

Guidance note A – Choice and use of indicators

This guidance note addresses how to choose and make use of indicators in the context of programme and national strategy definition, implementation and evaluation. It presents the requirements relating to:

- objectives, indicators and quantification;
- common and additional indicators;
- the choice and use of indicators in rural development programmes, including the relationship between baseline indicators and impact indicators and;
- the choice and use of indicators in national strategies.

1. OBJECTIVES, INDICATORS AND QUANTIFICATION

In the context of the new rural development regulation, the analysis of the situation, the definition of objectives, indicators and quantification takes place in several stages:

- (1) Identification of development needs on basis of main common and national baseline indicators and setting of National Strategy objectives; (NS)
- (2) Analysis of programme area needs and SWOT, definition of priorities, objectives, measures, indicators and quantification; (RDP)
- (3) Ex-ante evaluation to assess and complete the programme, SWOT, definition of priorities, objectives, measures, indicators and quantification. (RDP)
- (4) Adaptation of programme to take into account ex-ante evaluation (stages 2 and 3 may be organised as an iterative process). (RDP)
- (5) Submission of programme to Commission, negotiation and adoption. (RDP)
- (6) Updating of National Strategy to take into account full range of indicators and quantification on the basis of ex-ante evaluation and adopted programme. (NS)

This section seeks to provide practical guidance on how to choose and make use of indicators in their programmes and national strategies.

The complete **common indicator lists** and descriptive fiches for **baseline, output, result** and **impact** indicators as well as a list of **examples of additional indicators** are provided in accompanying guidance notes ((See **Annex 2. Guidance notes E-K.**)).

2. COMMON AND ADDITIONAL INDICATORS

Since common indicators may not fully capture all effects of programme activity, in particular for national priorities and site-specific measures, it is necessary to define additional indicators within the programmes. Such additional indicators should be developed by Member States and programme partnerships in a flexible manner, but in accordance with the general principles governing the use of indicators in the CMEF.

There are a number of situations where Member States should provide additional indicators:

- When a common baseline indicator does not cover the specific characteristics of the programme area.
- When an additional objective or national priority defined in the National Strategy Plan or the programme is not covered by an impact indicator;
- When common impact indicators are not detailed or specific enough to reflect the wider benefits of a measure, or where a common impact indicator does exist for a measure. This is particularly important where measures are highly site-specific, for example in agri-environment. Appropriate measure-specific impact indicators should be developed.
- When common result indicators are not d
- etailed or specific enough to reflect the first effects of a measure, or where a common result indicator does exist for a measure.
- When common output indicators are not detailed or specific enough to reflect the activities under a measure;

The definition of additional indicators will give Member States flexibility in creating a monitoring and evaluation system adapted to their needs. Nevertheless this flexibility is only possible as long as it stays within the scope of the rural development regulation and the corresponding hierarchy of objectives. In developing additional indicators Member States:

- Ensure the relevance and utility of an additional indicator;
- Define the type and use of the indicator;
- Ensure that the additional indicator meets accepted quality criteria for the type of indicator and intervention concerned.

It is recommended that a detailed indicator fiche for each additional indicator is provided to facilitate their use in monitoring and evaluation.

3. CHOICE AND USE OF INDICATORS IN PROGRAMMES

Baseline indicators

On the basis of the common *objective related baseline indicators* and *context related baseline indicators*, Managing Authorities should carry out an analysis of the situation in the programme area in terms of strengths and weaknesses foreseen in Article 16 (a) of Regulation (EC) No 1698/2005.

An analysis of the situation in terms of strengths and weaknesses, the strategy chosen to meet them and the ex-ante evaluation - Article 16 (a) and article 85 of Regulation (EC) No 1698/2005

Describe the current situation of the geographical area using quantified data, highlighting strengths and weaknesses, disparities, needs and gaps and potential for rural development on the basis of the baseline
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indicators defined in Annex 6 of this regulation and of other relevant additional indicators. This description should concern:

