

WALES PROGRAMME MONITORING COMMITTEE
EUROPEAN STRUCTURAL AND INVESTMENT FUNDS 2014-2020

Date: 05 December 2014

Time: 9.30am

Venue: Welsh Government Offices, Merthyr Tydfil

AGENDA

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| 1. Welcome and apologies | 9.30 - 9.35 |
| 2. Minister for Finance and Government Business, Jane Hutt AM | 9.35 -10.15 |
| 3. EU Project Showcase | 10.15 -10.35 |
| 4. Minutes of September meeting, action points
and matters arising | 10.35 -10.40 |
| 5. Update on the Rural Development Programme negotiations | 10.40 -11.00 |
| 6. Formal establishment of the Wales PMC and rules of procedure | 11.00 -11.15 |

Break: 11.15-11.30

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| 7. Assessment and selection criteria to award support from the
Structural Funds | 11.30-11.45 |
| 8. Implementation arrangements: simplified cost
reimbursement options | 11.45 -12.05 |
| 9. AOB | 12.05 -12.15 |
- Revised meeting dates 2015 [paper to note]

PWYLLGOR MONITRO RHAGLEN CYMRU
CRONFEYDD STRWYTHUROL A BUDDSODDI EWROPEAIDD 2014-2020

Dyddiad: 5 Rhagfyr 2014
Amser: 9.30am
Lleoliad: Swyddfeydd Llywodraeth Cymru, Merthyr Tudful

AGENDA

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| 1. Croeso ac ymddiheuriadau | 9.30 - 9.35 |
| 2. Y Gweinidog Cyllid a Busnes y Llywodraeth, Jane Hutt AC | 9.35 -10.35 |
| 3. Cofnodion cyfarfod mis Medi, pwyntiau gweithredu a materion yn codi | 10.35 -10.40 |
| 4. Y diweddaraf ar drafodaethau'r Rhaglen Datblygu Gwledig | 10.40 -11.00 |
| 5. Sefydlu PMRh Cymru yn ffurfiol a'r gweithdrefnau | 11.00 -11.15 |

Egwyl: 11.15-11.30

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| 6. Meini prawf asesu a dethol ar gyfer dyfarnu cymorth o'r Cronfeydd Strwythurol | 11.30-11.45 |
| 7. Trefniadau gweithredu: opsiynau syml ar gyfer ad-dalu costau | 11.45 -12.05 |
| 8. UFA | 12.05 -12.15 |
- Diwygio dyddiadau cyfarfodydd 2015 [papur i'w nodi]

**EUROPEAN STRUCTURAL AND INVESTMENT FUNDS 2014 – 2020
'SHADOW' WALES PROGRAMME MONITORING COMMITTEE**

Draft Minutes of meeting held on 26 September 2014

Item 1: Welcome and Apologies

1. The Chair welcomed Members to the shadow Wales Programme Monitoring Committee (WPMC). Specific welcome was given to Melanie Godfrey who replaces Cath Jenkins in representing the Welsh Government's Department for Education and Skills (DfES).
2. Attendees and apologies are listed at **Annex A**.

Item 2: Minutes of May Meeting, action points and matters arising (PMC(14)M03 with annexes)

3. The minutes of the 1 May 2014 meeting were agreed as a true and accurate record. It was agreed to have an item on the North Wales Ambition Board at 17 November PMC. There were no other matters arising.
4. Progress on action points arising from the previous meeting is listed at **Annex B**.

Item 3: Feedback from 'shadow' WPMC, ES&I Funds 2014-2020 Sub-Group: Measuring Success

5. Grahame Guilford, Chair of the PMC Sub-Group, presented an interim report from the group. Key themes emerging to date include:
 - Assessing long term sustainable change as well as short term core monitoring obligations.
 - Approaches taken in the past may not readily facilitate the longitudinal analysis required, therefore the group needs to consider what data is available and how gaps can be filled to create long term value.
 - Further consideration/ work required on exactly what we want to measure and how.
6. Members highlighted the following points:
 - GDP/ GVA is an important measure and investments should be considered on their potential long term impact on GVA/ GDP. The group should avoid just focusing on measures for businesses and/or ERDF investments. Measures of success making those furthest from the labour market more employable also strategically important in tackling poverty.

- Applying a narrow business-centric approach to all ESI Funds is insufficient. Need to be mindful of the wider context of tackling poverty in relation to ESF, RDP and sustainable development. EU Cohesion policy aims to deliver economic, social and territorial cohesion, therefore need to balance programmes targeting economic success with social cohesion/ tackling poverty.
 - Mathew Quinn reported that the Welsh Government is undertaking work on baseline assessments for Green Growth.
 - Need to ensure that any new way of measuring things does not result in additional administrative and financial burden for beneficiaries. Sian Price advised that a recent study undertaken by Finance Wales on measuring investments can be shared with the sub-group to assist in their continuing work in this complex area.
 - Important for the sub-group to look at added value, in particular added value through inward investment and integration of funds.
7. Damien O'Brien acknowledged the challenging work of the sub-group and emphasised that the core role of the PMC is to monitor and review the implementation of the programmes and their progress towards achieving its objectives agreed with the European Commission. It must therefore still focus on the targets and indicators that have been agreed with the EC.
8. Grahame Guilford welcomed comments from Members and reiterated that EU funds represent only a small part of overall investment in Wales and therefore prioritisation is required to achieve the biggest impact on GVA/ GDP. Further reports will be provided at subsequent PMC meetings with a final report and recommendations to the PMC early in Q1 2015.

Action: Members to provide any additional comments on the Measuring Success sub-group via email to PMC Secretariat.

Item 4: Horizon 2020 – overview & details of potential integration with mainstream EU Funds

9. Geraint Green presented an overview of Horizon 2020, the EU managed research and innovation programme worth 79 billion Euros over the 2014-2020 period. Members were advised:
- Horizon 2020 funding is approved on a competitive basis. The goal of the programme is to ensure Europe produces world-class science and technology to drive economic growth.
 - There is an increased emphasis on innovation and 'close to market' actions compared to previous funding programmes, therefore increasing the potential for synergies with activities supported by the European Structural and Investment funds.

- European Commission (EC) has published guidance on how the funds could work together and there is an expectation for programme Managing Authorities to consider how to co-ordinate and/or integrate these funding streams.
 - WEFO is working closely with Welsh Government policy colleagues including the Chief Scientific Advisor on ensuring Horizon 2020 activities and ESI investments are strategically aligned.
 - Horizon 2020 Unit set up in January 2013 in anticipation of the increasing emphasis from the EC on integrating ESI funds and Horizon 2020.
10. Members noted the importance of accessing Horizon 2020 and the need to build capacity to enable access to the funds in the long term. The PMC recognised that due to the highly competitive nature of the programme, support/ investment needs to focus on Welsh organisations with potential for excellence.
11. In response to questions from Members, WEFO advised that the new SME Instrument is a mechanism to support SMEs with ground-breaking ideas that are ready to grow into a business with high market potential. The instrument is attractive as it does not require organisations to be part of a three Member State consortium. However expectations need to be managed as the success rate is only around 6%. Lowri Gwilym mentioned that Regional Support Teams should play an important role for SMEs with good ideas.
12. Members noted that Horizon's predecessor programme, the Framework Programme 7 (FP7), had a low success rate in Wales and asked what targets are set for Horizon 2020. WEFO advised that in the recent scoping study undertaken by CM international, Wales accessed around €125m from the FP7 programme and are hoping for an increase in the success rate of approximately €40m for Horizon 2020.
13. Damien O'Brien mentioned the recent Enterprise and Business Committee's report on EU funding opportunities 2014-2020 and highlighted that Welsh Government recognises the need to maximise the opportunities available, not just through Horizon 2020, but from all European funding streams.

