

EU Results Framework Indicator methodology note

1. Indicator name

Amount of EU funded international cooperation and development assistance contributing to strengthening investment climate

2. Technical Definition

The indicator is included at Level 3 of the EU Results Framework and aims to report the financial value of EU funded international cooperation and development assistance directed towards supporting the investment climate on an annual basis in terms of payments.

Investment Climate (IC) covers a wide range of factors that determine whether an investment is likely to happen in EU partner countries. The term investment climate is used as a broad concept to be understood from the perspective of a prospective investor. It is therefore a market level definition that refers to those elements that would impact the decision to invest in a particular country. The key drivers of investment climate are Business Environment (BE), Political Stability, Macroeconomic Stability, Governance/Rule of Law, Human Development and Innovation.

3. Rationale (including which policy priority, and how is this indicator linked to that policy priority)

The External Investment Plan (EIP) establishes a systematic interplay between investment mobilisation (Pillar 1), technical assistance (Pillar 2) and investment climate improvements (Pillar 3). As part of this integrated approach, Pillar 3 helps to build a more conducive and sustainable investment climate in partner countries through a strategic and comprehensive approach. It focuses on removing constraints to sustainable private investment and supporting priority reforms, through a strengthened dialogue with the private sector.

According to COM (2018) 644 *“Towards a more efficient financial architecture for investment outside the European Union”*, the purpose of the third pillar of the EIP is for the EU to step up its contribution to support policies that will attract further investment from the public and private sector via technical assistance and enhanced policy dialogue. The EU can be supportive in the creation of an environment where access to finance is facilitated for MSMEs, where the legal framework is improved for both public and private investment, where public procurement systems become more efficient, where investments benefit local economies and domestic job creation and where international standards are promoted.

According to COM (2018) 643 for the new Africa-Europe Alliance for Sustainable Investment and Jobs, for the period 2018 to 2020, a significant increase of EU support to business and investment climate reforms in Africa is envisaged under Pillar 3 of the External Investment

Plan, moving to EUR 300-350 million on average per year, in addition to dedicated actions geared at improving governance and ensuring peace and stability.

4. Data calculation (including any assumptions made)

Data will be sourced from the internal systems of European Commission's Directorate General for International Cooperation and Development (DG DEVCO). In particular, data will be exported from the Statistical Dashboard for Payments.

Step 1 - For a given year, a set of Decisions will be selected using the following criteria:

- Instruments: those managed by DEVCO;
- Payment date (VISA ORDO): between 1st of January and 31st of December of the year to be reported;
- Decision's DAC code:

Investment climate drivers	DAC codes
Business environment	<ul style="list-style-type: none"> i. <u>Simplification and investment policy:</u> 15125, 25010, 25020, 25030, 25040, 31110, 31210, 31310, 32110, 32120, 32130, 32210, 32310, 33210, 41010 ii. <u>Business tax policies and administration:</u> <i>(15114, already included under macro stability)</i> iii. <u>Commercial dispute resolution:</u> <i>(15130, already included under governance / rule of law)</i> iv. <u>Energy policy and regulation:</u> 23110 v. <u>Financial markets:</u> 24010, 24020, 24040, 24050, 31193 vi. <u>Infrastructure policy and regulation:</u> 14010, 21010, 22010, 22040 vii. <u>Labour law, Employment, TVET policies:</u> 11330, 11430, 12181, 14081, 16010, 16020, 16070, 16080, 21081, 23181, 24081, 31166, 31181, 31281, 31381, 33181, 41081, 43081 viii. <u>Land property rights:</u> 31164 ix. <u>Trade regulation and policies:</u>

		33110, 33120, 33130, 33140, 33150, 53030, 53040
Macroeconomic stability		15111, 15114, 15142, 51010, 60010, 60020, 60030, 60040, 60061, 60062, 60063
Political stability		15151, 15190, 15210, 15220, 43060, 74020
Governance / Rule of law		15110, 15112, 15113, 15130, 15150, 15152, 15153, 15160, 16062, 43030, 43040
Human development		11110, 12110, 12261, 13010, 15170
Innovation		11182, 12182, 12382, 23182, 31182, 31282, 31382, 32182, 41082, 43082

Step 2 - The payments corresponding to the list of Decisions selected in Step 1 will be added up in order to compute the value of the EU funded international cooperation and development assistance payments directed towards supporting investment climate.

A standard extraction is executed from DG DEVCO's internal systems (data warehouse), following the criteria above every year.

5. Level of disaggregation

By Investment Driver and Business Environment Dimension.

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

N/A. The methodology for measuring investment climate will be shared and discussed with other organisations

7. Other issues