Working Paper

Definitions (measurement) of the CMEF Gross Value Added indicators

BACKGROUND

The Handbook on the CMEF[1] was finalised by the Commission, in agreement with the Member States, in September 2006. It includes a series of evaluation guidelines and guidance fiches on the common indicators for monitoring and evaluation of rural development programmes for the period 2007-2013. Annex 3 ("Indicator Guidance") to the Handbook on the CMEF provides descriptive fiches for each of the common baseline, output, result and impact indicators[2].

Over the last months the Helpdesk of the European Evaluation Network for Rural Development has received a number of questions and requests for clarifications from several Member States concerning the measurement of the value added indicators included in the CMEF and their application.

In order to address the points raised by the Member States, a working group was set up in DG Agriculture and Rural Development – with the support of the experts of the Helpdesk. The outcomes of this working group are developed in two parts in this background document: the first part details the key issues raised by the Member States with regard to the quantification of the value-added indicators applied in farming and forestry, while part two specifies the proposed changes in the respective indicator fiches of the Handbook on the CMEF.

The present working paper was already discussed with the Member States representatives during the meetings of the Expert Committee on Evaluation of Rural Development Programmes on 23 June 2009 and of the Rural Development Committee on 19 July 2009. The new definitions proposed by the Commission were welcome and agreed by the Member States on those occasions. Nevertheless, a number of additional questions were received from the Member States following these meetings. The questions concerning the *definition* (measurement) of the indicators are addressed in this working paper; those relating to the *application* of the indicators (monitoring aspects such as registration frequency, values to be reported in the monitoring tables, etc.) are currently being addressed by the Commission Services. The answers to the latter will be integrated in the present working paper, which will be then published on the Commission web-page (Methodology- Guidelines: Common Monitoring and Evaluation Framework) and on the web-page of the Helpdesk of the European Evaluation Network for Rural Development.

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[1] http://ec.europa.eu/agriculture/rurdev/eval/index_en.htm

[2] The common indicators are specified in annex VIII of Commission Regulation 1974/2006 laying down detailed rules for the application of Council Regulation 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD).

Key issues raised by Member States with regard to the quantification of the value added indicators applied in farming and forestry

a. Net versus gross

Question # 1:

There is an inconsistency in the Guidance Note I. The result indicators #2 and #7 are measured by the change in the **gross** value added. Later on, the algorithm for calculating the GVA provides for the deduction of the depreciation of buildings and machinery, which results in actually determining the **net** value added.

DG AGRI's comments:

The indicator fiche currently lays out a proxy to be used for the measurement of the result indicator # 2. This proxy is the **average profit after taxes of assisted holdings/enterprises,** which is not, strictly speaking, a measurement of the value added (as defined by the farm accountancy standards, including the FADN). Therefore, the current fiches for the result indicators #2 and #7 propose to quantify the modification of the profit after taxes in the supported holdings/enterprises and not the change in the gross value added – in accountancy terms.

This leads to conceptual concerns for the Member States, as well as to methodological problems for its measurement (see below). Clarification from the Commission is therefore needed in this respect. The alignment of the definition of this indicator with the standard methodology applied in the context of FADN simplifies the quantification of result indicator # 2 and #7 and increase comparability throughout the EU (see below).

Question # 2:

There is further confusion that arises from the use of gross and net in relation both to the value added (i.e. gross/net value added) and to the effects of policy intervention (i.e. gross/net effects). In the first context, the difference between the gross and the net values is the depreciation (i.e. the "consumption" or the "wearing out" of the fixed capital goods). In the second context, the difference stands for non-policy related factors.

This problem is mainly reported in relation to the impact indicator #1.

DG AGRI's comments:

The use of "gross" and "net" in the context of the impact indicator # 1 ("economic growth", measured by the net additional value added) but also of the result indicator # 2 ("increase in gross value added in supported holdings/businesses") should be understood as referring to the effects of policy interventions.

For the impact indicator #1, the word "net" refers to the net effects created directly in supported projects and indirectly in the programme area, and not to the "net value added" in accountancy terms. The net effect of the programme can be determined by deducting the "double counting, deadweight, displacement and multiplier effects", as specified in the indicator fiche.

