EU Results Framework Indicator Methodology Note

1. Name of indicator
Number of beneficiaries with access to financial services with EU support: a) firms, b) individuals
2. Associated EU Results Framework statement and primary SDG
SDG 8 – Decent work and economic growth EU RF statement - Improved economic governance, business environments, contribute to scaling-up private and public investments, including addressing the MSME financing gap.
3. Technical Definition
Financial services refer to credit, saving/deposits, insurance, leasing, transfer payment, etc. Access to financial services for this indicator is defined as a private firm or an individual who has at least one account at a formal financial institution in their name. This indicator has been divided into firms and individuals and these should therefore be reported separately for this indicator. Firms are defined as micro, small and medium enterprises (MSME) formally established. The definition of MSMEs should be based on the local definition. Where this is not available, definitions from the EU, the World Bank Group or another international organisation can be used. Subsistence farmers/small holders (that are typically self-employed and without employees) should be included as individuals and not counted as firms. Financial services access from the informal sector is excluded from this indicator.
4. Rationale (including policy priorities and links to this indicator)
The EU aims to tap the huge potential of the private sector to create jobs and as a implementing and financing partner in the delivery of the Sustainable Development Goals. However, access to financial services is one of the greatest constraints to private sector investments and hence growth in Sub-Saharan Africa countries. MSMEs are collectively usually the largest employers yet they typically lack access to capital and to risk management tools such as savings, insurance and credit. Access to financial services can make a positive difference to the lives of the poor, empowering them with the means to start businesses, invest in education, manage risks and absorb financial shocks. This is especially important for women, and other marginalised and vulnerable groups. For example, lack of access to credit is one of the main constraints to women's participation in the economy. Access to financial services for both firms and individuals are important policy areas as outlined in the New European Consensus on Development[1] and A Stronger Role of the Private Sector in

[1] https://ec.europa.eu/europeaid/new-european-consensus-development-our-world-our-dignity-our-future_en

Achieving Inclusive and Sustainable Growth in Developing Countries[2]. The recently launched External Investment Plan[3] has specific pillar on investment mobilisation to support access to finance for firms. The 2030 Agenda for Sustainable Development and its Sustainable Development Goals (SDGs) includes a commitment to end poverty and promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all (SDG 8) for which access to financial services for firms and financial inclusion are important aspects.
5. Level of disaggregation and other reporting requirements
Disaggregation by sex and age of the firm owner or individual where relevant Where easily available: type of financial service, sector, size, and location of the firm within a country (rural/urban)
6. Data Sources (including issues on different definitions by source and level of availability of the data)
a) EU intervention monitoring and reporting systems: annual and final reports from implementing organisations (e.g. governments, international organisations, non-state actors, etc), ROM reviews and evaluations. b) For interventions that have national coverage, national level data may be use. The most comprehensive global data source on financial services is the G20 Set of Financial Inclusion Indicators[4], which includes indicators on access to financial services for both SMEs and (per 1,000) individuals. Additional data sources include: -**Finance Access Survey** (FAS) is published annually by the IMF and shows data from the supply side on access to and use of financial services by households and firms (data directly collected from the financial regulators). -**Enterprise Survey** is a firm-level demand survey of a representative sample of an economy's private sector (data directly collected from enterprises). This survey is published every 3 years by the World Bank.
7. Data calculation (including any assumptions made)
If using national level data, some calculations may be required to get to the number of firms or individuals reached. For example, number of firms with access to credit may need to be calculated from two other pieces of information available from the enterprise survey: Total number of firms *

[2] https://ec.europa.eu/europeaid/european-commission-communication-com2014263-stronger-role-private-sector-achieving-inclusive-and_en
[3] https://ec.europa.eu/commission/eu-external-investment-plan_en
[4] http://www.gpfi.org/sites/default/files/G20%20Set%20of%20Financial%20Inclusion%20Indicators.pdf

Percentage of firms with bank loans or line of credit.

Please take note to avoid double counting of beneficiaries, e.g. firms or individuals receiving multiple financial services should only be reported once. Firms or individuals who have been clients at the same financial institution for several years should only be reported once during the period of EU support.

Please note that the unit of measurement is number of firms or the number of people, not the number of financial products. Efforts should be made to convert the number of financial products provided to number of firms (or people) to minimise double counting of firms (or individuals). For example, number of loans to firms/average number of loans per firm = estimated number of firms provided with access to loans.

8. Worked examples

In country A, the EU implements an MSME development intervention with a contribution to a specialised investment fund providing capital to local entrepreneurs through local financial institutions. The EU support from 2014 to 2017 aims to help the local financial service providers to develop specific financial products adapted to the needs of local enterprises.

The internal monitoring system developed by the intervention shows the following information regarding its portfolio:

Number of additional* clients with	Year		
	2015	2016	2017
Insurance products	490	510	500
Bank account	1,200	1,150	1,200

*clients are only counted once, in the year in which they become a new client. The numbers are non-cumulative annual figures.

For the above information, we know there is no double counting between individuals between years for each financial service type since only new clients are included. However, it's not possible to ascertain if some individuals have both a bank account and insurance via the investment fund. In the example, the reported number of firms with access to financial services with EU support = 3,550 (1,200 + 1,150 + 1,200) over the period 2015-2017.

9. Is it used by another organisation or in the framework of international initiatives, conventions, etc? If so, which?

Asian Development Bank: Number of Small and medium-sized enterprise loan accounts opened or end borrowers reached (number).

World Bank: People, microenterprises, and SMEs reached with financial services

African Development Bank: Owner-operators and MSMEs provided with financial services (thousands)

10. Other issues

The proposed indicators only capture access to finance for formal enterprises. Besides, the indicator is SME related and does not measure the use of financial services. For this purpose please refer to the Global Findex survey (triennial), WB: https://globalfindex.worldbank.org/.

The “IFC Enterprise Finance Gap Database”, published in 2012 also contains data on access to finance for microenterprises and informal firms.

In addition, other key elements beyond access, e.g. usage, quality and cost of financial products is beyond the scope of this indicator, but should be considered and where possible monitored at intervention level.