OPERATIONAL PROGRAMME TECHNICAL ASSISTANCE

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MINISTRY OF REGIONAL DEVELOPMENT CZ

National Coordination Authority

BACKGROUND MATERIAL FOR SEMINAR

"THE ROLE OF EVALUATION
IN PREPARING AND IMPLEMENTING
OF THE 2014–2020 PROGRAMMING PERIOD"

RECOMMENDATIONS FOR SETTING OF INDICATORS

NATIONAL CO-ORDINATION AUTHORITY

MINISTRY OF REGIONAL DEVELOPMENT CZ

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Introduction

The purpose of the document is to provide information about the history and method of monitoring of the physical progress in the current programming period with the aim to ensure transfer of experience and best practice to the preparation of strategies and subsequent proper and timely setting of the implementation of the future programming period of 2014–2020.

This document is based on drafts of future regulations published in October 2011. Although these were not final versions of the regulations, the debate and presented drafts clearly indicate the direction and the general framework of future rules. This document is to serve as an input for discussion on the preparation and method of proper setting of the future programming period. The objective of the document is to reflect as much as possible the current requirements of the European Commission (the Commission) and to ensure proper and timely set up of coordination mechanisms in preparation of the 2014–2020 programming period, its management and evaluation.

History of setting of the physical progress monitoring system in 2007–2013

Ministry of Regional Development - The National Coordination Authority in the Czech Republic (NCA) is the coordinator of drawing on financial resources under the Structural Funds (SF) and the Cohesion Fund (CF). A tool coordinating development of indicator systems, the **National Codebook of Indicators** (NCI), was created already in 2006. It contains indicators with clear definition, measurement unit and coding which are concerted from the technical and methodology points of view. The NCI is developed as a dynamic and open tool that is able to respond to the needs of individual operational programmes (OPs), meaning that it is regularly updated in compliance with the rules set by the NCA[1].

The original version of the NCI contained mainly statistical indicators the source of which is e.g. the Czech Statistical Office (CSO) and which did not correspond fully to the needs of setting the whole indicator system of OPs. As not all indicators were originally included in the NCI within the framework of approval of individual OPs, they were developed by individual managing authorities (MAs) with duplicities, inaccuracies and differences in methodology.

In order to ensure physically accurate and aggregable data on physical implementation of OPs and the National Strategic Reference Framework (NSRF), the indicator systems of individual OPs were integrated during January 2008 – April 2009 within **the NCI Optimization project**. The integration meant **harmonization of measurement units, names and codes** of certain indicators so that monitoring of achieved values of indicators can be compared at the level of OPs and subsequently aggregated at the level of the NSRF. The changes carried out were of only formal and technical nature and in a majority of cases they did not impact the set target values of individual indicators. However, they represented a burden for the MAs and beneficiaries as they had to modify binding documents. In order to ensure audit trail, a change sheet of the NCI was developed where all changes can be tracked down. Also, **a binding methodology** was developed within the above mentioned project for expanding the indicator system and using of NCI[2], including a new tool – aggregation maps.

Based on information from the Evaluation Network Meeting (ENM) also other Member States have faced or are still facing similar problems. Current **experience has confirmed that central coordination** by the National Coordination Authority and the Department of Monitoring System Administration **with firmly-set rules based**

[1] The current version of the NCI including change sheets can be found at http://www.strukturalni-fondy.cz/Narodni-organ-pro-koordinaci/Monitorovani-NSRR-2/Monitorovani-vecneho-pokroku/Aktualizace-Narodniho-ciselniku-indikatoru-(1); (Czech version only).

[2] The methodology of assessment of indicators for inclusion in the NCI (NCA); April 2009, updated version September 2011; available at http://www.strukturalni-fondy.cz/Narodni-organ-pro-koordinaci/Monitorovani-NSRR-2/Monitorovani-vecneho-pokroku/Metodika-posuzovani-indikatoru-pro-zarazeni-do-NCI; (Czech version only).

on the Central Monitoring Methodology[3] which is adequately reflected by the monitoring system, has proven itself correct. The result is available regularly aggregated outputs on physical progress. The system enables simple and quick generation of current values of indicators and/or finding errors which e.g. was a major obstacle for evaluation in the past period of 2004–2006.