Action: PMC Secretariat to circulate the Enterprise & Business Committee report on EU funding opportunities 2014-2020.

Item 5: Wales Audit Office Report European Structural Funds 2007-2013 – response of Managing Authority

14. Damien O'Brien presented WEFO's response to the recommendations of the Wales Audit Office report that examined the administration of the 2007-2013 Structural Funds programmes. The overall conclusion was that

programmes have broadly progressed well and management arrangements are effective and an improvement on 2000-2006 arrangements.

15. WEFO has accepted all 12 recommendations set out in the report. Many of the recommendations echo advice from Dr Grahame Guilford's review of implementation arrangements for the 2014-2020 programmes, including:

- Developing key strategic or 'backbone' areas to support early approval of investments.
- Strengthening and improving processes, for example with the addition of pre-planning and mobilisation stages.
- Streamlining audit/ inspection and implementation arrangements.

16. In reference to the recommendation on delivery models, Members asked for an update on the latest position and the expected implications of introducing formal Intermediate Bodies (IBs). Members were advised that IBs are likely to be a feature of the new programmes in certain cases where organisations use the Structural funds to award State aid public support to businesses. This will be on a limited scale and WEFO will be operating Intermediate Body 'light' approach to comply with regulations but to also ensure that there is no unnecessary complexity or compliance risk. The running costs of IBs will be eligible for support from programme Technical Assistance funds (TA) as it relates to functions and tasks delegated by the programme Managing Authority (WEFO).

17. Members noted that the audit report highlights that the majority of operations/ projects will meet their targets by the end of the programme period, but targets for the environmental sustainability part of the Cross Cutting Themes (CCT) are falling short. WEFO explained that the CCTs will include a tackling poverty element in the 2014-2020 programmes and in order to fully explain proposals for the CCTs a note would be circulated to members after the meeting.

Action: Damien O'Brien to circulate a note on the Cross Cutting Themes proposals for 2014-2020 Programmes.

18. Members were reminded of the importance of effective audit and inspection that address EC requirements and minimises error rates and/or the loss of programme funds. To put into context, the EC have currently interrupted payments to WEFO due to an audit of the work of the Welsh Government's European Funds Audit Team (the designated 'Audit Authority' for the programmes) relating to their sampling methodology (selecting projects to audit and then selecting which payments to examine). The Audit Authority is currently addressing the Commission's specific concerns but the interruption highlights the significance of ensuring that error rates stay below the EC's 2% materiality threshold.

The 2007-2013 Structural Funds PMC receive a Compliance Report every 6 months which captures the various audit results and the error rate of the programmes, this practice will continue for the 2014-2020 PMC so that any issues can be highlighted and escalated early.

19. Andrew Slade added that the verifications and control functions in the RDP are different from that of Structural Funds, but a similar report for RDP covering audit/ compliance and the error rate will also be produced 6 monthly for the PMC once the new programmes are underway.
20. Members were also informed of a recent WAO report on Glastir. The report examines whether lessons have been learnt from previous agri-environment schemes and overall was generally positive, but highlighted scope for improvement. RDP officials have been working with the Welsh Government's Grants Centre of Excellence and others within WG Government to share lessons learned.

Action: PMC Secretariat to circulate Wales Audit Office Report on Glastir.

Item 6: UK Partnership Agreement and the Structural Funds Operational Programmes – update on progress

21. Rob Halford updated Members on progress:

- Final phase of negotiations on the UK Partnership Agreement (PA) and the Structural Funds Operational Programmes (OPs). It is now anticipated that the UK PA and OPs will be approved towards late October/ early November. 16 of 28 PAs have been agreed so far but only 3 OPs agreed so Wales ahead of the curve.
- For the two ERDF programmes, the Commission has indicated a willingness to consider these in parallel with the UK PA which means that they could be approved at the same time as the PA.
- The Ireland-Wales European Territorial Cooperation ERDF programme was submitted to the Commission in September 2014.
- Programme launch events are being planned for November 2014.

22. In response to Members questions, WEFO advised that the main focus of recent negotiations has been the connectivity and sustainable urban development aspects of the ERDF programmes. The Commission have asked for more detail on specific outcomes and detail of proposed investments. ESF programme negotiations have also focused around further specifying the desired outcomes/ results and details of proposed individual investments.

23. Final indicative financial allocations for each programme priority will be made available to stakeholders as soon as approved by the Commission.

24. The Chair thanked Damien O'Brien and Rob Halford for their work over the summer in Brussels to get the PA and OPs approved as soon as possible.

Item 7: Rural Development Programme – update on progress

25. Andrew Slade informed Members that the programme was submitted to the European Commission on 11 July 2014. In addition:

- A number of positive informal meetings have taken place with the EC during the summer. Officials are now awaiting formal comments from the EC.
- Following feedback from stakeholders the Deputy Minister for Farming and Food has commissioned Gareth Williams (author of the 'Working Smarter' report on better regulation in Farming) to undertake a review of the Farming Connect programme and consider knowledge transfer, advice and innovation is delivered under the 2014-2020 RDP. Findings and recommendations from the review will be published in the next few weeks.
- Welsh Government officials are in the process of developing a number of specific schemes and Task & Finish Groups are being established to inform this process.

26. Members welcomed the review of Farming Connect but raised some concerns of a review so late in the year and time pressures on launching new schemes for early 2015, in particular the Young Entrants Support Scheme (YESS).

27. Members were advised that the existing Farming Connect arrangements will continue into the spring to try and avoid funding gaps. The YESS is due to be funded by the Welsh Government until the new RDP is approved. Although there have been a number of Ministerial changes during the development of the new RDP there has not been significant slippage in the timetable for approval of the new programme and officials have continued to engage with the Commission over the summer.

Item 8: LEADER Local Action Group developments

28. David Howarth updated Members on progress with the LEADER element of the RDP:

- Welsh Government has set out a broad framework of thematic options. Local Action Groups (LAGs) are able to choose priorities to reflect the needs of the local area.
- An open call for expressions of interest to become a Local Action Group took place in March 2014.

- It is likely that each LAG will receive an indicative financial allocation and this is currently under Ministerial consideration.
29. Members thanked officials for work completed to date and noted that the work of the task and finish group had been positive in recommending alternative methods for allocating funding to LAGs. Members stressed the importance of securing Ministerial agreement over the funding methodology to continue to move forward.
30. In response to questions, Members were advised that in order to minimise delivery costs, LAGs are encouraged to work collaboratively. The Managing Authority can also cap running costs at 10% and costs of facilitation at 15%. LAG's are encouraged to share ideas and best practices and this is facilitated through mechanisms such as the task and finish groups and Wales Rural Network.

Item 9: Regional Partnership Engagement

31. Peter Ryland emphasised that delivering the programmes with regional and sectoral partnerships, in line with the EU Code of Conduct on Partnerships, will help ensure the programmes are delivered successfully and achieve the greatest impact. Partnership arrangements in Wales are not uniform in nature and there are a complex range of stakeholders that WEFO needs to engage with. Technical Assistance funds are available to ensure the effectiveness of such partnerships and the next steps will be for proposed principles to be developed into more substantive proposals for implementation.
32. Members debated the paper and stressed the urgency in confirming arrangements for partnership engagement so that potential funding applicants are aware of the structures and support in place from the outset of the new programmes. Members raised the following specific points:
- Engaging with existing and emerging partnerships in Wales will be challenging. Some areas, for example, North Wales and the two City Regions, have well- established business-local authority partnerships, whereas some areas do not have equivalent arrangements in place yet. More work needs to be done to include community and third sector representation to meet the EU partnership requirements.
 - Need to be clear about the role and remit of the partnerships and ensure they have the credibility and understanding of the needs of their geographic area. Their role should be to highlight economic drivers in their areas and not to act as a decision-making body.