This netting out of the various non-policy related factors is the task of the evaluators, while the Member States only have to provide the "gross" values (or measures) for the relevant result indicators.

In that respect, it is important to emphasize that these "gross" values for the result indicators, including the result indicator #2, denote the "gross" effects, which take in the influence of various intervening factors in addition to the policy effects.

b. Output versus turnover

Question # 3:

The algorithm provided in Guidance Note I for the result indicators #2 and #7 is based on a calculation departing from turnover (or sales) rather than from output. In addition to sales, output also includes the change in stocks and the on-farm use and consumption. However, the algorithm provided in Guidance Note J for the impact indicator #1 uses output and sales interchangeably:

"At the level of the beneficiary, value added is the difference between output (sales) and the cost of goods and services purchased to produce the output (make the sales)".

DG AGRI's comments:

In order to avoid confusion, the three fiches (for impact indicator #1 and for result indicators #2 and #7) have been brought in harmony. For that, a reference to "output" in the three indicator fiches has been made.

Question # 4:

The calculation of the "gross value added in supported holdings/enterprises" (i.e. the result indicator #2), as proposed in the relevant indicator fiche, raises some questions in terms of how it should relate to the FADN methodology and data.

DG AGRI's comments:

There is no full correspondence between the current definition of the CMEF result indicator #2 and the equivalent FADN indicator referring to the "gross value added".

However, the FADN is an important source of data and is readily available. Enhanced possibilities for the Member States to make use of the FADN information would maximize its benefits and reduce data collection costs and efforts.

We have, therefore, brought the definitions of the value added result indicators #2 and #7 (and the corresponding impact indicators, as relevant) in line with the standard FADN methodologies, i.e. for result indicators #2 and #7 the proposed proxy allows the following calculation: SE 131 *Total Output* – SE 275 *Total Intermediate Consumption*).

Question # 5:

If the result indicators #2 and #7 refer to the "gross value added", whereas the impact indicator #1 measures the "net value added", how can the three be articulated?

<u>DG AGRI's comments:</u>

There should be no difficulty in articulating the three indicators. The confusion that comes through in the question may originate in a misunderstanding of the use of terms "gross" and "net" in the CMEF context.

These terms should not be read in relation to the economic accountancy nomenclature but in relation to the effects of the policy intervention. For further clarification, please refer to the answer to the question #1.

c. Treatment of support and compensation payments

Question # 6:

Should the various kinds of support and compensatory payments that the beneficiary holdings/enterprises receive be excluded from or added to the turnover? Would there be a problem if the measured result indicator yields a negative value?

<u>DG AGRI's comments:</u>

Following the current definition of result indicators #2 and #7, the profit proxy algorithm for these indicators is expected to be calculated net of "bonus given on sales".

In accountancy terms, GVA can be calculated at "factor costs" (all subsidies on production are added to the value of sales, and all taxes on production are deducted) or at "basic prices" (only subsidies on products are added to the value of sales, and only taxes on products are deducted). The uncertainties with regard to the treatment of various types of support the farmers receive under the CAP (e.g. direct payments, agri-environmental payments etc.) create significant difficulties in consistently using and interpreting the current profit proxy algorithm for the result indicators # 2 and #7 across the EU.

Given the difficulties in separating the subsidies on products, and to ease the use of FADN data, we propose to measure the result indicators by excluding *all* subsidies and taxes from the calculation of the GVA.

In interpreting the observed trends of result indicators #2 and #7, attention should then be paid to possible effects that changes in policies could have on these trends (e.g. switching from price-support to income-support for a particular sector in a given year, could imply a significant drop in the value of the result indicators #2 and #7 for that particular sector in the following year). In addition, when comparing the result indicators #2 and #7 (as well as the related impact indicators #1 and #3) to the baseline trend, consideration should be given to the fact that the corresponding baseline indicators are calculated at "basic prices" (i.e. by including subsidies and taxes on products). The interpretation should therefore be particularly cautionary in those countries/regions where coupled payments, treated as subsidies on products in economic accounts, are still significant.

