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Special Report No 12

2013

CAN THE COMMISSION AND MEMBER STATES
SHOW THAT THE EU BUDGET ALLOCATED TO **THE
RURAL DEVELOPMENT POLICY** IS WELL SPENT?

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(pursuant to Article 287(4), second subparagraph, TFEU)

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REPLY OF THE COMMISSION

GLOSSARY

Axis: Rural development in the 2007–13 programming period is implemented under three thematic axes, which represent coherent groups of rural development measures, and one horizontal axis dedicated to the Leader approach (Leader axis).

CMEF: Common Monitoring and Evaluation Framework.

Community Strategic Guidelines: A Council Decision that identifies the European Union's priorities for rural development.

Deadweight: A situation where a subsidised operation would have been wholly or partly undertaken without the grant aid.

Diversification measures: Three RDP measures aiming at diversification of the rural economy: 'diversification into non-agricultural activities'; 'support for the creation and development of microenterprises'; and 'encouragement of tourism activities'.

Effectiveness: Achieving the objectives set.

Efficiency: Achieving the best relationship between effectiveness and costs.

Evaluation: A periodic collection and analysis of evidence to form conclusions on the effectiveness and efficiency of 'interventions'. This may include consideration of the relevance, coherence and European added-value of the policy.

Impacts: Longer term socioeconomic and environmental effects.

Indicator: A measurable proxy for an objective that will give useful information to assess the degree to which an objective is met.

(Public) Intervention: An action, such as an 'operation', 'measure', programme or project carried out by or funded by a public authority.

Managing Authority: A national or regional body designated by the Member State to manage a Rural Development Programme (RDP).

Measure: An aid scheme for implementing a policy. A measure defines the rules for the 'operations' that can be financed.

Monitoring: Regular examination of the resources, outputs and results of 'interventions'.

Objective: A statement of the outputs, results and impacts that an 'intervention' intends to achieve.

Operation: A project, contract or other action financed under a 'measure'.

Outputs: Something that is produced with the resources allocated to an 'intervention'.

RDP: Rural Development Programme, a programming document prepared by a Member State to plan and implement the EU's rural development policy. An RDP may be prepared at regional or national level and is approved by the Commission.

Results: The direct effects or changes that arise due to the 'intervention'.

Shared Management: A method of implementing the EU budget where the Commission delegates implementation tasks to the Member States, while retaining final responsibility.

Sound financial management: Managing the EU budget in accordance with the principles of economy, efficiency and effectiveness.

EXECUTIVE SUMMARY

I.

For the 2007–13 programming period, the EU has allocated almost 100 billion euros to achieve its rural development objectives. This audit examines the question of whether the Commission and Member States can show that the EU budget allocated to the rural development policy is well spent. A key element for this is a system of monitoring and evaluation.

II.

The system of monitoring and evaluation should provide information on where spending is, or is not, effective and efficient. Such information is needed for accountability: to inform the European Parliament, the Council and the public of what has been achieved with the EU budget and to demonstrate that it has been spent efficiently and effectively in accordance with the principles of sound financial management. Monitoring and evaluation also allows weaknesses to be identified and changes to be made both within the 7-year programming period and when designing future policies, legislation and spending programmes.

III.

In its previous reports, the Court has repeatedly highlighted serious weaknesses in the availability and quality of the monitoring and evaluation information relating to the spending on rural development. This report consolidates and develops these previous findings.

IV.

The Court concludes that the Commission and Member States have not sufficiently shown what has been achieved in relation to the rural development policy objectives and there is a lack of assurance that the EU's budget has been spent well.

EXECUTIVE SUMMARY

V.

Specifically the Court found that:

- (a) The objectives set for rural development expenditure were not sufficiently clear.
- (b) There was insufficient information on and reporting of the results achieved to demonstrate the extent to which the objectives set have been met and that the EU's budget has been spent effectively and efficiently.
- (c) The monitoring and evaluation information that is available has not sufficiently been used to improve the efficiency and effectiveness of the rural development expenditure.

VI.

Improvements to monitoring and evaluation can and should be made for the remainder of the current programming period, for which the expenditure will be concluded in 2015. Moreover, the forthcoming 2014–20 programming period presents an opportunity for the Commission and Member States to make the effectiveness and efficiency of the expenditure much more central in measure design and programming decisions and subsequently when selecting the operations and projects to be financed.

VII.

The Court therefore recommends:

- (a) The Member States and the Commission should make use of monitoring and evaluation to increase their focus on achieving results for the remainder of the current programming period.
- (b) Member States and the Commission should take action now to ensure that good quality, comparable information can be obtained from the *ex post* evaluations in 2015 of the 2007–13 programming period.
- (c) For the 2014–20 programming period, the Commission should improve the CMEF design to produce more timely, relevant, reliable and comparable information, in particular on the effectiveness and efficiency of the measures in achieving results.
- (d) Member States and the Commission should ensure that the 2014–20 RDPs provide a better foundation for sound financial management, with specific, measurable objectives and plans for monitoring and evaluation of the programmes' efficiency and effectiveness.
- (e) Member States should design effectiveness and efficiency into the 2014–20 RDP implementation systems, with the information gathered for the application, selection and payment processes reused for monitoring and evaluation.
- (f) Member States and the Commission should improve their reporting on the results achieved with the EU budget to enhance accountability. This should include more systematic follow-up of evaluation findings.

INTRODUCTION

- 1.** The EU has allocated almost 100 billion euros to achieve rural development objectives in the 2007–13 programming period. Member States have also committed 58 billion euros of their own resources to co-finance the rural development programmes.
- 2.** The European Council has stressed that every euro of the EU budget must not only be spent correctly but also spent well. However, the Court's audits have consistently shown that the design and the implementation of the key rural development measures do not sufficiently ensure that the measures are targeted towards achieving policy objectives in the most efficient way. This means that the systems for implementing the budget cannot be relied on to ensure that the expenditure is effective and efficient. Therefore, it is all the more important that the Member States and Commission can show what results have been achieved in relation to the rural development policy objectives.
- 3.** A key element in ensuring that the EU budget is well spent is monitoring and evaluation. Monitoring is the regular examination of expenditure, outputs and results, which provides up-to-date information on whether programmes are progressing as intended. Evaluation is a periodic collection and analysis of evidence — including the information produced for monitoring — to form conclusions on the effectiveness and efficiency of a programme or policy. With information from monitoring and evaluation on where spending is not effective — or not efficient — changes can be made within the 7-year programming period and when designing legislation and programmes for the future.
- 4.** Such information is also needed for accountability: to inform the European Parliament, Council and the public of what has been achieved with the EU budget and to demonstrate that it has been spent well.

5. Yet the Court has repeatedly found serious weaknesses in the availability and quality of the rural development monitoring and evaluation information. **Table 1** provides a summary of the Court's recent findings related to these weaknesses.

TABLE 1

FINDINGS ON MONITORING AND EVALUATION OF THE RURAL DEVELOPMENT POLICY IN THE COURT'S SPECIAL AND ANNUAL REPORTS

Special Report No 5/2010 Implementation of the Leader approach for rural development	The EU budget contributed over 2 billion euros to Leader+ and has programmed over 5 billion euros for the 2007–13 period. The Commission has not yet demonstrated the effectiveness or efficiency of the expenditure ...
Special Report No 7/2011 Is agri-environment support well designed and managed?	The objectives were too vague to be useful for assessing the extent to which they have been achieved. The common monitoring and evaluation framework represents progress but produces little information on the environmental benefits achieved (22 billion euros programmed).
Special Report No 8/2012 Targeting of aid for the modernisation of agricultural holdings	The common monitoring and evaluation framework ... does not generate relevant data that can be used for monitoring the results obtained with the funds spent. The indicators defined do not allow progress in the achievement of the EU's priorities to be monitored, and the data were found to be of low reliability and do not allow comparisons between Member States (and/or regions) to be drawn (11 billion euros programmed).
Special Report No 1/2013 Has the EU support to the food processing industry been effective and efficient in adding value to agricultural products?	... the Commission and Member States have an insufficient basis to assess the effectiveness of the 9 billion euros allocated to the measure when programming the aid for the 2014–20 period.
Special Report No 6/2013 Have the Member States and the Commission achieved value for money with the measures for diversifying the rural economy?	There was a lack of effective monitoring and evaluation of the measures so that there is a real risk that the results of the funding allocated to the projects will not be known. The EU's strategic priority of job creation was not well targeted and there was a lack of active management when it was apparent that the targets set would not be met (5 billion euros programmed).
Annual Report 2011, Chapter 10	... [Commission Directorates-General] did not set or report on objectives for operational activities relating to economy (the cost of inputs) or efficiency ... the description of the policy achievements provide limited information on results and impacts; they tend to focus more on inputs and outputs ... reporting of performance achieved [was] based on incomplete data, ...

6. The introduction of the new programming period presents an opportunity for the Commission and Member States to address these weaknesses and put systems in place to provide reliable and timely information on the results of the 2014–20 expenditure. With this in mind, in this audit, the Court consolidates and develops its previous findings with the aim of forming practical recommendations that can contribute to improving the sound financial management of the 2014–20 rural development policy.

THE RURAL DEVELOPMENT POLICY AND THE COMMON MONITORING AND EVALUATION FRAMEWORK (CMEF)

7. The EU's rural development policy for 2007 to 2013 is organised in three 'thematic axes'. Each axis consists of a number of measures designed to achieve the policy objectives (which are shown later in this report in **Table 2**). A fourth axis, known as Leader, aims to achieve the same objectives through community-led local development strategies.
8. The EU set the 'priorities for rural development' in the Community Strategic Guidelines — Council Decision 2006/144/EC¹, which put the policy in the context of wider EU objectives, notably the Göteborg sustainability goals and the Lisbon strategy for growth and jobs. According to this decision, the 'overarching priority' for the 'Axis 3' resources, for example, is to create employment opportunities and the conditions for growth.
9. Member States develop Rural Development Programmes (RDPs) at national or regional levels. Once approved by the Commission, these programmes are implemented by the Member States under 'shared management' arrangements.
10. The EU's rural development regulation established a 'Common Monitoring and Evaluation Framework' (CMEF) for the 2007–13 period². This was a new system, introduced in 2007, with common indicators intended to capture the progress towards rural development objectives in a way that allows each of the RDPs to be compared and the data to be aggregated. The CMEF also requires for each RDP an *ex ante* evaluation, a mid-term evaluation in 2010 and an *ex post* evaluation in 2015, to be carried out by independent evaluators.

¹ Council Decision 2006/144/EC of 20 February 2006 on Community strategic guidelines for rural development (programming period 2007 to 2013) (OJ L 55, 25.2.2006, p. 20).

² Article 80 of Council Regulation (EC) No 1698/2005 of 20 September 2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) (OJ L 277, 21.10.2005, p. 1).

- 11.** A Commission regulation³ sets more specific requirements and lists common baseline, output, result and impact indicators. Definitions of the indicators, common evaluation questions and methodological guidance are given in a non-binding 'CMEF handbook' issued by the Commission⁴.
- 12.** Member States were responsible for setting 'specific, verifiable objectives' in their RDPs, with targets for the common indicators. As common indicators cannot fully capture all the effects of individual RDPs, Member States were also required to set a limited number of additional indicators. Further responsibilities of Member States are to establish data collection systems and organise evaluations. They prepare an Annual Progress Report based on the monitoring and evaluation information, which should show the progress of the programme in relation to the objectives set. The Member States' Managing Authorities and Monitoring Committees are required to use the monitoring and evaluation information to help improve the quality of the programmes and their implementation.
- 13.** The Commission coordinates the CMEF. Commission staff review the Annual Progress Reports and aggregate the monitoring data. They may participate as observers in the Member States' Monitoring Committees and hold an annual meeting with the Managing Authorities to examine the main results of the previous year for each RDP. The Commission contracts evaluators to make syntheses of the mid-term and *ex post* evaluations, and publishes these reports. The Commission is also required to produce several reports that concern the implementation and achievements of the rural development policy (see paragraph 51).
- 14.** Monitoring and evaluation has a cost. In the Member States, the EU co-finances 'technical assistance' which can include the costs incurred in collecting and processing monitoring data (staff, computer systems, etc.) and expenditure on studies and evaluations. Just under 2 % of the RDP budgets (1,9 billion euros) have been allocated to technical assistance for the 2007–13 period, which also includes other technical activities such as checking the correctness of the expenditure. Additional costs directly incurred by the Commission include syntheses of the Member States' *ex post* and mid-term RDP evaluations and the running costs of an Evaluation Helpdesk and Evaluation Expert Committee⁵.

³ Commission Regulation (EC) No 1974/2006 of 15 December 2006 laying down detailed rules for the application of Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD). The complete list of common indicators is given in Annex VIII (OJ L 368, 23.12.2006, p. 15).

⁴ *Handbook on Common Monitoring and Evaluation Framework. Guidance document*, Directorate-General for Agriculture and Rural Development, September 2006.

⁵ An assessment of the technical assistance costs was not within the scope of this audit.

AUDIT SCOPE AND APPROACH

- 15.** The Court examined whether the Commission and Member States can show that the EU budget allocated to the rural development policy is well spent. Three sub-questions structured the audit work:
- (a) Are there clear statements on what the rural development expenditure is intended to achieve?
 - (b) Has reliable information been published showing what the expenditure has achieved and how efficiently it has done so?
 - (c) Has monitoring and evaluation information been used to improve the effectiveness and efficiency of the expenditure?
- 16.** The audit primarily concerns the setting of objectives and indicator targets for the 2007–13 RDPs and the subsequent production, reporting and use of monitoring and evaluation information. The audit focused on the rural development measures audited by the Court since 2010. Together, these represent 53 % of the total rural development expenditure programmed for 2007–13. **Table 2** provides a brief description of the measures audited by the Court since 2010 with the related objectives and result indicators.

