



# Lump sum under preparatory support and flat rate under running and animation costs (SCOs for LAGs under RDP 2014-2020 in Poland)

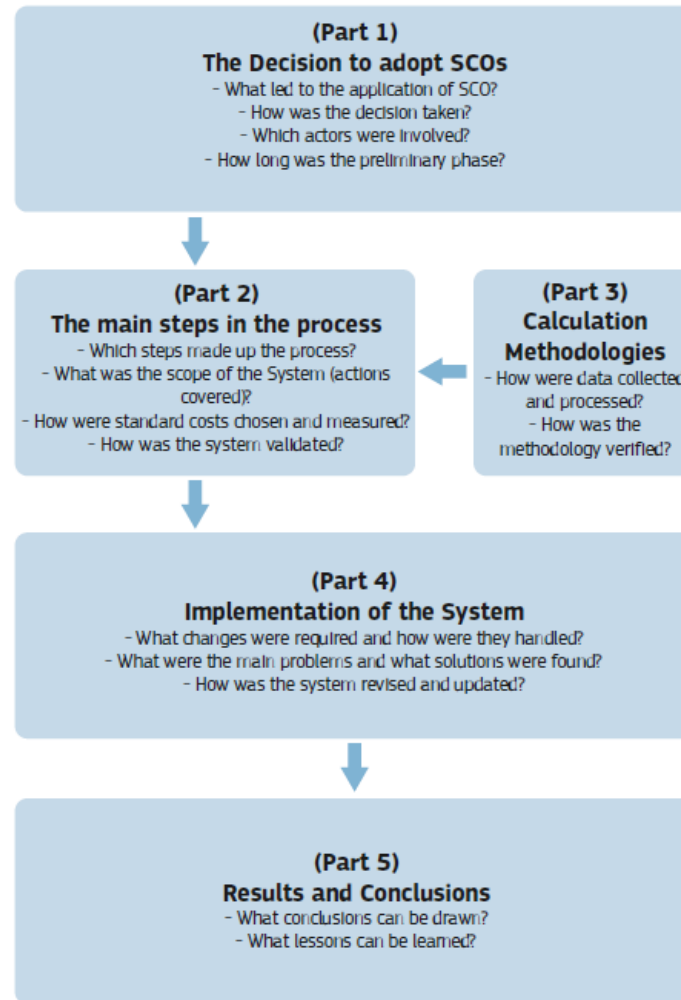
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Ministry of Agriculture and Rural Development in Poland



„Simplified cost options in CLLD/LEADER” workshop, Brussels, 19 January 2016

# Structure of the presentation

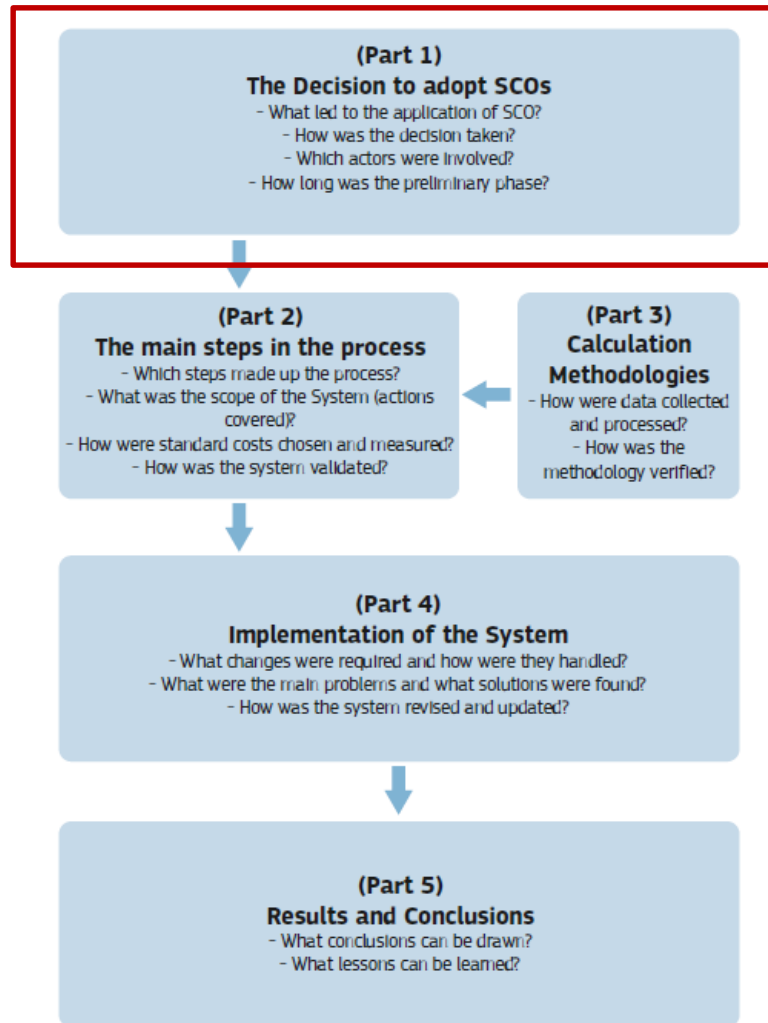


# Structure of the presentation

- The decision to adopt SCOs
- The main steps in the process
- Calculation methodology
- Delivery system
- Results and conclusions



# The decision to adopt SCOs



# The decision to adopt SCOs

- What led to the application of SCO?
- How was the decision taken?
- Who was involved?
- How long has the preparatory phase lasted?