- The range of partnerships and boards listed in the WEFO paper is extensive. It is important to simplify the structures as far as possible to ensure clarification for applicants/ beneficiaries.

33. Members were thanked for their comments and advised that for each potential investment, there are a range of partnerships, stakeholders and experts that could be consulted before a funding decision is taken. It was reiterated that WEFO will not set up partnerships as decision making bodies and will not be delegating Managing Authority responsibilities to regional partnerships.

34. It was highlighted that partnership arrangements will develop over the lifetime of the programmes; however as delivery of the programmes is about to start, WEFO will work with the capacity that is already in place.

Item 10: AOB

35. The Chair thanked Members for their valuable contributions to the meeting. The next meeting will take place on Monday, 17 November 2014 at the Orbit Centre, Merthyr Tydfil.

**PMC Secretariat
September 2014**

Wales PMC European Structural and Investment Funds 2014 -2020

Meeting held 26 September 2014

Welsh Government Office, Merthyr Tydfil

Chair – Jenny Rathbone AM

Members nominated on a representative basis, from partners and statutory bodies:

Tom Whyatt	Business and Enterprise (Industry Wales)
Dr Greg Walker	Further Education (Colleges Wales)
Ann Beynon	Business and Enterprise (Commerce Cymru)
Martin Mansfield	Trade Unions (Wales TUC)
Rhian Jardine	Environmental sustainability (Natural Resources Wales)
Marcella Maxwell	Welsh Government (Economy, Science & Transport)
Melanie Godfrey	Welsh Government (Education & Skills)
Matthew Quinn	Welsh Government (Natural Resources)
Jocelyn Llewellyn	UK Government (Jobcentre Plus)
Arfon Williams	Environmental NGOs (Wales Environment Link/ RSPB)
Lowri Gwilym	Local Government (WLGA)
Phil Fiander	Third Sector (WCVA)
Karen Anthony	Rural Economy (CLA - Country Land and Business Association)
Dr Tove Oliver	<i>Alternate for David Blaney</i> Higher Education (HEFCW)

Members selected via the Public appointments process:

Dr Grahame Guilford
Sian Price
Beth Winkley
Joy Kent
David (Dai) Davies
Professor Richard B. Davies

Programme Managing Authorities:**Welsh European Funding Office / Department for Natural Resources**

Damien O'Brien	Chief Executive, WEFO (ERDF, ESF)
Andrew Slade	Director, Agriculture, Food and Marine (RDP)
Peter Ryland	Deputy Director, Programme Performance & Finance (ERDF, ESF)
Rob Halford	Head of Planning & Strategy (ERDF, ESF)
Sue Price	Head of ERDF Programmes
Paul Casey	Head of Research Monitoring & Evaluation (RDP, ERDF, ESF)
Dean Langley	Head of Regulations & Compliance (RDP, ERDF, ESF)
David Howarth	Head of Programmes & Performance (RDP & EFF)
Geraint Green	Head of Business & Innovation (ERDF)
Angela Griffin	Secretariat
Lois Wilson	Secretariat

Advisors

Marek Beran	European Commission, Directorate-General for Agriculture and Rural Development
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Apologies

Margaret Thomas	Trade Unions (Wales TUC)
Dr David Blaney	Higher Education (HEFCW)
Cllr Ronnie Hughes	Local Government (WLGA)
Iestyn Davies	Business and Enterprise (Commerce Cymru)
Professor April McMahon	Higher Education (Aberystwyth University)
Rhian Nowell-Phillips	Farming and rural businesses (FUW)
Derek Walker	Social Economy (Wales Cooperative)
Elaine DeBono	Head of Rural Payments Division
Terri Thomas	Head of CAP Planning Division

Meeting date	Action Requested	Latest Situation
1 May 2014	Person and job specification for Chair of Wales Rural Network Steering Group to be provided to the Committee at a future meeting.	Ongoing.
26 September 2014	Members to provide any additional comments on the Measuring Success sub-group via email to PMC Secretariat.	Comments provided and circulated to sub group members in advance of the PMC sub-group meeting 7 November 2014.
26 September 2014	PMC Secretariat to circulate the Enterprise & Business Committee report on EU funding opportunities 2014-2020.	Circulated with draft minutes of September 2014 meeting on 9/10/14.
26 September 2014	Damien O'Brien to circulate a note to members on the environmental sustainability dimension of the Cross Cutting Themes for the 2014-2020 Programmes.	Note circulated with papers for 17 November 2014 meeting.
26 September 2014	PMC Secretariat to circulate link to the Wales Audit Office Report on Glastir.	Circulated with draft minutes of September 2014 meeting on 9/10/14.

Wales Programme Monitoring Committee
European Structural and Investment Funds 2014-2020

RULES OF PROCEDURE

Background and legal basis

1. The Welsh Government has established a single Programme Monitoring Committee ('PMC') for Wales European Structural and Investment fund programmes, respecting the legal and administrative provisions set out in:
 - Regulation EU 1303/2013 of the Parliament and the Council ('Common Provisions Regulation' or 'CPR'), in particular articles 47, 48, 49 and 110;
 - Regulation EU 1305/2013 of the Parliament and the Council ('EAFRD Regulation'), in particular article 74;
 - Regulation EU 1304/2013 of the Parliament and the Council ('ESF Regulation'), in particular article 13(3) and 19;
 - The institutional, legal and financial framework of the United Kingdom and in particular, the Member State programme management responsibilities delegated to Welsh Ministers; and
 - In conformance with the arrangements outlined in the **United Kingdom Partnership Agreement** adopted by the European Commission on 29 October 2014.

The PMC is established to monitor the following programmes:

- European Regional Development Fund, East Wales, Operational Programme adopted 18 November 2014, Commission Decision C(2014)8777.
- European Regional Development Fund, West Wales and the Valleys, Operational Programme adopted 18 November 2014, Commission Decision C(2014)8779.
- European Social Fund, East Wales, Operational Programme adopted 4 December 2014, Commission Decision C(2014)9438.
- European Social Fund, West Wales and the Valleys, Operational Programme adopted 4 December 2014, Commission Decision C(2014)9365
- *When formally adopted by the European Commission, the PMC will also monitor the Wales Rural Development Programme funded by the European Agricultural Fund for Rural Development.*