- **The general socio-economic context of the geographical area:** the definition of the rural area according to the OECD definition or, as appropriate, other definitions; the demographic situation including analysis of the age and gender population structure, in and out-migration and problems arising from peri-urban pressures and remoteness; economic drivers, productivity and growth; the labour market including the structure of employment, unemployment and skills levels; general and agricultural/forestry land use and ownership structure, average size of holdings.
- **Performance of the agricultural, forestry and food sectors:** competitiveness of agricultural, forestry and food sectors, including restructuring and modernisation needs; human capital and entrepreneurship; potential for innovation and knowledge transfer; quality and compliance with community standards.
- **Environment and land management:** the handicaps facing farms in areas at risk of abandonment and marginalisation; overall description of biodiversity with focus on that linked to agriculture and forestry, including high nature value farming and forestry systems, the situation with respect to the implementation of the Natura 2000 directives in farm/forestland; water quality and quantity descriptions, the role of agriculture in water use/pollution and implementation of the Nitrates and the Water Framework directives; air pollution and climate change and their link to agriculture: GHG and ammonia emissions and link to different action plans/initiatives taken by the Member State/region to contribute in achieving international targets including the Code of Good Practice to reduce ammonia emissions (Convention on Long Range Transboundary Pollution); bioenergy use; soil quality descriptions (water and wind erosion, organic matter, contamination) and protection, pesticide use, organic farming and animal welfare; extent of protective and protected forest areas, forest areas under high/medium fire risk, annual average change in forest coverage. The above descriptions should be supported by quantified data.
- **Rural economy and quality of life:** structure of the rural economy, barriers to creation of alternative employment opportunities, micro-business formation and tourism; provision of services in rural area, infrastructural needs, cultural heritage and built environment in villages; human potential and local capacity for development including governance.
- **Leader:** the population and territory of the Member States covered by bottom-up integrated rural development strategies (Leader and other national and EU co-financed programmes) during the 2000-2006 programming period.

Choice and use of indicators:

- The analysis should reflect all common *objective related baseline indicators* and, in principle, all *context related baseline indicators*, as it forms the basis for the setting of objectives established in the regulation and the Community Strategic Guidelines. In particular, as regards the EU priorities identified in the Strategic Guidelines and the National Strategies, a clear justification of the choice not to take up an EU priority should be provided.
- Member States/Managing Authorities should cover all themes in the analysis required by article 16(a), complementing the common indicators with appropriate additional indicators and data. In particular, where other additional indicators permit a better identification of the baseline situation, particularly where the common indicators do not sufficiently reflect regional or local needs, these should be presented.
- Member States/Managing Authorities should ensure that baseline indicators are available for all objectives identified in the programme to support the assessment of impact.

- As regards the definition of rural areas, Member States may use alternative definitions to complement the OECD definition. The methodology and classification should be presented in the programme.

Data:

- Where data required for a common indicator is not available in a Member State at national or regional level, alternative national or regional indicators should be compiled with appropriate data. Where no data is available at EU or national level, a qualitative assessment is acceptable.
- For the purpose of comparability the Commission has chosen a common reference year where possible to ensure comparability of data. However, Member States may choose other years where this improves the quality of the analysis.
- During the course of the programming period, the Commission will seek to ensure, in collaboration with Member States and other Community institutions, that data is available at national level for all common baseline indicators.

Indicators, data sets, and quantification may be completed by external experts, within the framework of the ex-ante evaluation.

Baseline data should be updated on a regular basis as new data becomes available. The Commission will seek to ensure that data for the common indicators is regularly updated. However, the responsibility for sub-national data and additional national indicators remains with the Member States/Managing Authorities.

Relationship between programme impacts and baseline trends.

Baseline analysis is used as the basis for the programme SWOT and is therefore part of the analytical justification for the programme objectives and choice of priorities. Baselines reflect the situation in the programme area and are an essential element in the definition of the programme strategy.

In many cases, it will not be possible to link directly programme impacts with baseline trends due to the scale of the intervention or the lack of baseline data at an appropriate level. Evaluation of impact should therefore focus on a bottom-up approach to assessing programme effects. Evaluators should seek to assess the link between the impact of the programme and baseline trends, **but this need not necessarily be quantified.**

Impact indicators.

The Common Monitoring and Evaluation Framework (CMEF) foresees seven common impact indicators relating to growth, jobs, productivity, biodiversity, high nature value areas, water and climate change which reflect explicitly objectives established by the European Council and the Strategic Guidelines for rural development. The impact of the programme as a whole should be assessed against these seven indicators to take into account the full contribution of all axes of the programme.¹

¹ For example, all four axes can contribute to the development of renewable energy production. Environmental investments will complement agri-environmental commitments. This will also facilitate the evaluation of integrated projects.

The common impact indicators should be complemented by additional indicators specific to the programmes which take into account the full range of objectives and sub-objectives at programme level, as well as national priorities. Member States should ensure that, where the objectives of a measure are specifically identified in the Rural Development Community Strategic Guidelines or in their National Strategy, and such objectives are not covered by a common impact indicator, a corresponding additional impact indicator is defined.

The assessment of impact in Rural Development process falls within the scope of evaluation. The responsibility of the Managing Authority is to ensure that the evaluators have sufficient data on general trends, outputs and results to carry out such an assessment. The responsibility for the estimation and quantification of impact remains with independent evaluators. Evaluators will often find it necessary to undertake further investigation and to add elements of qualitative analysis to estimate impact and interpret baseline data in the specific context of the beneficiaries of the programme.

In general, impact indicators should be expressed (i) in absolute amounts (to estimate cost-effectiveness) and (ii) in relation to those beneficiaries affected by the intervention directly and, where appropriate, to those affected indirectly.