# What led to the application of SCO?

- Both preparatory support and running and animation costs are standard projects and there is the historical data
- Need to limit:
  - administrative burden
  - documents which should be archived
- Opportunity to use SCOs not only under ESF and ERDF
  - art. 67.1.b-d applicable for ERDF also
    - Giving possibility to spent more time for results
- Promotion of using SCOs – ECA and EC
  - ECA's special reports
  - Guidance on SCOs
  - Guidance for local actors (CLLD/Leader)



# How was the decision taken?

- From ...

- first look at CPR (1303/2013) draft including SCOs' provisions for all EFSI...

- ... to

- first draft of RDP



# Who was involved?

- Managing authority for EARDF
  - decision of SCOs application
  - analysis of historical data of all LAGs
  - preparation of national provisions (law)
- Implementing body (1 of 16)
  - analysis of historical data
  - in-depth analysis of some LAGs
    - practical knowledge
- Paying agency (EARDF)
  - verifiability and controllability
- Institute of Rural and Agriculture Development
  - confirmation the adequacy and accuracy of the calculations (art. 62(2) 1305/2013 regulation)



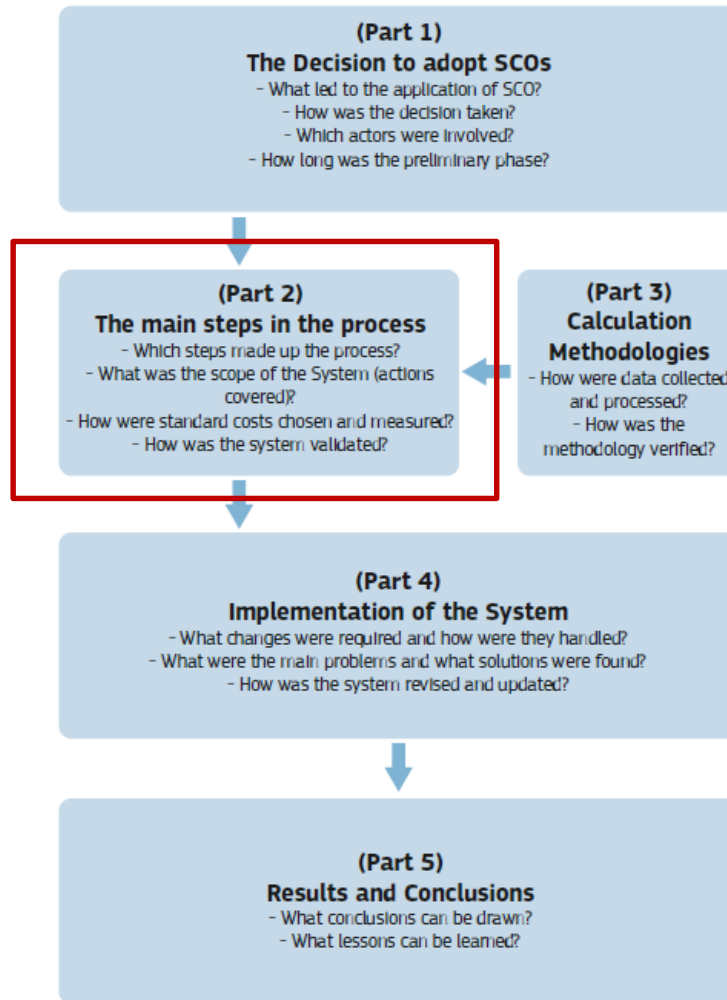


# How long has the preparatory phase lasted?

- First thought about ...
  - ... before starting drafting RDP
- Preliminary decision
  - first draft of RDP (April 2014)
- The key stage
  - analysis of historical data and in-depth analysis of 58 LAGs' information
    - (November 2014 – February 2015)
    - drawing conclusions



# The main steps in the process



# The main steps in the process

- Which steps have been taken in the process?
- What was the scope of the system (actions covered)?
- How were standard costs chosen and measured?
- How was the system validated?