Functions and tasks

2. In accordance with articles 47, 48, 49 and 110 of the CPR and article 74 of the EAFRD regulation, the PMC:
 - Must **review** implementation of the programmes and their progress towards achieving the objectives agreed with the EC. In doing so, it must consider financial data; common and programme-specific output and result indicators; and the performance framework milestones agreed with the EC.
 - Must be **consulted and issue an opinion** (for or against) on any modification of a Programme put forward by the managing authority, before submission to the EC.
 - Must be **consulted and issue an opinion** (for or against) on the criteria to be used to select operations to be financed by the EAFRD, within four months of the EC approving the programme. In Wales, this requirement has been extended to include **approval** of the criteria and is therefore harmonised with the approach required for ERDF and ESF.
 - May issue **observations** to the programme managing authorities regarding implementation of the programmes and their evaluation. It must then monitor actions taken as a result of such observations.
 - Must **examine**:
 - (a) progress in implementation of the evaluation plan and the follow-up given to the findings of evaluations;
 - (b) implementation of the communication strategy;
 - (c) implementation of ERDF major projects (if applicable);
 - (d) results of audits and error rates of the programmes;
 - (e) actions taken to promote equality between men and women, equal opportunities, and non-discrimination, including accessibility for disabled persons;
 - (f) actions to promote sustainable development;
 - (g) actions to achieve any unfulfilled programme ex-ante conditionalities if within the responsibility of the programme managing authority. The PMC must also be informed of ex-ante conditionalities that are outside the responsibility of the managing authorities; and
 - (h) implementation of Financial Instruments, including the ex-ante assessments; the strategy document; the methodology for management costs and fees; and annual reports on the management costs and fees effectively paid;
 - (i) any other issues that affect the performance of the operational programme.
 - The PMC must provide its **agreement** if the managing authorities want to support ERDF or EAFRD operations implemented outside of the programming area but delivering benefits to the programme area. In relation to ESF operations, the PMC must give its **agreement** if WEFO want to support ESF operations that will incur

expenditure outside of the European Union in relation to the programme thematic objectives of 'promoting sustainability and quality employment and supporting labour mobility' or 'investing in education, training and vocational training for skills and lifelong learning'. In all cases, agreement may be sought either for individual operations or for specified types of operation.

- The PMC will **examine and approve**:
 - (a) the assessment methodology and selection criteria for operations to be supported by the ERDF, ESF and EAFRD. Application of the approved criteria and selection of operations/ projects is the task of the managing authority and not the PMC. The assessment and selection criteria must be designed to:
 - contribute to the achievement of the objectives and results of the agreed programme priorities
 - be transparent
 - Integrate of programme cross-cutting themes:
 - non-discrimination and gender equality
 - sustainable development
 - tackling poverty and social inclusion
 - (b) annual and final implementation reports;
 - (c) evaluation plans and any changes to the plan; and
 - (d) programme communication strategies and any changes to those strategies.
- The PMC will **examine** the Welsh Government's 'Economic Prioritisation Framework' (EPF) that will be used by funding applicants and the managing authorities to help consider strategic fit and avoid duplication with existing and planned public investment and policy initiatives in Wales. Revisions to the EPF will also be examined by the PMC.
- In relation to the implementation of the rural development programme, the PMC must consider suitable arrangements to **participate and exchange information** with the National Rural Network to exchange information.

Committee Membership

3. The size and membership of the PMC is determined by the Welsh Government, respecting the relevant EU legislation and advice of European Commission officials. The Welsh Government also takes full account of the recommendations and best practices described in the **European Code of Conduct on Partnership** (Commission Delegated Regulation (EU) No 240/ 2014).
4. The list of members, advisors and officials is provided in **ANNEX A**.
5. If a Member is unable to attend a meeting, the Chair can agree in exceptional circumstances to allow an alternate to attend. Requests for attendance of a nominated deputy/ alternate must be submitted to the PMC secretariat no later than the day before the next meeting. The Chair will then decide whether the alternate can attend the meeting and this will be an exceptional basis only. If an alternate is permitted they will be entitled to participate in full, including any decision-making powers.

Chair

6. The PMC is chaired by a representative of the Welsh Government. The First Minister of Wales appoints an Assembly Member to undertake the role of Chair. The Chair is responsible for the proper functioning of the PMC so that it is effective in monitoring programme implementation and progress towards achieving programme objectives.
7. The Chair will agree the meeting agenda in cooperation with the PMC secretariat. The agenda will be sent, together with the invitation and meeting documents, to members at least 10 working days before each meeting.
8. The Chair will convene all meetings, direct discussions, accord the right to speak, put questions to members, summarise and confirm decisions. The Chair has control on proceedings of the meetings and the correct application of these rules of procedure.
9. The Chair will inform Welsh Ministers of the work, decisions and opinions of the Committee.
10. The Chair may invite guests and experts to PMC meetings and will inform PMC members of this before the meeting.

Meetings

11. The PMC must meet at least annually but, as a general rule, 3 to 4 times a year. Members will be usually be given at least 20 working days' notice of each meeting other than in duly justified exceptional cases. To help members plan ahead, indicative meeting dates for 12 months ahead will be provided at each meeting.
12. Meetings will be held on Welsh Government premises, usually at the Merthyr Tydfil office.
13. Meetings are convened by the Chair, either at their own initiative or in response to a request from at least one-third of members.

14. Meeting invitations and documents will be issued by the Secretariat at least 10 working days before the meeting. Requests for additional items to be added to the agenda will be considered by the Chair but must be submitted to the Secretariat in writing at least three working days before the meeting.
15. Meeting papers will also be published on the WEFO/ Welsh Government websites at least 2 working days before each meeting.
16. The summary minutes will be drafted by the Secretariat and will be sent to members on behalf of the Chair, no later than 10 working days after each meeting. Members may formulate observations or proposal amendments no later than 10 working days after receipt of the document. If no objections are raised, the minutes are considered as approved. In case of objections by one or more members, the Secretariat will revise the minutes accordingly, agree on a final version with the Chair and send the final minutes to the PMC members. Alternatively, if this procedure leads to contradictory objections, the Chair will inform members and seek clarifications before finalisation.
17. Summary minutes will not normally attribute contributions to named individuals but members can request this if considered important.
18. Meetings will normally be open to the general public to observe if agreed in advance with the Secretariat but the Chair may agree to items being discussed in private/ restricted basis if justified.
19. Meetings will be quorate for decision-making and formal opinions only if attended by the Chair and more than 50% of members entitled to vote. For clarity, managing authority officials, although technically 'members' of the PMC, will not normally participate in votes, decisions or formal opinions related to papers and proposals initiated by the managing authorities. The exception is where votes, decisions or opinions take place at the initiative of members and/or the Chair. In such exceptions, the two lead managing authority officials may choose to exercise their membership voting rights.

Decision-making

20. Approval, agreement, or 'positive opinion' decisions will be taken by a simple majority of voting members – at least 50% of those voting members who are present in the meeting, excluding the Chair. In the event of a tie, the Chair has the casting vote.
21. In practice, the Committee will make decisions and deliver opinions by consensus and the Chair will assess whether there is consensus majority support for a proposal or, if deemed necessary, request individual votes from members. Where a vote takes place, the meeting minutes will record the voting numbers but not name members' individual votes.
22. In the absence of a simple majority, the Chair will decide to adjourn the matter to the next meeting or to organise a written procedure (this will include those members who were not present at the meeting when the vote took place).

23. Unless a member of the committee objects, the Chair may, without proceeding to a formal vote, establish that the committee has delivered a positive opinion by consensus.
24. Decisions and opinions of the Committee will be made public upon validation of the minutes.
25. A written procedure may be initiated by the Chair upon request of a member or upon justification of the need to for a quick decision. The Chair will send a draft decision to all members who will then have 10 working days to respond. If a written objection is raised, the matter will be clarified and consensus between the members will be sought by the Chair. If a simple majority of members object to the use of a written procedure, then the matter will be put on the agenda of the next meeting. Members can withdraw objections any time. If no objections are raised, the decision is deemed as taken with the necessary support of members and the Secretariat will inform all members.
26. If managing authority officials have doubts about the legality of a decision or action taken by the PMC, the decision will be taken with reservation until the necessary clarification has been brought. If the decision was not legal, the decision becomes null and void. Otherwise the decision will be deemed as valid and PMC secretariat will inform members.