In any case, by taking into account possible policy effects as outlined above, the beneficial effects of the intervention are expected to translate into a positive/upward <u>trend</u> of the indicator values over time, throughout the programme implementation period.

d. Paid versus unpaid labour

Question # 7:

Member States asked for clarifications with regard to the valuation and take-up of the unpaid labour[3] in the direct costs.

DG AGRI's comments:

The unpaid family labour (or other types of unpaid labour) cost should not be included in the calculation of the result indicators #2 and #7 (nor the wages).

First, if data is drawn from the farm/enterprise books, it is unlikely that information on the unremunerated labour would be able to be extracted in the first place.

Second, if unpaid labour should be accounted for, then we risk having very different methodologies in place to value it, therefore a low level of comparability of results.

The alignment of the definition of this indicator with the standard methodology applied in the context of FADN for measuring the "gross value added" of agricultural holdings ensures a more consistent approach throughout the EU (labour costs should not be imputed in this case).

e. Current versus constant prices

Question # 8:

A Member State asked for clarification on whether current or constant prices should be used in the calculation of the result indicators #2 and #7.

DG AGRI's comments:

Current prices should be used for the calculation of the result indicators #2 and #7. However, the impact indicator #1 requires a conversion into Purchasing Power Standards (PPS). The possible effects of inflation over time should therefore be considered when interpreting the observed trends of result indicators #2 and #7.

f. Data collection

Question # 9:

Some Member States reported insufficient clarity/difficulties with regard to data collection. Guidance Note I advises that data needs to be collected at the individual holding/enterprise level. However, several challenges have been observed so far:

- the quality of data is low if farmers are asked directly for detailed economic information. An alternative (as used in Sweden) may be to use bookkeeping agencies.
- provisional data is used, as provided by farmers who submit applications for support.

[3] In addition, one Member States asked how unpaid labour should be accounted for, in the calculation of impact indicator #3.

DG AGRI's comments:

While data collection at the individual beneficiary level is envisaged and suggested in Guidance Note I, Member States are free to choose the most appropriate method. The information regarding data collection presented in the indicator fiches should only be considered as a good practice suggestion.

Over time, the work of the Evaluation Network will develop and present examples of various data collection approaches adopted in the Member States that can be used as further reference. In this context, the advantages in terms of accuracy to use data from claims for payments (rather than from applications) will be highlighted.

Moreover, some Member States are referring to the data used in the business plans submitted together with the applications for support. In our opinion, business plans reflect an expected or a desired outcome of the investment, rather than an actual fact. For that reason, such an approach is not the most appropriate for purposes of evaluation, which should reflect the actual effects of the policy intervention.

g. Slowly unfolding effects

Question # 10:

The investment-type measures may take a long time before yielding the anticipated effects. This seems to be a concern for the Member States, since they are subject to annual reporting on the result indicators. Some Member States are even considering to report based on projected data.

DG AGRI's comments:

The slowly unfolding effects of certain measures – particularly investment-type measures, or environmental measures – are well acknowledged.

Equally, progress on result indicators is part of the annual reporting obligations of the Member States. While projections can be useful for indicating the expected effects of policy intervention and even for illustrating the anticipated distribution of effects, they should not replace the presentation of the actual, objective facts.

Moreover, the developments observed annually in relation to the result indicators cannot prejudge and should not substitute evaluative judgments. The latter are to be based on trends observed over a longer time span, i.e. going from 2007 to 2015 and/or extrapolating based on past data to the extent possible, and should be articulated on a broader information pool than just indicators (evaluation questions, qualitative methods etc.).

ADDITIONAL QUESTIONS RECEIVED BY THE MEMBER STATES IN THE PERIOD JULY-SEPTEMBER 2009

Question # 11:

Should the value of services provided by farmers be included in the value of the output as regards the calculation of the GVA in the result indicator #2?

DG AGRI's comments:

Consistently with the methodology applied in the context of FADN and the economic accounts, the value of services related to agricultural activities has to be included in the calculation of the output. Non-agricultural secondary activities (including services) that cannot be distinguished from the main agricultural activity ("inseparable non-agricultural secondary activities", e.g. agro-tourism, work under contract, cutting hedges, etc.) have also to be considered in the calculation of the indicator. For more details concerning the treatment of inseparable non-agricultural secondary activities, refer to the manual of economic accounts of agriculture and forestry, chapter I.B.3. (http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-27-00-782/EN/KS-27-00-782-EN.PDF).

