# IPA III Results Framework Indicator Methodology Note

| 1. Indicator code and name |
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| **IPA III RF 3.2.1.6:** Number of projects (above EUR 1 million) approved for financing, which were developed with EU support |
| 2. Technical details |

**OPSYS and Results Dashboard code**: .

Unit of measure: Number of (#)

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 indicator within an intervention logframe such as: *Number of projects under development for EU financing (possibly disaggregated according to stage of development, sector, size of required budget, territory etc[1])*

Disaggregation: The indicator should be disaggregated by:

- Financial size of project: 1MEUR-5MEUR; 5MEUR-20MEUR ; 20MEUR-50MEUR, 50MEUR+ (total budget)
- Sector in which project falls: for projects financed by IPA, designate IPA Window and Thematic Project, for others, sector
- Source of financing (of implementation, not preparation): IPA, IPARD, EFSD+, other
- Type of Project (determined in function of legal project promoter: public, private, other)

Managing Authorities or other implementing partners may propose further disaggregation.

DAC sector codes: 15110; 14010; 16020; 21010; 23110; 31110; 41010; 43073.

Main associated SDG: **SDG 9** - Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.

Other associated SDGs: **SDG 13** - Take urgent action to combat climate change and its impacts, **SDG 12** - Ensure sustainable consumption and production patterns, **SDG 7** - Affordable and clean energy, SDG 9 - Industry, innovation and infrastructure and to **SDG 8-** Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all; **SDG 15**: Life on Land, **SDG 3** Good health and well-being; in fact any SDG that requires that institutions be strengthened and become more effective as a condition for increased public expenditure or investment in a sector .

Associated IPA III Level 1 indicator: none.

Associated IPA III Level 3 indicators:

- Amount and share of EU-funded external assistance contributing to: (a) climate change (adaptation and mitigation), (b) protecting biodiversity, c) combating desertification, (d) protecting the environment (Aid to Env).
- Amount and share of EU-funded external assistance directed towards digitalisation

[1] See additional note on this in Section 10

- 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. Policy context and Rationale

- **IPA III PF: Window 3** - Green Agenda and Sustainable Connectivity, **Thematic Priority 2**: Transport, digital economy and society, and energy. However, this indicator is deliberately formulated to include all possible projects, programmes or interventions approved for financing from *any source* whose development was made possible through EU support (ie IPA II, III, IPARD, EFSD+). It is expected however that such projects are likely to be approved for financing under IPA or EFSD+.
- **Chapter of the *Acquis***: The indicator can apply to several *acquis* chapters which require institutional strengthening as a condition for increased public expenditure or investment in a sector. As such, the main chapters of the EU *acquis* concerned under this section are **Chapter 22:** Regional policy and coordination of structural instruments, **Chapter 27:** Environment and climate change, **Chapter 14** Transport policy, **Chapter 21**: Trans-European networks, **Chapter 15:** Energy, **Chapter 11:** Agriculture and rural development, **Chapter 19:** Social policy and employment, **Chapter 20:** Enterprise and industrial policy, **Chapter 25:** Science and research, **Chapter 10** (Information society and media); in fact any Chapter that requires that institutions be strengthened and become more effective as a condition for increased public expenditure or investment in a sector.

IPA III Windows 3, 4 and 5 support directly public investments and expenditure for interventions across a wide spectrum of sectors. EFSD+ and future Structural and Cohesion Funds will massively increase levels of EU support to these sectors and potentially some other areas. In this context, there arises already a major need to prepare for a medium to long term major expansion of public expenditure and investment in relevant sectors. Experience indicates that post-Accession, the level of increase in major developmental areas can be up to 80 or 90% relative to pre-Accession levels.

The Western Balkans Investment Initiative (WBIF) will focus on major infrastructural projects and their development. However there will also be a need projects in other areas as well (including of a "softer nature" e.g. major labour market/training programmes, grant or aid schemes or programmes that support particular kinds of smaller project or significant projects, smaller than "major projects" and programmes that need to be developed by partners themselves with technical assistance and capacity development support.

