

IPA III Results Framework Indicator Methodology Note

1. Indicator code and name
IPA III RF 4.2.1.3: Number of MSMEs reporting increased turnover as a direct result of support received
2. Technical details
<p><u>OPSYS and Results Dashboard code:</u> 67959.</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 outcome indicator. It would logically be associated with an outcome such as " <i>Improved business performance of supported early-stage businesses, MSMEs/social enterprises and cooperatives (including women and youth led entities)</i>".</p> <p><u>Disaggregation:</u></p> <p>Where relevant and possible, the indicator should be informed with data disaggregated, according to:</p> <ul style="list-style-type: none"> - micro, small and medium enterprises (see Type of business entity – micro, small or medium (https://single-market-economy.ec.europa.eu/smes/sme-definition_en)). - gender of owner of MSME. <p>It may also be useful, subject to advice from the programme manager to disaggregate according to sector of activity of business entity: manufacturing, traded services, tourism, agriculture, other.</p> <p><u>DAC sector codes:</u></p> <p>32110; 32120; 32130; 32140; 32161; 32162; 32163;32164; 32165; 32166; 32167; 32168; 32169; 32170;32171; 32172; 32173; 32174; 32182</p> <p><u>Main associated SDG:</u> SDG 8 – Decent Work and Economic Growth.</p> <p><u>Other associated SDGs:</u> n/a.</p> <p><u>Associated IPA III Level 1 indicator:</u></p> <ul style="list-style-type: none"> • Ease of doing business (source: World Bank) (Ind. 4.2.1) <p><u>Associated IPA III Level 3 indicators:</u> .</p> <ul style="list-style-type: none"> • Amount and share of EU-funded external assistance contributing to strengthening investment climate . • Amount and share of EU-funded external assistance contributing to: (a) aid for trade, (b) aid for trade to LDCs, and (c) trade facilitation • 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 4** Competitiveness and inclusive growth, **Thematic priority 2** -: Private sector development, trade, research and innovation
- **Chapter of the Acquis.** The indicator responds to interventions related to several *Acquis* Chapters especially to EU *Acquis* **Chapter 20**: Enterprise and industrial policy.
- The indicator, as formulated, is very close to an **EFDS+ indicator** (IW1 - MSMEs) which is expressed as: *“Number of supported businesses, social enterprises and cooperatives reporting increased turnover (as a result of direct support of the investment), disaggregated by target group, sex, age (15-30) of leader where relevant”*.

As emphasised in the IPA III Programming Framework (p. 46) “Given the potential for inclusive and sustainable economic growth, further support to tackle some of the private sector’s key challenges remains crucial: expedite structural adjustment; foster an environment conducive to business creation and to domestic and inward foreign investment; promote the use of international standards; promote small and medium-sized businesses (SMEs); promote entrepreneurship; support the digitisation of industry, encourage innovation. In particular, for Micro, Small and Medium Enterprises (MSMEs), challenges include quality in their services and production, lack of access to finance and of financial inclusion (for women and youth especially), to sustainable and reliable energy and to digital technologies. Access to financial services and finance for MSMEs and consumers and for small-scale farming needs to be supported, including through access to opportunities offered by digital technologies through digital financial services, which have extended to credit, savings, insurance and payments, including cross-border remittances.”

An overall improvement in a country’s GDP requires many conditions including an overall improvement in business growth and competitiveness. While there are many elements to this, an increase in the number and turnover of enterprises is an important critical factor. As such company turnover is a relatively transparent indicator that a company is on the road to growth. Certainly, other factors are also relevant, but these may be more difficult to report.

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 the total number of MSMEs 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 number of MSMEs by the target year and according to the applicable definitions provided in section 5 of the note.
- **Intermediate targets (milestones).** A tool has been developed in OPSYS to automate the generation of intermediate targets¹.

¹ 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.

- 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 options²) 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 MSMEs**, using the Technical Definitions and Counting Guidance provided below. Please double check your calculations using the Quality Control Checklist below.

Technical Definitions

The definition of MSMEs should be based on the definition applicable in the IPA beneficiary (which, in most cases, at this stage, should be aligned on EU practice – see https://single-market-economy.ec.europa.eu/smes/sme-definition_en).

Turnover is understood as the total sales made by a business in a certain period. It is sometimes referred to as 'gross revenue' or 'income'. It is not to be confused with "profit". Annual turnover is declared in a company's annual accounts.