Working arrangements and code of conduct

27. Members of the Committee are bound to observe following rules of conduct:
- To participate in all meetings as well as in written procedures, when necessary.
 - To act in the interest of an efficient implementation and effectiveness of the Programmes, in accordance with the scope and objectives of the Programmes.
 - To take decisions in the wider public interest and not to act in the purpose of obtaining financial advantages or other benefits for themselves or for others.
 - To declare to the Chair, at the beginning or during any meeting, any situation of actual or perceived conflicts of interest. In this case, the Chair will determine whether the member will be excluded from discussion on the particular subject and any participating in any related Committee decisions. The Chair reserves the right to request that the member leaves the meeting room until a decision has been taken on the matter. These principles equally apply to decisions and opinions via written procedure. Conflicts of interest may arise if a member has a direct interest in specific operations or projects being discussed at the meeting. This includes:
 - Personal financial interests;
 - Being employed by the organisation managing and/or implementing the operation or project, or providing funding to it;
 - Other direct interests, such as being a member of an organisation's management, governance, or advisory board.
 - To inform their organisation, and/or constituent group being represented, after each meeting or written procedure, of the discussions, outcomes and decisions taken by the Committee.

- All members must participate in establishing, maintaining, and enforcing high standards of conduct of the Committee and must personally observe those standards so that the integrity of the PMC is preserved.
 - Members must notify the PMC secretariat to provide their apologies as soon as possible if unable to attend a scheduled meeting. If a Member fails to attend meetings on three consecutive occasions, they will be invited to resign from the PMC and a replacement member will be sought.
28. Committee discussions and papers are sometimes, by necessity, confidential in nature and when this applies, members are bound to confidentiality. The Chair, officials or PMC papers will inform members when these confidentiality rules apply and the reason will be clearly explained. This obligation must also continue after the end of their time as a member of the Committee. To clarify, unless members are specifically advised that the rules on confidentiality are being invoked, all discussions and papers can be disseminated to others and papers and summary minutes of discussions will be published on our websites.
29. In cases where these provisions are not respected by a member, the individual's membership may be revoked by the Chair.
30. These provisions equally apply to members, the Chair, deputies/ alternates attending on behalf of the member, as well as meeting observers and any other experts or advisors invited to the meeting.

Advisory, expert and/or other sub-groups

31. The Committee, upon initiative of the Chair, may set up advisory, expert, or sub-groups to support members in monitoring the effectiveness of programme implementation. Their composition will be decided by the PMC according to the expertise and thematic needs of each group. The Chair may include ad hoc experts from outside the PMC membership to participate in sub-group meetings. The Chair shall disband such groups when their mandate is fulfilled.
32. Unless otherwise specified, such groups are bound to the same rules as the PMC. The PMC must be informed about the work, observations and recommendations of such groups. The groups can make proposals to the PMC on issues related to programme implementation. The groups have no PMC decision-making powers.

Secretariat

33. The Committee will be supported in the effective performance of its functions by the PMC Secretariat. In particular, the Secretariat is responsible for drawing up a draft meeting agenda for review by the Chair; the commissioning, dispatch and publication of all documents relating to PMC; and drafting summary minutes in coordination with the Chair.
34. Meetings will be conducted in Welsh or English depending on the preference of the speaker, with simultaneous translation available for attendees. Documents will be prepared in English with Welsh versions available upon request.

Fees and expenses

35. The Chair and Members, other than those employed by public sector bodies, may claim travel and subsistence costs in respect of additional costs incurred in attending PMC meetings. For the purposes of this rule, 'public sector bodies' also includes Higher Education and Further Education institutions.
36. The Chair and any members recruited through a public appointments process are also entitled to claim the daily fees if set out in the appointment terms and conditions.
37. These fees and expenses will be funded by the Technical Assistance funding allocation to each programme, proportionate to the respective size (value of EU support) of the five EC programmes monitored by the Committee. Full details of Technical Assistance eligibility rules are set out in programme eligibility rules document.

Revision

38. The rules of procedure may be revised by the PMC, subject to the consensus support of members, or when necessary in order to comply with new or amended EC regulations and guidance.

Validity

39. These rules of procedure were first adopted at the first formal meeting of the PMC on 5 December 2014, as noted in the meeting minutes.

PMC Secretariat

Welsh European Funding Office

PMCsecretariatWEFO@wales.gsi.gov.uk

ANNEX A

At inception, the PMC comprises 27 members and the Chair, supported by officials from the programme management and control authorities and advisors:

Chair	
Assembly Member, appointed by the First Minister	Jenny Rathbone AM
National, regional, urban /city-region/ local authorities and groups	
Local Government <i>Nominations from the Welsh Local Government Association.</i>	Lowri Gwilym Cllr Ronnie Hughes
Welsh Government <i>Main WG recipients of EU funds</i>	Cath Jenkins (Education & Skills) Rob Hunter (Economy, Science & Transport) Matthew Quinn (Natural Resources)
Local Action Groups <i>LEADER/ Community-Led Local Development</i>	[Vacancy] To be nominated once the 2014-2020 RDP LEADER application and designation process is complete.
UK Government (public employment services) <i>Department for Work and Pensions, JobCentre Plus</i>	Jocelyn Llewelyn
Economic and Social Partners	
BUSINESS AND ENTERPRISE	
Representatives of business and enterprise <i>Trade Unions, professional or trade associations: representing Commercial</i>	Ann Beynon ¹ Iestyn Davies ¹

<p><i>private enterprise</i></p> <p>¹ Nominations from Wales Social Partners Unit/ Commerce Cymru</p> <p>² Nominations from TUC Cymru</p> <p>³ Nomination from Industry Wales</p>	<p>Julie Cook²</p> <p>Peter Crews²</p> <p>Tom Whyatt³</p>
<p>Representatives of farming and rural businesses</p> <p><i>Farming Unions, professional or trade associations: representing Rural, farming, food enterprises</i></p> <p>¹ Joint nomination from NFU Cymru & FUW.</p> <p>² Nomination from CLA Wales, representing the rural economy</p>	<p>Rhian Nowell-Phillips / Rachel Lewis-Davies</p> <p><i>(to alternate during the programme period)¹</i></p> <p>Karen Anthony²</p>
<p>Third sector business and enterprise</p> <p><i>Social economy, social enterprises, mutuals, co-operatives, credit unions etc.</i></p>	<p>Derek Walker</p> <p>Nomination from Wales Cooperative Centre</p>
EDUCATIONAL INSTITUTIONS	
Further Education	<p>Greg Walker</p> <p>Nominated by Colleges Wales</p>
<p>Higher Education</p> <p>¹ Nomination from Higher Education Funding Council for Wales</p> <p>² Nomination from Higher Education Wales</p>	<p>Dr David Blaney¹</p> <p>Prof. April McMahon²</p>
THIRD SECTOR	
<p>Third Sector</p> <p><i>Other than social enterprises</i></p>	Phil Fiander

Nomination from Wales Council for Voluntary Action	
Representatives of civil society, environmental and equality bodies	
Public Appointments <i>Experts appointed via open competition, appointed on merit (individual expertise – not representing a sector or organisation)</i>	David Davies Prof. Richard B Davies Dr Grahame Guilford Joy Kent Sian Price Beth Winkley
Environmental sustainability <i>Statutory bodies</i>	Rhian Jardine Nomination from Natural Resources Wales
Environmental NGOs Focus, although not necessarily exclusively, on RDP agri-environment-climate measures	Arfon Williams Joint nomination from RSPB Cymru and Wales Environment Link

Programme managing authorities

- Officials from the managing authority for the Structural Funds (Welsh Government, WEFO).
- Officials from the managing authority for the Rural Development Programme (Welsh Government, Department for Natural Resources).