IPA Programme Framework Window 3 (pp. 37-38) note that "*The assessment and support of the structures, processes and procedures set up in the IPA III beneficiaries to select, prepare and implement infrastructure investments including with possible private engagement through public-private partnerships, will be of particular importance for the achievements of the strategic objectives of this Window. In addition, such investments should always be associated with those institutional and regulatory reforms undertaken in the context of the alignment with EU acquis and standards, and likely to ensure long-lasting and sustainable social and economic returns*". This remark could be applied to all types of project to which this indicator may apply.

There are many barriers to deploying higher levels of public expenditure and investment and these are often described under the term “absorption” problems. Among the main factors for absorption problems are: (i) institutional immaturity (key required institutions are too weak to play their necessary role in project development (cfr. Ind 3.2.1.5), (ii) regulatory under-development leading to legal bottlenecks (including, for example, lack of legally specified technical standards) (iii) capacity and competency deficiencies meaning that the requisite skills are insufficient and finally (iv) lack of financial resource with which to actually develop projects. IPA or broader EU assistance deployed to address any of these (or other) issues relative to the development of particular project is consistent with the sense that a project has been “developed with EU support”.

One of the most serious barriers is that the process of project development usually takes several years and unfortunately starts too late. It is compounded by technical and regulatory barriers and capacity constraints and often by a failure to assess economic and financial costs and benefits, ensure financial sustainability and maintenance over the medium to long term. These issues arise with all kinds and sizes of project.

Problems are not limited to infrastructure projects. Indeed experience testifies to major bottlenecks in the development of large-scale employment and labour market projects and programmes, in development of aid schemes for economic actors, especially in fields such as innovation. More recent sectors such as green economy, digitalisation, renewable energy, climate adaptation and mitigation all present complex problems at the stage of project development. Even more classical projects in environmental infrastructure (water and sanitation, solid waste management) are complex and require sustained efforts to build up a pipeline of projects that justify public financial support.

Assistance to project development can take many forms and is not – and should not be – limited to development of studies or the deployment of external consultants. Many projects require a coalition of institutional actors and the process of bringing these together is one of the first stages if the process. Partner commitment to a project needs to be continually renewed since inevitably what starts as a project idea changes in the process of development. Beyond studies partners need to contribute actively to a project’s development and take various steps within their own institutions to ensure sound prospects for the project.

Thus assistance to project development can involve all or any of the following:

- Capacity development and training programmes for development actors to identify problems and opportunities that projects can address, to work up a first concept of a possible project taking account of both needs and demand, then to assess whether the project concept merits further design and development, to commission relevant and proportionate studies and manage those who undertake them, to decide on modifications to the project design, finally to ensure the financial means -beyond investment grants or loans – to ensure post-project sustainability (and ensure maintenance and associated costs).
- Support to sectoral or territorial planning processes on condition that these efforts directly lead to identification of possible projects to be developed
- Active technical assistance provided by external experts – design, studies, costing, (note IPA III RF Ind. 3.2.1.3 in this regard)
- Upgrading of public authorities’ own technical and financial capacity, including development of project skills, re-organisation of project management units etc. (note IPA III RF Ind. 3.2.1.5 in this regard).

In short the process of ensuring a project pipeline is a major challenge that will require substantial work over a long period.

## 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 for an intervention**: values will be reported cumulatively:
  - **Base line value**: number of projects according to the applicable definitions provided in section 3 of the note at the beginning of the EU funded intervention (start year-1) or the closest available date. Most probably will be zero.
  - **Final target value**: Total estimated number of projects according to the applicable definitions provided in section 3 at the end of the EU funded.
  - **Reporting of current value**: if the reporting is done annually, the current value is the total number of projects meeting the requirements as defined in section 3 the year before the cut-off date. If the reporting is cumulative, current values will reflect the total number of projects approved for financing so far (by adding the baseline value (0) to the sum of the number of projects approved for financing every year since the beginning of the intervention).
  - **Contribution to results**: the current value minus baseline value.

## 5. Calculation of values

The value for this indicator is calculated by counting the **Number of projects over 1 million euro**, using the Technical Definitions and Counting Guidance provided below. Please double check your calculations using the Quality Control Checklist below.