Coordinated and properly set rules, however, are not a full guarantee of successful evaluation. In the current period, issues related to inconsistency of monitoring across OPs[4], high error rate in measurement units, numerical calculations, etc. were overcome, however, **certain output indicators lack a** strong or or any **link to results.** This means that e.g. we know the area of prepared investment sites, however, without the comparison with investment needs in the given region these are mere figures without further added value. Currently, the existing indicator system can only **be used for evaluating success and efficiency of interventions to a limited extent.** In the future period, it should provide not only properly set quantitative indicators, but also **qualitative indicators[5]** and related types of evaluation (e.g. CIE – Counterfactual Impact Evaluation).

The above information can be summed up as follows. For the current programming period of 2007–2013, there is an indicator system at the NSRF and OP levels which makes it possible to aggregate data from the project level. However, its development started very late (only during the programming period) which caused substantial methodological difficulties with data aggregation. At the same time, with respect to the process of setting of the indicator system which had to be selected respecting the NSRF/OP implementation phase, it could not be set up in a way which would allow for its full use for evaluation of interventions. **For the preparation of the 2014+ programming period the main recommendation in this respect is to start early enough developing an indicator system which will have clearly set methodology rules and links between individual levels of implementation** (Contract/Agreement – OPs – priorities – activities[6] – projects).

Methodology approach for setting of indicators – links to intervention objectives

The current period of 2007–2013 is characterized by widely set strategies of OPs which make it possible to support an inexhaustible amount of activities. It has been difficult and it will also be in the future to set proper indicators reflecting the effects of expenditures for such a widely defined programme documents.

In connection with the goal of the future period which will focus more on results (**Evidence Based Cohesion Policy**) it is necessary to **set the objectives of the strategy and the indicator system properly, including input and target values of individual indicators** already when preparing the strategy and programme documents. The European Commission is aware of this and therefore, it has prepared a new logical framework for setting of indicators.

Within the ENM activities, selected Member States carried out a pilot test of this new view of output and result indicators by analysing fulfilment of the objectives and the strategy using current selected interventions. General conclusions confirm the existing practice and results of ex-post evaluation of the 2004–2006 Community Support Framework (CSF). The main shortage is that **all Member States set high objectives** for the current programming period of 2007–2013, **result indicators are based on statistical data** which are not available at the time when they are needed, and last but not least, **the given issues are impacted by many factors** some of which cannot be influenced from the viewpoint of interventions.

[3] Monitoring methodology of SF/CF programmes for the programming period of 2007–2013 (NCA); September 2007, updated version December 2011 (version 2.7 as at 1 December, 2011); available at http://www.strukturalni-fondy.cz/Narodni-organ-pro-koordinaci/Dokumenty/Metodiky-a-manualy/FileList/Monitorovani-programu/Metodika-monitorovani-programu-SF-a-FS-v-progr-(3); (Czech version only).

[4] Despite an extensive and thorough project of NCI Optimization, selected indicators of the current period do not guarantee that results of similarly focused OPs can be compared, e.g. OP HRE monitors a number of supported persons, OP PA a number of successfully supported persons. A difficult situation arises in ROPs e.g. with cycling paths and cycling routes.

[5] E.g. indicators such as improving quality of provided services or assessment of the quality of certified courses.

[6] With activity is meant the group of thematically focused projects on similar issues. We can compare it with areas of support in 2007-2013 period.