Advisors

- European Commission:
 - DG Agriculture and Rural Development
 - DG Employment, Social Affairs and Inclusion
 - DG Regional and Urban Policy
- Welsh Government - Rural Payments Wales, being the accredited paying agency for EAFRD funds in Wales.
- The European Investment Bank will be invited to become an advisor if/ when Welsh programmes contribute to Financial Instruments.
- Advisors if relevant to the meeting agenda:
 - Welsh Government - Value Wales
 - Welsh Government - State Aid unit
 - Welsh Government - Legal Services

ANNEX B

Membership Register

Name	Type of appointment	Date appointed	Date resigned/ replaced	Sector	Organisation/ Umbrella Organisation
Chair: Jenny Rathbone AM	Appointed by the First Minister	July 2013		n/a	National Assembly for Wales
Professor Richard B Davies	Appointed	October 2013		n/a	Vice Chancellor, Swansea University
Joy Kent	Appointed	October 2013		n/a	Chief Executive, Chwarae Teg
Beth Winkley	Appointed	October 2013		n/a	Head of WRAP Cymru
Sian Price	Appointed	October 2013		n/a	Senior Strategy Manager, Finance Wales
Dr Grahame Guildford	Appointed	October 2013		n/a	Self – employed consultant
David (Dai) Davies	Appointed	October 2013		n/a	Wales Board NFU Mutual Insurance
Ann Beynon	Nominated	November 2013		Business and enterprise: general private sector	Wales Social Partners Unit/ Commerce Cymru
Iestyn Davies	Nominated	November 2013		Business and enterprise: general private sector	Wales Social Partners Unit/ Commerce Cymru

<i>Martin Mansfield</i>	<i>Nominated</i>	<i>November 2013</i>	<i>March 2015 (replaced by Julie Cook)</i>	<i>Business and enterprise: Trade Unions</i>	<i>Wales TUC Cymru</i>
<i>Margaret Thomas</i>	<i>Nominated</i>	<i>November 2013</i>	<i>March 2015 (Replaced by Peter Crews)</i>	<i>Business and enterprise: Trade Unions</i>	<i>Wales TUC Cymru</i>
Julie Cook	Nominated	March 2015		Business and enterprise: Trade Unions	Wales TUC Cymru
Peter Crews	Nominated	March 2015		Business and enterprise: Trade Unions	Wales TUC Cymru
Tom Whyatt	Nominated	November 2013		Business and enterprise	Industry Wales
Karen Anthony	Nominated	December 2013		Farming and rural businesses	Country and Land Association
Rhian Nowell - Phillips	Nominated	December 2013		Farming and rural businesses: Farming Unions	Farming Union of Wales
Derek Walker	Nominated	November 2013		Third Sector Business and Enterprise	Wales Cooperative Centre
Dr Greg Walker	Nominated	November 2013		Further Education	Colleges Wales
Professor April	Nominated	November 2013		Higher Education	Higher Education Wales

McMahon					
Dr David Blaney	Nominated	November 2013		Higher Education	Higher Education Funding Council for Wales
Phil Fiander	Nominated	November 2013		Third Sector	Wales Council for Voluntary Action
Councillor Ronnie Hughes	Nominated	November 2013		Local Government	Welsh Local Government Association
Lowri Gwilym	Nominated	March 2014		Local Government	Welsh Local Government Association
<i>Councillor Bob Wellington</i>	<i>Nominated</i>	<i>November 2013</i>	<i>March 2014 (replaced by Lowri Gwilym)</i>	<i>Local Government</i>	<i>Welsh Local Government Association</i>
Matthew Quinn	Nominated	November 2013		Welsh Government	Department for Natural Resources (Environment)
Cath Jenkins	Nominated	November 2013 <i>(Temporarily replaced for 6 month by Melanie Godfrey August 2014)</i> Returned: January 2015		Welsh Government	Department for Education and Skills
<i>Melanie Godfrey</i>	<i>Nominated</i>	<i>August 2014</i>	<i>January 2015</i>	<i>Welsh Government</i>	<i>Department for Education and Skills</i>
<i>Marcella Maxwell</i>	<i>Nominated</i>	<i>November 2013</i>	<i>December 2014 (replaced by Rob</i>	<i>Welsh</i>	<i>Department for Economy,</i>

			<i>Hunter)</i>	<i>Government</i>	<i>Science and Transport</i>
Rob Hunter	Nominated	December 2014		Welsh Government	Department for Economy, Science and Transport
Jocelyn Llewellyn	Nominated	November 2013		UK Government: Employment Services	JobCentre Plus
Rhian Jardine	Nominated	November 2013		Environmental Sustainability (Statutory body)	Natural Resources Wales
Arfon Williams	Nominated	November 2013		Environmental NGO's	RSPB Cymru/ Wales Environment Link
<i>TBC once 2014-2020 RDP LEADER application and designation process is complete</i>	<i>Nominated</i>			<i>Local Action Groups</i>	<i>LEADER/ Community-Led Local Development</i>

**WALES PROGRAMME MONITORING COMMITTEE, EUROPEAN STRUCTURAL
AND INVESTMENT FUNDS 2014 – 2020**

**The Methodology and Criteria used for the Selection of Operations under the
2014-2020 Welsh Structural Fund Programmes**

1. Issue

- 1.1 This paper sets out the final position with regard to the proposed methodology and criteria to be used by the Welsh European Funding Office (WEFO) as the designated Managing Authority (MA), for the selection of Structural Fund operations (projects) for the 2014 – 2020 programming period.

2. Recommendation

- 2.1 That the members formally agree the proposed selection methodology and criteria for the Structural Funds being the European Regional Development Fund (ERDF) and the European Social Fund (ESF).

3. Background

- 3.1 The PMC is required under Article 110 2(a) of the EU Regulation 1303/2013 Common & General Provisions to “examine and approve the methodology and criteria used for selection of operations”.
- 3.2 The European Commission defines ‘methodology’ as “the manner (method) in which the selection criteria are applied to select operations”.
- 3.3 Article 125 3 (a) – (g) of the EU Regulation 1303/2013 Common & General Provisions detail the Commission requirements as regards the ‘selection of operations’. These are listed under **Annex A**. The Annex also summarises which processes will meet each of these regulatory requirements.
- 3.4 The shadow All Wales Programme Monitoring Committee (PMC) has been frequently consulted on these proposals. An introductory discussion was held during the first meeting of the shadow PMC on 6th December.
- 3.5 A more detailed discussion held on 3rd February resulted in the following revisions to the evidence requirements for selection criteria assessment::
- An increased emphasis on identifying, assessing and monitoring long term benefits and impacts. The ‘Indicators & Outcomes’ criterion now requires applicants to identify all predicted long term benefits and

illustrate a deliverable link between their achievement and the achievement of any short and medium term outputs and results.

- An analysis of the potential long term benefits (both quantifiable and non-quantifiable) is now required as part of the 'Value for Money' criterion assessment.

3.6 In addition, the following revisions were made to the methodology of the selection of operations:

- Greater clarity over the ability of WEFO officers to assess groups of criteria simultaneously if appropriate, thereby reducing the potential length of the appraisal process.
- A recommendation that the first three 'core criteria' are assessed together upon completion of those sections of the business plan.