Question # 12:

Should the investment-related support be also excluded from the calculation of the result indicators #2 and #7?

DG AGRI's comments:

The investment-related support has to be excluded from the calculation of these indicators. The latter indicators are intended to support the assessment of the extent to which the investment related support has influenced the gross value added (measured by deducting the total intermediate consumption from the total output) of the beneficiary holdings. Further guidance about the treatment of subsidies calculation and interpretation of these indicators is provided under question 6 above.

Question # 13:

According to Article 54 of the Commission Regulation No 1974/2006 "In the case of unpaid voluntary work, the value of that work shall be determined taking into account the time spent and the hourly and daily rate of remuneration for equivalent work, where relevant on the basis of ex-ante established system of standard costing, provided that the control system provides reasonable assurance that the work has been carried out".

If this possibility is used in projects funded through a Rural Development Programme, should the unpaid labour be excluded from the calculation of the result indicators #2 and #7?

DG AGRI's comments:

The estimation of unpaid labour has to be excluded from the calculation of the result indicators #2 and #7, since this estimation could lead to problems in comparing and aggregating data at the EU level (for further explanations refer to question 7 above). The given definitions of these result indicators will also ease the use of FADN data as possible data source for these indicators. In particular, the proposed proxy will allow for the following calculation: GVA = 'total output' (SE131) – 'total intermediate consumption' (SE275).

Article 54 of Commission regulation 1974/2006 refers to the quantification of the value of the provisions of good or services for which no cash payment supported by invoices or equivalent documents is made. Where applicable, this quantification needs to be done to fix the level of the support to be provided in the context of a number of (mainly axis 2) measures on the basis of costs incurred and income foregone.

Question # 14:

Is it necessary to collect all indicators for each of the measures, for which the application of these indicators is required by the CMEF? How flexible can we be regarding the collection of indicators?

DG AGRI's comments:

Article 81(1) of Council Regulation (EC) No 1698/2005 specifies that *the progress, efficiency and effectiveness of rural development programmes in relation to their objectives shall be measured by means of indicators relating to the baseline situation as well as to the financial execution, outputs, results and impact of the programmes.* It is therefore expected that all common indicators related to measures included in the programme are applied, in order to support the assessment of the contribution of these measures to the intended objectives of the programme. Further guidance about the choice and use of indicators for the rural development programmes is provided in the EC Handbook to the Common Monitoring and Evaluation Framework, Guidance Note A: http://ec.europa.eu/agriculture/rurdev/eval/guidance/note_a_en.pdf.

Question # 15:

Why should all subsidies and transfer payments and taxes be excluded from the calculation of the GVA? A change of subsidies and transfer payments does affect e.g. the factor costs (e.g. rents for leased areas). If we only consider the cost-side, then the development will appear too positive. The same applies to taxes on production and corporate taxes.

Please provide us with swift clarifications on these, preferably also with reference to the FADN, so that we can prepare data collection and analysis.

DG AGRI's comments:

The objective of the proposed indicators is to support the assessment of the effects of the *concerned measures* (mainly related to investments) on the gross value added (measured by deducting the total intermediate consumption from the total output) of the beneficiary holdings. As any other common indicator to be used for evaluation purposes, the quantified trends concerning result indicators #2 and #7 will have to be duly interpreted, in particular in view of isolating the effects of the *investments* from the effects of other *policies* (such as, for example, the effects of a given change in the level of subsidies with respect the rents for leased areas). Further guidance about the treatment of subsidies calculation and interpretation of these indicators is provided under question 6 above.

The given definitions of these results indicators will also ease the use of FADN data as possible data source for these indicators: in particular. In particular, the proposed proxy will allow for the following calculation: GVA = 'total output' (SE131) – 'total intermediate consumption' (SE275).

If appropriate, additional (programme-specific) indicators could be established and applied at programme level.