# Which steps have been taken in the process?

- Previous system needs to be changed
- Preliminary analysis of the applicability of SCOs
- Decision
- Analysis of historical data provided by PA
  - drawing conclusions
- In-depth analysis of 58 LAGs' information (case studies)
- Working contacts with PA
  - Observations and comments
- Confirmation of the adequacy and accuracy of the calculations
- National regulations
- PA's procedures for IBs



# What was the scope of the system (actions covered)?

- Lump sums under preparatory support
  - 19.1 sub-measure of RDP 2014-2020
- Flat rate under running and animation costs
  - 19.4 sub-measure of RDP 2014-2020
    - both support LAGs
    - both are the only form of support under these sub-measures
- ... there is also lump sums under business start-ups
  - but it is another system



# How were the standard costs selected and measured?

## ■ From ...

### ■ historical data on eligible costs

- incurred for running of LAG, skills acquisition, animation (431 measure)

- under RDP 2007-2013

## ■ .. to

### ■ thresholds for lump sums

- under preparatory support (19.1 sub-measure)

- and

### ■ thresholds for flat rates

- under running and animation costs (19.4 sub-measure)

- under RDP 2014-2020



# How were the standard costs selected and measured?

## ■ Similar

- costs / expenditure

- tasks

- aims

- type of beneficiary

- under (sub)measures in 2007-2013 and 2014-2020

- Compare

- art. 63(c), and 59 of 1698/2005 regulation

- art. 35(1)(a, d and e) of 1303/2013 regulation



# How were the standard costs selected and measured?

## ■ Preparatory support

- one lump sum only
- three thresholds

## ■ Running and animation costs

- all costs are covered by flat rate financing
- the base is an amount of public expenditure under 19.2 sub-measure (implementation of operations under the CLLD strategy)
  - example from „Guidance on SCOs”



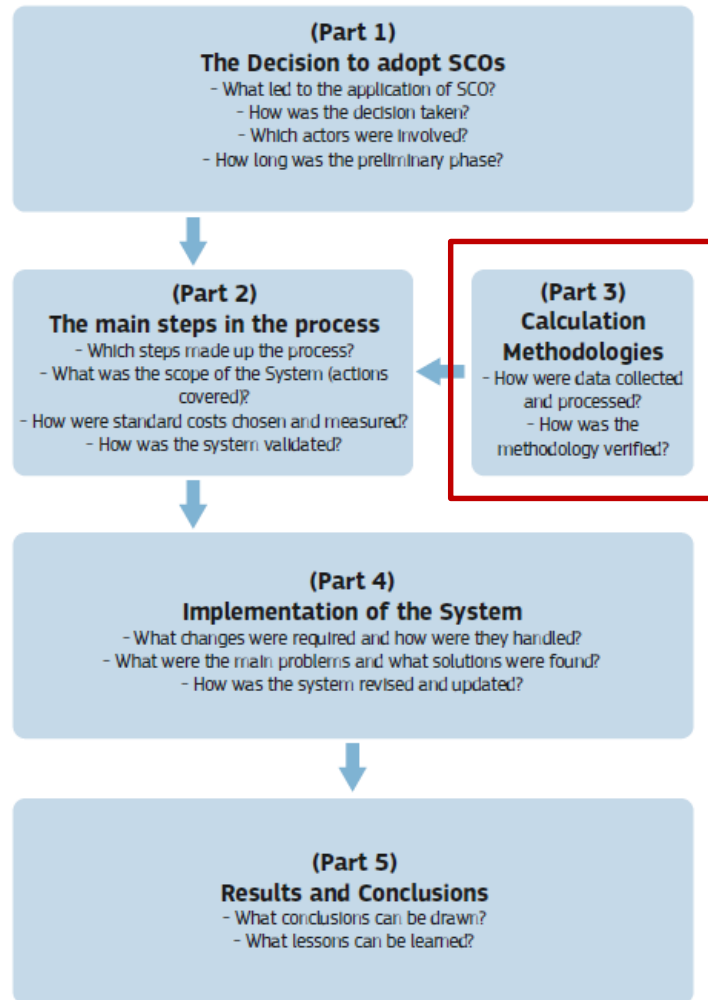


# How was the system validated?

- Confirmation of the adequacy and accuracy of the calculations (statement)
  - Institute of Rural and Agriculture Development
- National regulations (legal acts)
  - Minister of Agriculture and Rural Development



# Calculation Methodologies



# Calculation Methodologies

- How were data collected and processed?
- How was the methodology verified?



