



ENRD LEADER Thematic Lab

LEADER funding made simpler – using SCOs in the transition period and under the CAP Strategic Plans

Highlights report

This LEADER Thematic Lab focused on how the application of Simplified Cost Options (SCOs) can contribute to LEADER implementation during the current programming period and under the CAP Strategic Plans (CSPs).

Speakers from the European Commission presented the key methodological and audit considerations for introducing SCOs along with the opportunities offered by the legal framework for the next programming period.

Colleagues from a number of Member States (MS) shared their relevant implementation experiences, the methods they used to develop, introduce and use SCOs and relevant plans for the future.

Through panel discussions, the participants exchanged about the main benefits – both qualitative and quantitative – of using SCOs in implementing LEADER.

Event Information

Date: 26 April 2021

Location: Online meeting

Organisers: ENRD Contact Point

Participants: 51 participants from 22 EU Member States, including RDP Managing Authorities, Local Action Groups, National Rural Networks, national and regional stakeholder organisations, Paying Agencies and the European Commission.

Outcomes: Exchange of experiences on key aspects of developing and using simplified cost options in implementing LEADER in the current programming period and under the CAP Strategic Plans.

Web page: https://enrd.ec.europa.eu/news-events/events/enrd-leader-the-matic-lab-leader-funding-made-simpler-using-scOs-transition-period_en

Setting the scene



Iwona Lisztwan (DG AGRI) welcomed participants to the webinar providing an [overview of SCOs' relevance to LEADER](#). She emphasised that the time savings and cost efficiency benefits offered by SCOs can allow LAGs to focus their attention more on securing added value through local projects and animation.



Peter Toth (ENRD CP) introduced the content of the webinar and provided a [summary of issues/considerations](#) gathered from representatives of LAGs, Managing Authorities, National Rural Networks and Paying Agencies upon their registration to this Thematic Lab. Member States highlighted their interest in discussing the costs and benefits of SCOs; applying consistency in methodologies for calculating and implementing SCOs; inspiring their greater uptake; opportunities from off-the-shelf models; and audit perspectives. An overview of Member State experiences in the use of SCOs for running costs, animation and preparatory support was also provided.

Commission perspectives



Michael Grosse (DG EMPL) [presented insights](#) into the updated Guidance Note on SCOs being prepared for official publication by a working group of DGs involved with the Common Provisions Regulation (CPR) ([available in a draft version](#)). The new Guidance Note reflects the Omnibus Regulation changes as well as numerous official 'Q&As'. A number of key points and new elements have been clarified in relation to the linkages between the application of SCOs and state aid, the application of SCOs for projects under public procurement and the application of draft budgets to establish SCOs for eligible costs up to €100 000. Involving auditors' expertise during SCO design processes was promoted to facilitate efficiency and help prevent risks of systemic errors. After a SCO has been verified for use by a Managing Authority, the role of audit is limited to checking the use of the verified SCO methodology. DG EMPL coordinates a 'community of practice on results-based management' which focuses on simplification as a wider concept, including SCOs as well as other aspects of simplification.



Christian Vincentini (DG AGRI) presented [SCOs from the audit perspective](#) focusing on the use of SCOs in the current programming period. He reinforced that the focus of auditors will be on checking the correctness of the SCO methodology (and associated calculations) and on the deliverables rather than on individual project expenses. He remarked the importance of avoiding errors in the methodology, which may lead to systemic errors, of the match between the expenditure submitted and the categories of costs used in the SCO methodology, of an adequate audit trail during the

implementation of the projects, to allow the auditors to re-perform the checks carried out by the competent authorities easily. All data sources used for the calculation of the SCO need to be reliable, relevant and recent. It is also important for auditors to confirm that outputs from an operation have been properly verified and that the actual quantities of items claimed through an operation using a SCO are valid.



Marina Hadjiyanni (DG AGRI) presented an overview of [SCOs in the future CAP](#). She reinforced that SCOs can be useful for boosting MS subsidiarity, complementing efforts to adopt more results-oriented and performance-based approaches to EU funding and effectively supporting a broad range of CAP interventions, including investment operations. Simplification should always result in a reduced bureaucratic burden for all and SCOs can help increase flexibility. Information about calculation methods from other EU policies were described with examples noted from Articles 49 and 51 of the future CPR. A scenario based on a LEADER project and the use of draft budget was also shared in the presentation. Webinar participants were encouraged to learn more from their peers, and explore the possibility in extending to the EAFRD the existing network of SCO expertise that is coordinated by DG REGIO and DG EMPL.

Q&A

Clarification was given on the use of **'expert judgement' and other methods in the calculation and validation of SCOs**. When applying 'expert judgement' in deciding payments through SCOs, MS must ensure there is no risk of possible conflict of interest. Robust data using adequate sample sizes are best practice, with expert judgement considered mainly as a back-up option. **Draft budgets** should be assessed on a case-by-case basis and data sample sizes should reflect best practice standards. Historic data should be updated using adequate factual evidence and sound, transparent assumptions. Confirmation was given that there will be no restrictions regarding the use of **SCOs for projects under public procurement** in the future CPR and in allowing MS to use SCOs for projects under public procurement.

Following the introductory presentations, the event continued with two panel discussions, looking respectively at the use of [SCOs for supporting LAG running costs, animation and preparatory actions](#) and [how SCOs support local projects and cooperation](#).

