IPA III Results Framework Indicator Methodology Note

1. Indicator code and name

IPA III RF 3.1.7.1: Amount of circular economy investments from enterprises in targeted value chains

2. Technical details

OPSYS and Results Dashboard code: 260841.

Unit of measure: Euro (€)

Type of indicator: *Quantitative: Numeric; Actual (ex-post); Cumulative (not annual).*

Level of measurement: this is an **outcome** indicator. It would logically be associated with an outcome such as "Increased use of climate-smart and circular technologies and processes".

Disaggregation:

- The indicator should be disaggregated by: sector
- Where relevant / possible, please disaggregate by: gender of the owner or manager of the enterprises
- Any disaggregation should be agreed with the relevant ministry or IP in advance.

DAC sector codes:

15110;15111;15112;15113;15114;15125;15130;15142;15150;15151;15152;15153;15160; 15170;15180;15190

Main associated SDG: **SDG 12:** Ensure sustainable consumption and production patterns.

Other associated SDGs: **SDG 9:** Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation and **SDG 6:** Ensure availability and sustainable management of water and sanitation for all.

Associated IPA III Level 1 indicator:

- National recycling rate, tons of material recycled [%] (source: SDG 12.5.1) (Ind. 3.1.7) .

Associated IPA III Level 3 indicators:

- Amount and share of EU-funded external assistance directed towards digitalisation

3. Policy context and Rationale

- **IPA III PF: Window 3** - Green Agenda and Sustainable Connectivity, **Thematic Priority 1:** Environment and climate change.
- **Chapter of the *Acquis***: The main concerned chapter of the EU acquis under this section is **chapter 27** (Environment and climate change), included in cluster 4 (Green agenda and sustainable connectivity).

While up to 80% of products' environmental impacts are determined at the design phase, the linear pattern of "take-make-use-dispose" does not provide producers with sufficient incentives to make their products more circular[1]. Many products break down too quickly, cannot be easily reused, repaired or recycled, and many are made for single use only. At the same time, the single market provides a critical mass enabling the EU to set global standards in product sustainability and to influence product design and value chain management worldwide.

Action on the circular economy ties in closely with key EU policy priorities and with global efforts on sustainable development, such as the European Commission Circular Economy Action Plan – one of the main building blocks of the European Green Deal, Europe's new agenda for sustainable growth. The new Action Plan announces initiatives along the entire life cycle of products, targeting for example their design, promoting circular economy processes, fostering sustainable consumption, and aiming to ensure that the resources used are kept in the EU economy for as long as possible. It introduces legislative and non-legislative measures targeting areas where action at the EU level brings real added value. In addition, the circular economy has strong synergies with the EU's objectives on climate and energy and with the Commission's package on 'Clean Energy for all Europeans'.

Western Balkans beneficiaries should shift their economic model to resource-efficient, safe, and sustainable low-carbon economies in line with the wider EU targets for climate action and environmental protection. IPA III assistance will be in line with the five pillars identified in the Guidelines for the Implementation of the Green Agenda for the Western Balkans.

Further guidance, including suggestions and explanations of other results indicators not taken up into the IPA III RF (but which may be useful at intervention level), is given here.

4. Values to report

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

- **Reporting values in the logframe:**
  - **Baseline value**: The value assumed by the indicator at time t0, against which progress will be assessed.
  - **Reporting of current value** is done at least once a year: actual latest value on amount by the time of reporting and according to the applicable definitions provided in section 5 of the note. Values will be reported cumulatively across the whole implementation period.
  - **Final target value**: estimated total amount by the target year and according to the applicable definitions provided in section 5 of the note.

[1] EU's "A New Circular Economy Action Plan" (COM(2020) 98 final), initial paragraph section 2.1 Designing sustainable products. https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52020DC0098&from=ES

- **Intermediate targets (milestones).** A tool has been developed in OPSYS to automate the generation of intermediate targets[2].
  - 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[3]) 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 EUR committed in accounting systems of the target groups,** using the Technical Definitions and Counting Guidance provided below. Please double check your calculations using the Quality Control Checklist below.