With respect to these findings and in line with the new logical framework for setting of indicators, it is recommended to define the basic theory of change for the future period (**What do we want and can change?**) and already when developing a strategy to set up the mechanism of its implementation (**How do we want to achieve it?**). Ex-ante evaluation should include verification of the proper set-up of the indicator system and its evaluation (**How to verify that we were successful?**). These questions are the basic parameter for applying the principle of **Evidence Based Cohesion Policy**.

Table No. 1: ***New logical framework setting the strategy and indicator system for the period of 2014–2020***

Issue →	**Causes of the issue →**	**What do we want and can change = result →**	**Indicators**		**Allocation ←**
			Result indicators	**Output indicators**	
As accurate as possible definition / **description of the issue**	**Finding** highly **specific causes** of the issue; often there are several such causes.	Selection of a single (main) cause of the issue – define **what exactly we want and can change** (focus on the main cause of the issue; it is impossible to change everything – apply the principle of thematic concentration). In this phase it is necessary to minimise political influence on the programming process, in order to focus the intervention directly on the main causes of the issue to avoid fragmentation of the intervention.	• **Definition** of an indicator (incl. definition of a measurement unit and a clear monitoring methodology) • Data **sources** • Baseline value • Target **value** • Result indicators: a limited number of indicators through which it will be possible to capture a required change with a **clear link to the intervention objective**.		An amount of money earmarked to achieve the required change – a clearly defined **link to the set output and result indicators** – definition based on a cost/benefit analysis, unit cost database or experience.

Source: The authors' own analysis based on a discussion at the ENM, October 2011, Brussels

Commission's requirements for indicators in the period of 2014–2020

Based on existing experience, it is necessary to set up a quality indicator system at the appropriate time, i.e. already when developing a strategy and subsequently drafting the Agreement and future OPs, using the top-down approach, i.e. to define a basic set of output and result indicators at the EU – Member State – operational programme – priority – activity – project levels.

Due to the fact that the Commission puts a great emphasis on the fulfilment of indicators and objectives in the next programming period, the list of indicators (**common indicators**) forms part of regulations governing individual funds. However, definitions of these indicators will only be included in a separate guidance note issued by the Commission rather than the regulations[7]. Characteristics of the indicators (incl. their definitions and measurement units) are now being discussed e.g. at the ENM (Evaluation Network Meeting at the Commission's DG REGIO). For each Member State/operational programme only relevant common indicators included in the list will be used with a view to the set objectives and performed activities. Existing experience shows that evaluation requires **collection of accurate and quality data from the project level;** therefore, the main criterion applicable to mandatory common indicators is their **aggregability**, **evaluationability** and a **common definition** across the Member States.

[7] Monitoring and Evaluation of European Cohesion Policy – ERDF and CF – Concepts and Recommendations; Draft guidance document (October 2011)

For ESF programmes, the common indicators will continue to apply[8], which require **monitoring of the numbers of intervention participants** broken down by their sex, age, market position, qualification etc. The required monitoring of participants in the current period is a **mere collection of aggregated data without the possibility of their further analysis** (e.g. for OP Human Resources and Employment, we know how many people have participated in requalification courses, however, within the framework of evaluation, these figures cannot be used to find out about the benefits and quality of the intervention, i.e. how many participants of the course have improved their living standards – have found a new job, have achieved higher salaries etc.). For the evaluation purposes, the given information is a necessity. At present such information can only be collected through another extensive research, e.g. in the form of a questionnaire survey addressed to specific participants. A solution that would fundamentally simplify the system of monitoring in this area is to ensure for each participant a **central collection of individual data** (micro data), provided that it is securely stored (e.g. encoded), **and a subsequent interconnection with public administration central registers** (e.g. Social Security Administration etc.). The existing Czech legislation governing the Structural Funds does not make it possible to monitor every participant individually, i.e. to obtain detailed information, and that is why aggregated data is merely collected without the possibility of being analysed. Portugal, United Kingdom or Sweden can serve as examples of best practice; within the framework of monitoring these countries use a uniform identification of participants and their interconnection with other data and institutions in order to analyse not only the effects of structural interventions, but also other national activities.