TABLE 2

SELECTED RDP MEASURES AND RELATED RESULT INDICATORS

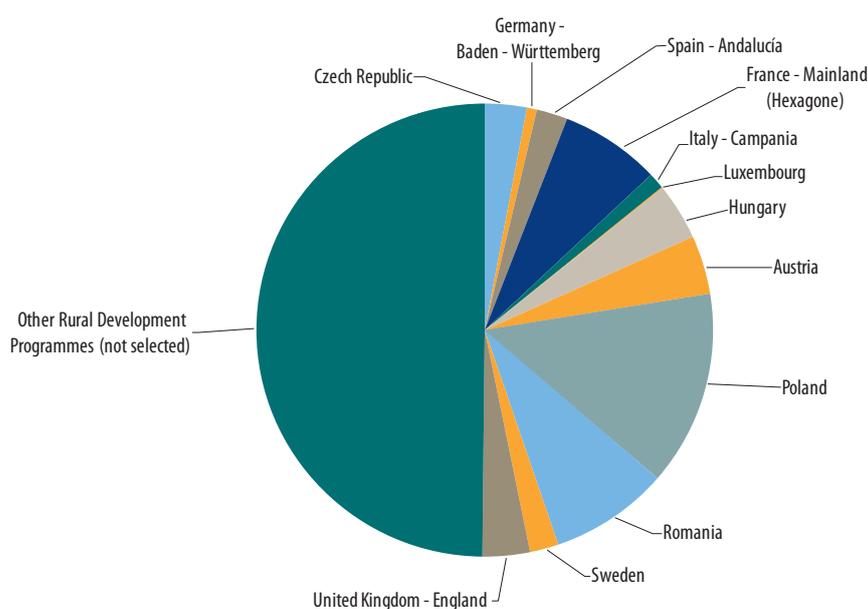
Objectives of the Axes	Selected measures	Description of the measures	Common result indicators
AXIS 1: to improve the competitiveness of agriculture and forestry by supporting restructuring, development and innovation	Modernisation of agricultural holdings Article 20(b)(i) of Regulation (EC) No 1698/2005	Grants for investments in farm machinery and equipment, such as tractors, harvesters, farm buildings, manure storage, irrigation facilities, etc.	- Number of holdings introducing new products and/or techniques; - Increase in gross value added in supported holdings.
	Adding value to agricultural and forestry products Article 20(b)(iii) of Regulation (EC) No 1698/2005	Grants for investments in food processing equipment such as for producing olive oil, dairies, fruit and vegetable packaging, meat processing, etc.	- Number of enterprises introducing new products and/or techniques; - Increase in gross value added in supported enterprises.
AXIS 2: to improve the environment and the countryside by supporting land management	Agri- environment payments Article 36(a)(iv) of Regulation (EC) No 1698/2005	Payments to farmers or other land managers who make a voluntary agri-environmental commitment for a period between 5 and 7 years. The payments per hectare or per livestock unit cover additional costs or income foregone due to the specific commitment taken (e.g. organic farming, protection of water sources, encouraging wildlife, etc.).	Areas under successful land management contributing to: <ul style="list-style-type: none"> • improvement of biodiversity, • improvement of water quality, • mitigating climate change, • improvement of soil quality, • avoidance of marginalisation and land abandonment.
AXIS 3: to improve the quality of life in rural areas and encourage diversification of economic activity	Diversification into non-agricultural activities Article 52(a)(i) of Regulation (EC) No 1698/2005	Grants for investments by members of a farm household who diversify into non-agricultural activities, such as farm shops, agri-tourism or other businesses.	- Increase in non-agricultural gross value added in supported businesses. - Gross number of jobs created (division according to gender, age and on-farm/off-farm jobs).
	Support for business creation and development Article 52(a)(ii) of Regulation (EC) No 1698/2005	Grants for investments by rural micro enterprises (fewer than 10 workers and less than 2 million euros turnover) or for setting up new micro-enterprises.	- Gross number of jobs created (division according to gender, age and on-farm/off-farm jobs). - Increase in non-agricultural gross value added in supported businesses.
	Encouragement of tourism activities Article 52(a)(iii) of Regulation (EC) No 1698/2005	Grants for investments in tourist accommodation and services, small-scale tourism infrastructure (such as hiking trails and signposting of tourist sites) and marketing of rural tourism.	- Additional number of tourist visits (division according to the number of overnight stays and the number of day visitors). - Gross number of jobs created (division according to gender, age and on-farm/off-farm jobs).
AXIS 4: LEADER: implementing local development strategies with a view to achieving the objectives of one or more of the three other axes	Article 63(a) of Regulation (EC) No 1698/2005	Support for rural communities to implement integrated and innovative strategies that contribute to the long-term sustainable development of local areas. Leader follows a bottom-up approach with decision-making power for local action groups concerning the elaboration and implementation of local development strategies.	- Gross number of jobs created (division according to gender, age and on-farm/off-farm jobs). - Number of participants that successfully ended a training activity.

17. The work done for this audit, undertaken between January and April 2013, is concentrated on 12 of the RDPs that were included in the Court's previous audits⁶. These RDPs together represent just over 50 % of the total rural development expenditure programmed for 2007–13. The **Figure** shows the RDPs covered by this audit and their share of the total budget allocated to rural development for the 2007–13 programming period.
18. The Member States concerned and the Commission provided information on the action taken following the Court's previous audits. In addition, the Court examined the most recent monitoring and evaluation information issued in respect of the selected measures. In most cases, this was the 2011 Annual Progress Report finalised in the second half of 2012. The Court reviewed the Commission's management of the CMEF, its reporting of policy implementation and achievements, its supervisory activities in relation to the selected measures and the selected RDPs and the use of monitoring and evaluation information when approving RDP amendments.

⁶ The Court excluded other RDPs from the scope of this audit where it had audited only one RDP measure (Ireland, Greece, Lithuania and Portugal) or where the Court had audited several RDPs in the same Member State.

FIGURE

SELECTED RURAL DEVELOPMENT PROGRAMMES: ALLOCATED BUDGET AS A PERCENTAGE OF THE TOTAL (2007–13)



Source: Directorate-General for Agriculture and Rural Development.

OBSERVATIONS

ARE THERE CLEAR STATEMENTS ON WHAT THE RURAL DEVELOPMENT EXPENDITURE IS INTENDED TO ACHIEVE?

- 19.** Objectives communicate what the policy and programmes intend to achieve, allowing choices to be made about allocating budgets and allowing measures to be designed and implemented with an appropriate balance between the expected results and the costs. Objectives also provide a reference point against which the results obtained can be compared. This allows underachievement to be identified, enabling corrective action to be taken and effectiveness and efficiency improved. Subsequently, they provide a basis for assessing performance — for accountability: for holding the managers of EU funds responsible for the effective and efficient use of the EU's budget. For these purposes, objectives should be SMART (Specific, Measurable, Achievable, Relevant and Timed), as defined by the EU's financial regulation⁷.
- 20.** In particular, the objectives should describe a future situation — the change or outcome that the policy or programme intends to achieve. They must be expressed in terms that make it possible to check if they have been achieved. And they must be quantified, or have relevant indicators with targets, to provide a basis for ensuring that the programmes represent good value for money and for managing the measures (selecting operations for funding) in a way that achieves the objectives efficiently.
- 21.** In all of its performance audits of rural development, the Court has assessed whether the objectives set in the legislation and the RDPs were specific and measurable. The Court has reviewed the Commission and Member States' responses to the previous findings and has examined the amendments subsequently made to the 12 selected RDPs.

THE EU'S RURAL DEVELOPMENT POLICY DOES NOT QUANTIFY OBJECTIVES OR SET TARGETS: THIS SHOULD BE DONE BY THE MEMBER STATES IN THE RDPs ...

- 22.** The EU's priorities for rural development are set out in the Community Strategic Guidelines, and the rural development regulation sets three objectives for the policy (see paragraphs 7 to 8). The regulation describes a number of measures that Member States may implement in order to achieve these objectives but does not give more specific objectives per measure.

⁷ Part I, Title II, Chapter 7 of Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities (OJ L 248, 16.9.2002 p. 1).

- 23.** The objectives for rural development are not quantified at EU level. The objectives are phrased in terms of *improving* competitiveness and *encouraging* diversification. How much improvement or how much diversification the EU intends to be achieved with the EU budget is not stated⁸.
- 24.** The legislation requires Member States to set 'specific verifiable objectives and indicators' in their RDPs that 'allow the programme's progress, efficiency and effectiveness to be measured'. Before approving RDPs, the Commission is required to ensure that they are 'consistent' with the Community Strategic Guidelines (the EU's priorities) and the regulation.
- 25.** Several measures contribute to each EU objective: 16 different measures aim at improving the competitiveness of agriculture and forestry, the objective of Axis 1. A measure may also contribute to more than one objective: equipment financed under the measure 'modernising agricultural holdings' (Axis 1), for example, may also reduce the environmental impact of farming (objective of Axis 2). A clear plan for the results that each measure is intended to achieve is therefore needed if RDPs are to provide a reasoned basis for allocating resources in the first place, for managing the measure to ensure that it is achieving what is intended, and finally for reporting on how effective and efficient the measure has been.

... BUT THE RDPs DID NOT SUFFICIENTLY SET SPECIFIC OBJECTIVES WITH TARGETS FOR THE RESULTS

- 26.** As described above, the EU regulation requires Member States to set specific objectives according to their different needs established in the programming phase. However, with few exceptions, the RDP objectives are phrased in general, open-ended terms (*to support, to improve, to contribute to, to promote, etc.*). These describe what the programmes aim to *do*, but leave it uncertain as to what future situation they intend to *achieve*. With such non-specific objectives, it is not possible to ascertain whether they have been sufficiently met or not.
- 27.** This lack of specific objectives in RDPs not only makes monitoring and evaluation more difficult, it also contributes to an insufficient focus on effectiveness and efficiency by the Member States when implementing the measures, as the Court found in its previous audits (see **Table 1**).

⁸ This also applies to the Commission's proposals for the 2014–20 regulations. In its Opinion No 1/2012 on certain proposals for regulations relating to the common agricultural policy for the period 2014–20, the Court found that the proposals presented 'a disparate and very wide ranging set of objectives ... It is not clear ... what these objectives intend to achieve at EU level. The Court considers that the rural development policy would benefit from a less complex and a more precise set of objectives including clear targets (expected results and impacts as well as indicators). This would help to focus the policy on delivering results on key EU priorities.'

- 28.** The targets for the common result and impact indicators required by the CMEF should represent a certain quantification and clarification of the Member States' RDP objectives. However, as illustrated in the following paragraphs:
- the RDPs did not all set targets for the indicators;
 - the targets set were estimates of expected results rather than quantified objectives;
 - the indicators (and hence the targets) were not always relevant to the RDP objectives.
- 29.** Romania was the only one of the 12 Member States that set targets in their initial RDP for all result indicators for the selected measures according to the CMEF requirements. The Commission approved the other RDPs despite the missing targets. The initial RDP for Austria, for example, had no output or result indicator targets for the agri-environment measure, although this represented 45 % of the total programmed expenditure.
- 30.** Member States calculated the results targets required for the CMEF by estimating what they expected the measure to produce with the budget allocated. A more logical approach would have been to first identify the results required to fulfil a need or achieve an objective, and subsequently to design the measure and identify the extent to which the need or objective could be met with the available funding.
- 31.** Some of the RDP targets appear to be over-optimistic estimates of the expected results, such as the target in the Romanian RDP of 7,65 million additional tourist visits to be achieved by the small-scale investments in tourism activities, which was 10 times more than any of the other RDPs reviewed. This target was subsequently cut by 5 million.

- 32.** The common result indicators are not always relevant to the Member States' RDP objectives, so they do not have the effect of quantifying what the programmes intend to achieve. For example, in Baden-Württemberg, the indicator 'number of holdings introducing new products or new techniques' is of only limited relevance to the RDP objectives as it has a target of just seven of the 3 000 holdings supported by the measure for modernising agricultural holdings. In this case, the RDP established additional indicators with targets for the measure that *were* relevant to its objectives, such as a target for the number of farms introducing enhanced-welfare pig stalls. However, many RDPs did not use additional indicators in this way. This is illustrated by the Czech Republic RDP, in which the indicator for 'new products or techniques' is not considered relevant for the measures 'modernising agricultural holdings' and 'adding value to agricultural products'. No alternative indicators have been established for these measures.
- 33.** The weaknesses in the indicator targets, combined with the lack of specific objectives described above, have the consequence that the RDPs do not clearly set out what they intend to achieve.
- 34.** With common indicator targets for outputs and results, the Commission should be able to compare the planned efficiency of different RDPs (see paragraph 61 for more on this) and should be able to aggregate the targets at EU level to show the intended results of the rural development policy. However, some Member States presented targets in a different way, such as 'an increase of X %' or with a different definition to that in the CMEF guidance, which prevents their comparison or aggregation. Similarly, where RDP targets are missing, implausible or not comparable, the value of the consolidated targets at EU level is limited. The **Annex** shows the targets that were missing or did not correspond to the CMEF requirements.