3.7 During a further discussion held on 1st May, the revised proposals were provisionally approved pending the formal constitution of the All Wales PMC.

3.8 **Annex E** provides a glossary of terms in use during this paper.

4. Methodology of project selection

4.1 The proposed methodology of the selection of operations is described under **Annex B**.

4.2 Accompanying flow diagrams illustrating the proposed methodology can be found under **Annex C**.

5. Selection Criteria

5.1 Details of the nine proposed selection criteria are provided under **Annex D**. These details include: a brief description, the expected sources of assessment advice, the evidence requirements and the rating definitions. This annex is taken from the recently produced draft business planning guidance for applicants and WEFO staff.

WEFO

Lead: David Thomas

Approved by: Sue Price

Date: 7th October 2014

ANNEX B: Methodology of selection of operations (updated October 2014)

1. The independent review of our processes undertaken by Dr Graham Guilford highlighted that WEFO has a very good track record in the management of the EU Structural Fund programmes, and therefore no significant changes to our processes were recommended for the period 2014-2020. Some changes have been implemented where there have been clear lessons learned and where there have been opportunities to streamline processes within the requirements of the future EC regulations.
2. For the Structural Funds, there will be no Expression of Interest (EOI) under the 2014 – 2020 programmes. The formal application for EU grant begins with an invitation from WEFO's Programme Management Division (PMD) for a proposed operation to enter WEFO Online/PPIMS via the Government Gateway. Prior to such an invitation, WEFO will undertake structured dialogue with potential applicants during a Pre Planning stage to establish whether proposals are suitable for invitation into the formal process. The key template during the Pre Planning stage will be the Operation Logic Table.
3. The aim of the Operation Logic Table is to allow PMD to gain a clear understanding of precisely what a proposed operation intends to deliver against the EU programmes and how this will be achieved. The table requires applicants to provide concise, bullet point details on where the proposed operation sits within the EU programmes, what the final outcome(s) are, how these will be achieved and an outline of the need of the proposal as well as the barriers involved and how they will be overcome.
4. A dedicated WEFO officer will be assigned to individual operations invited into the formal process. The WEFO officer will create the case on WEFO Online/PPIMS. The potential applicants will be registered on WEFO Online/PPIMS and key details of the operation will be recorded.
5. WEFO officers will provide applicants with a business plan template. This was provided to members at the meeting held on 1st May.
6. WEFO has taken the opportunity to streamline the selection criteria from twelve to nine. The proposed methodology will apply the criteria in conjunction with the applicant building up the business plan in stages. The order of the criteria may differ between operations and will be decided by WEFO and based on previous experience with the operation type and associated risks.
7. The WEFO officer will be able to apply multiple criteria simultaneously if that approach best fits the needs of assessment. For example, it is likely in the majority of cases that the core criteria of Strategic Fit, Delivery and Financial and Compliance will be assessed together. Selection criteria assessed simultaneously would still receive separate ratings dependent on the evidence provided.

8. For each selection criterion the proposed operation will be assessed and awarded a rating. Prior to this assessment, the WEFO officer will ask the applicant to complete the section of the business plan that links with the selection criterion being assessed. Evidence will be provided through the completion of the business plan section and/or through an attached annex if necessary.
9. Relevant experts may be asked to contribute to the assessment of criteria, particularly where proposed operations are complex and/or technical in nature.
10. When the WEFO officer and applicant are satisfied that all relevant available evidence has been provided, the criterion assessment will be made against the evidence requirements set out in the business plan template. A rating will then be awarded by the WEFO officer. This will either be inadequate, low, medium, or high depending on how well the evidence provided by the beneficiary satisfies the evidence requirements listed under that criterion.
11. Additionally, the WEFO officer will log any risks associated with the proposed operation against the relevant selection criterion. A risk may be associated with a gap in evidence against an assessment question, such as the lack of co-financing assurance under the core criterion of Financial & Compliance. The acceptance of any associated risk will be a key component of the decision to progress a proposed operation through a gateway assessment.
12. Following the criterion assessment, one of two recommendations will be made:
 - To progress the proposed operation to the next selection criterion assessment(s) ;
 - To halt development of the proposed operation if the rating awarded is 'inadequate'.

Recommendation to proceed

13. A senior WEFO officer will further review the evidence and agree or amend each criterion rating in consultation with the Priority Controller (PC). The applicant will then be asked to submit evidence for assessment of the next criterion (or criteria) to be tested via the completion of the relevant section of the business plan.

Recommendation not to proceed

14. In the case of a recommendation to cease the development and assessment of a proposed operation, the senior WEFO officer must review the evidence, agree or amend the rating and agree the recommendation. The senior WEFO officer will then make the recommendation to the PC. In the event that the PC

agrees that assessment and development should cease, the reasons for this decision will be fully explained to the applicant.

15. Prior to a criterion assessment, the WEFO officer may be aware that an 'inadequate rating (and therefore a recommendation to cease development and assessment) will be likely given the evidence gathered. In this case, the WEFO officer may inform the applicant. However, a fixed and realistic date for the criterion assessment will still need to be agreed and the decision will be made on the evidence provided by that date. If an applicant is unable to provide further relevant evidence by that agreed date then any decision to cease development and assessment will stand.
16. A positive decision to make an EU funding award cannot be made until all the selection criteria have been successfully tested. At this point, the proposed operation will have been subject to full assessment with all relevant evidence forming a complete business plan.
17. The final decision to make an EU funding award will be a three stage process. The WEFO officer undertaking the assessment will review the evidence and ratings awarded for each criterion and update if necessary in light of the complete business plan. The senior WEFO officer will further review the evidence and agree or amend the criteria ratings and make a recommendation for a positive or negative funding decision to the PC. The PC will then make the final funding decision and the decision will be communicated to the applicant.
18. In agreeing recommendations to make an EU funding award, the PC will also need to be mindful of wider portfolio considerations such as budget availability, geographical coverage and any emerging new proposed operations.

ANNEX D - Selection Criteria

5.1 Core Criteria

STRATEGIC FIT

Brief Description

How well the proposed operation fits with the required strategies and policies, primarily the relevant Operational Programme(s), and the extent to which it aligns with and adds value to the wider investment context in Wales as outlined within the Economic Prioritisation Framework (EPF).

Sources of assessment advice

- WEFO Policy & EPF teams
- Relevant WG Policy department(s)
- Relevant regional stakeholder views including but not limited to: the City Regions (including the North Wales Economic Ambition Board), WLGA , Regional Learning Partnership.

Evidence Requirements for Assessment

- Clearly demonstrate an alignment with the targeting principles and specific objectives listed under the relevant EU Programme & Priority.
- How the operation will:
 - Contribute towards delivering transformational change in at least one of the ten economic opportunities identified in the EPF;
 - Respond to the demand drivers described under the relevant economic opportunities in the EPF;
 - Add value to and not duplicate the existing expertise and capability described under the relevant economic opportunities in the EPF.
- Clearly demonstrate an alignment with the relevant Welsh Government policies.
- Provide an outline of how the operation intends to contribute towards the Cross Cutting Themes (CCTs) of Equal Opportunities, Sustainable Development and Tackling Poverty. Cross cutting theme guidance and best practice factsheets can be found [here](#).
- Detail any planned or potential opportunities for integration with other European Structural & Investment (ESI) funding programmes, such as ERDF, ESF, EAFRD (Rural Development) or EMFF (Fisheries Fund).