<u>Technical Definitions</u>

- The key idea behind this indicator is to identify, record and report those projects approved for financing that have been developed with EU assistance.
- **Projects (above EUR 1 million):** For purposes of this indicator a project covers the following terms: programme, intervention, scheme that has been designed for a developmental purpose and is intended to be wholly or partially publicly financed. The term "*developmental*" here is used in a broad sense and includes all forms of economic, social, cultural, environmental or human development that is sustainable and all factors that contribute to this. All areas supported financially by the EU and by IPA are considered to fall within this definition The project itself need not be public in the sense that the project promoter or owner is a public entity: private sector investments or public-private projects that seek partial public investment (respecting State Aids rules) fall within the sense of the term "project" for purposes of this indicator.
- **Approved for financing:** Means that the project has received a written indication to the effect that it is envisaged that a stated public source of financing accepts the project for financing. As such the stage of "*approved for financing*" can be understood as a pre-contractual written intention to finance, possibly subject to specified conditions. A contract need not yet be signed by contracting parties. In many cases approval for financing may be in the form of a "*letter of offer*" or equivalent.
- **Developed:** for purposes of this indicator "*developed*" indicates that a project has been elaborated to the stage of technical design, that it has been costed, that it is characterised by clear objectives, intended or expected results, supported by quantifiable indicators and that, depending on the nature of the project, a pre-feasibility or feasibility, business or

implementation plan has been developed. No major barriers should exist to its implementation *except completion of procurement documentation*. The reason for this exception is that, depending on the nature of the project, approval for financing may, in certain situations, intervene prior to full elaboration or updating of project documentation.

Counting Guidance

- **Reference to possible double-counting**: to avoid double counting no project can be counted more than once against this indicator. Each project should be counted only once, and reported in the year in which it has been approved.

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

In country A, the EU supports various two interventions that support – among other elements – project development through various means.

**Intervention A** supports a programme for regional and local actors to develop projects in tourism, business infrastructure and associated activities, rural development.

In Year 1 Intervention A provides capacity development and technical assistance to 30 groups of project developers each starting with a "project idea" that wish to develop. This support continues into Year 2 for 20 of these project ideas (several are abandoned on the way since are deemed non-feasible). By end of Year 3, 8 projects are submitted for financing and by end of Year 4, 5 have been approved for financing. Of the 5 approved for financing, 4 have a total budget over 1 MEUR. [Note the 1MEUR relates to "total financing" not to any particular donor or EU contribution]

Values:

**Baseline value Year 0**: 0 (we assume no previous project development of this kind)

**Target value (after end of Year 3):** 15 projects in finalisation stage and approved for financing

**Current values:**

- Y1: 0 (none developed and approved for financing);
- Y2: 0 (none developed and approved for financing);
- Y3: none developed and approved for financing;
- Y4: 4 developed and approved for financing with a budget over 1 MEUR.

The indicator value does not change unless a project, developed with EU support, is actually approved for financing and has a budget over 1MEUR. In reality the 4 projects may not start implementation until Year 6!

**Intervention B** supports a programme for development of national scale projects or programmes in the areas of labour market/employment/human resource development, research and technological development and innovation (including science and technology parks), with emphasis on green and digital sectors, major environmental planning and project identification with focus on solid waste management and water and sanitation, road, rail and energy infrastructure. Intervention B is closely linked to WBIF and many projects that are initially assisted are submitted for later WBIF support to technical preparation and later financial support.

In Years 1 and 2 Intervention A provides technical assistance and advice to institutions involved in planning in needs and demand linked to possible future investments. By end of Year 3 a pipeline of 10 project concepts has been developed, with project concepts ranging in budget from an estimated 2 MEUR to 70MEUR. By end of Year 4, a further 10 projects have been added to the pipeline and 5 have been abandoned. Equally in Year 4, seven (7) projects are taken over by WBIF and prepared under its aegis for future financing and implementation involving EFSD+. While their implementation is not yet approved for financing, their development is supported through WBIF.

By end of Year 5, none of the projects has yet been approved for financing (in terms of implementation), but by end of Year 6, 4 of the WBIF projects are approved for financing and a further 5 projects in the pipeline are approved for financing from other sources, including IPA.