HAS RELIABLE INFORMATION ON RESULTS BEEN PUBLISHED SHOWING WHAT THE EXPENDITURE HAS ACHIEVED AND HOW EFFICIENTLY IT HAS DONE SO?

- 35.** The key monitoring and evaluation information for demonstrating effectiveness and efficiency is that related to results, as it shows the direct effects of the expenditure. It must be accurate, consistent to allow aggregation, and should show the effects of the expenditure in relation to the EU and RDP objectives. The information should be reported to the budgetary authorities and public in a way that allows the success or otherwise of the measures financed to be demonstrated and accounts for the effective and efficient use of the EU budget.
- 36.** The Court has examined the quality of monitoring and evaluation information in all its recent audits of rural development. Where relevant, findings have been updated for the 12 selected RDPs. The Court reviewed the Member States' Annual Progress Reports and 'Summary reports'⁹ and the Commission's work in checking the quality of the information provided. The Court also reviewed the reports issued by the Commission (see paragraph 51).

⁹ Article 13 of Regulation (EC) No 1698/2005.

COMMON MONITORING INDICATOR DATA ON RESULTS IS NOT SUFFICIENTLY RELIABLE

- 37.** The CMEF is a valuable tool-set, which is necessary to obtain consistent, comparable information at EU level. However, it soon became apparent that the CMEF — newly introduced in 2007 — had not been sufficiently well prepared. Member States had not all planned in advance how to collect data for the common indicators. Many made ad hoc arrangements in parallel with their administrative systems (the systems for assessing, approving, checking and paying aid applications), leading to additional work for the national and regional authorities as well as the beneficiaries. This also led to a situation where monitoring information was compiled separately, with risks for data integrity.

- 38.** Most commonly, Member States took results data from the beneficiaries' forecasts of the expected results, which formed part of their aid applications, or in some cases, the payment claim. In England and Sweden, the authorities checked the plausibility of this data and adjusted it where necessary. This allowed them to assess causality: that the job created, the increase in 'gross value added', the new product or the increase in tourism really was an effect of the aid and not just coincidental. Few other Member States had such arrangements in place to check the data quality.
- 39.** In Poland, the authorities had accurate information in their administrative systems on jobs created, as beneficiaries had to provide evidence of the new jobs as a condition for payment of the grant. But this information was not used for the CMEF as the authorities used a survey questionnaire to the beneficiaries — an inherently less reliable method, for which no proof was required or checking of reliability done. In the Czech Republic and Hungary, indicator data was also obtained by survey with no checks on data accuracy.
- 40.** The Member States audited tended to see the CMEF data collection as an additional task that was necessary to comply with the regulation, but which was of little value for their own management of the measures, and consequently paid little attention to its quality. Reflecting this attitude, several Member States responded to the Court's findings of weaknesses in their monitoring and evaluation by explaining that they had done what was necessary to comply with the CMEF requirements. For example, following the Court's finding that they had no plans for monitoring or evaluating Leader local development strategies, one Member State replied that it had put in place the CMEF as defined at EU level and if this did not cover Leader, it was not the fault of the Member State.
- 41.** As a consequence of the weaknesses described above, the Court has found in its recent audits that the CMEF results data frequently does not correspond to the real situation. Discrepancies stem from misunderstandings of what information is required and the difficulty of predicting at the time of the aid application results such as 'gross value added', which depend on many factors, including the state of the economy. In some cases, the design of the measure created incentives for the applicants to exaggerate the likely results, such as the number of jobs to be created, to increase their chances of obtaining a grant.

- 42.** The common result indicators, in particular, left too much room for interpretation, data was costly or difficult to collect and some indicators were of limited value, as they did not show the results of the measures, as illustrated in **Box 1**. On top of this, as shown in paragraph 32, the common indicators were not always relevant enough or sufficient to show whether the RDP objectives were met.

THE MID-TERM EVALUATIONS DID NOT GIVE SUFFICIENTLY EVIDENCE-BASED CONCLUSIONS ON THE EFFECTS OF THE RURAL DEVELOPMENT MEASURES

- 43.** The Member States' weaknesses in monitoring results contributed to the generally unsatisfactory quality of the mid-term evaluations. The regulation requires mid-term evaluations to examine not only the degree of utilisation of resources but also the effectiveness and efficiency of the programming of the EU budget, the socioeconomic impact and the impact on the Community priorities. For the mid-term evaluations, which were undertaken in 2010, many evaluators simply did not have information available on which to base their evaluation, whether because measures had not been running long enough to generate results, or because the Member States had not collected relevant and reliable data. The mid-term evaluations focused on financial and output data, with many producing useful analyses of implementation and of weaknesses in the monitoring data. However, they rarely provided useful information on the achievement of objectives or efficiency.

BOX 1

EXAMPLES OF DIFFICULTIES EXPERIENCED WITH RESULT INDICATORS

The Commission did not issue guidance on what should be considered as a 'new product or new technique' in relation to the measure for modernising farms. The Romanian data indicates that 98 % of the investments resulted in a new product or technique, compared with 13 % in Poland and 35 % in Hungary. Such a large difference cannot be explained by differences in the measures as they covered a similar range of investments. Almost any investment in new farm buildings, machinery or equipment met the Romanian definition for the indicator.

The result indicator 'area under successful land management' is in practice identical to the output indicator 'area under agri-environment support'. This is because Member States consider all areas supported to be 'successful' without any assessment of whether an improvement of biodiversity, water quality, etc. was achieved. The Court identified cases where the agri-environment contract was not successful, but the area was still included in the results data.

- 44.** In many cases, the mid-term evaluations relied on inadequate methodologies, such as making assumptions or relying on surveys without undertaking other procedures or evidence collection to support the conclusions¹⁰. While case studies can be valuable to illustrate findings or help explain data, some evaluators used just a handful of cases to draw conclusions for a whole measure or programme. Some mid-term evaluations made no attempt to answer the common evaluation questions established in the Commission CMEF guidance¹¹. In France, all Axis 3 and Axis 4 measures were excluded from the scope of the mid-term evaluation.
- 45.** The mid-term evaluations consequently failed to give sufficiently evidence-based answers to the evaluation questions that concerned efficiency and the achievement of objectives, and they were too disparate to give meaningful information at EU level.

THE COMMISSION HAS ENCOURAGED MEMBER STATES TO IMPROVE MONITORING AND EVALUATION AND THERE IS USEFUL INFORMATION ON WHAT THE EU'S BUDGET IS SPENT ON ...

- 46.** The Commission recognised the problems with the indicators and the evaluations from an early stage, worked with the Member States to improve the guidance and offered support, notably through an 'Evaluation Helpdesk'. Following the mid-term evaluations, the Commission analysed the weaknesses and has used the experience gained when planning the CMEF for the 2014–20 period.
- 47.** The Commission checks the Member States' monitoring data (which is submitted with the Annual Progress Reports) and requires Member States to correct obvious errors before it will accept the Annual Progress Reports as complying with the regulation. The consistency and completeness of the data have much improved over the past 5 years, but at the time of the audit in April 2013, the Commission had still not accepted the Annual Progress Reports for 2011 for France, Hungary and England, so the latest information is for 2010. However, there are limits to what the Commission can do if Member States do not provide the data. Hungary has not provided indicator data for 2011 with the explanation that it is still revising its indicators. Important data is also still missing for other Member States, including Romania, which has not reported any result indicator data for the six measures reviewed. Of the 12 RDPs reviewed, only Austria and Sweden have provided the full set of common result indicator data for 2011. The **Annex** shows the data provided by the Member States in their Annual Progress Reports for 2011. The lack of up-to-date data means it is of little use for its intended purpose of monitoring the outputs and results.

¹⁰ See paragraphs 75 to 77 of Special Report No 1/2013 Has the EU support to the food-processing industry been effective and efficient in adding value to agricultural products? (<http://eca.europa.eu>).

¹¹ In its audit of the measure for adding value to agricultural products, the Court found that eight of the 23 mid-term evaluation reports reviewed gave no conclusions on the evaluation question 'To what extent have supported investments contributed to improving the competitiveness of the agricultural and forestry sector?' despite this being the EU objective for which the aid is given.

- 48.** Even where results data is available, the Commission has little assurance that it is reliable. Member States do not have to describe the definitions used or data collection methods in the Annual Progress Reports and the Commission has not checked whether Member States have systems to ensure the quality of the data, how each interprets terms like ‘new products’, or which Member States follow the methodological guidance. The Court found that without explicitly informing the Commission, Hungary changed the description of the ‘jobs created’ indicator to include ‘jobs maintained’, which would greatly inflate the results.
- 49.** For all the problems encountered, the CMEF nevertheless remains an essential tool, without which the possibilities for monitoring and evaluating the EU’s budget would be poorer. While the monitoring information in the early years and many of the mid-term evaluations were not of an acceptable quality, the Commission has noted a development of expertise and of an evaluation culture. Valuable lessons have been learned, which should lead to a more robust CMEF in the future. The Court has noted examples of good practice in monitoring and evaluation, for example in Austria, Sweden and England for the agri-environment measure (see paragraph 65), which show what can be achieved.
- 50.** For the output indicators, the CMEF data is relatively consistent and complete and can provide useful information on what the EU’s budget is spent on. Regarding the results achieved, however, the monitoring and evaluation has not yet delivered sufficiently relevant, accurate, consistent and comparable information.

... BUT THERE HAS BEEN INSUFFICIENT REPORTING OF THE RESULTS ACHIEVED TO DEMONSTRATE THAT THE EU’S BUDGET HAS BEEN SPENT WELL

- 51.** The regulations require the Member States and Commission to report periodically on the implementation of the budget and the achievement of rural development objectives. **Table 3** provides an overview of the reports produced by the Member States and Commission that concern the efficiency and effectiveness of the rural development expenditure.

TABLE 3

REPORTING ON THE EFFICIENCY AND EFFECTIVENESS OF THE RURAL DEVELOPMENT EXPENDITURE

Report	Purpose of the report	Comments
Member States		
Annual Progress Report for each RDP (Article 82 of Regulation (EC) 1698/2005)	To show the financial implementation of the programme; the progress of the programme in relation to the objectives set; the steps taken to ensure the quality and effectiveness of programme implementation	The reports present the common indicators, describe the physical and financial implementation of the programme and give some information on evaluation activities.
Strategic Monitoring – Summary report (Article 13 of Regulation (EC) 1698/2005)	To show the progress made in implementing the national strategy plan and objectives and the contribution to the achievement of the Community strategic guidelines	The reports have similar content to the Annual Progress Reports.
Commission		
Report on the evaluation of the Union's finances COM(2012) 40 final COM(2012) 675 final	To provide the European Parliament and Council with evidence of the results achieved (NB: not only for the rural development policy)	The reports present the evaluations that were undertaken in the year. Rural development was not covered as there were no EU-level evaluations published. The Court has commented on these reports in Court Opinion 04/2012 and in a presidential letter available at: http://eca.europa.eu/portal/pls/portal/docs/1/19934783.PDF
Summary report on the implementation of the national strategies (COM(2011) 450 final At the time of the audit (April 2013) the Summary Report due at the start of 2013 had not been published by the Commission	A summary of the main current developments, trends and challenges relating to the implementation of the national strategy plans and the Community strategic guidelines, including the measures taken to follow up the report's conclusions	The report presents data on financial and physical implementation aggregated from the Member States' Annual Progress Reports with just a few of the results indicators included. There is no analysis of whether the achievement of results is satisfactory or of the costs involved.
Annual Activity Report, Directorate-General for Agriculture and Rural Development	To show results of DG Agriculture and Rural Development's operations in relation to the objectives set	The reports present impact indicators to show achievement of the Commission's objectives (which differ in some respects from those of the rural development regulation). For 5 of the 6 indicators the data for 2012 is unchanged from 2011, which the Court found to be unreliable (see Chapter 10 of the Annual Report 2011). The report's annexes include selected findings from external evaluations and result indicators compiled from the Member States' Annual Progress Reports.
Activity statements of operational expenditure: Working Document accompanying the Draft General Budget	To justify the appropriations requested by the Commission in the Draft Budget	The statement for the 2013 budget describes 'major achievements'. These relate to the Commission's activities. No link is made between the activities and the information shown on results, which is an aggregation of the common indicator data.

- 52.** These reports present the available indicator data, and in general give a sufficient description of the implementation of the programmes in terms of the amount spent and the outputs. However, the reports display common weaknesses, described in the following paragraphs.
- 53.** The reports give insufficient consideration to the reliability of the data sources or methods when presenting the information. For example, some Member States extrapolated data from just a handful of cases, as did the Commission in its Annual Activity Report¹². The poor quality of many of the mid-term evaluations also limits the reliance that can be placed on the evaluation findings but the Member States and Commission did not sufficiently draw attention to this.
- 54.** The Member State and Commission reports show indicator values in relation to targets that the Member States have changed to match the expected results. **Box 2** explains why this should not be done. In a recent example the Commission approved an amendment to the Czech Republic RDP that reduces the target for job creation by over 90 % (from 29 000 to 2 700). If the programme eventually creates 2 700 jobs it will meet just 9 % of the target set in the approved RDP — a poor result. Yet the Annual Progress Report will compare it with the revised target and consider it a 100 % success. The Managing Authority will not have to explain the failure to meet the original target. This practice devalues the reports to the point that they are of little use for accountability: for showing the extent to which the programme managers have achieved the rural development objectives set. The Commission reports include a footnote to say that the targets are ‘subject to revision’ but the Member States’ Annual Progress Reports reviewed by the Court do not even mention when targets have been reduced. The **Annex** shows the result indicator targets that have been changed since the initial RDP.
- 55.** The evaluation findings presented in the Commission and Member State reports are mostly the work of independent evaluators. However, the reports do not inform the reader of the conclusions the Commission or Member State themselves draw from the evaluations or if the Commission or Member State accepts the evaluation findings as valid¹³.