# Calculation method

## how to establish the thresholds of SCO's grants

- Art. 67 (5) (a) of 1303/2013 regulation
  - statistical data or other objective information
  - the verified historical data of individual beneficiaries
  - the application of the usual cost accounting practise of individual beneficiaries
- Single methodology applicable to both SCOs



# How were data collected and processed?

- The historical data of all LAGs which cover from 30 to 150 thous. inhabitants
  - PA's database
    - putting in order, filtering, grouping, sorting in MA
      - in case of 19.1 – running costs only
      - in case of 19.4 – all 431 measure's costs
- Case studies
  - questionnaires filled in by LAGs
    - in-depth analysis in Implementing body

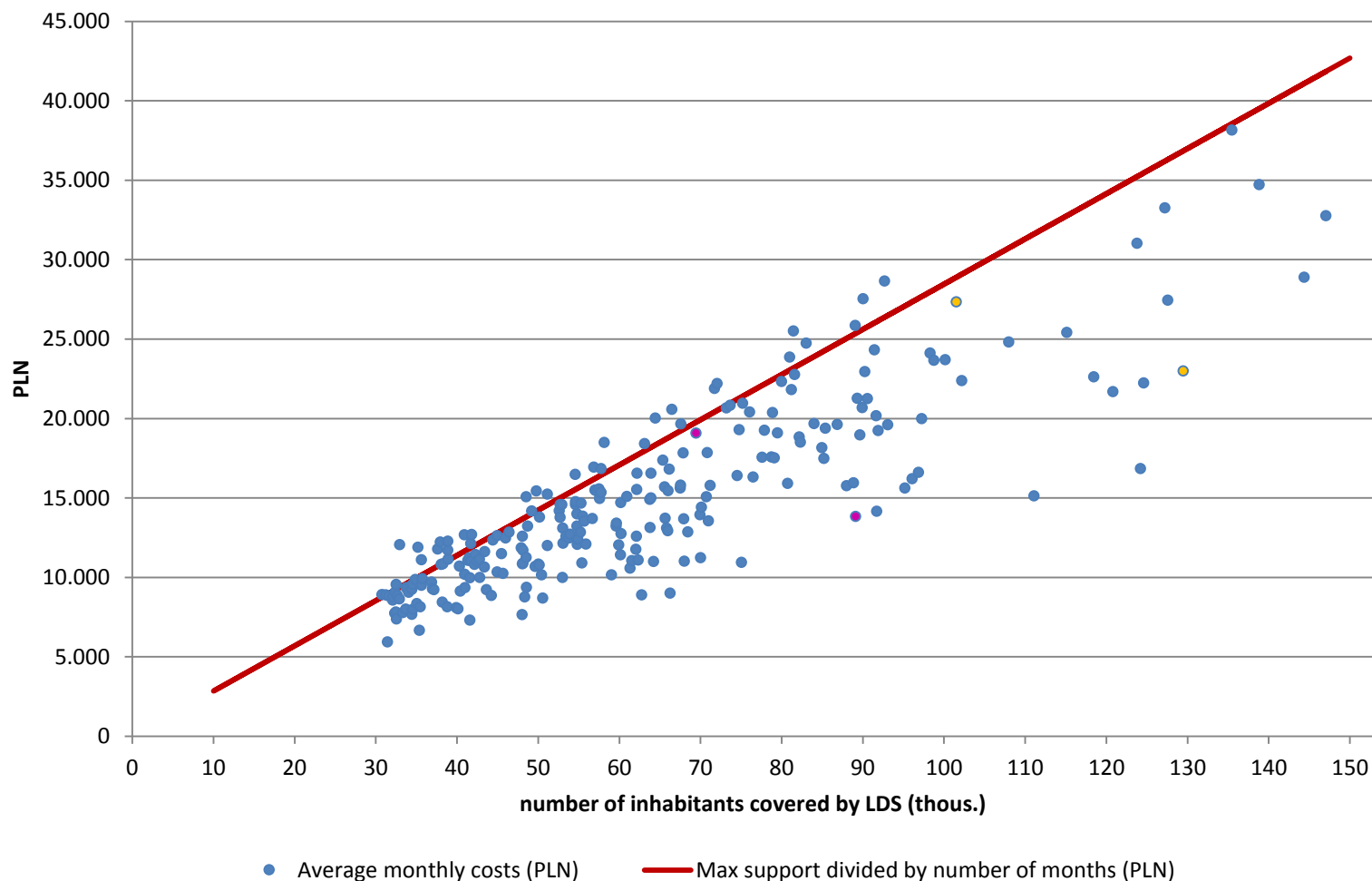


# How was the methodology verified?

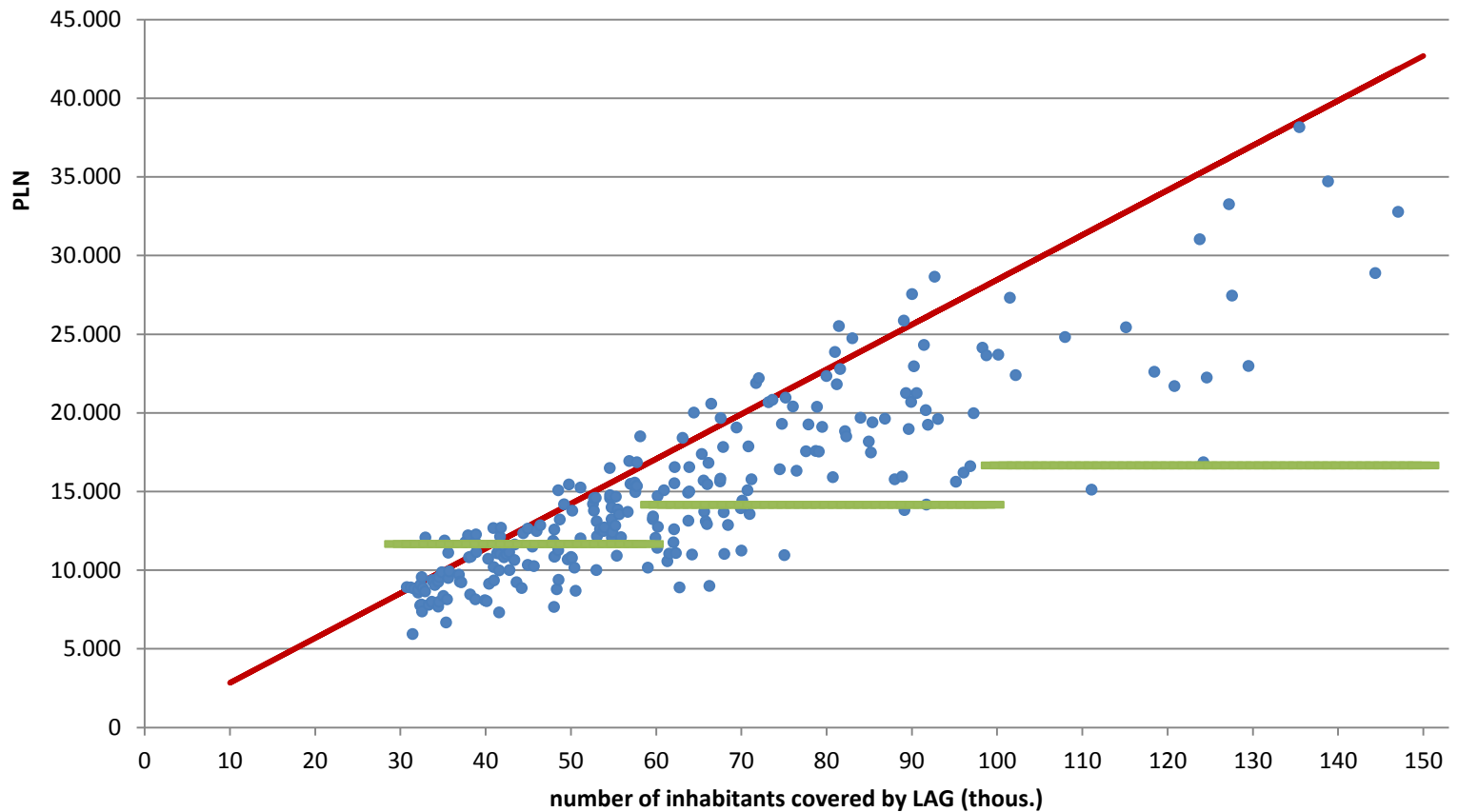
- Verifying the results of historical data analysis by in-depth analysis
  - ... experience of one of Implementing Body was crucial