A working meeting on this topic was held in March 2011 at DG EMPL which confirmed that most of the Member States face similar problems with insufficient legislation and a large administrative burden.

From the viewpoint of the Commission (DG EMPL) the future period of 2014–2020 prefers monitoring of micro data to its mere aggregation. The Commission is aware of the level of difficulty related to this solution and its requirements in terms of administrative capacity, however, these requirements for reporting detailed information about programme participants constitute part of the existing draft of a new regulation where the Commission recommends their monitoring down to the micro level. In one of the presentations (of the Monitoring 2011 conference held in Budapest) the DG EMPL representative declared that **pursuant to the most recent version of the existing regulation it is legally admissible to require individual data from a beneficiary** without the necessity to amend legislation. In this respect, the main recommendation for preparation of the next programming period **in cooperation with the Ministry of Labour and Social Affairs is to verify this statement** and within the framework of preparation of implementation to incorporate technical requirements to be able to implement it within the framework of the future monitoring system and support allocation rules (e.g. consent with data registration etc.). It is necessary to focus the debate on the appropriate setting of indicators for educational activities at the same time.

In addition to the common indicators defined in the regulation, the Agreement and OPs will include **the specific indicators** which will extend the indicator system with measurement of activities which were not included in the list of common indicators, however, which are of the key importance for the monitoring of fulfilment of national objectives and priorities based on the developed strategy.

Given the focus on result achievement in the programming period of 2014–2020 **the concept of performance review** will apply. For selected common and specific indicators the **milestones**[9] will be set in the Agreement **whose fulfilment will affect distribution of the performance reserve**. **Unless these indicators are fulfilled as planned in the key years, suspension of payments or loss of a part of the allocation can occur.** Therefore, it is necessary for the Member State to pay extraordinary attention to the indicators and the setting of milestones.

[8] In the current period these are mandatory indicators defined under **Annex XXIII to Regulation No. 1828/2006.**

[9] The milestones are interim objectives used to achieve the specific objective of a priority; they reflect intended progress. Among the milestones for the year 2016 one can find financial indicators and output indicators; the milestones for the year 2018 feature financial indicators, output indicators, but perhaps also result indicators. For details see Annex 1 to the draft General Regulation.

Indicators for the given OP must be set in harmony with the strategy and the provided allocation, however, without intentional undervaluation of the target values for fear of sanctions.

Procedure for setting of indicators – When and how?

For the sake of coordination it is proposed to use a central list of indicators – **the National Codebook of Indicators**, which is to contain only verified indicators suitable for the given methodology, based on experience from the current period. According to the new rules it is proposed to make a **mandatory list of output and result indicators,** out of which at least one aggregable and evaluable indicator per project will be selected, i.e. there must not be any project supporting activities outside the central strategy of the Agreement. The list of indicators should not be extensive. From the point of view of thematic concentration it seems sensible to choose for each project only one indicator which would best capture the project purpose and main objective. The overall extent of the list and its drawing-up will depend on the scope of activities supported in the coming period of 2014–2020. In this regard, it is recommended to reduce the number or supported activities and thus to reduce number of observed indicators in 2014 - 2020.

Currently, there is no methodology describing how to correctly define the target values of indicators. Given the diversity of activities and factors influencing the price of required outputs, it is very difficult to draft it. Based on present debates, the unit cost methodology together with cost/benefit analysis (CBA) is recommended for some selected activities (e.g. soft projects) and also, experience from practice is expected to be applied. When defining strategies, setting of target values should be subject to analyses and their verification must be subject to the subsequent ex-ante evaluation.

Indicator quality, methodology and usability should be evaluated on the basis of experience from the current period of 2007–2013. Under intervention logic each output indicator used in the indicator system should have a clear link to a selected result indicator. The result indicators must be related to the appropriate set of statistical (context) indicators that are available in the given Member State and/or the EU (Eurostat) on the regular basis and the values of which were used to define strategies. In this respect, it is vital to take account of the delay of statistical data. The statistical (context) indicators are suitable for monitoring of the status of the national/regional situation, not of the topical status of physical OP performance in terms of implementation management.

