

EU Results Framework Indicator methodology note

1. Indicator name
Leverage of EU blending and guarantee operations financed by EU international cooperation and development assistance
2. Technical Definition
<p>This indicator includes three parts which aim to report the resources leveraged by EU blending and guarantee operations. At the aggregate level, the three elements are defined as follows at:</p> <p>1) Investment leverage ratio = value of investment (total blending project and guarantee cost) supported by the EU blending and guarantee operations divided by total amount of EU blending and guarantees operations.</p> <p>The total project and guarantee cost can include grants, other financial instruments (guarantees, interest rate subsidies, etc.), and technical assistance.</p> <p>2) Total financial institution leverage ratio = amount of eligible financial institution financing supported by the EU blending and guarantee operations divided by total amount of EU blending and guarantee operations.</p> <p>Eligible financial institution financing can be in the form of non-concessional, concessional or grant funding.</p> <p>3) Private sector finance leverage ratio = amount of private sector financing leveraged as a financial input into the blending and guarantees operations divided by amount of EU blending and guarantee operations</p> <p>Only funds that are leveraged as a direct financial input into the investment project phase to which the EU blending and guarantees are attached should count towards the ratio. Finances leveraged as an indirect results of the EU blending and guarantee operations (e.g. via the demonstration effect, etc) should not be included.</p> <p>This indicator is focused on the ex-ante assessment of leverage across these three ratios only.</p>
3. Rationale (including which policy priority, and how is this indicator linked to that policy priority)
<p>Investment needs in EU partner countries are substantial. Government and donor funds are far from sufficient to cover these needs. Countries need to tap into capital markets and attract private investment if they want to achieve investment rates that can drive economic growth as a basis for poverty reduction.</p> <p>The EU's ambitious External Investment Plan aims to crowd in private investors, where viable business proposals meet social needs, and where limited public funds can attract private money. The newly created European Fund for Sustainable Development, an element of the External Investment Plan, will be the financing mechanism used to support investments by public financial institutions and the private sector.</p>

4. Data calculation (including any assumptions made)

The three different parts for the leverage indicator are to be calculated following the methodology highlighted below at blending project or guarantee proposed investment programme (PIP) level (all expressed in millions EUR):

1) **Investment leverage ratio** = value of investment (total project or PIP cost) supported by the EU blending project or guarantee PIP divided by total amount of that EU blending project or guarantee PIP. The total project and PIP cost can include grants, other financial instruments (guarantees, interest rate subsidies), and technical assistance.

2) **Total eligible financial institution leverage ratio** = amount of eligible financial institution financing supported by the EU blending project or guarantee PIP divided by total amount of that EU blending project or guarantee PIP. Eligible financial institution financing can come in the form of non-concessional, concessional or grant funding.

3) **Private finance leverage ratio** = amount of private sector financing leveraged for the supported EU blending project or guarantee PIP as a financial input into the investment project divided by amount of that EU blending project or guarantee PIP.

Finances leveraged as an indirect results of the EU blending and guarantee operations (e.g. via the demonstration effect, etc.) should not be included.

At aggregate level for reporting against the EU RF, for each part of the leverage indicator, the numerator data for each EU blending project and guarantee PIP are summed across all investments, and divided by the sum of the denominator data for all EU blending project and guarantee PIPs.

5. Level of disaggregation

The three parts of the leverage indicator should be disaggregated by blending project or guarantee PIP, region, and where possible country.

6. Is it used by another organisation or in the framework of international initiatives, conventions, etc? If so, which?

African Development Bank - Resources mobilised from public sector entities (UA billions); Resources mobilised from private sector entities (UA billions)

World Bank Group/World Bank – Private investments catalyzed (US\$ billions); private capital catalyzed (US\$ billions)

7. Other issues

The lead financial institution should provide an ex ante assessment of leverage across these three ratios in the relevant application forms. These leverage ratios should also be updated ex post or as the final value of funds leveraged becomes apparent during the life of the blending project or guarantee PIP.