Global Europe Results Framework Indicator Methodology Note

1. Indicator name
GERF 2.16: Number of countries supported by the EU to strengthen investment climate
2. Technical details
Please use the information provided in OPSYS or the SWD. Results Dashboard code(s): *65227*. Unit of measure: *Number of (#)*. Type of indicator: *Quantitative (not Qualitative) – Numeric (not Percentage); Actual ex-post (not estimated or ex-ante); Cumulative (not annual); Direct (not indirect).* Level(s) of measurement: *Specific Objective – Outcome; Direct Output; Output.* Disaggregation(s): *None.* DAC sector code(s): *25010 – Business policy and administration; 25020 – Privatisation; 25030 – Business development services*. Main associated SDG: *8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium- sized enterprises, including through access to financial services*. Other associated SDGs: *8.1 growth; 8.2 diversification and innovation; 8.5 employment and decent work; 8.6 youth not in employment or education; 8.10 access to financial services; 10.3 reduce inequalities of outcome; 17.11 exports of developing countries; 17.5 investment promotion*. Associated GERF Level 1 indicator: *1.13 World Bank Doing Business distance to the frontier score*. Associated GERF Level 3 indicators: *3.3 Amount and share of EU-funded external assistance contributing to strengthening investment climate* *3.4 Amount and share of EU-funded external assistance contributing to: (a) aid for trade, (b) aid for trade to LDCs, and (c) trade facilitation* *3.5 Leverage of EU blending and guarantee operations financed by EU external assistance, measured as: (a) Investment leverage ratio, (b) Total eligible financial institution financing leverage ratio, (c) Private financing leverage ratio* *3.13 Number and share of EU- external interventions promoting gender equality and women's empowerment* *3.14 Number and share of EU-funded external interventions promoting disability inclusion* *3.16 Amount and share of EU-funded external assistance qualifying as ODA*

3. Policy context and Rationale
The EU aims to tap into the huge potential of the private sector to invest in developing countries, to create jobs and be an implementing and financing partner for the achievement of the Global Gateway and Sustainable Development Goals. To encourage investments, financial policies such as de-risking need to be combined with non-financial de-risking. The main way of implementing these non-financial de-risking policies is by investing in climate reforms. In partner countries, EU support aims to encourage investment in climate reforms through policies that include the use and improvement of structured dialogue with the private sector and public actors to increase trade flows and investments. The aim is to achieve goals outlined in communications such as the New European Consensus on Development[1], A Stronger Role of the Private Sector in Achieving Inclusive and Sustainable Growth in Developing Countries[2] and the 2017 Aid for Trade Communication[3]. The recently launched External Investment Plan[4] provides a comprehensive and integrated approach, linking investment mobilisation with technical assistance and support to help improve the investment climate.
4. Logframe inclusion
If an intervention generates the result measured by this indicator, then it must be reported in OPSYS. Corporate targets have been set for the indicators used to monitor the Strategic Plan and the Multiannual Financial Framework (see Section 9). Progress towards these targets is reported annually in the Annual Activity Plan (for the Strategic Plan) and the Programme Performance Statements (for the Multiannual Financial Framework). These values are calculated by aggregating the results reported in OPSYS. These reports ultimately contribute to the Annual Management Performance Report submitted by the European Commission to the Council and Parliament during the annual budgetary discharge procedure. If targets are not met, explanations must be provided. Therefore, it is crucial that all results are recorded in OPSYS. **There are two ways of doing this**: - Include the indicator directly in the logframe (recommended approach); - Match the indicator to the closest logframe indicator (only if the indicator was not originally included in the logframe and modification is not possible). Why? The matching functionality in OPSYS only accommodates reporting current values and does not yet support encoding baselines and targets. This is a significant drawback because targets are a valuable piece of information, especially at the beginning of a Multiannual Financial Framework. Indeed, results take time to materialise as they are the last step in the chain, appearing only after programming,

[1] https://ec.europa.eu/europeaid/new-european-consensus-development-our-world-our-dignity-our-future_en
[2] https://ec.europa.eu/europeaid/european-commission-communication-com2014263-stronger-role-private-sector-achieving-inclusive-and_en
[3] https://ec.europa.eu/europeaid/aid-trade-communication-achieving-prosperity-through-trade-and-investment_en
[4] https://ec.europa.eu/commission/eu-external-investment-plan_en

commitments, contracting, and spending have occurred. Targets allow to see what results are expected long before they materialise, which is reassuring to the different stakeholders concerned with accountability. **Therefore, include all corporate indicators directly in the logframe whenever possible, and reserve the matching functionality only for cases when this is not feasible**.

5. Values to report

The following values must be determined in line with the definitions provided in Section 6.

Baseline value: the value measured for the indicator in the baseline year. The baseline value is the value against which progress will be assessed.