¹² In Chapter 10 of its 2011 Annual Report, the Court found that the 2011 Directorate-General for Agriculture and Rural Development Annual Activity Report presentation of the impact of the programme was based on insufficient data. For example, the increase in renewable energy was calculated from data for just 9 of the 88 RDPs (OJ C 344, 12.11.2012).

¹³ The Commission publishes the external evaluations, including the *ex post* evaluation and mid-term evaluation synthesis, with a caveat to the effect that the conclusions are those of the evaluator and not necessarily shared by the Commission.

- 56.** Moreover, Member States and the Commission reported only selected evaluation findings — in some cases only the positive findings. For example, several mid-term evaluations showed deadweight for the investment measures of around 50 %¹⁴ — a conclusion that is important for the effectiveness and efficiency of the programmes — but this was not reported in the Member States' Annual Progress Reports. The reports also do not systematically show the action taken in response to the evaluation findings.
- 57.** Finally, the Member State and Commission reports do little more than present the available information and give some analysis of implementation. They do not include any analysis of the efficiency of the expenditure or give conclusions on the extent to which the RDP and EU objectives have been met. As such, the reports give little assurance as to how well the Member States and Commission have spent the EU budget¹⁵.

¹⁴ See paragraph 61 of Special Report No 1/2013 'Has the EU support to the food-processing industry been effective and efficient in adding value to agricultural products?'

¹⁵ Directorate-General for Agriculture and Rural Development's Annual Activity Report has a 'Conclusion on the assurance to be taken with regard to shared management of EAGF and EAFRD expenditure'. This concerns only the legality and regularity of the payments. There is no equivalent conclusion regarding the results achieved. A section on Sound Financial Management considers only implementation issues such as delays in payments.

BOX 2

THE USE OF INDICATOR TARGETS

The Member States should actively manage the measures to ensure that result targets (and hence the EU's objectives) are met, for example by adjusting eligibility and selection criteria, thus improving the 'targeting' of the measures concerned. Where the targets still cannot be met, despite the Member States' best efforts, the Member States should explain in the Annual Progress Reports why they were not met and the action that they have taken to try to achieve them. Targets should not simply be reduced to reflect the latest projection or a 'revised estimate' of the results, as this would give the false impression that the measure had been successful when this was not actually the case.

Reducing results targets represents a reduction in the planned efficiency and effectiveness of the EU budget, as less is being achieved for the same amount of money. For this reason, targets should only be reduced exceptionally and in clearly justified cases, with the Commission's approval. Where, exceptionally, targets are changed, this should be clearly explained whenever the indicator data is reported in relation to the target.

HAS MONITORING AND EVALUATION INFORMATION BEEN USED TO IMPROVE THE EFFECTIVENESS AND EFFICIENCY OF THE EXPENDITURE?

- 58.** The previous section examined whether the monitoring and evaluation information met the requirements for accountability: to demonstrate what has been achieved. But the purpose of monitoring and evaluation is not only to provide information for reporting: it should also be used to ensure that the rural development budget is well spent.
- 59.** Monitoring and evaluation should allow the Commission to learn lessons from the current and previous programming periods and apply this when preparing proposals for new regulations. It should also give the Member States a sound evidence base on which to develop their RDPs, ensuring that the most effective and efficient measures are programmed. Subsequently, the information should alert decision-makers when objectives are not being reached or when the efficiency of the measures is not satisfactory, allowing them to improve the design or the implementation of the measures during the programming period.
- 60.** Member States are required to report in the Annual Progress Report on the steps taken to ensure the quality and effectiveness of programme implementation, and to review progress annually with the Commission. For the 12 selected RDPs, the Court examined Annual Progress Reports and the annual meeting documents for evidence of action taken to improve effectiveness and efficiency. The Court also reviewed documentation of amendments to the 12 programmes to determine whether they were based on monitoring and evaluation information stemming from the CMEF. Finally, the Court reviewed the information presented by the Commission in support of its proposals for the 2014–20 programming period.

THE COMMISSION DID NOT TAKE ACCOUNT OF THE EFFICIENCY OF THE MEASURES WHEN INITIALLY APPROVING RDPs

- 61.** Where Member States give targets in their RDPs, these can be analysed to indicate whether the programmes represent good value for money in relation to the EU's priorities and objectives. Variations between RDPs are to be expected, but the Commission should examine any large differences to ensure that they are justified. Examples of large differences are shown in **Box 3**.

- 62.** For example, while there may be specific national priorities justifying the wide variations, the diversification measures in RDPs such as Campania and the Czech Republic appear at first sight to represent a poor use of the EU budget in relation to the EU's priorities. Such cases deserve analysis and explanation but the Commission's assessment of RDP proposals did not include such analysis of the efficiency of the measures. Consequently, cases such as these are not given appropriate attention to ensure that they are effective and efficient means of achieving the EU's objectives.

MEMBER STATES HAVE USED MONITORING AND EVALUATION INFORMATION TO HELP IMPROVE TAKE-UP OF THE MEASURES ...

- 63.** Clearly, if the EU budget is not spent, it cannot have any effect. Information on take-up is therefore important to alert programme managers that they may need to revise publicity arrangements, eligibility conditions, aid rates or selection criteria to make the measures effective. The Court found that the Member States were attentive to this, using data from administrative sources to monitor take-up closely in relation to their budgets. Member States also used evaluation information, particularly the mid-term evaluation, to identify reasons for low take-up.

BOX 3

EXAMPLES OF VARIATIONS BETWEEN RDPS HIGHLIGHTED BY ANALYSIS OF INDICATOR TARGETS

The result indicator for the measure for diversifying agricultural activities is the 'increase in non-agricultural gross value added' in the farms supported, which can also indicate progress in relation to the EU's priority of creating the conditions for growth. The Czech Republic RDP target shows that for every one euro of additional annual 'gross value added' to be created, public support of 65 euros is needed. This compares with 3,2 euros of support in Hungary and 0,4 euros in Austria.

In relation to the EU's priority of creating jobs, the result indicator targets for all measures combined show a cost in public support per job created ranging from around 10 000 euros (Andalucía, Czech Republic, England, Romania and Sweden) up to around 90 000 euros (Hungary and Luxembourg). The value for one RDP (Campania: 203 000 euros) lies far outside this range.

- 64.** The regulation and the CMEF provide a good basis for the Commission's supervision of the implementation of the Member States' programmes in financial and output terms. For most of the RDPs reviewed, the Commission has approved one or more amendments that aimed to improve take-up of the measures.

... BUT THERE IS LITTLE EVIDENCE OF THE MEMBER STATES OR THE COMMISSION USING INFORMATION ON RESULTS TO IMPROVE THE EFFECTIVENESS OR EFFICIENCY OF THE MEASURES

- 65.** Improving take-up does not guarantee that the RDP measures will be effective: that the intended results will be achieved. Timely, reliable and relevant information on results achieved is therefore also necessary. The examples in **Box 4** illustrate how strong initial targeting combined with monitoring and evaluation of results can be used to enhance the effectiveness and efficiency of the measures.

BOX 4

USE OF MONITORING AND EVALUATION TO ENHANCE THE EFFECTIVENESS AND EFFICIENCY OF THE MEASURES (RDP FOR ENGLAND)

For the agri-environment measure, the authorities analysed which activities were most cost-effective in achieving environmental benefits in different geographical areas and prioritised applications on that basis. The agreements with the farmers included verifiable objectives ('indicators of success') such as to sow plots with seed mixes that provide sustained supply for wild birds throughout the winter until 15 February. The authorities monitored the achievement of these objectives by visiting a sample of farms each year. Evaluation of the results led the authorities to change the prioritisation to improve the targeting and to identify the most cost-effective activities to support in the future.

The managing authority set a target for the 'cost of public support per job created' and used this as one of the criteria for assessing grant applications for the diversification measures and for monitoring progress. The mid-term evaluation then analysed the actual results to identify which measures and types of projects were most efficient. For example, projects under the microenterprises measure were considerably more efficient at creating jobs than farm diversification projects. Following a review, support for the farm diversification measure has been reduced.

MEMBER STATES DID NOT JUSTIFY RDP AMENDMENTS BY REFERENCE TO RESULTS DATA

- 66.** All 12 of the selected RDPs had been amended at least once and in some cases nine or ten times. The Court searched for examples where the Member State justified the changes by reference to the CMEF results data. Thus, the Court searched for justifications such as 'farmers have not created enough new products to meet the RDP objective' or 'changes to the RDP are needed to achieve the jobs target'. No such cases were identified. The justifications given were primarily budgetary: the amendments were made because expenditure was higher or lower than forecast rather than because the results achieved differed from those intended.
- 67.** If the RDP expenditure is lower than the Member States planned, after 2 years the EU allocation to the programme is reduced accordingly in a procedure known as 'decommitment'. This tends to be seen by Member States as 'losing' the EU funds. To avoid this, Member States amended RDPs to reallocate funds from measures with low take-up towards measures with higher demand. For example, the justification put forward for changes to the Andalucía RDP included 'the need to take corrective actions at this moment in order to avoid possible decommitments in the future'.
- 68.** In many cases, the approved changes had the effect of reducing rather than increasing the planned efficiency of the measures. Andalucía increased the budget for the 'microenterprises' measure by 194 % but *decreased* the targets for the outputs (number of microenterprises supported) by 82 % and job creation results by 96 %. Campania amended the RDP to increase the aid rate to 100 % for two of the diversification measures in a bid to increase take-up: applicants were reimbursed the full costs of their investment projects without any additional obligations to achieve results and without having to contribute. The job creation target for the farm diversification measure was reduced from 250 in the initial RDP to 95.

THE COMMISSION FOCUSED ON OUTPUTS AND FINANCIAL IMPLEMENTATION RATHER THAN ON ACHIEVING RESULTS

- 69.** Even where results indicator data showed that targets would not be met, the Commission's comments on proposed RDP amendments and the annual meetings with the Member States focused on outputs and spending the budget rather than on how to achieve the intended results. The annual meetings did not achieve their purpose according to the regulation, which is to examine the main *results* of the previous year.
- 70.** This same focus on spending the budget and disregard for information on the results achieved can be seen in the Commission reports. In the Summary Report to the European Parliament and Council on the implementation of the national strategies¹⁶, the Commission commented on the measure for modernising agricultural holdings that in some Member States 'the implementation rate seems to be faster than expected, requiring the need to increase the estimated budget'. The Commission did not explain why 'faster implementation' should justify an increase in the budget. Results data presented in the same report — such as the results for the same measure showing only 10 % of the target for new products/techniques being achieved — was not analysed or commented on in the report by the Commission.
- 71.** In DG Agriculture and Rural Development's Annual Activity Report for 2011, the cumulative results data presented in an annex shows that four years into the programming period only 4 % of the target for creating jobs had been achieved. There is no mention in the document or in the following DG's Management Plan of any planned activity by the Commission to improve this situation, despite the importance given in the EU's strategy to the priority of creating jobs.

¹⁶ COM(2011) 450 final of 20 July 2011.

THE COMMISSION DID NOT USE CMEF RESULTS INFORMATION TO SUPPORT ITS PROPOSALS FOR THE 2014–20 PROGRAMMING PERIOD

- 72.** In October 2011, the Commission issued the proposals for the 2014–20 programming period¹⁷. The explanatory memorandum presents the results of the impact assessment, which is intended to give the European Parliament and Council information relevant to their decisions. It describes the needs that the rural development policy should address, but does not show that the proposed measures are effective and efficient means of meeting those needs.
- 73.** Annex 4 of the impact assessment gives an ‘assessment of the current policy framework’ in which the Commission presents results *targets* for just seven of the 40 RDP measures. No data is shown on what has been achieved in relation to the targets. In Annex 4a, the Commission gives a brief account of the strengths and weaknesses of the measures for modernising agricultural holdings, agri-environment, forestry measures, microenterprises, and Leader but gives no information on the other measures proposed for the 2014–20 period, including financially important measures, such as that for ‘adding value to agricultural products’ (5,6 billion euros EU allocation in 2007–13). This annex presents financial and output data for all the measures but no information on the results achieved. Annex 11 has an overview of evaluation findings, which shows that the impact assessment is based largely on the *ex ante* evaluations of the 2007–13 RDPs, of which the synthesis was published in 2008¹⁸.
- 74.** This illustrates the weaknesses in the timing and availability of monitoring and evaluation information. The Commission made its proposals before the mid-term and *ex post* evaluation syntheses were available, so the proposals were made not only without information on the effectiveness and efficiency of the measures in the 2007–13 period, but also without the *ex post* evaluation of the 2000–06 period. Although these evaluations have weaknesses, they nevertheless should be taken into account when deciding on the 2014–20 policy. For example, the *ex post* evaluation concludes that the effects of the measure ‘adding value to agricultural products’ on the competitiveness of agriculture seemed to be ‘generally rather marginal’. The mid-term evaluations reported a high incidence of deadweight (see paragraph 56). Yet the Commission proposed this measure for the 2014–20 period without providing information to the European Parliament and Council on the deadweight issue or what conditions should be established for the measure to ensure that deadweight can be minimised.

