

The workshop opened with an overview from DG EMPL drawing on their experience of implementing Simplified Cost Options (SCOs) over a number of years. DG AGRI presented an overview of the use and uptake of SCO in EAFRD, with a specific focus on LEADER. DG AGRI auditors explained their requirements for assessing SCO compliance in the current programming period.

Member State (MS) experts presented their experiences and views on the **development, calculation and delivery of SCOs** and **challenges** encountered during their implementation under the current Rural Development Programmes (RDPs). They discussed **SCOs relevance to the LEADER context**, and how they can bring **simplification for beneficiaries**. Strong support and buy-in is required by all parties, as SCOs necessitate a **change in mind set** and a shift from checking invoices and supporting documents to verifying the delivery of results and outputs.

Participants were **actively involved in developing 'road maps'** detailing the stages, steps and processes required to go from identifying the need for an SCO to its successful application.

Event Information

Date: 20 June 2019

Location: Brussels, Belgium

Organisers: ENRD Contact Point

Participants: Representatives of LEADER LAGs, National Rural Networks, Managing Authorities of the RDPs and Paying Agencies, EU institutions including DG AGRI (RD & audit services), and DG EMPL.

Outcomes: A very useful exchange of information, ideas and practical experiences between representatives from the European Commission, LEADER LAGs, National Rural Networks, Managing Authorities and Paying Agencies. Concrete examples were shared of how SCOs have been developed and implemented in several Member States, including the challenges faced. The necessary stages required for SCO development were identified and 'road maps' illustrating this process were prepared.

Web page: https://enrd.ec.europa.eu/news-events/events/enrd-workshop-simplified-cost-options-experience-gained-and-new-opportunities_en

'Setting the Scene' and European Commission perspectives



SCOs, the basics

[Michael Grosse](#), DG EMPL

Using SCOs can help reduce the error rate and decrease administrative burden; it frees up resources to focus on outputs and results. The three main SCO types used are Unit Costs, Lump Sums and Flat Rates.

Flat Rates reduce administrative burden and errors; good record keeping, along with strict definition of direct and indirect costs are needed.

Lump Sums are suited to one off outputs, these need a specific methodology to be designed. These may be a good option for LAGs, who can, for example define a Lump Sum on the basis of a Draft Budget.

Unit Costs are suited to operations with repetitive outputs, again a methodology needs to be designed.

New possibilities for SCOs have been introduced through the Omnibus Regulation with current guidance available [here](#).



Overview of SCOs in EAFRD

[Marina Hadjiyanni](#), DG AGRI

The uptake of SCOs in RDPs is increasing with **Unit Costs** being the most used form of SCO. M19.3 - cooperation activities - makes most use of SCOs in LEADER, while the use of SCOs in investment measures may be challenging but still possible.

The investment and effort involved in SCO design was identified as one of the main reasons why MS are not using them. On the other hand, the key reason for using SCOs is the significant decrease in administrative burden for both administrations and beneficiaries. Projects using SCOs are less error prone, but the methodology needs to be correctly established and implemented.

The EC is not in a position to provide ex-ante assurance on such methodologies, which was a concern for MSs. Removal of the upper limit in Lump Sums, introduction of expert judgement in methodologies and additional off-the-shelf Flat Rates are new options now available through the Omnibus Regulation.



SCOs from an Audit perspective

[Snejana Koleva](#), DG AGRI

SCOs have helped to reduce the number of errors. Auditors focus on the verification of the methodology, the calculations and the evidence used as a source to establish the SCO. They check the correct application of the SCO as part of the verification of the eligibility of the operations, the adequate verification of payment claims and the existence of an appropriate audit trail. It is important to check the existence of underlying data which are used to establish a fair, equitable and verifiable methodology. If SCOs are output driven, checks focus on the delivery of outputs claimed.



Good (and not so good) SCO practices & lessons learned

[Michael Grosse](#), DG EMPL

For the successful implementation of SCOs it is critical to take into account the need to involve all parties, to recognise that it is not easy for people to change from the current process to a results-based system and that this all takes time. It is important to overcome national constraints (e.g. in public procurement), to harmonise rules and to keep communication channels open with the EC. An enhanced management process is essential in order to strengthen the partnership approach which is required in order to make SCOs successful. Invest in the SCO system, it will pay off!