Setting of the indicator system for the 2014–2020 programming period necessitates:

1) Determine a specific change which we want and can achieve through interventions (i.e. identify issues which we want and can eliminate and clearly define the required target status).
2) In relation to this required change, identify **a limited number of clearly targeted activities** to be supported by interventions.
3) **Determine (an) indicator(s)** to monitor performance **for each defined activity**:
    a. It is necessary to set **the output and result indicators for the level of OP/priority/activity/project,** their definition, measurement unit, target value, monitoring methodology and data source, while these indicators must be in clear relation with the supported activity. Subsequently, the indicator structure and the aggregation map must be put together from these indicators.
    b. **The output indicators must be monitored from the project level;** therefore, it is necessary to make it a duty in all OPs to support projects with a direct relation to performance of the supported activity as well as to monitor at least one output indicator to be fulfilled at the level of priority/OP/Agreement in every project. The methodological setting of these indicators **must comply with the aggregability rule.** The baseline value of output indicators should always equal "0".

c. The interventions should be evaluated on the basis of **the result indicators** which will be determined through the output indicators from projects. The values of the result indicators must show a change of the status; i.e. the baseline value for this indicator cannot be zero (e.g. the objective is to reduce the accident rate on selected road sections – the baseline value is 1,000 accidents a year, the target value is 800 accidents a year). In order to ensure aggregability, we recommend setting of the monitoring **in absolute values** also for the result indicators and minimise the use of the share indicators with the % measurement unit. The timetable and evaluation method for each result indicator should be a part of the strategy; ex-ante evaluation should verify whether the evaluation method is set correctly.

d. **The statistical (context) indicators** must be set on the basis of regularly available data from the statistical sources, e.g. CSO. The indicators will serve only to describe the socio-economic situation when devising strategies. In the case of this indicator type the target values must not be set and used as milestones as their development is affected also by other factors than implementation of a given intervention, i.e. the net intervention effect cannot be evaluated for these indicators.

For the indicator system to be duly and timely prepared, it must set in parallel with preparation of the coming programming period of 2014–2020. Already now, when defining the focus of the cohesion policy of the Czech Republic for the next period, it must be taken into consideration that **it will be indispensable to know how to monitor all the interventions and how to evaluate their results.** Besides well set quantitative indicators, **it is imperative to also use the qualitative evaluation method.** The European Commission will require substantiation of the achieved results. Therefore, it is essential to set the strategy from the very beginning in such a way so as to be able to evaluate it by means of appropriate indicators set in accordance with the aforementioned rules.

Evaluation of interventions on the basis of indicators

As mentioned above, **the purpose of the indicator system is to ensure proper setting of the strategy and evaluationability of achieved results.** The on-going evaluation of interventions at all levels should become a key basis for successful management of cohesion policy implementation.

In the context of individual interventions we must **support such projects the outputs and results of which will directly lead to fulfilment of the set strategy.** The aggregate effect of all projects implemented in the framework of a given intervention must be monitored and evaluated on the regular basis in order to verify whether and to which extent the selected priority, OP objectives and/or the Partnership Agreement are complied with.

In relation to evaluation of the physical and financial progress it will be possible to assess whether a suitable activity was selected to achieve the strategic objective (e.g. the call was set correctly) and whether it is necessary to continue implementing such an activity, i.e. whether the strategic objective has not been already attained. Evaluation of physical performance should not thus be planned only at the programme and project level, but for every planned activity/call with regard to the earmarked allocation and the time schedule of other calls.

The existence of correctly set and agregable indicators is a prerequisite for evaluation of results at individual levels. The on-going evaluation based on the above recommendations for indicators may become **a key instrument for successful management of interventions and programme implementation**.