There is a specific focus on quantification of impact in the rural development regulation, particularly in relation to the baseline situation. However, in many cases, although it is possible to assess the baseline situation and impact at the level of the direct and indirect beneficiaries of the support, it is often more difficult to place this in the context of the more general baseline trends at the level of the programme area. This may be linked to as highlighted above to the relatively small scale of the intervention or lack of appropriate baseline data. For this reason, the focus should be on the bottom-up estimation of impact:

- In a first step, impact should be estimated at the level of direct and indirect beneficiaries by programme evaluator on the basis of output and result indicators, survey data and benchmark data and coefficients from similar projects and past experience and evaluations (for calculation of double counting, deadweight, displacement and multiplier effects). This should be cross-checked against the counterfactual situation and contextual trends in programme area.
- In a second stage, the evaluator should make an estimation of the contribution to general trend at programme area level (baseline trend), where feasible/statistically significant compared to other factors. Where this is not possible the evaluator should make a qualitative assessment in general terms.

The Methodology for the estimation of impact will be developed further during the programme period by the Evaluation Network.

Output and Result indicators

On the basis of the common result indicators outlined in annex 1, the programme should provide the indicators foreseen in Article 16 (c) of Regulation (EC) No 1698/2005.

- Additional result indicators should be chosen to reflect all objectives related to chosen measures, particularly where these correspond to national priorities.
- Additional output indicators should be chosen to reflect all measure activities.

- Indicators and quantification may be completed by external experts, within the framework of the ex-ante evaluation and ongoing evaluation activity.

4. CHOICE AND USE OF INDICATORS IN NATIONAL STRATEGIES

The baseline analysis of the economic, social and environmental situation and setting of relevant indicators is established in Article 11.3(a) of Regulation (EC) No 1698/2005.

The plan should contain a summary analysis of the **economic, social and environmental** situation of the MS and sets the baseline indicators extracted from the Common Monitoring and Evaluation Framework (CMEF). The baseline analysis should at least cover:

- The *economic* situation/competitiveness of the agrifood sector (farm and processing sector), showing strengths/weaknesses and needs in terms of investment in human and physical capital and where relevant of the forestry sector;
- The general *environmental* situation in relation to biodiversity (Natura 2000 and other High Nature Value farming and forestry systems), water (role of agriculture and forestry in water management in quantity and quality in relation to the Water Framework Directive) and climate change (role of agriculture and forestry) and identification of needs in the three areas;
- The general *socio-economic* situation in rural areas, identifying strengths/weaknesses and needs (in terms of diversification, quality of life and of capacity building);

Member States should present **at least** the lead baseline indicators (signalled by an asterix *). Each indicator is commented in relation to the national context and key regional variations as appropriate.

Starting from the baseline indicators (extracted from the CMEF), the plan should propose quantified objectives and targets (milestones where relevant, targets at the end of the period), broken down by gender and age where relevant. Objectives should be ‘smart’², the targets sufficiently focused and realistic in relation to (expected) available funding (national and EU) and (administrative) implementation capacity. Along with the EU ones the plan should provide national quantified objectives and targets stemming from the baseline analysis, with their weighting and balances to be achieved.

The establishment of targets and corresponding indicators within national strategy plans will be achieved in two stages:

- (1) In the national strategy plan (first stage), the Member State will identify the key impact indicators (those from the common framework and those reflecting national priorities). Where national targets are difficult to quantify at this stage, Member States should provide a qualitative assessment of the contribution of rural development programming.
 - As regards the EU priorities identified in the Strategic Guidelines, a clear justification of the choice not to take up a priority should be provided.

² SMART: Specific, Measurable, Achievable and Agreed, Relevant, Time-related.

- Where national indicators permit a better identification of a baseline situation, particularly where the common indicators do not sufficiently reflect regional or local needs, these should be presented as additional indicators.
 - It is important that the national strategy identifies and synthesises key trends at sub-national or regional levels.
- (2) After adoption of the programmes (second stage), the national strategy should be adapted to include all relevant common indicators (baseline, impact, result and output) and quantified targets identified on the basis of ex-ante evaluations. The revised document will form the basis for the strategic reporting.

The requirements concerning data follow the same principles as highlighted above in the section on baseline indicators for rural development programming.

- Where data is not available in a Member State at national or regional level, national or regional indicators should be defined with appropriate data. Where no data is available at EU or national level, a qualitative assessment is acceptable.
- For the purpose of comparability the Commission has chosen a common reference year where possible to ensure comparability of data. However, Member States may choose other years where this improves the quality of the analysis.
- During the course of the programming period, the Commission will seek to ensure that data is available at, at least, national level for all common baseline indicators.

The evaluation network will provide support at both national and European level, for the further development of methodology and indicators.