Values:

**Baseline value Year 0**: 0 (we assume no previous project development of this kind)

**Target value (after end of Year 4):** 10 projects in finalisation stage and approved for financing

**Current values:**

- Y1: 0 (none developed and approved for financing);
- Y2: 0 (none developed and approved for financing);
- Y3: none developed and approved for financing;
- Y4: 0 developed and approved for financing;
- Y5: 0 developed and approved for financing;
- Y6: 9 developed and approved for financing with a budget over 1 MEUR (4 under WBIF, 5 otherwise).

Both examples show that it will take quite a long time for even modest target values to be reached under this indicator since the process of developing projects over 1MEUR in budget is inherently complex and time-consuming. Indeed it is possible that a project developed with EU support may not be approved for financing until well after completion of preparation. For this reason, logframes for interventions that support project development will require additional indicators that reflect the slower evolution of project pipelines and record the pace of their development, or where there are many project in a pipeline, the pace of development of the overall project pipeline. (See 10: Other Issues – Additional Note)

## 7. Data sources and issues

**Data sources in the logframe:**

- Data for this indicator will derive directly from the intervention that supports project development; and be drawn from intervention monitoring and reporting systems of implementing organisations (e.g. governments, public administrations, non-state actors, ……)

**Data source categories specified in OPSYS:**

## 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 intervention) will need to ensure a system that records and counts the development of projects through their various stages and reports upwards.
- 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 Beneficiary Countries.

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

- *IPA III via the Annual Report*

9. Other uses

**IPA III RF 3.2.1.6** can be found in the following groups of EU predefined indicators available in OPSYS, along with other related indicators:

- **XXX**

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

10. Other issues

This is one of several indicators included in the IPA III Results Framework to reflect the need to prepare the pathway towards significantly increased level of EU public expenditure/investment in many sectors typically funded, post-Accession, under European Structural and Cohesion Funds, and pre-Accession under IPA III Windows 3,4,5 and EFSD+. Other indicators included in the IPA III RF that respond to this challenge in different ways are:

Ind. 3.2.1.5: Number of institutions whose capacity is strengthened and which directly facilitate prospects for future public expenditure/investment in a sector

Ind. 3.2.1.3: Number of pre-feasibility and feasibility studies undertaken [understood with IPA support] related to future considered IPA, IPARD or EFSD+ investments

**Additional Note:**

The IPA III results framework does not include an indicator that responds to the number of projects destined for future (EU) financing that are under preparation at a given moment – but are yet far from approval for financing. Below is set out some suggestions as to how this important process could be tracked by an indicator over the course of its development.

As indicated in Section 3, Ind 3.2.1.6 would logically be associated with an output indicator within an intervention logframe such as:

- Number of projects under development for EU financing (possibly disaggregated according to stage of development **(e**.g. Stage 1: project idea; Stage 2: (outline) concept or design; Stage 3: full elaboration (including its business development, all required studies and obtention of all required permits and licences, full technical design (the latter for an infrastructure project); Stage 4: approval for financing, Stage 5: finalisation (which may include tendering and sub-contracting), Stage 6: implementation[2]); disaggregated according to sector, size of required financing, territory etc).

An indicator such as this would be key to an intervention involving technical assistance and capacity building to develop a pipeline of projects across various sectors (or IPA Windows and Thematic Priorities). It would enable reporting on the pace of development and volume of projects and even provide some predictability as to the financing that might be required in different time-fames. Thus for an intervention whose objective is to develop projects in different sectors or areas, it would in principle be possible to adapt this indicator in a manner that tracks all projects at each stage of development. By disaggregating according to size ofr required

[2] Note these stages are slightly different from those suggested for Ind. 3.2.1.3 (i.e. for major engineering/infrastructure projects only). The stages suggested for the current indicator 3.2.1.6 are considered applicable to all or any project developed for public financing.

financing, it would be possible at any moment to estimate the amount of financing likely to be required in a given timeframe[3].

It is evident that data from this indicator – within the logframe for an intervention whose objective would be "a project pipeline developed" – could feed into the IPA RF Indicator: if for example 8 projects under this indicator had completed Stage 4 (i.e. Stage 4: approval for financing), then four projects could legitimately be counted against IPA RF Ind. 3.2.1.6 for the year when approved for financing.

[3] The approach suggested here has already been validated in practice under several EU financed technical assistance programmes in past Candidate Countries.