Question # 16:

It is unclear why all subsidies and transfer payments should be treated in the same way. In the case of agricultural holdings participating in a programme for the provision of public goods, the transfer payment represents a payment for services not directly remunerated by the market (i.e. the provision of environmental goods). In such situation, the comparison of the indicator values in the two years before and after the uptake of the environmental commitment would be misleading, since the transfer payment that the holding has received will be not accounted for.

Only in the case of pure income transfers the concept would be fine.

DG AGRI's comments:

The results indicators #2 and #7 apply for a number of measures (mainly related to investments) included in axis 1 and axis 3 of the rural development programmes. The purpose of these indicators is to support the assessment of the effects of the support provided through these measures on the *economic performance* of assisted holdings, measured by the proposed "gross value added" proxy: total output less intermediate consumption.

As correctly pointed out in the example provided in the question, in some cases this proxy will not permit to assess correctly the effects of the overall support (all measures included) on the *income* of beneficiary farmers. But, as mentioned above, this is not the purpose of these indicators.

In addition, when interpreting the indicator(s) trend in view of assessing the effects of the measures concerned on the evolution of the gross value added in the beneficiary holdings, it will be necessary to net out the effects of any other external factors having had an influence on this evolution (e.g. any decline in the gross value added as a consequence of environmental commitments taken under axis 2 measures).

Further guidance about the treatment of subsidies calculation and interpretation of these indicators is provided under question 6 above.

Question # 17:

Is the result indicator #2 equivalent to "the average profit after taxes of assisted holdings" according to the FADN equivalent net farm income SE 420? If not, please explain the exact correspondence with the FADN nomenclature.

<u>DG AGRI's comments:</u>

Following the FADN terminology, the result indicator #2 does not correspond to *SE 420 Net Farm Income*, but to the following proxy: *SE 131 Total output – SE 275 Total Intermediate Consumption"*.

PROPOSED CHANGES IN SELECTED INDICATOR FICHES OF THE HANDBOOK ON THE CMEF[4]

AXIS 1	**IMPROVING THE COMPETITIVENESS OF THE AGRICULTURAL AND FORESTRY SECTOR**
RESULT INDICATOR	**02. INCREASE IN GROSS VALUE ADDED IN SUPPORTED HOLDINGS/ENTERPRISES**
Type of indicator	**Result indicator for axis 1, subsection 1 (improving the competitiveness of the agricultural and forestry sector by promoting knowledge and improving human potential)**
Related measure	**Setting up of young farmers** **Early retirement** **Use of advisory services** **Setting up of farm management, farm relief and farm advisory services** **Farm modernisation** **Improving the economic value of forests** **Adding value to agricultural and forestry products** **Cooperation for development of new products processes and technologies in the agriculture and food sector and in the forestry sector** **Improving and developing infrastructure related to the development and adaptation of agriculture and forestry** **Helping farmers to adapt to demanding standards based on community legislation**
Measure Code	**112-113 -114-115-121-122-123-124-125-131**
Definition of the indicator	This indicator measures the increase in gross value added (GVA) of agricultural, food or forestry holdings/enterprises that are supported. Important is that we measure the gross effect. This means that it can be possible that a change in GVA over different years can also be explained by other factors than the received support. To measure the GVA of the supported holdings/enterprises, we use the following proxy: ~~**the average profit after taxes of assisted holdings/enterprises =**~~ ~~**turnover – costs**~~ **total output-total intermediate consumption,** whereby: - ~~**costs**~~ **total intermediate consumption**= ○ direct inputs: seed, plants, fertilizers, **crop protection products** animal feed, ~~**energy, water**~~ **other specific costs (for crops, livestock, forestry or other)** ~~**contract work**~~, … ○ + overheads **(i.e. costs linked to production activities, but not to specific lines of production)**: maintenance ~~**and depreciation**~~ of buildings and machinery, **energy, water** insurances **for buildings**, other **overheads** ○ ~~**+ labor costs**~~ ○ ~~**+ rent**~~ ○ ~~**+ interest**~~ - ~~**turnover**~~ **total output** = Value of sales ~~**- bonuses given on sales - taxes on sales**~~ + **balance of stocks + own use or consumption** This indicator needs to be compared over different years to see its evolution
Subdivision	Division according to: ▪ measure ▪ type of sector: – agriculture – food industry – forestry
Unit of measurement	euro
Level of collection	project level (for each supported holding) or measure level depending on the sources used
Responsible actor for collection	Measure managers will collect and centralize the necessary financial data of the supported holdings
Collection method/good practice	Collect per supported holding the ~~**costs**~~ **intermediate consumption** and ~~**revenues**~~ **output** as defined above. This information can be found in the bookkeeping of all holdings. formula: (Σ ~~**revenues**~~ **output** – Σ ~~**costs**~~ **intermediate consumption**)/ number of supported holdings