# Average monthly LAG running costs only (under RDP 2007-2013)



# Monthly thresholds of lump sums (preparatory support)

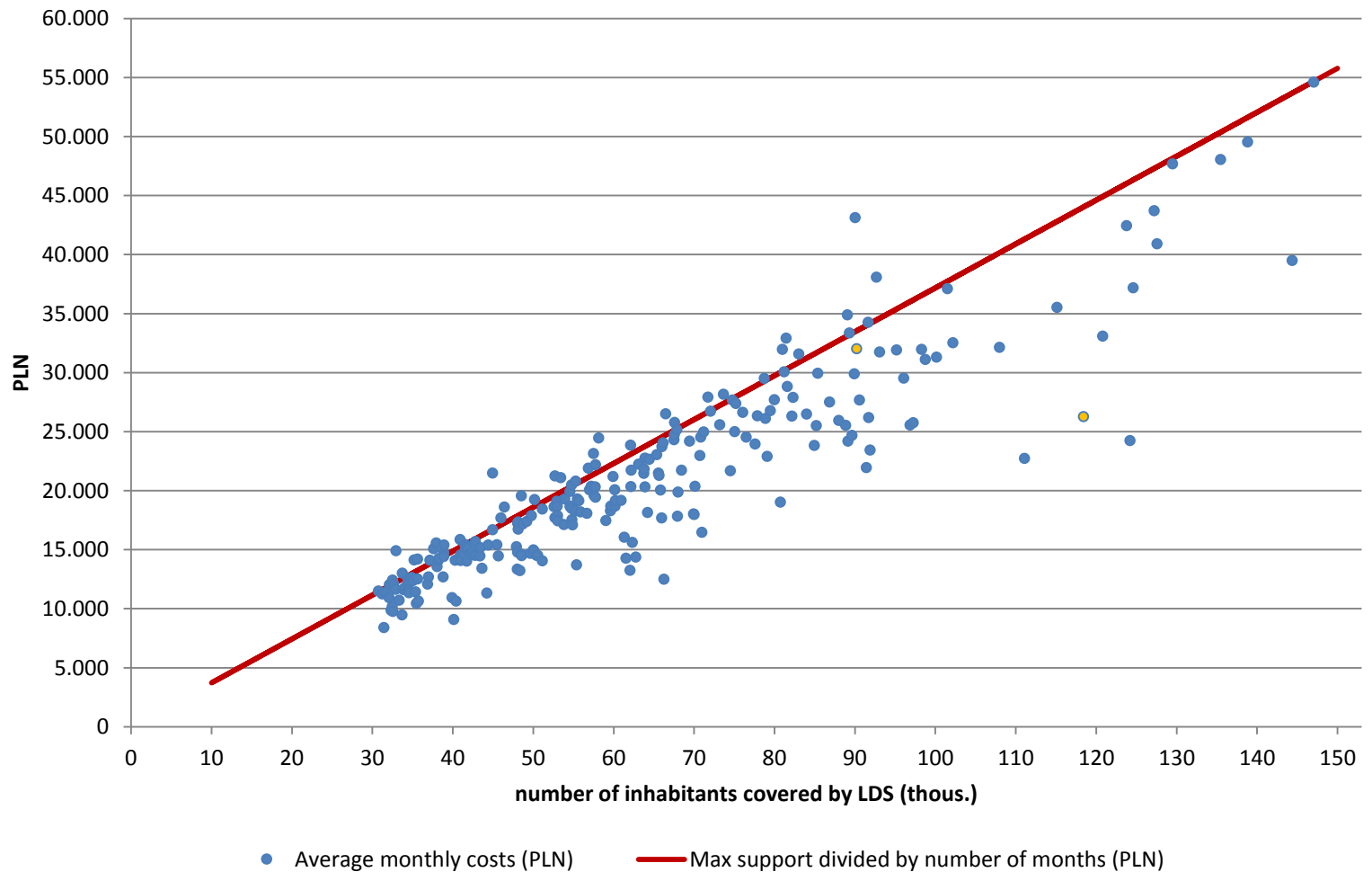


- Max support divided by number of monts (2007-2013; PLN)
- Average monthly costs (2007-2013; PLN)
- Rekomended montly support (2014-2020; PLN)