¹⁷ Proposal for a Regulation of the European Parliament and of the Council on support for rural development by the European Agricultural Fund for Rural Development (EAFRD), COM(2011) 627 final/2 of 19 October 2011.

¹⁸ *Synthesis of Ex ante Evaluations of Rural Development Programmes 2007–13, Final Report*, DG Agriculture and Rural Development, 11.12.2008.

- 75.** When making choices on future policy at EU level, and for programming at national and regional level, information should be available to answer basic but important questions such as 'has this measure proved effective at achieving the objectives in the past?'; 'is this measure the most efficient means of achieving the objective?' and 'what lessons can be drawn from the past implementation of this measure to improve its effectiveness in the future?'. Yet the results data that should show the effectiveness and efficiency of the measures was not available in time for the impact assessment; information subsequently published, in annexes to DG Agriculture and Rural Development's Annual Activity Report, for example, is not sufficiently relevant, reliable or complete. Ultimately, the Commission has failed to provide the information needed to inform decisions on the most effective and efficient measures for the 2014–20 period.

CONCLUSIONS AND RECOMMENDATIONS

- 76.** The Treaty and the EU's Financial Regulation require Member States to cooperate with the Commission so that EU funds are used in accordance with the principles of Sound Financial Management, which are effectiveness, efficiency and economy. To do this in the context of the rural development policy, the Commission and Member States need timely information on whether the rural development measures are achieving the policy objectives in an efficient way. They should account for their performance by reporting this information to the European Parliament, Council and to the EU public.
- 77.** The Court concludes that the Commission and Member States have not sufficiently shown what has been achieved in relation to the rural development policy objectives and there is a lack of assurance that the EU's budget for rural development has been spent well.
- 78.** The Common Monitoring and Evaluation Framework (CMEF) is the main instrument put in place for providing the necessary information and assurance. Its weaknesses contributed to the lack of assurance described above. The CMEF is a set of tools, whose design can (and should) be improved. But better tools will not solve the problem unless they are properly used. The Court found that the present lack of accountability is attributable to a more fundamental weakness: programmes that have focused too much on spending the budget and not enough on efficiently achieving results. This has led to a lack of attention to the monitoring and evaluation of results and impacts and consequently a lack of consideration for the quality of the information.
- 79.** The Court found that with general, open-ended objectives and insufficient quantification of the intended results in relation to those objectives, the RDPs drawn up by the Member States did not provide a sound basis for allocating the EU's budget in an effective and efficient way. Nor did they target the spending to where it would have the most effect, or provide a standard against which achievements could be measured (paragraphs 19 to 34).

- 80.** Secondly, there is an information deficit: despite support from the Commission, Member States have not produced monitoring and evaluation information that is reliable, consistent and relevant enough to show the results achieved in relation to the objectives set. The Member States and the Commission reported the common indicator data that was available but did not interpret the data in relation to the RDP or the EU's objectives. Evaluation conclusions were selectively quoted and not systematically followed up. The Commission and Member States did not present their own conclusions on the efficiency or effectiveness of the expenditure (paragraphs 35 to 57).
- 81.** Thirdly, imperfect though the available monitoring and evaluation information may be, the Commission and Member States have not made sufficient use of it to improve the efficiency and effectiveness of the measures. In the day-to-day management of the programmes, the Member States have focused on spending the budget more than on achieving the intended results. The Commission supported its proposals for the 2014–20 programming period with information from the *ex ante* evaluations of the RDPs for the current period, without presenting any information on the results achieved (paragraphs 58 to 75).
- 82.** The Commission's proposals for 2014–20 promise an increased focus on results. This increased focus does not require new legislation; it can and should start now to ensure that the EU's budget is spent well, particularly as the end of the 2007–13 programming period approaches and the risk increases that the remaining budget is spent hastily to meet the 2015 cut-off date for payments. In view of this, the Court recommends:

RECOMMENDATION 1

The Member States and the Commission should make use of monitoring and evaluation to increase their focus on achieving results for the remainder of the current programming period.

Member States should justify all proposed changes to RDP measures, and explain their intended effects, in terms of their effectiveness and efficiency in achieving results in relation to the RDP and the EU's objectives. The Commission should assess the proposed changes in the same terms. The annual examination of programmes should focus on results, as required by the regulation.

- 83.** The 2007–13 mid-term evaluations suffered from a lack of reliable data, poor evaluation methods and a lack of consistency that seriously limited their usefulness and hindered the possibilities to draw valid conclusions at EU level. The latest available result monitoring data is still inconsistent and of unsatisfactory quality. As a consequence, there is a risk that the *ex post* evaluations in 2015 may not be of sufficient quality.

RECOMMENDATION 2

Member States and the Commission should take action now to ensure that good quality, comparable information can be obtained from the *ex post* evaluations in 2015 of the 2007–13 programming period.

- (i) Drawing on the lessons of the mid-term evaluations, the Commission should issue specific guidance aimed at ensuring the quality and consistency of the *ex post* evaluations.
- (ii) Member States should plan how to provide the information needed for *ex post* evaluation, including the wealth of information gathered for administrative purposes. Member States should ensure that the evaluation contracts include quality criteria requiring evaluators to follow the CMEF guidance and to answer the common evaluation questions based on sound data and evaluation methods.
- (iii) The Commission should be proactive by checking whether Member States are following the guidance for the common indicators and the *ex post* evaluations. Where this is not the case, the Commission should work with the Member States involved to identify solutions that allow good quality, comparable information to be obtained.

- 84.** Weaknesses in the design of the 2007–13 CMEF contributed to the current lack of timely, reliable and consistent information, for results data, in particular. The Commission has already made some improvements to indicator definitions and guidance but this does not go far enough. Targets for results, with regular monitoring of achievements, are a key element in sound financial management. However, the Commission's current plans for the 2014–20 CMEF are that targets would not be required for results indicators.

RECOMMENDATION 3

For the 2014–20 programming period, the Commission should improve the CMEF design to produce more timely, relevant, reliable and comparable information, in particular on the effectiveness and efficiency of each measure in achieving results.

- (i) The purpose of each of the common indicators and its intended use at EU level should be clear. Result indicators should show the direct effects of the expenditure — what has been achieved — and should be set for each of the EU's priorities and objectives. Data should be collected for each measure that contributes to those priorities and objectives such that the effectiveness and efficiency of specific measures can be assessed.
- (ii) The Member States and Commission should check the quality of the common indicator data and provide assurance as to its reliability.
- (iii) Regarding the objectives specific to RDPs, the Member States should be obliged to account in a timely manner for the outputs, results and impacts achieved (see Recommendation 6) rather than to produce specific indicator data or evaluations.

- 85.** The Court found that the 2007–13 RDPs did not set specific, measurable objectives, which led to poor targeting of the measures as well as making monitoring and evaluation difficult. The 2014–20 RDPs present an opportunity to put the spending of the EU budget on a sounder footing.

RECOMMENDATION 4

Member States and the Commission should ensure that the 2014–20 RDPs provide a better foundation for sound financial management, with specific, measurable objectives and plans for monitoring and evaluation of the programmes' efficiency and effectiveness.

- (i) In the 2014–20 RDPs, Member States should set specific objectives that are measurable, with targets for the results. The chosen RDP measures and the intended results should be justified by reference to the effectiveness and efficiency of the related measures in 2007–13.
- (ii) The RDPs should specify for each of the measures what information will be required to show the output, results and impacts. Where the common indicators are not sufficient, additional indicators or evaluation work should be specified. For each element of information needed, the RDPs should show the source, how it will be collected (with due regard to the administrative burden), and how the reliability will be assured.
- (iii) The Commission should check RDPs not just for compliance with the regulation but also for the planned effectiveness and efficiency: the Commission should ensure that RDPs provide a sufficient basis for sound financial management by assessing the intended results in relation to the budgeted costs.

- 86.** The Court has found in its rural development audits that many Member States did not sufficiently target the RDP measures through eligibility conditions and selection criteria, so there was little *ex ante* assurance that the measures would be efficient and effective. This increases the need to obtain *ex post* assurance from monitoring and evaluation, with the associated costs and administrative burden of data collection.

RECOMMENDATION 5

Member States should design effectiveness and efficiency into the 2014–20 RDP implementation systems, with the information gathered for the application, selection and payment processes reused for monitoring and evaluation.

Member States should make an *ex ante* appraisal of effectiveness and efficiency not only at the time of programming, but also when selecting operations for funding. This approach reduces the risk of wasting money on ineffective projects that could have been eliminated in project selection. The information collected for project selection or payment (job creation, environmental benefits targeted, etc.) can reduce the need for subsequent data collection and thereby reduce the administrative burden.

- 87.** While the Member States and Commission published the reports by the independent evaluators, in their own annual and summary reports they did not sufficiently account for how well they have spent the EU budget. In these reports, the Member States and Commission did not use the financial and output indicator data to explain the results achieved and did not present information on efficiency. It was left to the readers of the Member States' and Commission's reports to make their own judgements on how much the evaluations could be relied on, or to find out if some evaluation conclusions had been omitted and why.

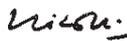
RECOMMENDATION 6

Member States and the Commission should improve their reporting on the results achieved with the EU budget to enhance accountability. This should include a more systematic follow-up of evaluation findings.

- (i) From the mid-point of the programming cycle onwards, Member States and the Commission should present conclusions in their annual reports on what the programmes have achieved in relation to each of the RDP and EU objectives. These reports should have a primary focus on the results achieved and should explicitly consider the efficiency of each measure, with the results compared to the costs. Where the common indicators do not sufficiently allow achievement of the RDP objectives to be shown, they should be complemented by administrative data and evaluation findings, taking due account of the limits of their scope and reliability.
- (ii) In their reporting of evaluation findings, Member States and the Commission should make clear what action they are taking or explain the reason if no action is planned. All evaluation conclusions should be presented and followed up, not just a selection.
- (iii) To ensure that the full value is obtained from the *ex post* evaluations of the 2007–13 programmes, the Commission and Member States should include in their annual reports for the year 2015 an analysis of the implications of the evaluation findings for the 2014–20 period.

This Report was adopted by Chamber I, headed by Mr Ioannis SARMAS, Member of the Court of Auditors, in Luxembourg at its meeting of 9 October 2013.

For the Court of Auditors



Vítor Manuel da SILVA CALDEIRA
President

STATUS OF RESULT INDICATOR TARGETS SET IN RDPs AND DATA PROVIDED BY THE MEMBER STATES IN THEIR ANNUAL PROGRESS REPORTS FOR 2011

Measure	Modernisation of agricultural holdings				Adding value to agricultural and forestry products				Agri-environment	
	Increase in gross value added in supported holdings/enterprises		Number of holdings/enterprises introducing new products and/or new techniques		Increase in gross value added in supported holdings/enterprises		Number of holdings/enterprises introducing new products and/or new techniques		Area under successful land management ¹	
	Targets defined	Data provided	Targets defined	Data provided	Targets defined	Data provided	Targets defined	Data provided	Targets defined	Data provided
Austria	Target increased									
Czech Republic										
UK — England			Target increased							
France — Mainland (Hexagone)										
Germany — Baden-Württemberg									Targets increased/reduced	
Hungary					Target increased		Target increased			
Italy — Campania			Target increased				Target increased		Targets reduced	
Luxembourg										
Poland			Target increased				Target reduced			
Romania			Target increased				Target increased		Targets increased	
Spain — Andalucía			Target reduced				Target reduced		Targets increased/reduced	
Sweden	Target increased		Target increased		Target increased		Target reduced		Targets increased	

Targets defined:

Targets defined in the initial and latest RDP (with indication if target was modified between initial and latest RDP)

Targets defined only in the initial or only in the latest RDP; targets not according to CMEF Handbook so not comparable

Targets not defined in the initial and latest RDP

Measure not programmed

¹ The result indicator for this measure has five components (areas contributing to improvement of biodiversity, improvement of water quality, mitigating climate change, improvement of soil quality, avoidance of marginalisation and land abandonment). This table shows if a target was defined and data provided for at least one of these components. In some cases, targets were increased for one component and decreased for another. This is shown as 'target increased/reduced'.

REPLY OF THE COMMISSION

EXECUTIVE SUMMARY

I.

The Commission notes that this audit report essentially focuses on the monitoring, evaluation and reporting of the effectiveness and efficiency and the use made of that monitoring and evaluation information regarding the rural development expenditure.

IV.

Regarding how well the EU budget allocated to Rural Development has been spent, certain results and impacts can only be properly assessed well into the programming period and afterwards through evaluations.

V. (a)

The Commission considers that the three overarching objectives for rural development are sufficiently clear and spelled out in Article 4 of R1698/2005. They are further specified and substantiated in the recitals and in the Community strategic guidelines. These objectives are to be used by the Member States (MS) in their programming

When approving the Rural Development Plans (RDPs), the Commission carries out an analysis to assess that programmes and measures are consistent with the Community strategic guidelines, the national strategy plans and comply with the relevant legal provisions.

V. (b)

For multi-year programmes such as the Rural Development Programmes, certain results and impacts can only be properly assessed well into the programming period, and afterwards through evaluations.

Furthermore, useful information is provided by the Annual Progress Reports on implementation as regards financial execution and outputs.

Moreover, the Commission publishes in their entirety the evaluations carried out on its behalf, together with their quality assessments on the Europa site, and transmits them to the European Parliament, Council and Court of Auditors.

REPLY OF THE COMMISSION

V. (c)

The Commission considers that, where available, the Commission - for the design - and the Member States - for the implementation - have used the available monitoring and evaluation input.