Current value:

- **For logframe indicators**: the most recent value for the indicator at the time of reporting. The current value includes the baseline value which is reported separately for logframe indicators in OPSYS.
- **For matched indicators**: the most recent value for the results achieved at the time of reporting since the start of implementation of the intervention. This value is obtained by taking the most recent value for the indicator at the time of reporting and subtracting off the baseline value which is not reported separately for matched indicators in OPSYS.

Current values will be collected at least once a year and reported cumulatively throughout the implementation period.

Final target value: the expected value for the indicator in the target year.

Intermediate target values (milestones). A tool has been developed in OPSYS to generate intermediate targets automatically[5].

- **For outputs**: the intermediate targets are generated using a linear interpolation between the baseline and target values because it is assumed that outputs materialise sooner and more progressively over implementation (than outcomes).

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[5] This has been done in the context of the Primary Intervention Questionnaire (PIQ) for the EAMR. Three new KPIs provide an overall assessment of ongoing interventions (current performance and future performance) and completed interventions (final performance). Scores will be calculated for all INTPA and NEAR interventions participating in the annual results data collection exercise.

- *KPI 10* reflects the relevance, efficiency and effectiveness of ongoing interventions. The information on relevance is provided by the Operational Manager's response to a question in a survey. The information on efficiency and effectiveness is provided either by the logframe data, if sufficient data is available, or the response to a question in a survey, if not.
- *KPI 11* reflects expectations regarding the most probable levels of relevance, efficiency, effectiveness and sustainability that can be achieved by ongoing interventions in the future. In this case, all the information is provided by the Operational Manager's responses to questions in a survey.
- *KPI 12* reflects the relevance, efficiency and effectiveness of completed interventions. The information on relevance is provided by the Operational Manager's response to a question in a survey. The information on efficiency and effectiveness is provided by the logframe data if sufficient data is available, or the response to a question in a survey, if not.

- **For outcomes**: the expected progression over the course of implementation will vary across interventions. During the creation of a logframe, the expected outcome profile must be selected (OPSYS offers four options[6]) and this selection triggers the generation of intermediate targets for all 30 June and 31 December dates between the baseline and target dates for all output and outcome quantitative indicators. All automatically generated intermediate targets values and dates can be subsequently modified by the Operational Manager or the Implementing Partner with the approval of the Operational Manager.

6. Calculation of values

Specify all assumptions made, list definitions for all technical terms, provide any relevant guidance on (double) counting, and include checklist for quality control.

The value for this indicator is calculated by counting the number of countries supported by the EU to strengthen investment climate, using the technical definitions and counting guidance provided below. Please double check your calculations using the quality control checklist below.

Technical definitions

Investment climate here is defined as the main constraints directly affecting the performance of private businesses in the formal and informal sectors that can be addressed through domestic or regional reforms, also known as business environment reforms. These are the set of policy, legal and regulatory and institutional reforms to be undertaken by the government to reduce business costs and risks and to create an environment more conducive to competitiveness, sustainable and inclusive growth, and decent job creation.

Business environment reforms are usually grouped into the following functional areas.

- *Business simplification* – this relates to all aspects of business entry, from the initial formation of a legal entity, obtaining all required business licenses, to competition policy. Many of the constraints on MSMEs (and disincentives to formalisation) include the sector-specific business licensing arrangements that come after business registration.
- *Business tax policies and administration* – these are a key component of the business environment and crucial for economic growth, formalisation and public finance. Examples are interventions that aim to increase tax certainty and clarify tax payment procedures.
- *Investment policy* – attracting and regulating foreign direct investment is a broad area, ranging from investment promotion policy and simplification of the investment approval process, to sectoral regulation.
- *Trade regulation and policies* – facilitating trade across borders working on areas such as improving trade policies, harmonising trade laws and regulations,

[6] a. *steady progress*: The outcomes are achieved continuously throughout implementation; b. *accelerating progress*: The outcomes are achieved towards the end of implementation; c. *no progress until end*: The outcomes are mostly achieved at the end of implementation; d. *none of the above*.

reducing the time and cost of exporting and importing and increasing the transparency of customs administration, etc.