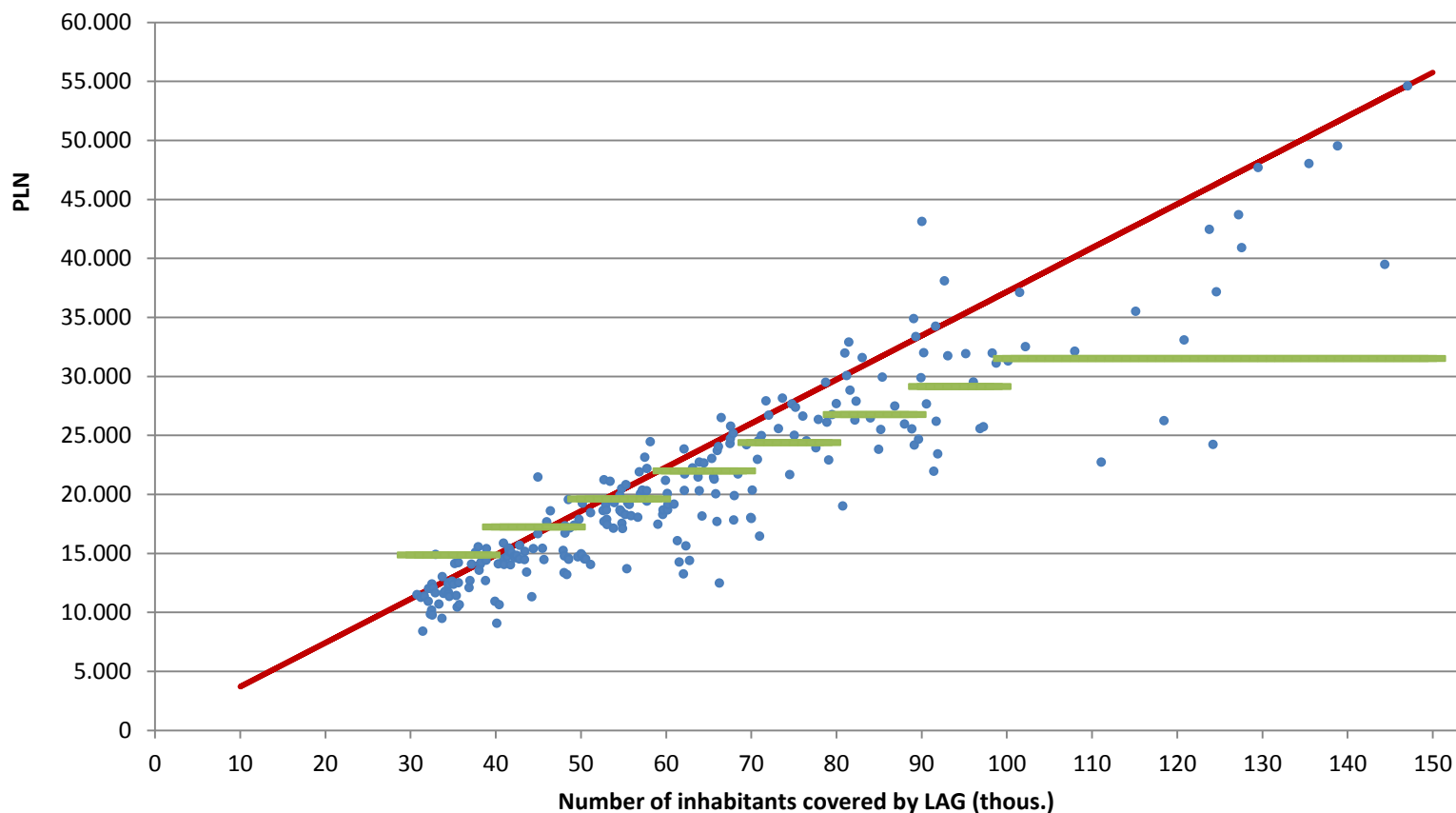




# Average monthly LAG running, skills acquisition and animation costs (under RDP 2007-2013)



# Monthly thresholds of flat rates (running and animation costs)



- Max support divided by number of months (2007-2013; PLN)
- Average monthly costs (2007-2013; PLN)
- Recommended monthly support (2014-2020; PLN)



# Methodology

- Recommended monthly support:
  - 3 thresholds under preparatory support
  - 8 thresholds under running and animation costs
    - depending on the size of LAG
- Multiplied by number of months of support

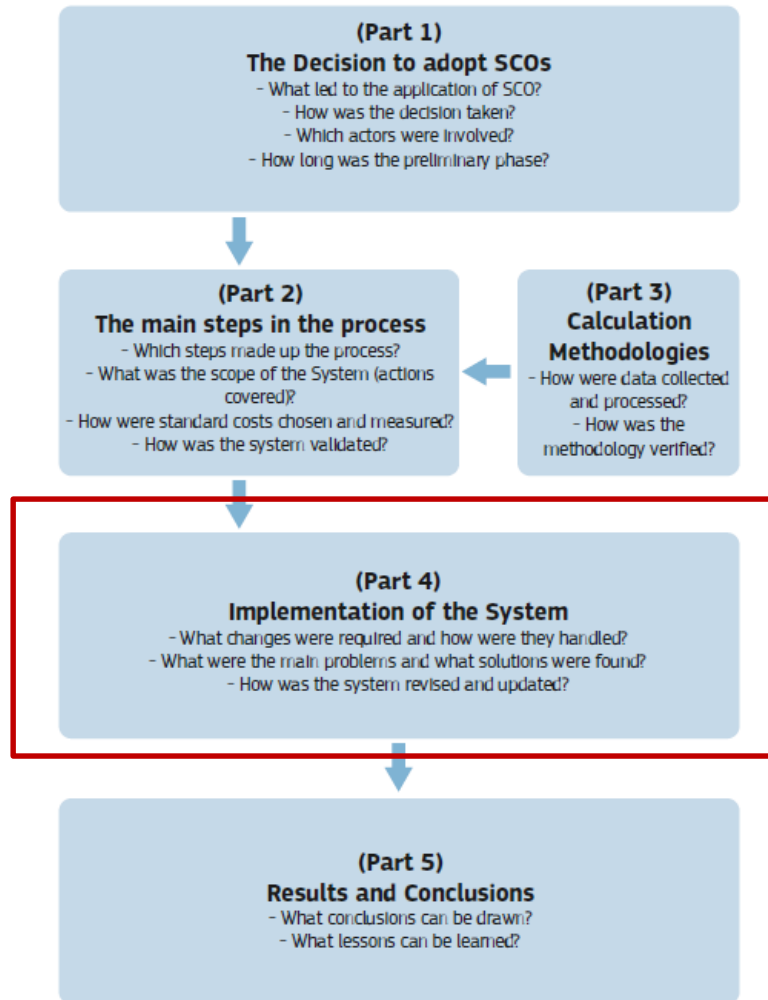


# Methodology

- The result of multiplying
  - in case of preparatory support
    - gives the amount of lump sum support
  - In case of running and animation costs
    - gives the limit of payments and
    - is the base to establish the amount of percentage flat rate financing
      - the percentage = limit of payments under 19.4 sub-measure / limit of support under 19.2 sub-measure



# Delivery system



# Delivery system

- What changes were required and how were they handled?
- What were the main problems and what kind of solutions were introduced?
- How was the system revised and updated?