Monitoring information is used to support the case for Rural Development Programme modification. Similarly, the Mid-Term Evaluations served a steering function, as a number of Rural Development Programme modifications were linked to Mid-Term Evaluations findings.

VI.

The information available through the monitoring and evaluation system, while incomplete and possibly not always fully reliable, was the best available at this stage, taking into account financial and practical limitations faced by the Commission and Member States.

The Commission together with Member States undertook an exercise in 2008 and 2009 to fill in gaps in Rural Development Programmes. For each Rural Development Programme, the Commission services have pointed out the missing targets and targets not adequately quantified and invited Managing Authorities to improve their set of targets. This exercise led to improve significantly the set of targets via Rural Development Programme modifications.

The Commission has proposed solutions for a number of problems related to the Monitoring and Evaluation system for the next programming period, however, there will always be the need to find a balance between the benefits of monitoring and evaluation and the costs and administrative burden related to it.

The Commission considers that it has to be prudent when setting quantified targets in relation to objectives, which are affected by many external factors (e.g. the economic climate).

VII. (a)

The justification for the proposed Rural Development Programmes modifications is already a legal requirement. The Commission will continue to monitor the effectiveness and efficiency of programmes and towards the end of the period will increasingly focus on results.

The Commission and Member States use the available information in the framework of monitoring and evaluation. For instance, the results of the Mid-Term Evaluations were taken into account in programme amendments.

VII. (b)

The Commission accepts the recommendation.

A large number of Mid-Term Evaluations findings related to preparation for the *ex-post* evaluation, and actions have already been undertaken at Member States level.

VII. (c)

The proposals for the 2014-2020 Monitoring and Evaluation system incorporate a number of changes compared to the CMEF.

Instead of a Mid-Term Evaluation, there will be enhanced Annual Implementation Reports (AIR) in 2017 and 2019, which will incorporate evaluation findings. Member States will be required to carry out evaluation activities throughout the programming period in accordance with the Evaluation Plan included as part of the Rural Development Programmes.

Thus, assessment and reporting on the results and impacts of the policy will be linked more appropriately to the stage of implementation of the Rural Development Programmes.

VII. (d)

For the 2014-2020 period, the Commission and Member States are elaborating a monitoring and evaluation framework for the Common Agricultural Policy as a whole, including the monitoring and evaluation framework for the Rural Development Programmes. In this context, a number of compulsory common indicators have been defined, with a requirement for additional indicators where needed to address programme specificities.

The common indicators will also provide the basis to link the Rural Development policy to the broader 20/20 Strategy.

REPLY OF THE COMMISSION

For the 2014-2020 period, quantified target indicators are foreseen for each of the Focus Areas. Annual reporting in the Annual Implementation Reports is required for each of these. For some Focus Areas, the target indicator is set at output level. However, where the relevant result indicator is more complex and not suitable for use as a target monitored annually, its value will be assessed through evaluation, and reported in the 2017, 2019 and *ex post* reports.

VII. (e)

The Monitoring and Evaluation system will use as much as possible existing information; although as evaluation requires also the assessment of impacts of a policy, this cannot immediately be derived from the programme itself.

VII. (f)

For the future, instead of Mid-Term Evaluations, the Commission has proposed enhanced Annual Implementation Reports in 2017 and 2019.

Those Annual Implementation Reports will include a summary of evaluation findings, and it is intended that this should include relevant findings from the 2007-2013 *ex post* evaluations.

Moreover, the Commission publishes the complete reports of evaluations carried out on its behalf, together with their quality assessments, so all conclusions are presented.

INTRODUCTION

2.

The CMEF is not the only means to supervise the implementation of the budget.

For instance, the Commission carries out audit missions to check the correct implementation of the rural development policy. Follow-up of these audits might include financial corrections.

3.

Monitoring and evaluation not only provide information on the degree of effectiveness or efficiency of a policy, but also on the reasons for this.

This allows for an adaptation of the policy implementation or a redesign of the policy if needed.

5.

For the 2007 programming period, the CMEF was a new feature. It is evident that for Member-States, some of them relatively new to the EU or with a very limited evaluation culture, there is a learning curve, both regarding the methodology of data collection, processing and the use of the evaluation results.

The CMEF constitutes a significant improvement compared to the monitoring and evaluation of previous programming periods. Both methods and definitions have improved since 2010, although in particular (annual) monitoring of result indicators has remained a difficult task for Managing Authorities.

See also the Commission's replies to Table 1 under Table 1 bis in the Commission's reply section. Please note that those replies were published together with the Court's reports referred to in Table 1. As a consequence, those replies reflect the situation at the moment of the audit and have not been updated.

6.

For the 2014-2020 period, the Commission and the Member States are putting in place a monitoring and evaluation system for the Common Agricultural Policy as a whole. This system takes into account lessons learned from the past. However, inevitably every monitoring and evaluation system has a number of constraints, such as data availability, the cost of measurement, time needed for result/impact of a policy measure to become visible or conflicting demands, such as the wish for administrative burden reduction. For this reason, to the maximum possible, the new monitoring and evaluation system is based on existing data sources as well as monitoring data generated during policy implementation.

REPLY OF THE COMMISSION

OBSERVATIONS

Common reply to paragraphs 19 and 20

The Financial Regulation imposes the use of SMART objectives at the level of activity. Activity Based Budgeting 04 (i.e. rural development expenditure) is implemented at the level of the rural development programmes which are composed of a set of measures, which can contribute to several objectives. Thus, the overall objectives are set out at the programme level and their achievements are measured at that level (see also Commission replies to paragraphs 22 to 25).

SMART objectives should allow a judgement of whether they have been reached, not necessarily a quantified target.

22.

In the recitals of the regulation the rationale for each measure is given. At the level of an individual measure the outputs of the measure should be specific and verifiable. To achieve the objectives at programme level usually a combination of measures will be needed, organised in an axis structure for the 2007-2013 programming period.

23.

The objectives at EU level are formulated in qualitative terms and specify the direction in which policy should shift competitiveness and diversification. The Commission considers that it has to be prudent when setting quantified targets in relation to objectives which are affected by many external factors (e.g. the economic climate).

The Commission considers that its proposals for the 2014-2020 Regulations include a clear hierarchy of objectives and sets targets at EU level (EU 2020) and Member States should set quantified targets consistent with this at RDP level for each focus area.

25.

The architecture established by Regulation 1698/2005 is based on a coherent toolkit designed to address the three Rural Development objectives. This toolkit took duly into account the available information on the effectiveness and efficiency of the individual measures.

Common reply to paragraphs 26 and 27

The CMEF was introduced for the first time for 2007-2013 programming period. Its purpose is to back up the programme objectives by setting targets for outputs, results and impacts.

Establishing quantified targets was a new exercise, and was a learning experience for both Managing Authorities and the Commission. Where Rural Development Programmes were adopted with an incomplete set of targets there was a commitment from the Member States side to complete them.

The Commission, together with Member States undertook an exercise in 2008 and 2009 to fill in gaps in Rural Development Programmes. For each Rural Development Programme, the Commission services have pointed out the missing targets and the targets not adequately quantified and invited Managing Authorities to improve their set of targets. This exercise led to improve significantly the set of targets via Rural Development Programmes modifications.

It is the task of the evaluation, which uses among other sources the monitoring data, to ascertain if a certain programme has contributed to, or improved, promoted a given goal and hence if the objectives have been met.

Evaluating complex policy instruments is challenging, and methodology and its application is continually improving to allow better demonstration of policy achievements.

27.

See also the Commission's replies to Table 1 under Table 1 bis in the Commission's reply section. Please note that those replies were published together with the Court's reports referred to in Table 1. As a consequence, those replies reflect the situation at the moment of the audit and have not been updated

28.

For the 2014-2020 period, the Commission and the Member States are elaborating a monitoring and evaluation framework for the Common Agricultural Policy as a whole, including the monitoring and evaluation framework for the Rural Development Programmes. In this context, a number of compulsory common indicators have been defined, with a requirement for additional indicators where needed to address programme specificities.

REPLY OF THE COMMISSION

The common indicators will also provide the basis to link the Rural Development policy to the broader 20/20 Strategy.

28. First bullet

This was especially true in the beginning of the programming period but in many cases, the target values were complemented later on.

28. Second bullet

In the Commission's view, a target can be both: a quantified objective and an estimate of expected results.

28. Third bullet

A number of common indicators will never be sufficient to capture all situations. The legal framework offers scope for Managing Authorities to define programme-specific indicators where necessary.

29.

See replies to paragraphs 26 and 27.

The Rural Development Programmes of Austria subsequently provided output and result indicator targets for the agri-environment measures such as: number of holdings supported; supported area; number of contracts; cultivated area contributing to biodiversity, water quality, climate change, soil quality, prevention of marginalisation.

30.

Based on the strategy, the allocation of the budget reflects the priorities among the needs identified by the Member States.

31.

The CMEF was introduced for the first time for 2007-2013 programming period. The legislation requires that only indicative (non-binding) targets are set beforehand. Establishing quantified targets was a new exercise, and was a learning experience for both Managing Authorities and the Commission. In this context, it is understandable that some initial targets may have been unrealistic and therefore it was appropriate to revise them down.

32.

See replies to paragraphs 26 and 27.

The inclusion of additional indicators is foreseen under Regulation 1698/2005 (Article 81(2)). As stated in this article, the intention is not to have an exhaustive set of additional indicators, but rather to define some additional indicators to allow monitoring and evaluation of the specificities of the Rural Development Programmes.

Under the shared management and subsidiarity principle, it is up to the Member States to define which indicators are relevant. The indicator 'number of holdings introducing new products or new technologies' was not considered by Czech Authorities relevant for the measures 'modernising agricultural holdings' and 'adding value to agricultural products', since innovation-focused projects are financed under M124. This explanation was provided following DG AGRI's letter on the Annual Progress Reports 2010 and accepted because it reflects the CZ measures' design.

33.

See replies to paragraphs 26-27 and 31.

34.

See reply to paragraph 26.

The Commission is well aware about the discrepancies in indicator definition, and in the new monitoring and evaluation framework it has paid a lot of attention to the proper definition of the indicators.

The CMEF was introduced for the first time for 2007-2013 programming period. Establishing quantified targets for Rural Development was a new exercise, and was a learning experience for both Managing Authorities and the Commission.

35.

Monitoring and evaluation systems are designed to provide information at 3 levels: output, result and impact. All three levels of performance indicators are needed to be able to assess the policy on both short and long term. The information on results is an integral part of the system.

REPLY OF THE COMMISSION

Common reply to paragraphs 37, 38 and 39

In the 2007 programming period, the CMEF was a new feature. It is evident that for Member-States, some of them relatively new to the EU or with a very limited evaluation culture, there is a learning curve, both regarding the methodology of data collection, processing and the use of the evaluation results.

The CMEF Handbook provides guidance on how to implement the CMEF. In addition, the Commission services have and will continue (by working documents, Questions & Answers...) to provide further guidance to the Member States through different fora available (Rural Development Committee, Evaluation Expert Network and European Network for Rural Development).

However, according to the subsidiarity principle, some flexibility is left to the Managing Authorities in establishing their system.

For the new programming period, from the onset the data needs for monitoring and evaluation were taken into account, balancing data needs and the reduction of administrative burden, preferring a system that where possible builds on existing data sources.

40.

Due to its bottom up nature, developing CMEF indicators for the Leader axis was a particular challenge. But Leader is part of the CMEF.

The Commission provided guidance to Member States, also for evaluating Leader. In the context of the European Network for Rural Development, work has been carried out on self-assessment of Local Development Strategies.

Common reply to 41 and 42

See reply to paragraph 37.

The CMEF constitutes a significant improvement compared to the monitoring and evaluation of previous programming periods. Nevertheless, the early years of its implementation have been a 'learning by doing' exercise for both the Commission and the Member States. Both methods and definitions have improved since 2010, although in particular (annual) monitoring of result indicators has remained a difficult task for Managing Authorities.

Box 1

While the differences pointed at by the Court might indeed not be fully explained by differences in measures, they may also be explained by the differences in the starting point for each Member State. It is common use in Rural Development policy to consider that a 'new product or technique' meant one that was new to the region. The Commission works closely with the Member States to improve consistency as far as possible.

It is acknowledged that there were some difficulties in correctly recording data for the output related to 'area under agri-environment support' and result indicator regarding 'area under successful land management'. The output indicator is set at measure level, whereas the result indicator is at Axis level and covers the range of relevant measures and schemes under Axis 2. In some cases, depending on the measures and schemes implemented, the correct figures may be the same, but in most cases the data will differ.

43.

The mid-term evaluation did provide a good overview of the implementation of Rural Development Programmes. However, for multi-annual programmes such as the Rural Development Programmes, certain results, such as Gross Value Added and impacts can only be properly assessed well into the programming period, and afterwards. Such effects can only be measured after sufficient time since implementation has passed; for most interventions, this was not yet the case at the moment of the mid-term evaluation. For example, measures under Axis 3 and Axis 4 take more time to implement and, as a consequence, for results and impacts to be visible.

Consequently, certain results and impacts of the programmes could not yet be measured, unlike the expenditure or outputs.

REPLY OF THE COMMISSION

44.

The use of information from a limited number of cases to support conclusions for the whole measure or programme can be methodologically sound if correctly applied, it depends on the representativeness of the sample.

See also reply to paragraph 56.

45.

See reply to paragraph 43.

For many programmes, the Mid-Term evaluations came too early to assess efficiency. This can only be done once the results/impacts of the programmes are visible. The Commission continues to encourage Member States to improve the quality and consistency of evaluations and provides methodological support.