Technical Definitions

- **Circular economy**: [EFSD+] For the purpose of this indicator circular economy is a model of production and consumption, which involves sharing, leasing, reusing, repairing, refurbishing and recycling existing materials and products as long as possible. In this way, the life cycle of products is extended.
- **Investments in circular economy:** an investment with the purpose to: i) design or redesign products or processes that will maintain the value of the product, extend its lifecycle and return it or parts of it to the product cycle at the end of their use, while minimizing the generation of waste; ii) to take the design or redesign of a product, model, service, technology or invention intended to maintain the value of the product, extend its lifecycle and return it or parts of it to the product cycle at the end of their use towards commercial scale development. More specifically investments that aim to[4]:
  - improve product durability, reusability, upgradability and reparability, addressing the presence of hazardous chemicals in products, and increasing their energy and resource efficiency

[2] This has been done in the framework of the **Intervention Performance Assessment.** Two composite indicators have been developed to provide an overall assessment of an intervention's current implementation and future prospects. These scores will be calculated for all NEAR interventions participating in the annual results data collection exercise.

- The **implementation score** reflects the relevance, efficiency and effectiveness already achieved by the 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.
- The **risk score** reflects expectations regarding the most probable levels of relevance, efficiency, effectiveness and sustainability to be achieved by the intervention in the future. In this case, all the information is provided by the Operational manager's responses to questions in a survey.

[3] 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.

[4] Circular Economy Action Plan

- increase recycled content in products, while ensuring their performance and safety
- enable remanufacturing and high-quality recycling
- reduce carbon and environmental footprints
- restrict single-use and counter premature obsolescence
- incentivise product-as-a-service or other models where producers keep the ownership of the product or the responsibility for its performance throughout its lifecycle
- mobilise the potential of digitalisation of product information, including solutions such as digital passports, tagging and watermarks

- **Targeted value chains**: priority will be given to product groups of the value chains featuring in the Circular Economy Action Plan (below). Other product groups may be identified based on their environmental impact and circularity potential.
  - Electronics and ICT
  - Batteries and vehicles
  - Packaging
  - Plastics
  - Textiles
  - Construction and buildings
  - Food, water and nutrients
- **Enterprises**: Micro, Small and Medium Enterprises, farms, cooperatives, individuals, laboratories and any other relevant productive unit of goods and services. May also include for the purpose of this indicator waste management service providers, universities, research centres and public-private partnerships intended to develop circular economy solutions.

Counting Guidance

- **Reference to possible double-counting**: There is a risk of double counting in the case of multiannual investments. Precautions should be taken by IPs to report only new commitments.

Quality Control Checklist

1. Has double counting been avoided as indicated in the Counting Guidance above?
2. Have all relevant disaggregations been reported?
3. Has the baseline and final target been encoded with the right dates?
4. Did you encode the latest current value available?
5. 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 country to implement a Circular Economy Investment Fund (Zero waste Fund) co-financed through IPA III. The fund is projecting to deliver over 60 000 tonnes of annual carbons savings and attract private investments worth EUR 59 million. The Zero Waste Fund complements investments committed by small and medium size businesses to implement circular innovations with grants awarded to projects that move towards commercialisation. IPA III funds will supply 25% of the total investments required by projects up to a maximum grant of EUR 200 000. In year 1, the total amount of investments committed by the businesses whose projects were approved by the Zero Waste Fund was EUR 2 million, of which 25% were IPA III funds. In year 2, additional EUR 6 million were committed (1 200 000 via Zero Waste Fund).

Values:

Baseline value (Y0): is assumed to be 0 as there is no information provided.

Target value: EUR 59 million

Value at Y1: EUR 1 500 000 (2 million minus the EU contribution)

Value at Y2: EUR 1 500 000 (Y1) + EUR 4 800 000 (Y2: EUR 6 million minus the EU contribution) = EUR 6 300 000

Contribution to results: EUR 6 300 000 - baseline value = EUR 6 300 000

7. Data sources and issues

Data sources in the logframe:

- Data for this indicator must derive directly from the intervention, i.e. intervention internal monitoring and reporting systems from implementing organisations (e.g. governments, international organisations, non-state actors) through **baseline and endline surveys**.
- Implementing partner's monitoring and reporting systems and, when required, progress reports of the intervention (or their annexes) should capture relevant information from **primary sources** used for data calculation which, in the case of this indicator, should be the accounting systems of the target groups.
- Other possible sources include studies carried out in the framework of the interventions and external monitoring and/or evaluation reports.

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) will need to ensure the counting starts at the lowest level of intervention and is reported upwards and aggregated for the entire intervention in the framework of regular monitoring and reporting systems.
- 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.**3.1.7.1** can be found in the following groups of EU predefined indicators available in OPSYS, along with other related indicators:

- **IPA III RF Window 3: Green agenda and sustainable connectivity (IPA III W3)**

For more information, see: Predefined indicators for design and monitoring of EU-funded interventions | Capacity4dev (europa.eu)

10. Other issues

None