Panel discussions

SCOs for supporting LAG running costs, animation and preparatory actions



Jakub Stępień (Managing Authority, Poland) emphasised how using SCOs helps manage LAG resources more effectively and reduce human error. Polish LAGs can use the flat rate option for running costs and animation and the payments are linked to progress in the implementation of the Local Development Strategy (LDS). Preparatory support in 2014 was based on historical and statistical data and funding thresholds were established to reflect the considerable variation of LAG sizes in Poland. To ensure 'smooth' operation of SCOs it is important to dedicate sufficient time to data collection and analysis during the preparation stage. Poland plans to continue using SCOs and enhance and further simplify their application in the future.



Andreas Vlasman (Managing Authority, Flevoland, the Netherlands) explained that one strong reason for introducing SCOs was listening to the simplification requests from LAGs. The Netherlands plan to 'experiment' with SCOs during the transition period 2021-2022 collecting the experiences of 20 LAGs and 12 Provinces, with a view to introducing the new system under the CSP.



Kaisa Eerola (Paying Agency, Finland) shared the view that using SCOs simplifies procedures and saves time. In Finland, LAGs had the option to choose between 15% or 24% flat rate to cover running costs. The LAGs that use this flat rate option are generally satisfied; however, in some cases, the flat rate payment may not cover all the expenses if salary costs are lower than planned (as in this flat rate, general costs are defined as a certain % of salary costs). The Finnish Managing Authority is working on bench-marking the Polish model of flat rate SCO for application in the future.



Talking about the rationale for introducing SCOs, **Alma Blake Elmvall (Managing Authority, Sweden)** noted that it allows LEADER delivery systems to focus more on results and outputs. In Sweden, several types of SCOs are used (unit costs, flat rate for social charges, hourly rate for staff costs and standard scales of unit costs for preparatory action) and the LAGs are involved in their development from the early stages. For the future, Sweden plans to introduce the 40% flat rate option as well as lump sums based on a draft budget for preparatory actions (this more closely reflects the diversity of LAG settings and characteristics).



Participants feedback on how SCOs support local projects and cooperation



Jakub Stępień noted that the main purpose of using the lump sum option to support start-up businesses in LEADER related to simplification and eliminating errors. LAGs can fix the funding amount between 50 000-100 000 PLN (€11 000-22 000). The lump sum option was calculated based mainly on historical data and time; effort was devoted to capacity building for beneficiaries. With experience of almost 7 000 operations, the SCO method has proven its worth to simplification, demonstrated MA's trust in LAGs and built confidence in the LEADER community. Poland is planning to introduce a lump sum option for supporting the development of Smart Villages Concepts, starting from the end of 2021. In the new programming period, SCO support may be extended to LEADER cooperation projects and to support the development of short supply chains through LEADER.



Alma Blake Elmvall noted that SCOs were introduced for local projects to reduce errors due to the complexity of the system and the recognition that LEADER beneficiaries are generally not comfortable with 'heavy administrative burden'. The 40% flat rate option is used by ESF and ERDF LAGs for smaller projects. For EAFRD and EMMF LAGs, this option is not available yet, but the lump sum based on a draft budget can be used. Alma emphasised the importance of capacity building as part of the introduction of a SCO for both LAG and Paying Agency staff. Sweden will continue to implement LEADER through SCOs in the future and will focus even more on capacity building and preparation. Scheduled updates of SCO amounts and calculations will be integrated into the system.



For **Julian Gschnell (Managing Authority, Austria)**, LEADER at its best should also attract and provide support to those beneficiaries in rural areas that have limited capacities to handle the administration of 'real-cost' based project funding. In Austria, a lump sum calculated by draft budget is used to support small projects of up to € 5 700, a method inspired by the EU initiative 'Youth for Action' since 2015. This SCO works well, and the plan is to extend it to projects up to €100 000. Beneficiaries will have the option to choose to use the SCO for a project, however the final decision regarding the applicability of the SCO will be made by the Paying Agency, based on a set of transparent and non-discriminatory criteria. The draft budget with lump sum SCO helps beneficiaries focus on producing the planned outputs.



Andreas Grieb (Managing Authority, Saxony) noted that the standard scales of unit costs for operations was introduced to reduce bureaucracy associated with projects, that in extreme cases had up to 900 invoices/project to verify prior to payment. The German MA developed standard unit costs/m² relating to 'heatable buildings' for which LAGs can specify the funding ratio in terms of eligible costs. This SCO was based on the collection and analysis of 380 data sets, compared with data from standard construction books and then reviewed through independent expert assessment. The method has been applied in more than 500 projects for more than €100 million in eligible costs since 2019. The set-up cost of this SCO was €50 000; however, it allowed the LEADER delivery system to save € 1 million. Project holders using SCOs also reported easier access to bank credit due to the more foreseeable, solid nature of funding.

Main outcomes of group discussions



It was generally agreed that SCOs are effective in reducing administrative errors and bureaucracy, strengthening the application of the LEADER method and increasing trust and confidence in the LEADER delivery chain.



Participants and experts agreed that a sound calculation method, reliable data, as well as capacity building and information actions targeted at LAGs, beneficiaries, and Managing Authority and Paying Agency administrators are key preconditions to the successful introduction of SCOs.



To maintain the relevance of SCOs for the full duration of a programming period, scheduled updates to the amounts and calculations of specific SCOs were considered useful and suggested to be integrated when planning the SCO methods. Experience with the application of SCOs in several EU MS suggests that there is "no excuse for not using" them and enhancing their use for better LEADER implementation in the current and next programming period.



Networking, knowledge exchange, and cooperation between Managing Authorities are important activities that can contribute to the successful introduction of SCOs. Participants appreciated the lessons learnt from other MS and agreed on the need for further exchanges related to the planning and application of SCOs.