# IPA III Results Framework Indicator Methodology Note

| 1. Indicator code and name |
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**IPA III RF 4.2.1.5:** Number of new businesses established

| 2. Technical details |
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**OPSYS and Results Dashboard code**: 260947.

Unit of measure: Number of (#)

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

Level of measurement: This is an **outcome** indicator.

Disaggregation:

Subject to intervention or reporting requirements we would suggest the following disaggregation be considered:

- Type of business established
- Nature of pre-establishment support provided (e.g. training, advisory support…)
- Sector of activity

Gender and type of vulnerable group of the entrepreneur (main owner)

DAC sector codes: 25010; 25020; 25030; 25040

Main associated SDG: **SDG 8** – Decent Work and Economic Growth.

Other associated SDGs: n/a .

Associated IPA III Level 1 indicator:

- For Window 4: Ease of doing business (source: World Bank) (Ind. 4.2.1)
- For Window 5: Attitudes on regional cooperation and EU integration (source: Regional Cooperation Council's Balkan Barometer) (Ind. 2.3.1, same indicator presented under Window 2 – TP3).

Associated IPA III Level 3 indicators:

- For Window 4:
  - 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 |
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- **IPA III** Programming Framework: **Window 4** "Competitiveness and inclusive growth" **Thematic Priority 2** "Private sector development, trade, research and innovation" & **Window 5** "Territorial and cross-border cooperation".

- The indicator corresponds to indicator 35 of the IPA III Programming Framework under Window 5. It is **included in all IPA-IPA CBC programmes**.

- **Chapter of the *Acquis*:** the indicator responds to interventions related to various chapters. Among the more relevant chapters are: **Chapter 19**: Social policy and employment, **Chapter 20**: Enterprise and industrial policy, **Chapter 11**: Agriculture and rural development. More generally this indicator may be used in a variety of interventions including under Window 3, and reported from these. It may be used for interventions supported by IPA, IPARD or EFSD+.

As indicated 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."

Establishing businesses is a key condition for maintaining and improving high levels of employment and economic prosperity. While not all businesses will succeed, it is essential to encourage entrepreneurship and the development of new start-ups. This indicator responds especially to this challenge. It is especially important in all countries to encourage start-ups in new sectors, related to digitalization, green and circular economy but more generally in any sector that promises growth. Start-ups that may have potential to grow and trade internationally, are especially important to encourage.

The indicator can apply to IPA/IPARD/EFSD+ interventions (often articulated through business development or enterprise training programmes) which provide any form of support to any (pre-) establishment activity such as training (mentoring, coaching), support to starting own business, support with business planning, legal registration etc.

This indicator should not be used for Interventions that are limited to upstream activities focused on improving the broader business environment since no direct influence can be traced between this kind of activity and the establishment of any particular business.

## 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 new businesses established 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 new businesses established 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 targets[1].

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[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.

- 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[2]) 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 new businesses established**, using the Technical Definitions and Counting Guidance provided below. Please double check your calculations using the Quality Control Checklist below.

Technical Definitions

- For purposes of this indicator, a **business** is understood in a very broad sense as an organization or enterprising entity engaged in commercial, industrial, or professional activities. The purpose of the business is to organize some sort of economic production (of works, goods or services). It can take any legal form applicable to a IPA beneficiary that permits the economic activity in which the business is involved.

- **Under IPA-IPA CBC**, this indicator should be compulsory if the project is targeting potential entrepreneurs, regardless of whether a donation of start-up packs is envisaged or not. In the Regional Monitoring System, it is inter-related with impact indicator I04 (measuring businesses still active after 2 years).

Counting Guidance

- The exact calculations will vary by type of intervention, but the calculation steps are similar and as follows:

  o A service provider or grant beneficiary – implementing an intervention that provides some form of support to business development – will count the number of **new** businesses established by beneficiaries of the support, that are considered to **result directly from the intervention's support.** Businesses that pre-exist prior to the beneficiaries' receipt of programme support, will not be counted. To be counted businesses must **get legally registered during the intervention implementation period** and meet the definition set out above at 3. Technical Definition.

  o If the intervention is completely new, then a baseline of "0" will be assumed for this indicator even though it is an outcome indicator. However, if a prior highly similar

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- 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.

[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.

programme already exists (scope, coverage, objectives, modalities, conditions) then the baseline should be taken as the actual result's value reached by the prior programme. Such baseline is available for IPA-IPA CBC and has been defined in IPA III Programming Framework.

- o Unless the intervention or implementing partner advises otherwise the indicator is to be reported on from lowest level of intervention at least annually.

- o The implementing partner (or sub-implementing partner in the case of a service provider) must count the number of businesses that are actually newly established. These businesses must be established by persons who have been subject to relevant pre-establishment support.

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

50 persons participate in a 2-year EU-funded business development programme, with focus on new promising sectors. This programme involves training, advice, and assistance to business set up and planning for an initial period of 12 months, followed by support to the business legal registration and start-up phase.

At the end of year 1, of the 50 potential entrepreneurs, 38 remain in the programme. The other 12 dropped out at different stages.

Over year 2, 20 individuals that remained in the programme each establish a business. Also, the service-provider monitors and verifies that a further 2 of the 12 who dropped out, also establish a new business.

In reporting undertaken at programme completion, the service-provider counts the following number of new businesses established directly influenced by the programme:

- 20 + 2 = **22 new businesses established**

It is disputed by the implementing partner that one of the "drop-outs" who left the programme after 6 weeks would have established his business anyway and that he left the programme since he determined he did not need it. Thus, verification by the implementing partner (in discussion with the service provider) leads to the conclusion that the final count is:

22-1 = **21 new businesses established**

## 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). When required these should capture relevant information from primary sources used for data calculation.

- 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: n/a**

### 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 IPA-IPA CBC, the data will be collected and checked within the Regional Monitoring System by the JTS of the programme.
  - 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*

### 9. Other uses

**IPA III RF 4.2.1.5** can be found in the following groups of EU predefined indicators available in OPSYS, along with other related indicators:

- "IPA III RF Window 4: Competitiveness and inclusive growth (IPA III W4);
- IPA III RF Window 5: Territorial and cross border cooperation (IPA III W5)"

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

### 10. Other issues

None