

## IPA III Results Framework Indicator Methodology Note

1. Indicator code and name
<b>IPA III RF 2.2.3.1:</b> (Number of countries <sup>1</sup> for which the) Actual revenues and expenditures of general government budget are within the 5% margin of the fiscal projections in the Fiscal Strategy for recent 2-3 years
2. Technical details
<p><b><u>OPSYS and Results Dashboard code:</u></b> 260271.</p> <p><u>Unit of measure:</u> Number of (#)</p> <p><u>Type of indicator:</u> <i>Quantitative: Numeric; Actual (ex-post); Cumulative (not annual).</i></p> <p><u>Level of measurement:</u> this is an <b>outcome</b> indicator. It would logically be associated with an outcome such as "Strengthened domestic and other revenue mobilisation, and public expenditure management". In a budget support programme this would typically be an <b>induced output</b> i.e. an output produced by the beneficiary government directly induced by the provision of EU budget support direct outputs.</p> <p><u>Disaggregation:</u> No disaggregations envisaged.</p> <p><u>DAC sector codes:</u> 15110; 15111; 15112; 15113; 15114; 15125; 15130; 15142; 15150; 15151; 15152; 15153; 15160; 15170; 15180; 15190</p> <p><u>Main associated SDG:</u> This indicator potentially contributes to <b>Goal 16:</b> Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels..</p> <p><u>Other associated SDGs:</u> <b>SDG 17-</b> Partnerships for the goals.</p> <p><u>Associated IPA III Level 1 indicator:</u></p> <ul style="list-style-type: none"> <li>• Extent of improvement in public financial management/public procurement/external audit (source: SIGMA Assessment) (Ind. 2.2.3) .</li> </ul> <p><u>Associated IPA III Level 3 indicators:</u></p> <ul style="list-style-type: none"> <li>• Number and share of EU-funded external interventions supporting the implementation of political, economic and social reforms and joint agreements in partner countries</li> <li>• Amount and share of EU-funded external assistance directed towards fragile states</li> <li>• Share of EU-funded external interventions responding to situations of a new and/or emerging crisis.</li> </ul>
3. Policy context and Rationale
<ul style="list-style-type: none"> <li>• <b>IPA III PF: Window 2</b> - Good Governance, Eu <i>Acquis</i> Alignment, Good Neighbourly Relations and Strategic Communication, <b>Thematic Priority 2:</b> Administrative capacity and EU <i>acquis</i> alignment.</li> </ul>

<sup>1</sup> Please note that in IPA wording the correct term is "Beneficiaries".

- **Chapters of the Acquis:** The main concerned chapter of the EU *acquis* under this section is **chapter 5** (Public procurement), **Chapter 16** (Taxation), **Chapter 18** (Statistics) and **Chapter 32** (Financial control).
- The general objective of IPA III laid down in Article 3 of the IPA III Regulation is to support the candidate and potential Candidate countries in adopting and implementing the political, institutional, legal, administrative, social and economic reforms required to comply with the EU values and to progressively align to the EU rules, standards, policies and practices (the 'acquis') with a view to future EU membership thereby contributing to mutual stability, security, peace and prosperity.
- Public administration reform is one of the fundamentals of the enlargement policy and it will continue to be a priority. The specific objective of IPA III in this area is to bring beneficiaries' policies and legislation in line with the EU policies and the EU *acquis*, and to build administrative capacity to fully and effectively implement sector policies and the adopted legislation, building the ability of beneficiaries to take on the obligations of membership as well as the digitalisation efforts. This objective constitutes a crosscutting priority and complements administrative capacity building under other Windows.

#### 4. Values to report

All of the following values must be determined according to the definitions provided in Section 5 below.

**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:** The most recent value measured for the indicator by the time of reporting. Current values will be collected at least once a year and reported cumulatively across the whole 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 automate the generation of intermediate targets<sup>2</sup>.

<sup>2</sup> This has been done in the framework of the Primary Intervention Questionnaire for the EAMR. Three KPIs have been developed to provide an overall assessment of the ongoing interventions' current implementation and future prospects, and the 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 already achieved by the ongoing intervention. 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 sufficiently 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 to be achieved by the ongoing intervention 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 already achieved by the completed intervention. 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 sufficiently available, or the response to a question in a survey, if not.

- **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).
- **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<sup>3</sup>) 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.

## 5. Calculation of values

The value for this indicator is calculated by counting the **Number of countries**, using the Technical Definitions and Counting Guidance provided below. Please double check your calculations using the Quality Control Checklist below.

### Technical Definitions

- **Actual expenditures compared to fiscal projections for recent 2-3 years:** measures the extent to which aggregate expenditure outturn (actual expenses) was between 95% and 105% of the approved aggregate budgeted (forecast) expenditure in at least two of the last three years.