[4] Text to be replaced is striked-through, new text is added in red.

Source	There are a few possible sources for the bookkeeping information: - FADN (Farm Accountancy Data Network), - national/regional accounts or statistics, national farm accountancy network - survey: contacting the individual supported holdings for the information (information can be included in the application form)
Registration frequency	Per application for support and upon completion of the project Surveys should at least be scheduled in function of the evaluation moments of rural development programmes (mid term, ex post)

AXIS 3	IMPROVING THE QUALITY OF LIFE IN RURAL AREAS AND ENCOURAGING DIVERSIFICATION OF ECONOMIC ACTIVITY
RESULT INDICATOR	**07. INCREASE IN NON-AGRICULTURAL GROSS VALUE ADDED IN SUPPORTED BUSINESSES**
Type of indicator	**Result indicator for axis 3, subsection 1 (promote the diversification of rural economy)**
Related measure	**Diversification into non-agricultural activities** **Business creation and development** **Encouragement of tourism activities**
Measure Code	**311-312-313**
Definition of the indicator	This indicator measures the increase in non-agricultural gross value added (GVA) of supported businesses. This means that it can be possible that a change in GVA over different years can also be explained by other factors than the received support. ~~**the average profit after taxes of assisted holdings/enterprises =**~~ ~~**turnover – costs**~~ **total output-total intermediate consumption,** whereby: - ~~**costs**~~ **total intermediate consumption**= ○ direct inputs: ~~**seed, plants, fertilizer, animal feed, energy, water, contract work**~~, … ○ + overheads: **(i.e. costs linked to production activities, but not to specific lines of production)**: maintenance ~~**and depreciation**~~ of buildings and machinery, **energy, water** insurances **for buildings**, other **overheads** ○ ~~**+ labor costs**~~ ○ ~~**+ rent**~~ ○ ~~**+ interest**~~ - ~~**turnover**~~ **total output** = Value of sales ~~**- bonuses given on sales - taxes on sales**~~ + **balance of stocks + own use or consumption** This indicator needs to be compared over different years to see its evolution
Subdivision	– per measure – per type of holding: ○ agricultural holding ○ other enterprises
Unit of measurement	euro
Level of collection	project level (for each supported holding) or measure level depending on the sources used
Responsible actor for collection	Measure managers will collect and centralize the necessary financial data of the supported holdings and enterprises.
Collection method/good practice	Collect per supported holding the ~~**costs**~~ **intermediate consumption** and ~~**revenues**~~ **output** as defined above. This information can be found in the bookkeeping of all holdings. formula: (Σ ~~**revenues**~~ **output** – Σ ~~**costs**~~ **intermediate consumption**)/ number of supported holdings
Source	There are a few possible sources for the bookkeeping information: – FADN (Farm Accountancy Data Network), National Accountancy Databases – national/regional accounts or statistics, national farm accountancy network – survey: contacting the individual supported holdings for the information (information can be included in the application form)
Registration frequency	Per application for support and upon completion of the project. The surveys should at least be scheduled in function of the evaluation moments of rural development programmes (mid term, ex post)