- *Financial markets* (regulation, access to finance) – access to financial services, for example capital and risk management tools such as savings, insurance and credit. Reforms in this area also broadly address financial sector regulation and/or MSMEs, including bank regulation, collateral registries, credit bureaus, insolvency and company law.
- *Improving labour law and policy/technical and vocational education and training policy* – support to improve the regulation of labour markets, both for the efficient allocation of resources and to protect vulnerable groups. Finding the appropriate balance between under- and over-regulating labour in a specific country context is a major challenge and is politically sensitive. Technical assistance with policies and regulations relating to technical and vocational education and training is also an important part of the overall investment climate for the better matching of skills to market needs.
- *Land and property rights* – these include support to improve how land markets function, including land title registers and administration, as well as the subnational regulation of construction permits. Land and property rights are emerging from recent policy research as a key aspect of business environment reform in fragile states in sub-Saharan Africa in particular.
- *Commercial dispute resolution* – this includes improving access to commercial courts and alternative dispute resolution (ADR) mechanisms for local actors and foreign investors. Other areas could include support for efficient contract enforcement.
- *Infrastructure policy and regulation* – this includes infrastructure policy and technical assistance for institutional reform, such as identifying enabling environment bottlenecks in capital markets, revising regulatory frameworks, and developing legal and regulatory frameworks for public-private partnerships (PPPs).
- *Energy policy and regulation* – national policies, laws and regulations that regulate energy access and facilitate investment in sustainable energy, including renewable energy sources.

Countries can be supported in the area of business environment reforms at national or subnational government level. Subnational refers to any government entity below the national level, regardless of the political, financial and administrative make-up of the country. The direct beneficiaries of these interventions are partner country state institutions (national or subnational).

Other aspects of investment climate, such as governance, the rule of law, political stability, etc. are not captured by this indicator.

Counting guidance

1. If the intervention supports the strengthening of investment climate, then it is mandatory to include this indicator in the logframe, even if the intervention is implemented in one single country and the value to be reported is one. Indeed, this indicator might not be useful for monitoring purposes, but it is necessary to ensure accurate corporate reporting.
2. For multi-country regional interventions supporting business environment

reform (such as cross-border trade facilitation), each country supported should be counted separately.

3. Overseas countries and territories (OCTs) should be counted as countries.
4. Double counting is not allowed: a country can be counted only once in the same reporting period. This means that if the same country benefits from one or more than one form of support, over one or more years of the same reporting period, from the same intervention or different interventions, this country should be counted only once.

Quality control checklist

1. Has the indicator been included directly in the logframe? Reserve the OPSYS matching functionality only for cases when this is not feasible.
2. If the indicator has been included directly in the logframe, does the current value *include* the baseline value? If the indicator has been matched to a logframe indicator, does the current value *exclude* the baseline value?
3. Is there little or no evidence that the investment climate in the country has been strengthened? Countries should be counted if the EU has provided support, regardless of the outcome.
4. Is only support for the government being considered? Support for the private sector and individual businesses do not count.
5. Are all the countries included in the intervention being counted? If support is provided by means of a multi-country intervention, all the countries included in the intervention should be counted.
6. Have OCTs been included? OCTs are counted as countries.
7. Is the GERF value a whole number? The number of countries and/or cities cannot be a decimal number.
8. Has double counting been avoided? Countries can only be counted once.
9. Have the countries been listed in the comment field? This facilitates quality control of double counting between national and regional interventions.
10. Have all calculations been recorded in the calculation method field? Have all relevant explanations been reported in the comment field?

7. Examples of calculations

In country A, the EU is supporting the establishment of a well-functioning national credit bureau to support access to finance. Country A is also being supported to increase trade across borders by means of a multi-country regional intervention financed by a multi-donor trust fund.

In country B, the EU is giving the government support to simplify business processes, in particular making it easier to register and license a business.

The total number of countries supported to strengthen the investment climate by the EU is 2. Functional areas reported on for country A would include 4 (trade regulation and policies) and 5 (financial markets), and for country B would include 1 (business simplification).

8. Data sources and issues

Please use the data source categories specified in OPSYS.

EU intervention monitoring and reporting systems: *Progress and final reports for the EU-funded intervention; ROM reviews; EU-funded feasibility or appraisal reports*.

Include any issues relating to the availability and quality of the data.

9. Reporting process & Corporate reporting

The data collected on this indicator will be reported in OPSYS by the Implementing Partner. The values encoded in OPSYS will be verified, possibly modified and ultimately validated by the Operational Manager. Once a year the results reported will be frozen for corporate reporting. The methodological services in HQ that are responsible for GERF corporate reporting will perform quality control on the frozen data and aggregate as needed to meet the different corporate reporting requirements.

This indicator is used for corporate reporting in the following contexts:

- ○ *NDICI via the Annual Report*
- ○ *NDICI via the Programme Statements*
- ● *INTPA Strategic Plan via the Annual Activity Report*
- ○ *NEAR Strategic Plan via the Annual Activity Report*
- ○ *FPI Strategic Plan*

This indicator has been included in the following other Results Measurement Frameworks:

- ○ *EFSD+*
- ○ *GAP III*
- ○ *IPA III*
- ○ *TEI-MORE*

10. Other uses

GERF 2.16 can be found in the following thematic results chains:

- Water

Include references to external bodies using the same or similar indicator.

11. Other issues