

Annex 2: Definition and Key Concepts (Glossary)

The following definitions are binding for the interpretation of the ToR and for the contractors reporting. They follow the definitions in the Results Framework Matrix (Annex 1) and are supplemented by specifications relevant to this tender.

Circular Economy (CE): Economic system oriented toward maintaining the value of materials, products and resources for as long as possible, promoting efficiency in materials, water and energy (International Organization for Standardization (2024):ISO 59004:2024 Circular Economy-Vocabulary, principles and guidance for implementation www.iso.org).

Circular Economy (CE) Business Model (BM)

CE business models are technical and organizational solutions operating across upstream and downstream value chain stages. Upstream models reduce waste and resource consumption at the point of production or through improved product design, for example, replacing plastic packaging with biodegradable materials, implementing reuse systems, optimizing production processes, or reducing the use of raw materials. Downstream models reintroduce materials into the value chain after end-of-use, for example, through the recycling of plastic packaging or organic waste treatment.

For the purposes of this module, a CE business model is defined as providing a circular product or service brought to market that increases, captures and finally retains value. The module's intervention focuses on the **scalability** of these models, supporting only those that have already validated their concept, developed a business plan, and offers market-ready products and/or services.

The enterprises supported under this module include both private and public-sector companies whose technical and institutional capacities are strengthened through the module's interventions. The priority economic sectors are the **textile industry**, the **tourism sector** (including restaurants and events), and the **agri-food sector** and focuses on **organic and inorganic waste streams**.

Business Model (BM) Initiated

"Initiated" means that an enterprise has begun the expansion of a CE business model, specifically, when the product or service has been brought to market.

Financial Product:

A specific instrument offered by a public or private entity to channel funding under defined contractual terms. Financial products may take the form of debt, equity, hybrid instruments, or a combination therefore, and may draw on both reimbursable and non-reimbursable funding sources.

Scaling / Expansion

Expansion means that enterprises further develop existing CE business models to reach new customers or launch a new business line; that other enterprises adopt successfully tested models and adapt them to their own conditions; or that enterprises develop entirely new CE business models.

For the project's Module Objective Indicator (MOI) 1, an additional geographic condition applies: the **expansion** must occur outside the initiative regions of Cali/Valle del Cauca and Bogotá/Cundinamarca. Initial steps of planning and technical implementation must be demonstrably carried out in at least one additional region of Colombia.

Employment-Generating Business Models

CE business models are considered employment-generating when their implementation creates new formal or informal jobs (**green jobs**) or qualitatively expands the competency profile of existing jobs by incorporating circular economy dimensions (**greened jobs**). Both

categories count toward MOI 3 and must be documented with gender and vulnerability disaggregation using the green employment methodology developed under PREVEC II.

Climate-Friendly

Climate-friendly CE business models are characterized by sustainable resource use, product lifespan extension, or resource efficiency in services or manufacturing, verifiable through emissions estimation tools.

Demonstrable Companies' Climate Contribution (for MOI 5)

A demonstrable climate contribution refers to a measurable reduction or avoidance of greenhouse gas (GHG) emissions resulting from a company's production processes or business model, which could be reported in the monitoring of Colombia's national climate commitments through official platforms, such as the +Climate platform established under Law 2169/2021, or equivalent mechanisms.

Demonstrable contributions may originate from: the use of new or alternative raw materials; the adoption of innovative technologies; the reduction or abatement of process by-products; the closure of material cycles; bioeconomy approaches; or the substitution of products and/or services that enable GHG emission reductions.

National climate targets

These are objectives established by the national government through climate change plans, policies, or regulations, **determined by** Colombia's Nationally Determined Contributions (NDCs). For reporting purposes, a company's climate contribution is considered demonstrable when it can be quantified using an emission estimation tool and linked to at least one national climate target or official reporting platform.

Innovation

An innovation is a technical, procedural, organizational, or business model-related solution that is new to the applying enterprise and has not previously existed in that specific form within its operations. The mere optimization or scaling of an already existing process does not constitute an innovation. Innovations include new technologies, improved processes, or cooperative models through which resources are used more sustainably.

The innovation must originate from knowledge or technology transfer from Germany and Europe or through international networks and must be applied, a presentation, conference attendance, or study visit alone does not suffice. **Applied** means that the enterprise has integrated the innovation into its operational processes, at least partially within a CE business model, and can document its implementation status. (for MOI 4)

Exchange formats

These are the structured knowledge and technology transfer processes through which innovations are identified, adapted, and transferred. These include, for example, virtual or in-person workshops and seminars, study visits, living labs, mentoring programmes, conferences, networking events, and peer-to-peer learning.

Small and Medium-Sized Enterprises (SMEs)

SMEs are defined, for the purposes of this module, as those with between 11 and 50 employees (small) and between 51 and 200 employees (medium-sized), classified according to their income from the previous fiscal year, in accordance with Colombian Decree No. 957 of 2019 (MinCIT).

Agreements between SMEs and Anchor Enterprises

An agreement is a commercial collaboration between an anchor enterprise and an SME in which the anchor enterprise acts as the "driver" — leveraging its purchasing power and coordination capacity to pull its network of suppliers and strategic allies, set standards, and

secure markets — while the SME acts as supplier or strategic partner, creating value for both parties. An agreement is considered established when it has occurred more than once or when the SME has successfully completed its first transaction with the anchor enterprise. Agreements may take various forms, including consortium arrangements between anchor enterprises and SMEs, or concrete supply contracts from SMEs to anchor enterprises within prioritized value chains. (for OI 2.2)

For reporting purposes, an agreement is considered **signed** when there is a documented record describing the value chain linkage — such as the registration of the SME as a supplier in the anchor enterprise's system, or evidence of the first concrete results of the collaboration.

Inclusive Employment Potential

A business model is considered to have inclusive employment potential when its implementation creates formal or informal employment relationships specifically benefiting women, persons living in poverty, and/or persons with disabilities.

Gender-Responsiveness, Inclusion, and Poverty Orientation

Gender-responsive means actively addressing the root causes of gender inequality while recognizing all dimensions of gender and accounting for the specific needs of women, men, and diverse gender identities. Gender-responsiveness serves as the overarching framework; however, for measurement purposes, the module places particular emphasis on the promotion of women.

For the purposes of PREVEC III indicator reporting, a business model is considered to have a **women's focus** when at least one of the following conditions is met: the legal representative or alternate is a woman; the general manager or director is a woman; the board of directors is majority female; or the team receiving technical assistance is majority female.

With an emphasis on poverty reduction or women's promotion means that persons living in poverty or women are direct and priority beneficiaries of the supported CE business models — for example, through new employment relationships, qualitatively improved jobs, or access to new products and services.

With a digital focus means that the business model uses data as a central resource to achieve its commercial objective — for example, through data intelligence, artificial intelligence, or blockchain.

Inclusive means the targeted inclusion of persons with physical or cognitive/psychosocial disabilities in business model development and implementation. A business model is considered to have a **disability focus** when persons with physical or mental disabilities actively participate in the circular economy business model; for example, as employees or members of the implementing team.