Moreover, since most evaluators at this stage in the programme lifecycle focused on (implementation of) individual measures, it was too early to draw lessons on a more general level regarding the attainment of overall objectives at EU level.

47.

As stated, the CMEF was introduced for the first time for 2007-2013 programming period and the first years were a 'learning by doing' experience.

The 3 reports referred to and submitted in July 2012 in accordance with the Regulation, had not been accepted by April 2013 because they required further corrections. Nevertheless 89 of the 92 reports submitted for the year 2011 had been accepted. In these Annual Progress Reports 2011, the set of output indicators was close to be complete.

For some of the indicators shown in Annex, although initially it was foreseen their values would be submitted every year as part of the monitoring data included in the Annual Progress Reports (APRs), it has been recognised that they require evaluators' input in order to be calculated and/or a certain time to elapse before they can be measured. It is therefore not efficient for them to be assessed every year and guidance to this effect has been issued.

48.

In a system of shared management, every partner has to assume their own responsibilities.

Anomalies in the monitoring data and in Annual Progress Reports have been systematically discussed with Member States.

The Commission has requested the HU authorities to reintroduce the initial wording.

For the new programming period, the Commission services and Member States have collaborated to define ex-ante the data definition and data sources.

50.

The CMEF constitutes a significant improvement compared to the monitoring and evaluation of previous programming periods. Nevertheless, the early years of its implementation have been a 'learning by doing' exercise for both the Commission and the Member States.

Both methods and definitions have improved since 2010, although in particular (annual) monitoring of result indicators has remained a difficult task for Managing Authorities.

51.

As a complement to the information provided in Table 3, the Commission also publishes the evaluations carried out on its behalf with a quality assessment by the steering group.

REPLY OF THE COMMISSION

53.

The Quality judgement of the synthesis of the Mid-Term Evaluations, published by the Commission on the Europa website, states clearly 'As the Mid-Term Evaluations reports used as source data are often of variable quality and detail as regards their information on particular topics, this fact is necessarily also reflected in the synthesis of the findings and can be a limiting factor to the overall quality of the findings' (http://ec.europa.eu/agriculture/evaluation/rural-development-reports/synthesis-mte-2007-2013_en.htm).

The Commission considers that it did not extrapolate the data, but recognises the need to improve the presentation of the Annual Activity Report table in question. The information provided in the document just reported on a state of play of a given situation versus estimated targets.

54.

The legislation (Article 62(2) of Regulation (EC) No 1974/2006) refers to indicative (non-binding) target values. Furthermore, the initial targets were set before the crisis affecting the world economy.

The Commission considers that changing economic circumstances can be a good justification for changing the targets. To stick to a target that has become outdated is not useful, neither for management purposes, nor for accountability purposes. Targets can also be modified to reflect changes in the Rural Development Programmes strategy.

It is correct that the Czech authorities have set initially rather ambitious targets related to job creation. At the same time, the economic/financial crisis has significantly hindered creation of employment.

Therefore, following the mid-term evaluation, the Annual Examination Meeting 2011 and following the Court's visit, a revision of these targets has been proposed on 27/09/2012 under the 8th Rural Development Programmes modification, accepted by the Commission on 13/03/2013.

Box 2

While targets should not be revised simply to reflect the latest projection of results, there is no point either to keep sticking to targets that are –despite best efforts– not realistic anymore, e.g. due to changing economic circumstances in which the measures are applied.

The Commission considers that reducing result targets does not, per definition, represent a reduction in planned efficiency and/or effectiveness. It can also be an acknowledgement of the changing economic context, which makes it harder to achieve a number of targets, e.g. job creation.

As targeting takes many forms, targeting takes into account identified structural and territorial needs and may result in directing the support to those in greatest needs while the support could have resulted in higher values for indicators in other areas.

Targets should not be looked at in isolation but in the context of the strategy of the programme as a whole.

55.

The Commission publishes in due time the findings of the evaluations carried out on its behalf, but also the quality assessment by the steering group, which includes the usefulness of the report for the Commission.

56.

The Commission publishes the complete reports of the independent evaluators on the Europa website.

The evaluations of the Rural Development Programmes revealed certain difficulties in demonstrating the effectiveness, efficiency, achievements and impacts of investment measures in a comprehensive and consistent manner. For this reason, the Commission has launched an evaluation intended to improve capacity to identify and understand the impact of measures to support physical investments: http://ec.europa.eu/agriculture/calls-for-tender/tender-documents/2013/275093/specs_en.pdf; this tackles i.a. the issue of the assessment of deadweight. It should also improve the demonstration of policy achievements and also contribute to future policy development and implementation.

REPLY OF THE COMMISSION

57.

The reporting of results in the annual progress reports is intended to give a picture of progress in achieving the objectives of the Rural Development Programmes (as well as in the Annual Activity Report of DG AGRI) not necessarily its evaluation. Furthermore, useful information is provided by the Annual Progress Reports on implementation as regards financial execution and outputs.

See also Commission reply to paragraph 43.

Regarding how well the EU budget allocated to Rural Development has been spent, certain results and impacts can only be properly assessed well into the programming period and afterwards through evaluations.

58.

The Commission considers that improving the implementation (as far as monitoring is concerned) or the design (evaluation) and accountability are the prime purposes of the monitoring and evaluation system.

61.

As already underlined, the target setting was a learning by doing process which necessarily extended beyond the approval stage of the programmes.

The Commission will examine the ex-ante evaluations and the plausibility of the targets proposed for the new period. However, the Commission cannot unduly delay the approval of the programmes.

Box 3

As stated, the CMEF was introduced for the 2007-2013 period. These early years have been a 'learning by doing' experience for the Commission and Member States. In the first versions of Rural Development Programmes, lack of benchmarks and reference information could have led to unrealistic targets being set.

The difference in cost can also mirror the economic situation and salary level in the different areas, hence a variation can indeed be expected.

Box 3 – First paragraph

The Commission would also like to point out that 'creating new jobs' is only one of the concrete objectives linked to the implementation of Axis III where the overarching objective is to improve the quality of life in rural areas and to encourage diversification of economic activity. The Commission considers that this can partly explain the differences in public expenditure per 'job created'. The RDP of Campania is an example of this.

62.

See Commission reply to paragraph 61.

The explicit introduction of commonly defined target indicators underpinned by an indicator plan for the new programming period as proposed by the Commission should make it easier to assess planned outputs and financial resources against the targets to be achieved.

66.

It takes time for the results and impacts of a programme to become visible, therefore it can be expected that the modifications to programmes particularly during the early part of the programming period are more related to input- or output related factors (e.g. budgetary constraints or lack of uptake).

However, the conclusions derived from the Mid Term Evaluations, which were among others using available monitoring data, were taken into consideration in programme amendments.

67.

Amendments to the programmes to avoid 'decommitment' need to be assessed in the context of the overall strategy.

REPLY OF THE COMMISSION

68.

The CMEF was introduced for the first time for 2007-2013 programming period. Establishing quantified targets for rural development measures was a new exercise, and was a learning experience for both Managing Authorities and the Commission. The legislation requires that only indicative (non-binding) targets are set beforehand.

Where Rural Development Programmes were adopted with an incomplete set of targets there was a commitment to complete them. Certain Member States had obviously overestimated the results that could achieve with the funds allocated and have afterwards corrected these estimates.

Furthermore, the economic context has been changed drastically and required certain adaptation of the expected results.

69.

In the annual meetings, all available data and information, e.g. financial, monitoring data, evaluation findings, are taken into account to assess progress in implementation and any need for adjustments in strategy and financial allocations are discussed.

70.

Since the report quoted by the Court is an implementation report on strategy plans/strategic guidelines, it cannot go in the detailed reasoning behind the budget for each individual Rural Development measure.

Moreover, it refers to results, but lets the reader understand that is too early for them to become visible. (see point 4: 'outlook' in the report).

71.

Poor results for one indicator are not a sufficient basis to change a policy with a 7 to 9 year implementation period.

72.

Although evaluation results for the current programming period (2007-13) were not yet available, the Commission's Common Agricultural Policy reform proposals were strongly based on the lessons learnt so far with the CMEF, the on-going experience with implementation of the Rural Development Programmes and on the evaluations of previous programming periods and of rural development measures. This allowed the Commission to develop and underpin a more results oriented policy with a reinforced monitoring and evaluation system, overcoming some of the shortcomings identified for the 2007-13 programming period.

Common reply to 73 and 74

The Commission was bound to present a Common Agricultural Policy reform proposal for the period 2014-2020 early enough in order that it could enter into force in 2014. Taking into account the necessary consultation process and the legislative procedures, the exercise needed to be launched in 2010. This led to a need to use the evaluation data available at that time for the impact assessment. The Commission could not wait for more recent evaluation results, i.e. the synthesis of the *ex-post* evaluation reports of 2000-2006 programming period or the mid-term evaluation reports of the programming period 2007-2013, without substantially delaying the reform.

However, the Commission publishes in due time all the evaluations performed on its behalf together with their quality assessments, so the information does become available to Parliament and Council.

The seven measures presented in Annex 4a of the Impact Assessment represent important rural development measures and provide an overview of different types of support measures.

See also reply to paragraph 56.

REPLY OF THE COMMISSION

CONCLUSIONS AND RECOMMENDATIONS

75.

See replies to paragraphs 73 and 74.

Policy choices are based on a wide range of information, including monitoring and evaluation, and on different political visions on prioritisation of problems and possible solutions.

The Commission considers that the questions referred to by the Court come in only once the objectives have been decided and focus on the choice of measures to reach these objectives.

The information available through the monitoring and evaluation system, while incomplete and possibly not always fully reliable, was the best available at this stage, taken into account financial and practical limitations faced by the Commission and Member States. The Commission has proposed solutions to a number of problems related to the Monitoring and Evaluation system for the next programming period, however, it should be noted that there will always be the need to find a balance between the benefits of monitoring and evaluation and the costs and administrative burden related to it. Moreover, the results and impacts of a measure will also be impacted by external factors, hence there will never be 100 % certainty in advance about what is the most effective and efficient measure to reach a given target.

76.

The Commission considers that, where available, the Commission - for the design - and the Member States - for the implementation - have used the available monitoring and evaluation input.

The Commission publishes the entire reports of evaluations carried out on its behalf together with their quality assessments on the Europa site, and transmits them to the European Parliament, Council and Court of Auditors.

77.

The mid-term evaluation did provide a good overview of the implementation of Rural Development Programmes. However, for multi-annual programmes such as the Rural Development Programmes, certain results, such as Gross Value Added and impacts can only be properly assessed well into the programming period, and afterwards.

78.

The Commission considers that the CMEF is a valid instrument to monitor and evaluate progress towards achieving the EU's rural development policy objectives and it has many strengths, although some difficulties have been encountered.

The information available through the monitoring and evaluation system, while incomplete and possibly not always fully reliable, was the best available at this stage, taking into account financial and practical limitations faced by the Commission and Member States. The Commission, Member States and various stakeholders devote much effort to continuously improving the system. This experience is being used for the development of an improved monitoring and evaluation system for the next programming period.

REPLY OF THE COMMISSION

The Commission has proposed solutions for a number of problems related to the monitoring and evaluation system for the next programming period, however, it should be noted that there will always be the need to find a balance between the benefits of monitoring and evaluation and the costs and administrative burden related to it. Moreover, the results and impacts of a measure will also be impacted by external factors, hence there will never be 100 % certainty in advance about what is the most effective and efficient measure to reach a given target.

79.

The Commission considers that the objectives expressed in Regulation 1698/2005 and in the Community Strategic Guidelines provide sufficient basis to identify the objectives of the policy. Rural Development Programmes proposals have been assessed by the Commission against these objectives and against the needs identified in each programming region (or country) and the money has been allocated on that basis.

As targeting takes many forms, targeting takes into account identified structural and territorial needs and may result in directing the support to those in greatest needs while the support could have resulted in higher values for indicators in other areas.

80.

For multi-year programmes such as the Rural Development Programme, certain results and impacts can only be properly assessed well into the programming period, and afterwards through evaluations.

Furthermore, useful information is provided by the Annual Progress Reports on implementation as regards financial execution and outputs.

81.

The Commission considers that, where available, the Commission - for the design - and the Member States - for the implementation - have used the available monitoring and evaluation input.

Monitoring information is used to support the case for Rural Development Programmes modification. Similarly the Mid-Term Evaluations served a steering function, as a number of Rural Development Programmes modifications were linked to Mid-Term Evaluations findings.

The Commission was bound to present a Common Agricultural Policy reform proposal for the period 2014-2020 early enough in order that it would enter into force in 2014. This led to a need to use the evaluation data available at that time. The Commission could not wait for more recent evaluation results, i.e. the synthesis of the *ex-post* evaluation reports of 2000-2006 programming period or the mid-term evaluation reports of the programming period 2007-2013, without substantially delaying the reform.

82.

The information available through the monitoring and evaluation system, while incomplete and possibly not always fully reliable, was the best available at this stage, taken into account financial and practical limitations faced by the Commission and Member States. The Commission has proposed solutions for a number of problems related to the Monitoring & Evaluation system for the next programming period, however, there will always be the need to find a balance between the benefits of monitoring and evaluation and the costs and administrative burden related to it. Moreover, the results and impacts of a measure will also be impacted by external factors, hence there will never be 100 % certainty in advance about what is the most effective and efficient measure to reach a given target.

