IPA III Results Framework Indicator Methodology Note

1. Indicator code and name

IPA III RF 4.2.1.4: Number of supported entities that adopt new green/sustainable production practices, processes and equipment disaggregated by target group, gender and age (15-30 years) of leader, and regions where relevant

2. Technical details

OPSYS and Results Dashboard code: 260726

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 outcome such as "*Increased use of climate-smart and circular technologies and processes*".

Disaggregation: Where relevant and possible, the indicator should be informed with data disaggregated by: target group, gender and age (15-30 years) of leader of supported entity, and regions where relevant.

If the indicator is used at intervention level, it will be for the implementing partner to determine the relevance of disaggregation (i.e nature of the sustainable practice from farming to production of renewable energy) together with the Managing Authority / EUD.

DAC sector codes: 25010; 25020; 25030; 25040

Main associated SDG: SDG 12: Responsible Consumption and Production .

Other associated SDGs: n/a.

Associated IPA III Level 1 indicator:

- Ease of doing business (source: World Bank) (Ind. 4.2.1) .

Associated IPA III Level 3 indicators: none.

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
- **SDG 12:** Responsible Consumption and Production
- The indicator corresponds to **EFSD+ (IW1 MSME)** *'Number of supported entities that adopt new green/ sustainable production practices, processes and equipment disaggregated by target group, sex and age (15-30 years) of leader, and regions where relevant'* and is very similar to **GERF indicator 2.6** "*Number of Micro, Small and Medium Enterprises (MSMEs) applying Sustainable Consumption and Production practices with EU support*".

The EU's approach to sustainable production is part of the European Green Deal. The Green Deal encompasses a set of far-reaching measures in almost all economic sectors (including energy, transport, agriculture, industry etc.) with the aim of fostering transition to a more competitive, resource-efficient and circular economy. Note that the concept of sustainable production runs across all forms of production and is not limited to agriculture or food production. It is part of the wider transformation of industry towards climate-neutrality and long-term competitiveness. The EU approach to the sustainable production works in synergy with the objectives laid out in the Industrial Strategy COM (2020) 102. At the heart of this Strategy is "a new sustainable product policy framework which will establish sustainability principles for all products, helping to make Europe's industry more competitive. Priority will be given to high-impact product groups and action will include initiative on the common charger, a circular electronics initiative, sustainability requirements for batteries, and new measures in the textiles sector" (COM(2020) 102 p. 9).

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 entities 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 entities 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].
  - 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

[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.
- 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.

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

Technical Definitions

Entities: refers to any form of legally registered enterprise, association, partnership. The sole criterion to define an "entity" is that it is legally registered. The terms embraces other terms such as "businesses", "firms", MSMEs, used in other indicators but also includes potentially non-commercial entities, including public administrations, community or voluntary organisations or NGOs.

The term "**supported entity"** refers to any organisation or group of organisations that receive support. When a group of entities receive support, but only one is the lead contracting partner, all supported entities are to be counted against the indicator.

Sustainable Production is understood as the creation of goods and services using processes and systems using practices that are:

- Non-polluting
- Conserving of energy and natural resources
- Economically viable
- Safe and healthful for workers, communities, and consumers
- Socially and creatively rewarding for all working people.

Working definition of **Sustainable Consumption and Production:** *"the production and use of services and related products, which respond to basic needs and bring a better quality of life while minimising the use of natural resources and toxic materials as well as the emissions of waste and pollutants over the life cycle of the service or product so as not to jeopardise the needs of future generations.*" (Oslo Symposium, 1994).

This includes e.g. the production of clean energy, the manufacturing of recycled goods, products that are certified in accordance with sustainability standards, etc. For further clarifications on SCP concepts, see: http://sustainabledevelopment.un.org/content/documents/945ABC_ENGLISH.pdf

Support to existing green MSMEs can also be included, as well as those MSMEs adopting new SCP practices.

Green. For the purposes of the indicator the term "green" is equated to SCP; it is a non-technical term for the same.

Sustainable production practices are very likely to include practices within the **circular economy** (cfr. indicator 3.1.7.1 & Ind. 4.2.1.2).

Counting Guidance

- To count the entity must:
  - Be or have been in receipt of IPA support
  - Be adopting or have adopted at least one element of new green/ sustainable production practices, processes and equipment (i.e. at least one practice or one process, or one

piece of equipment) that in some way promotes or increase "sustainable production" (see 3. Rationale).

- If an entity is supported on multiple sustainable consumption practices leading to several instances of adoption and/or if adoption leads to several instances of increased sustainable production, the value remains "1" and this is registered and reported only once. Thus double counting is avoided.

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 a given candidate or potential candidate country, a local financial institution supported by IPA/EFSD+ offers soft loans over a three-year period up to EUR 30M to enterprises and certain non-commercial entities that invest in equipment that drives new practices and processes enabling new green/ sustainable production. In year 1, the Financial Institution (FI) A (start Year 1) offers loans to 30 enterprises, 25 of which take up the loans for a total of EUR 15 M. In Year 2 it provides loans for EUR 5 M to 10 enterprises; in year 3 it provides loans also of EUR 5 M to 8 entities.

So, how many entities meet the requirements of the indicator in each year? The answer is easy to see: on basis of information provided, none meet the requirements of the indicator in any year, since the key element in the indicator is to "adopt new green/ sustainable production practices, processes and equipment", and on that so far, we have no information.

Let us go a step further and assume that:

- By the end of Year 1: of the 25 entities which take up the loans, 4 have put in place relevant equipment and/or adopted new green/ sustainable production practices, processes. But the remaining 21 are not yet at this stage.
- By end of Year 2, a further 20 entities have put in place relevant equipment and/or adopted new green/ sustainable production practices, processes.
- By end of Year 3, a further 12 entities have put in place relevant equipment and/or adopted new green/ sustainable production practices, processes.
- By end of Year 4: a further 2 entities have put in place relevant equipment and/or adopted new green/ sustainable production practices, processes.

Values to be reported against the indicator "*Number of supported entities that adopt new green/sustainable production practices, processes and equipment*" will be as follows:

Baseline	Target (end of year 4)	End of year 1	End of year 2	End of year 3	End of year 4
0	38	4	24 (4 in Y1 + 20 in Y2)	36 (4 in Y1 + 20 in Y2 + 12 in Y3)	38 (4 in Y1 + 20 in Y2 + 12 in Y3 + 2 in Y4)

Imagine that an external monitoring mission finds that in fact 5 of the 38 entities have in fact not adopted new green/ sustainable production practices, processes and equipment. In this case the total will be reduced from 38 to 33.

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: 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, i.e. the entity which has adopted or is adopting new green/ sustainable production practices, processes or equipment, and is reported upwards and aggregated for the entire intervention in the framework of regular monitoring and reporting systems. The implementing partner (for example of a loan or grant scheme that finances these) will verify that such an adoption has really taken place or is taking place. If it is convinced of this, it will then report the entity against the indicator through regular reporting.
- 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 4.2.1.4 can be found in the following groups of EU predefined indicators available in OPSYS, along with other related indicators:

- **"European Fund for Sustainable Development PLUS (EFSD+);**

- **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)

Global Europe Results Framework: GERF 2.6 Number of Micro, Small and Medium Enterprises (MSMEs) applying Sustainable Consumption and Production practices with EU support

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.