This indicator measures budget reliability, understood as a realistic national budget which is implemented as intended. The level of performance required in this case corresponds to an A score of the [Public Expenditure and Financial Accountability](#)<sup>4</sup> (PEFA) programme methodology for performance indicator **PI-1** (Aggregate expenditure outturn). Aggregate expenditure includes actual expenditures incorporating those incurred as a result of unplanned or exceptional events—for example, armed conflicts or natural disasters. Expenditures financed by windfall revenues, including privatization, should be included, along with contingency vote(s) and interest on debt. Expenditure assigned to suspense accounts is not usually included in the aggregate. Actual expenditure outturns can deviate from the originally approved budget for reasons unrelated to the accuracy of forecasts, for example, as a result of a major macroeconomic shock. The calibration of this indicator accommodates one unusual or “outlier” year and focuses on deviations from the forecast which occur in two of the three years.

- **Actual revenues compared to fiscal projections for recent 2-3 years:** measures the extent to which aggregate revenue outturn (actual revenue) was between 97% and 106% of budgeted (forecast) revenue in at least two of the last three years.

This indicator measures budget reliability, understood as a realistic national budget which is implemented as intended. The level of performance required in this case corresponds to an A score of the [Public Expenditure and Financial Accountability](#)<sup>5</sup> (PEFA) programme methodology for performance indicator **PI-3.1** (Aggregate revenue outturn).

<sup>3</sup> a. Constant: The outcomes are achieved continuously throughout implementation; b. Accelerating: The outcomes are achieved towards the end of implementation; c. At the end: The outcomes are mostly achieved at the end of implementation; d. None of the above.

<sup>4</sup> <https://www.pefa.org/node/119>

<sup>5</sup> <https://www.pefa.org/node/119>

The indicator focuses on both domestic and external revenue, which comprises taxes, social contributions, grants, and other revenues including those from natural resources, which may include transfers from a revenue stabilization fund or a sovereign wealth fund where these are included in the budget. External financing through borrowing is not included in the assessment of this indicator. This means that grants from development partners will be included in the revenue data used for the indicator rating, but borrowing on concessionary terms from development partners will not. Actual revenue outturns can deviate from the originally approved budget for reasons unrelated to the accuracy of forecasts, for example, as a result of a major macroeconomic shock. The calibration of this indicator accommodates one unusual or “outlier” year and focuses on deviations from the forecast which occur in two of the three years.

- **Fiscal Strategy or Fiscal Policy:** fiscal policy is one tool a government has to achieve its economic and social objectives, and includes the use of government revenue collection (taxes or tax cuts) and expenditure to influence a country's economy.

#### Counting Guidance

- **Data calculation and reporting:** Data takes the form of categorical values. Based on the scores obtained from the sources described in section 6 of this note for the two performance indicators, PI-1 (aggregate expenditure outturn) and PI 3.1 (aggregate revenue outturn), there are the following values that this indicator can take and combine:

Values	Corresponding information at source
Information is not available or is not reliable for the aggregate expenditure outturn	The score for IP-1 is "D**"
Information is not available or is not reliable for the aggregate revenue outturn	The score for IP- 3.1 is "D**"
The aggregate expenditure outturn is within the higher level of performance	The score for IP-1 is "A" and
The aggregate revenue outturn is within the higher level of performance	The score for IP-3.1 is "A"
The aggregate expenditure outturn is below the higher level of performance	The score for IP-1 is "B" or "C" or "D"
The aggregate revenue outturn is below the higher level of performance	The score for IP-3.1 is "B" or "C" or "D"

Only if the scores for both aggregate expenditure outturn and aggregate revenue outturn are “A”, the country will fulfil the requirements of this indicator.

- No risk of **double-counting**.

#### Quality Control Checklist

1. Has the baseline and final target been encoded with the right dates?
2. Did you encode the latest current value available?
3. Did you use the comment box to inform on the values encoded?

#### 6. Examples of calculations

The EU is supporting the Government of a candidate or potential candidate country to improve and roll out a capacity development and incentives system targeting finance managers in the Ministry of Finance and other Ministries. The country's latest PEFA report on the key elements of Budget reliability (pillar 1) scored the performance of the aggregate of expenditure outturn as "C", whereas there was insufficient information to assess the performance of the aggregate of revenues outturn (Score D\*). It is expected that at the end of the intervention the reliability of the budget estimates and their implementation will have improved with the support of the IPA III intervention with the performance in both areas reaching the highest levels. In Year 3 of the intervention, a new PEFA report scores the PI-1 as "B" and the PI-3.1 as "B" and, by the end of the intervention, the data reported by the Ministry of Finance following the PEFA methodologies and spreadsheets indicates a score of "A" for PI-1 and a score of "B" for PI-3.1. There hasn't been a new PEFA report issued after Year 3.