REPLY OF THE COMMISSION

Recommendation 1

The Commission is already addressing this recommendation within the constraints of the legislative framework for the current programming period.

The justification for the proposed Rural Development Programmes modifications is already a legal requirement. The Commission will continue to monitor the effectiveness and efficiency of programmes and towards the end of the period will increasingly focus on results.

The Commission and Member States use the available information in the framework of monitoring and evaluation. For instance, the results of the Mid-Term Evaluations were taken into account in programme amendments.

83.

The problems related to the mid-term evaluations were mainly due to the fact that they were carried out too early for the impacts to become visible. They did however provide useful information on the implementation of the programmes.

As far as the *ex-post* evaluation in 2015 is concerned, the evaluator can –and should- use data from different sources ('triangulation'). For the new programming period, from the onset the data needs for monitoring and evaluation were taken into account, balancing data needs and the reduction of administrative burden, preferring a system that where possible builds on existing data sources.

Recommendation 2

The Commission accepts the recommendation.

A large number of Mid-Term Evaluations findings related to preparation for the *ex-post* evaluation, and actions have already been undertaken at Member States level.

Recommendation 2 (i)

A Thematic Working Group of the Evaluation Network will be launched by the Commission in autumn 2013 to prepare guidelines for the *ex-post* evaluation of 2007-2013 Rural Development Programmes.

Recommendation 2 (iii)

The Commission together with Member States undertook an exercise in 2008 and 2009 to fill in gaps in Rural Development Programmes. For each Rural Development Programme, the Commission services have pointed out the missing targets and the target not adequately quantified and invited Managing Authorities to improve their set of targets. This exercise led to improve significantly the set of targets via Rural Development Programmes modifications. Afterwards, on an on-going basis, efforts are made to solve the fewer remaining issues.

The CMEF Handbook provides guidance on how to implement the CMEF. In addition, the Commission services have and will continue (by working documents, Questions & Answers...) to provide further guidance to the Member States through different fora available (Rural Development Committee, Evaluation Expert Network and European Network for Rural Development).

84.

See reply to recommendation 3.

Recommendation 3

The Commission has already addressed the recommendation by proposing a new design for the 2014-2020 Monitoring and Evaluation system. However, in the proposed design of the new monitoring and evaluation system, results will not be assessed at individual measure level but at the more appropriate focus area level. It incorporates a number of changes compared to the CMEF. Instead of a Mid-Term Evaluations, there will be enhanced Annual Implementation Reports in 2017 and 2019, which will incorporate evaluation findings. The first will concentrate on elements related to programme steering, and the second on providing an initial assessment of the impact of the Rural Development Programmes. Member States are required to carry out evaluation activities throughout the programming period in accordance with the Evaluation Plan included as part of the Rural Development Programmes. Thus, assessment and reporting on the results and impacts of the policy will be linked more appropriately to the stage of implementation of the Rural Development Programmes.

REPLY OF THE COMMISSION

Quantified target indicators are foreseen for each of the Focus Areas. Annual reporting in the Annual Implementation Reports is required for each of these, and one of the lessons of implementing the CMEF is that this is not always possible or appropriate for result. For some Focus Areas, the target indicator is set at output level. However, where the relevant result indicator is more complex and not suitable for use as a target monitored annually, its value will be assessed through evaluation, and reported in the 2017, 2019 and *ex post* reports.

Recommendation 3 (i)

While indicators can contribute to the evaluation of a policy, an indicator value alone is of little value and may be meaningless. It is rarely a single measure that contributes to the achievement of an objective, more often multiple measures contribute together, and equally, an individual measure may contribute to multiple objectives. Output data is collected at measure level. The Commission proposes for the new period that result indicators will be assessed at the level of the Focus Area, which may be the result of a number of measures acting in complementary fashion.

The strategic approach to the 2014-2020 policy, based on priorities and focus areas, with measures contributing flexibility to these, as shown in the associated intervention logic and indicator hierarchy demonstrates the links between different types of indicator and the different levels of objectives.

Recommendation 3 (ii)

Checks of the quality of the data are an integral part of a monitoring system, in the respect of the shared management.

85.

The Commission considers that the three overarching objectives for rural development are sufficiently clear and spelled out in Article 4 of Regulation (EC) No 1698/2005. They are further specified and substantiated in the recitals and in the Community strategic guidelines. These objectives were to be used by the Member States in their programming.

When approving the Rural Development Programmes, the Commission carried out an analysis to assess that programmes and measures are consistent with the Community strategic guidelines, the national strategy plans and comply with the relevant legal provisions.

For the period 2014-2020, the Commission will develop and underpin a more results oriented policy with a reinforced monitoring and evaluation system, overcoming some of the shortcomings identified for the 2007-13 programming period.

Recommendation 4

For the 2014-2020 period, the Commission and the Member States are elaborating a monitoring and evaluation framework for the Common Agricultural Policy as a whole, including the monitoring and evaluation framework for the Rural Development Programmes. In this context, a number of compulsory common indicators have been defined, with a requirement for additional indicators where needed to address programme specificities.

The common indicators also provide the basis to link the Rural Development policy to the broader 20/20 Strategy.

Recommendation 4 (i)

Quantified target indicators are foreseen for each of the Focus Areas. Annual reporting in the Annual Implementation Reports is required for each of these. For some Focus Areas, the target indicator is set at output level. However, where the relevant result indicator is more complex and not suitable for use as a target monitored annually, its value will be assessed through evaluation, and reported in the 2017, 2019 and *ex post* reports.

Recommendation 4 (ii)

The Commission does not accept this part of the recommendation. In the proposed design of the new monitoring and evaluation system, results and impacts will not be assessed at measure level.

The Commission and Member States are elaborating a monitoring and evaluation framework for the Common Agricultural Policy as a whole, including the monitoring and evaluation framework for the Rural Development Programmes. In this context, a number of compulsory common indicators have been defined, with a requirement for additional indicators where needed to address programme specificities.

REPLY OF THE COMMISSION

Measure ‘fiches’ for common indicators will include information such as source, provider, frequency of collection, unit of measurement etc. to ensure a harmonised and consistent approach.

This framework takes account of the information needs for policy implementation and development, however also tries to limit the administrative burden and costs related to the data collection.

Recommendation 4 (iii)

Each Rural Development Programme is subject to ex-ante evaluation, which will appraise, among others, the internal coherence of the proposed programme, the consistency of the allocation of budgetary resources with the objectives of the Rural Development Programme and whether the quantified targets are realistic.

Results of ex-ante evaluations and its recommendations are considered in the approval process of the Rural Development Programmes.

86.

Targeting can be achieved in many ways in addition to selection criteria and eligibility criteria; using sectorial or regional differentiation, differentiation of aid intensities by type of beneficiary or by type of investment or by setting aid ceilings.

Regardless the process of selection of the Rural Development projects, there is a need for measuring the output, result and impact of the programmes in order to draw lessons for the future. This implies that in any case data collection and analysis is needed, with the associated costs.

87.

See Commission replies to paragraph 57 and 77.

The Commission publishes the entire reports of the evaluations carried out on its behalf together with their quality assessments on the Europa site, and transmits them to the European Parliament, Council and Court of Auditors.

Recommendation 6

The Commission considers that there was sufficient follow-up of the Mid-Term Evaluations findings. Letters were sent to the Managing Authorities enquiring what actions were to be taken in relation to Mid-Term Evaluations recommendations, and the Annual Review meetings also addressed this issue. In addition, the 2011 Focus Group meetings conducted in each Member State by the Evaluation Helpdesk focussed on the Mid-Term Evaluations findings.

Recommendation 6 (i)

Instead of a Mid-Term Evaluation, the Commission has proposed for the 2014-2020 period enhanced Annual Implementation Reports in 2017 and 2019, which will incorporate evaluation findings. The first will concentrate on elements related to programme steering, and the second on providing an initial assessment of the impact of the Rural Development Programmes. Member States are required to carry out evaluation activities throughout the programming period in accordance with the Evaluation Plan included as part of the Rural Development Programmes. Thus, assessment and reporting on the results and impacts of the policy will be linked more appropriately to the stage of implementation of the Rural Development Programmes.

Recommendation 6 (ii)

The Commission publishes the entire reports of the evaluations carried out on its behalf together with their quality assessments on the Europa site, and transmits them to the European Parliament, Council and Court of Auditors. The Commission considers that the objectives of the evaluations are to improve decision-making (by explaining what works and why) and to demonstrate accountability on the basis of work of an independent contractor.

Recommendation 6 (iii)

While lessons can be drawn from the *ex-post* evaluations, the 2015 report is not necessarily the best place to analyse the implications for any future programmes. The Annual Implementation Reports for 2014-2020 will include a summary of evaluation findings, and it is intended that this should include relevant findings from the 2007-2013 *ex-post* evaluations.

REPLY OF THE COMMISSION

TABLE 1 – COMMISSION'S REPLIES TO THE FINDINGS ON MONITORING AND EVALUATION OF THE RURAL DEVELOPMENT POLICY IN THE COURT'S SPECIAL AND ANNUAL REPORTS

Special Report No 5/2010 – Implementation of the Leader approach for rural development

The *ex-post* evaluation of Leader+... is considering] the issues of effectiveness and efficiency of expenditure. It is normal that the effectiveness and efficiency of policy instruments are assessed on an *ex-post* basis. This evaluation forms part of the standard policy evaluation cycle.

The relevant information contained in the Leader+ *ex-post* evaluation will provide the basis for the Commission's further work on the Leader approach.

Special Report No 7/2011 – Is agri-environment support well designed and managed?

The Commission has verified that the objectives are specific, measurable, achievable, realistic and timely to the extent possible during the procedure of the programmes' approval. The Commission will further underline the need for Member States to ensure consistency of the sub-measures' objectives with the general agri-environmental objectives. The actual environmental benefits of sub-measures can only be determined after a certain period of time of their implementation.

Special Report No 8/2012 – Targeting of aid for the modernisation of agricultural holdings

The current 'learning by doing' experience shows that the definition of result indicators for improving competitiveness is challenging and the Commission, Member States and various stakeholders have devoted much effort to continuously improve methodology, reliability and comparability. The monitoring and evaluation system is subject to review by the Commission and Member States in order to improve its efficiency and effectiveness, especially in terms of reliability and comparability, and foster ownership by sharing good practices and building capacity.

Special Report No 1/2013 – Has the EU support to the food-processing industry been effective and efficient in adding value to agricultural products?

The forthcoming synthesis of MTEs is expected to give an overview of the available information on measure 123 with respect to the implementation of the measure and on the achievement of the result indicators .

In the *ex-post* evaluation, Member States should again report on the achievement of the result indicators, this time covering the full programming period.

Special Report No 6/2013 – Have the Member States and the Commission achieved value for money with the measures for diversifying the rural economy?

For the next programming period the Commission is developing a new version of the CMEF, together with the Member States, which will allow the assessment, for each RDP, of progress in implementation against commonly defined target indicators for the priorities and focus areas selected for the programme. At the basis is an indicator plan which for each focus area sets the target and the planned outputs and expenditure for the measures that will be used to achieve the targets and objectives of the programme. The indicator plan represents more accurately the quantified intervention logic for each individual programme than does the current rigid axis structure.

REPLY OF THE COMMISSION

Annual Report 2011, Chapter 10

The Commission services complied with the obligations set up in the Financial Regulations and in the instructions for the drafting of the Annual Activity Reports (AARs). The Commission strengthened the standing instructions for the 2011 AARs, in terms of economy, efficiency and effectiveness, and requested the directorates-general to add indicators on voluntary basis on sound financial management in Part 3. The Commission is confident that AARs as a whole provide sufficient information on results/outcomes.

Most of the mid-term evaluations did not provide quantified impact stating that the mid-term evaluations were carried out too early in the programming period in order to be able to capture measurable effect and impact. Impacts are dealing with long-term processes.

European Court of Auditors

Special Report No 12/2013

Can the Commission and Member States show that the EU budget allocated to the rural development policy is well spent?

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FOR THE 2007–13 PROGRAMMING PERIOD, THE EU HAS ALLOCATED ALMOST 100 BILLION EURO TO ACHIEVE ITS RURAL DEVELOPMENT OBJECTIVES. IN THIS REPORT, THE COURT FINDS THAT THERE IS A LACK OF ASSURANCE THAT THE MONEY HAS BEEN WELL SPENT: THE COMMISSION AND MEMBER STATES HAVE NOT SUFFICIENTLY ACCOUNTED FOR THEIR PERFORMANCE IN ACHIEVING VALUE FOR MONEY WITH THE EU'S BUDGET. DESPITE SUPPORT FROM THE COMMISSION, MEMBER STATES' MONITORING AND EVALUATION HAS NOT BEEN RELIABLE, CONSISTENT AND RELEVANT ENOUGH TO SHOW WHAT HAS BEEN ACHIEVED IN RELATION TO THE POLICY OBJECTIVES. THE AVAILABLE INFORMATION HAS NOT BEEN USED TO MAKE THE RURAL DEVELOPMENT MEASURES MORE EFFECTIVE AND EFFICIENT, WITH THE FOCUS BEING ON SPENDING THE BUDGET RATHER THAN EFFICIENTLY ACHIEVING RESULTS. ULTIMATELY, THE CURRENT FRAMEWORK HAS FAILED TO PROVIDE THE INFORMATION NEEDED IN TIME TO INFORM DECISIONS ON THE MOST EFFECTIVE AND EFFICIENT MEASURES FOR THE 2014–20 PROGRAMMING PERIOD.



EUROPEAN COURT OF AUDITORS



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