Q & A Session:

The three 'Setting the scene' presenters answered participants' questions about the role of implementation bodies and the setting up of SCOs as well as about specific SCO modalities. When introducing SCOs, NRNs can play a strong role in promoting and supporting knowledge sharing and in providing relevant information. Managing Authority and Paying Agencies responsibilities, in terms of eligibility controls and controls prior to payment, remain the same. Local Action Groups can establish a lump sum option in their local development strategies if this possibility is foreseen in the RDPs. Checks and controls related to SCOs do not focus on the verification of invoices or other proofs of payment, but rather on the correct application of the SCO methodology and the achievement of the output proposed in the application. For setting up an SCO application - based on historical data - it is advisable to have an appropriate sample size or reliable historical data. When using 'expert judgment' for setting up an SCO, it is essential to use experts with appropriate credentials. In the new delivery model for the next programming period, Member States will have more flexibility in establishing and implementing SCOs. DG AGRI will not carry out an ex-ante verification of the methodology but guidance as well as exchange of best practices related to SCOs will be available. Consideration will be given to providing summary answers to questions raised on specific SCO aspects during the WS on the [event webpage](#) at a later date.

Member State perspectives on practical implementation of SCOs

Preparing & calculating an SCO

[Andreas Griess](#), MA DE Saxony

In Germany - Saxony introduced new SCO options under LEADER with the aim of simplifying administrative controls and achieving simplification for beneficiaries. They developed standard scales of Unit Costs for building and construction projects by using three methods (historical data with a statistically relevant sample size, data from standard construction books and expert assessment).

The main challenge was to address the diversity of Local Development Strategy measures (1000 measures / 30 LAGs). It has been overcome by combining the three methods, which resulted in a methodology applicable to all measures involving building or construction projects.

Based on the experiences gained with the current SCO applications (including the Flat Rate options), the new SCO opportunities will be retained and enhanced in the post -2020 programming period.

Advantages & needs for new applications

[Stefan Niedermoser](#), LAG, [Julian Gschnell](#), MA Austria

In Austria, 'off-the-shelf' SCO options based on the EU Common Provisions Regulation are applied to the full breadth of RDP measures (if applicable). In LEADER, 'small projects' can be funded using the Lump Sum option.

This requires LAGs to communicate more with their beneficiaries about the risks and opportunities of this new option. Real simplification has been achieved and target groups that had not previously been involved in LEADER (or who had dropped out) have now become involved in local development.

In Austria, SCO options will be enhanced in the future to establish SCOs on the basis of draft budgets (for 'small' LEADER projects) and further increase the use of Flat Rates (e.g. for initiating a transnational cooperation project). In order to address the remaining SCO and simplification issues, Austria proposes using a permanent simplification network group.

Expectations and reality of applying SCOs

Maija Rintamäki, LAG, [Kati Vaissali](#), PA Finland

Finland recently introduced the Lump Sum SCO option based on a Draft Budget under LEADER. The option was included as a possibility in the 2014-2020 RDP. The number of projects that have applied for funding using this form of payment has reached 100. At LAG YHYRES, seven out of 10 projects are now being reimbursed in this way. The LAG has informed beneficiaries of the requirements related to applying this option, specifically the need to implement the project as foreseen in the application, including achieving the specified deliverables. The easy, simple and efficient payment process appears to keep the beneficiary's enthusiasm and involvement in the project at a high level. Based on current experience, it is expected that Lump Sum options will be continued and included in Finland's forthcoming CAP Strategic Plan.

Designing a 'roadmap' to implement Simplified Cost Options

The three working groups outlined the development processes of SCOs and identified the following main stages to be followed in the form of a roadmap; each of these stages comprises a further set of more detailed steps.

The main stages are set out in the three figures below. Full details of these 'roadmaps' are available [here](#).

SCOs in LEADER



SCOs in Rural Development Programmes