Impact Indicator	1 – Economic growth
EU Strategy objectives	To integrate Lisbon priorities (jobs and growth) into rural development policy. (§1& §3) The resources devoted to axis 1 should contribute to a strong and dynamic European agrifood sector. (§3.1) The resources devoted to the fields of diversification of the rural economy and quality of life in rural areas under axis 3 should contribute to the overarching priority of employment opportunities and conditions for growth. (§3.3)
Programme objective	To contribute to the achievement of economic and social cohesion policy objectives (1) To integrate other major policy priorities as spelt out in the conclusions of the Lisbon and Göteborg European Councils for competitiveness (growth and employment) and sustainable development (e.g. Treaty requirement on environmental integration) (1)
Priority Objective	To improve the competitiveness of the agricultural and forestry sector To improve quality of life in rural areas and encourage the diversification of economic activities
Measurement of the indicator	Net additional **gross** value added expressed in PPS
Definition of the indicator	Net additional **gross** value added is the change in **the gross** value added created directly in supported projects and indirectly in the programme area that can be attributed to the intervention once double counting, deadweight, displacement and multiplier effects have been ~~**taken into account**~~ ***netted* out**. At the level of the beneficiary, **gross** value added is the difference between **total** output ~~**(sales)**~~ and ~~**the cost of goods and services purchased to produce the output (make the sales**~~) **intermediate consumption**. To estimate the comparison of the welfare gain in EU, independently of the price level in each country, the measurement should be made in Purchasing Power Standard (PPS), by converting the Net Value Added measured in euros or in national currency in PPS, using the conversion rates established by Eurostat.
Sub-indicators	Broken down by agricultural, forestry, and non-primary sector activities.
Unit of measurement	Purchasing Power Standard (PPS)
Level of collection	National strategy level / programme level
Collection method/good practice	1. Estimated at level of direct and indirect beneficiaries by programme evaluator on the basis of output and result data, survey data and benchmark data and coefficients from similar projects and past evaluations (for calculation of double counting, deadweight, displacement and multiplier effects). Cross-checking against counterfactual situation and contextual trends in programme area. 2. Estimation of contribution to general trend at programme area level (baseline trend), where feasible/statistically significant compared to other factors.
Related baseline indicators	1. Economic Development 9. Economic Development of Primary Sector 13. Economic Development of Food Industry 29. Economic Development of Non-Agricultural Sector
Registration frequency	Reporting: Ex Ante, Mid Term and Ex Post evaluation

Impact Indicator	3 - Labour productivity
EU Strategy objectives	To integrate Lisbon priorities (jobs and growth) into rural development policy. (§1& §3) The resources devoted to axis 1 should contribute to a strong and dynamic European agrifood sector. (§3.1) The resources devoted to the fields of diversification of the rural economy and quality of life in rural areas under axis 3 should contribute to the overarching priority of employment opportunities and conditions for growth. (§3.3)
Programme objective	To contribute to the achievement of economic and social cohesion policy objectives (1) To integrate other major policy priorities as spelt out in the conclusions of the Lisbon and Göteborg European Councils for competitiveness (growth and employment) and sustainable development (e.g. Treaty requirement on environmental integration) (1)
Priority Objective	To improve the competitiveness of the agricultural and forestry sector To improve quality of life in rural areas and encourage the diversification of economic activities
Measurement of the indicator	Change in Gross Value Added per Full Time Equivalent (GVA / FTE)
Definition of the indicator	Change in labour productivity ~~**in beneficiaries targeted by the projects**~~ is the Change in Gross Value Added per full time equivalent (GVA / FTE) in beneficiary population targeted by interventions **and indirectly in the programme area** that can be attributed to the intervention once double counting, deadweight, displacement and multiplier effects have been taken into account.
Sub-indicators	Broken down by agricultural, forestry, food sector.
Unit of measurement	Euros per Full Time Equivalent
Level of collection	National strategy level / programme level
Collection method/good practice	1. Estimated by programme evaluator at level of direct and indirect beneficiaries on the basis of output and result data, survey data and benchmark data and coefficients from similar projects and past evaluations (for calculation of double counting, deadweight, displacement and multiplier effects). Cross-checking against counterfactual situation and contextual trends in programme area. 2. Estimation of contribution to general trend at programme area level (baseline trend), where feasible/statistically significant compared to other factors.
Related baseline indicators	6 Labour productivity in agriculture 10 Labour productivity in food industry 14 Labour productivity in forestry
Registration frequency	Reporting: Ex Ante, Mid Term and Ex Post evaluation