# What changes were required and how were they handled?

- Changing the philosophy of granting 😊
  - only real costs
    - under axis 4 in RDP 2007-2013
  - Simplified options
    - under 2 of 4 sub-measures in LEADER 2014-2020



# What were the main problems and what solutions were found?

- SCO is a new approach under LEADER in Poland
  - change of philosophy
    - Both for authorities and beneficiaries
- There is problem with art. 62.2 of 1305/2013 in case lump sums under business start ups





# The problem with art. 62.2 of 1305/2013 interpretation in cases lump sums under business start ups

- „Where aid is granted on the basis of standard costs or additional costs and income foregone, MS shall ensure that the relevant calculations are adequate and accurate and established in advance on the basis of a fair, equitable and verifiable calculation. To this end, a body that is functionally independent from the authorities responsible for the programme implementation and possesses the appropriate expertise shall perform the calculations or confirm the adequacy and accuracy of the calculations. A statement confirming the adequacy and accuracy of the calculations shall be included in the RDP.”
  - according to the EC interpretation in case of SCOs, lump sums under EFARD have to be defined ex ante
  - in result no possibility to establish the lump sum on the basis of draft budget – like in ESF
    - but:
      - these are **not standard operation** where it can be set up the lump sums easily in advance (**no standard costs**)
      - LAG’s tasks include fixing the amount of support (art. 34.3.f of 1303/2013)

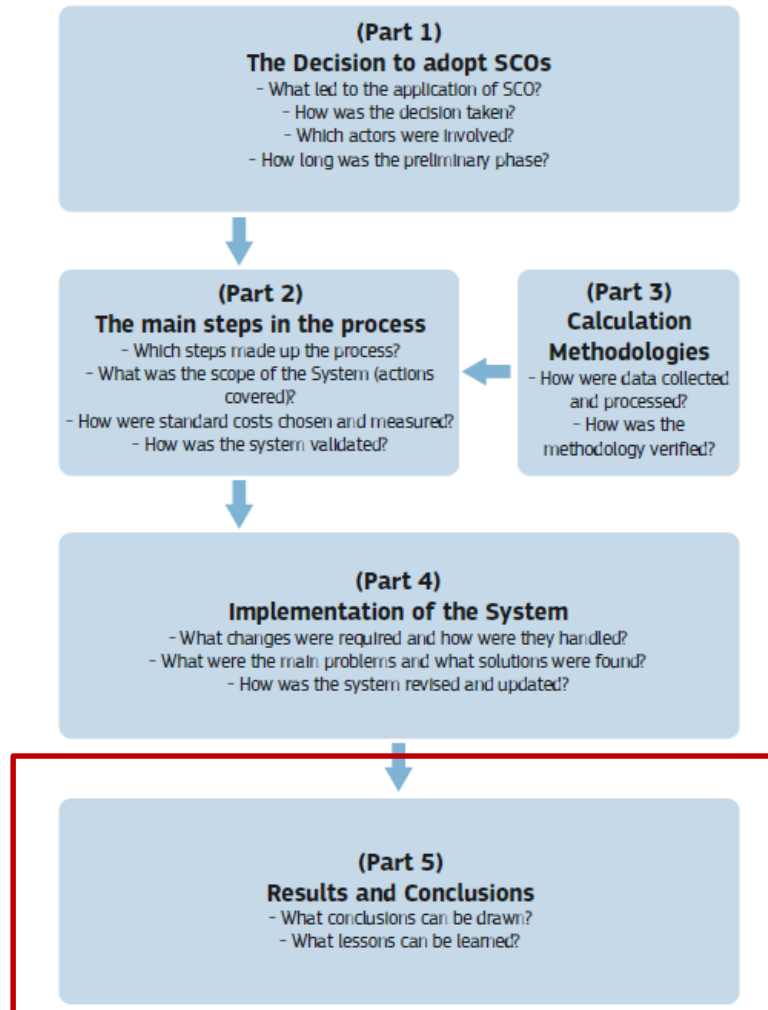


# How was the system revised and updated?

- Updating thresholds under preparatory support
  - firstly – for 6 months preparatory period
  - in the end – for 9 months
- simply updating
  - the method is to multiply number of months by monthly threshold established on a basis of historical data



# Results and Conclusions



# Results and Conclusions

- What conclusions can be drawn?
- What lessons can be learned?
  - it is worth to applying SCOs in supporting LAGs
  - it is worth to involve different actors to establish amounts of SCOs
- Problem with art. 62.2 of 1305/2013 in case of lump sums under LEADER business start ups
  - need to change this provision or work on more flexible interpretation?



# Thank you for your attention

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