Values reported in the LF:

**Baseline value (Y0):** "The aggregate expenditure outturn is below the higher level of performance and information is not available or is not reliable for the aggregate expenditure outturn".

**Target values:** "The aggregate expenditure outturn is above the higher level of performance and the aggregate revenue outturn is above the higher level of performance".

**Values at Y3:** "The aggregate expenditure outturn is below the higher level of performance and the aggregate revenue outturn is below the higher level of performance".

**Values at the end of the Intervention:** "The aggregate expenditure outturn is within the higher level of performance and the aggregate revenue outturn is below the higher level of performance".

**Contribution to results at the end of the intervention:** Actual expenditure of general government budget is within the 5% margin of the fiscal projections for the recent 2-3 years, from a 15% margin at the start of the intervention (score "C"), whereas actual revenue of general government budget has not reached the highest performance levels, and it is not possible to assess improvements in performance because there was not enough information available at the start of the intervention regarding this performance area.

Overall, despite improvements, the country does not meet the requirements set by the indicator.

## 7. Data sources and issues

### Data sources in the logframe:

- Reported values in the case of this indicator must result directly from the internal monitoring systems of the IPA funded interventions. The information will be generated by implementing organisations (e.g. governments, international organisations, non-state actors, ...) based on **the availability of the following sources listed in descending order of priority:** 1) [PEFA assessments](https://www.pefa.org/countries-regions)<sup>6</sup>, 2) [UN SDG database](https://unstats.un.org/sdgs/dataportal/database)<sup>7</sup> for indicator 16.6.1, that only covers aggregate expenditure outturn, and 3) calculation of the implementing organisation using PEFA's Calculation Sheets for Performance Indicators [PI-1](https://www.pefa.org/resources/calculation-sheets-pefa-performance-indicators-pi-1-pi-2-and-pi-23-november-2018)<sup>8</sup> and [PI-3](https://www.pefa.org/resources/calculation-sheet-revenue-composition-outturn-pi-32-november-2018)<sup>9</sup>. The Budget Laws of the Beneficiary is the usual source of the approved budget of the

<sup>6</sup> <https://www.pefa.org/countries-regions>

<sup>7</sup> <https://unstats.un.org/sdgs/dataportal/database>

<sup>8</sup> <https://www.pefa.org/resources/calculation-sheets-pefa-performance-indicators-pi-1-pi-2-and-pi-23-november-2018>

<sup>9</sup> <https://www.pefa.org/resources/calculation-sheet-revenue-composition-outturn-pi-32-november-2018>

Beneficiaries. The end-of-year fiscal reports (budget execution reports) are the sources of the actual spending. This data is typically obtained from websites of the Ministry of Finance (MoF) or the national Parliament, or data are collected through communication with the MoF. The coverage is budgetary central government (BCG) and requires data for three consecutive years as a basis for assessment. The data would cover the most recent completed fiscal year for which data is available and the two immediately preceding years.

**Data source categories specified in OPSYS:**

- EU intervention monitoring and reporting systems (Progress and final reports for the EU-funded intervention)

8. Reporting process & Corporate reporting

Who is responsible for collecting and reporting the data?

- The implementing partner (i.e. the entity responsible for delivering the results). When reporting on fiscal aggregate outturns, a narrative around the concepts included in the data calculation is to be added.
- Data verification:
  - For indirect management by beneficiary countries, the National IPA Coordinator will verify the data.
  - For other modes of implementation, the Operational Manager in HQs/EUD will verify the data.
- It is then the responsibility of DG NEAR to receive and verify data for this indicator from all relevant interventions and to eventually ensure aggregation within and across all IPA Beneficiaries

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

- *IPA III via the Annual Report*

9. Other uses

**IPA III RF 2.2.3.1** can be found in the following groups of EU predefined indicators available in OPSYS, along with other related indicators:

- IPA III RF Window 2: Good governance, EU acquis alignment, good neighbourly relations and strategic communication (IPA III W2)

For more information, see: [Core indicators for design and monitoring of EU-funded interventions | Capacity4dev \(europa.eu\)](#)

**SDG indicator 16.6.1**<sup>10</sup>: Primary government expenditures as a proportion of original approved budget, by sector

**World Bank Group**: Countries with strengthened public management systems

**Public Expenditure and Financial Accountability** Programme: Budget Reliability Pillar, Performance Indicators PI-1 and PI-3.1

10. Other issues

One limitation of the indicator is that it is an aggregate indicator of overall budget reliability which will not offer a view across various budget subcomponents.

<sup>10</sup> <https://unstats.un.org/sdgs/metadata/files/Metadata-16-06-01.pdf>

