selected countries | | |

[57] This assumes 50% of bankable proposals (25 no.) are approved for a loan or other form of finance and that the average investment is €250,000, as per advice from the European Investment Bank (EIB) partners of the Project. This assumes that 10% of supported MSMEs will require investment and will receive support in developing a bankable proposal.

## Annex: Annual Technical report – see separate report

## Annex: Value Chain Selection Report – see separate report

## Annex: Pilot Project Selection Report – see separate report