As a direct result means the increase in turnover can be traced directly to support provided. Such a direct result must be clear to observe and should not be based on assumptions or beliefs or complex extrapolations from the support provided. An example of a "direct result" might be the case of a company which produces and sells significantly increased product volume as a result of an IPA supported investment in production machinery.

Counting Guidance

- Be or have been in receipt of IPA support
- Have increased turnover with reference to a full past year (most recent for which accounts exist).

There is no need to report the actual figure of the turnover, merely to report an increase. Note however that the IP or other managing authority may request proof of the claim.

The increase in turnover can be reported:

- Only once (not in successive years even if turnover continues to increase and the enterprise considers the increase due to the original support)
- Only once even if several forms of support were provided at or around the same time.

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- 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.

² 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.

Quality Control Checklist

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

6. Examples of calculations

Two banks are accredited lenders for small loans to investment in a country to MSMEs in the sectors of manufacturing, tourism, environmental services (especially green and circular economy). They operate a scheme with a loan capital of EUR 1 Million, 75% of which is sourced from EFSD+.

In Year 1:

- Bank A reports 9 loans/investment provided
- Bank B reports 8 loans/investment provided

In Year 2:

- Bank A reports 17 loans/investment provided
- Bank B reports 16 loans/investment provided

In Year 3:

Bank A reports 7 loans/investment provided

Bank B reports 8 loans/investment provided

Through its monitoring of these loans each Bank reports the following:

End Year 1:

Neither bank has any data from client companies relative to turnover

End Year 2:

Bank A receives (and verifies) data indicating 12 companies reported increased turnover and provided persuasive evidence that was a direct result of loans received and changes to equipment and processes made. A further 3 report no increase, and a further 3 indicate they are unable to report.

Bank B receives (and verifies) data indicating 15 companies reported increased turnover and provided persuasive evidence that was a direct result of loans received and changes to equipment and processes made. A further 2 report no increase, and a further 2 indicate they are unable to report.

End Year 3:

Bank A receives (and verifies) data indicating a further 6 companies reported increased turnover and provided persuasive evidence that was a direct result of loans received and changes to equipment and processes made. A further 2 report no increase, and a further 2 indicate they are unable to report.

Bank B receives (and verifies) data indicating 10 companies reported increased turnover and provided persuasive evidence that was a direct result of loans received and changes to equipment and processes made. A further 2 report no increase, and a further 2 indicate they are unable to report.

Presenting this we can see:

Therefore, the Number of beneficiaries with access to financial services with EU support is:

	Beneficiaries reporting increased turnover	
	Bank A	Bank B
Start Year 1 (Base-line)	0	0
End Year 1	0	0
End Year 2	12	15
End Year 3	18 (6 in Y3 + 12 in Y2)	25 (10 in Y3 + 15 in Y2)
Total Final Value (end Y3)	43	
Target (end Y3)	40	

So, in this case, by end of Year 3 a total of 43 MSMEs have reported at one time or another an increase in turnover as a direct result of support received – and importantly the bank that provided the lending has considered this a fair representation of reality. In this case this exceeds the target set.

Note that in total 65 loans were made over the period (let us assume to 65 different MSMEs). As for the other MSMEs, several scenarios can be envisaged: they fail as business entities, they simply do not report or their turnover does not increase.

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).
- 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 (Baseline and endline surveys conducted and budgeted by 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, i.e. the MSME that is in receipt of support, and is reported upwards and aggregated for the entire intervention in the framework of regular monitoring and reporting systems. It is the service-provider offering the support (perhaps a financial intermediary) who will collect and verify the data provided by the enterprise from its internal records and report it to a higher level.
- 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 centrally 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*

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

- *EFSD+*

9. Other uses

IPA III RF 4.2.1.3 can be found in the following groups of EU predefined indicators available in OPSYS, along with other related indicators:

- European Fund for Sustainable Development (EFSD);
- Green Economy (GreenEco);
- IPA III RF Window 4: Competitiveness and inclusive growth (IPA III W4)

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

10. Other issues

This indicator is also an EFSD+ indicator. The contents of this note have been adapted to be used in IPA III RF, therefore, they are not necessarily applicable to other contexts as the specifications of the EU acquis are not always in application in third countries eligible to EFSD+ funds.