- Detail any planned or potential integration with Financial Instruments (FIs) or other EU funding streams such as the Interreg Cross Border, Transnational and Interregional programmes, or the Horizon 2020 or LIFE+ programmes. Further details on the other EU programmes available can be found [here](#).
- Detail any planned or potential transnational activity within the operation.
- Provide detailed evidence of engagement with all potential joint beneficiaries and stakeholders, including how this has helped shape the proposal. A list of all individual stakeholders contacted should be provided, along with evidence of the level of support (for example, via written correspondence). WEFO will reserve the right to contact any listed stakeholder directly.
- In addition to evidencing the contribution of the proposed operation towards the relevant regional opportunities identified in the EPF, the applicant should provide details of full engagement with all relevant regional and thematic groups or boards. As a minimum, WEFO would expect that the Swansea Bay and Cardiff City Region boards and the North Wales Economic Ambition board would be consulted. Evidence should be provided as to how the proposed operation would add value to the existing and/or planned investments in the region. Similar evidence should be provided that your proposal aligns with all relevant regional and thematic strategies. Such evidence will not provide any guarantee of a funding award or progression to the next criterion assessment stage.
- The potential for any displacement of the private sector through the activities to be funded must be highlighted and described.

Rating Definitions

INADEQUATE
The applicant has provided incomplete or insufficient responses against many of the listed evidence requirements thereby demonstrating an <u>unacceptable level of risk</u> .
LOW
The applicant has provided potentially incomplete or insufficient responses against one or more of the evidence requirements but demonstrates a <u>potentially significant yet acceptable level of risk</u> .
MEDIUM
The applicant has provided satisfactory and detailed responses against most of the evidence requirements and demonstrates a <u>low level of risk</u> .
HIGH
The applicant has provided robust and detailed responses against all of the evidence requirements and demonstrates <u>minimal risk</u> .

DELIVERY

Brief Description

How the proposed operation aims to transfer its stated objectives into delivery on the ground. The operation should have a clear plan that links the result, the outputs that deliver the result, what activities will take place to deliver the outputs, how and when and those activities will take place, and who will be responsible for delivering them.

Sources of assessment advice

- Regulations & Compliance team (on delivery models)
- Technical & Financial Appraisal Team (T-FAT) for legal advice & technical appraisal
- WEFO Research, Monitoring & Evaluation (RME) team

Evidence Requirements for Assessment

- A description of the preferred option for delivery, including:
 - The ultimate change(s) sought or final outcome(s) of the operation;
 - Evidence of a well defined scoping exercise of the activities necessary to deliver this/these changes – with identified ‘must have’, ‘prepared to consider’ and ‘might accept’ activities;
 - Evidence that a number of alternative options for delivery were originally considered, including the methodology framework used - for example, a Strengths, Weaknesses, Opportunities, Threats (SWOT) analysis. The analysis itself can be provided as an annex to the business plan;
 - Evidence of a further analysis of a short list of potential delivery options.
- Details of the delivery model to be utilised.
- The applicant should demonstrate:
 - Details of all public funding (including EU funding) received in the last 5 year period;
 - Their track record of delivering similar operations, including formal evaluations of any previously delivered EU and/or publicly financed operations – outlining evaluation recommendations and improvements implemented as a result;
 - Any other research evidence supporting the need and approach taken for this proposal;
 - That it has the required legal basis for delivering the stated activities;
 - That it has or will have the necessary governance arrangements for delivery.
- Provide an outline assessment of the primary risks and any dependencies that are critical to the successful delivery of the operation.
- Provide details of any aspects of your operation that you consider are innovative.

Rating Definitions

INADEQUATE
The applicant has provided incomplete or insufficient responses against many of the listed evidence requirements thereby demonstrating an <u>unacceptable level of risk</u> .
LOW
The applicant has provided potentially incomplete or insufficient responses against one or more of the evidence requirements but demonstrates a <u>potentially significant yet acceptable level of risk</u> .
MEDIUM
The applicant has provided satisfactory and detailed responses against most of the evidence requirements and demonstrates a low level of risk.
HIGH
The applicant has provided robust and detailed responses against all of the evidence requirements and demonstrates <u>minimal risk</u> .

FINANCIAL & COMPLIANCE

Brief Description

How the proposed operation intends to meet its financial and compliance based obligations. Operations will demonstrate that they have competent financial planning and will comply with all necessary legal and regulatory requirements.

Sources of assessment advice

- T-FAT in terms of both initial Due Diligence, financial checks including state aid and potentially TMF if relevant

Evidence Requirements for Assessment

- Demonstrate:
 - How long the organisation/business has been in existence;
 - When it was constituted or registered as a business or charitable body.
- Declare the existence or absence of conflicts of interest e.g. direct or indirect economic interests, political or national affinities, family or emotional ties, or any other relevant connection or shared interest.
- Provide full details of any previous (or pending) County Court Judgements relating to any individual and/or organisation or business related to this bid. This must also include details of any criminal involvement or dissolved companies.
- Provide an initial outline breakdown of costs linked to the planned activities required for mobilisation (i.e. preparation for delivery) and delivery of the operation.
- The intention to implement any Simplified Cost options should be stated and explained. For example, if a flat rate option will be applied, details of the rate and the sector (e.g. higher education) it will be applied to should be provided, as well as identification of the precise elements of the operation that will operate the flat rate option. Simplified costs may also include options around unit costs, especially for those operations applying for ESF funding. Guidance on simplified costs can be obtained from WEFO's Regulations & Compliance team via your assigned WEFO contact.

- The applicant (as lead beneficiary) should provide details of its state aid status and that of all potential/planned joint beneficiaries.
- Where any component of the operation could potentially be classed as 'net revenue generating' under Art. 61 of the Common Provisions Regulation, initial details of income sources and forecasts should be provided.
- In terms of Financial Instruments, can the operation demonstrate how the potential return of an investment (leverage) will be maximised?

The Funding Package

- Details of the proposed funding package should be provided. If the funding package is restricted by programme or EU Regulations, for example, state aid, this will need to be stated. Details should include:
 - The level of EU structural fund financial support required and how this amount is the minimum necessary for the operation to proceed;
 - Any joint beneficiary arrangements in respect of co-financing;
 - Co-financing in-kind by source / type and its links to operation costs;
 - Evidence of an independent 3rd party valuation of any land and building assets to be used as co-financing;
 - Any other potential sources of funding that have been considered and/or may be required;
 - An explanation of remaining gaps in the funding package and identified ways in which they might be met.
 - Evidence that all potential funding from non-EU sources have been explored.
 - Sources and timing for the introduction of co-financing/ co-financing in-kind , with an explanation of any conditions or restrictions in its availability.

Rating Definitions

INADEQUATE
The applicant has provided incomplete or insufficient responses against many of the listed evidence requirements thereby demonstrating an <u>unacceptable level of risk</u> .
LOW
The applicant has provided potentially incomplete or insufficient responses against one or more of the evidence requirements but demonstrates a <u>potentially significant yet acceptable level of risk</u> .
MEDIUM
The applicant has provided satisfactory and detailed responses against most of the evidence requirements and demonstrates a <u>low level of risk</u> .
HIGH
The applicant has provided robust and detailed responses against all of the evidence requirements and demonstrates <u>minimal risk</u> .

5.2 Further Selection Criteria

CROSS CUTTING THEMES

Brief Description

How the proposed operation will maximise its contribution towards the Cross Cutting Themes of Equal Opportunities, Sustainable Development and Tackling Poverty.

Sources of assessment advice

- Cross Cutting Theme (CCT) team

Evidence Requirements for Assessment

- Describe in detail how the operation will fulfil its statutory obligations under all legislation relating to the CCTs.
- Describe in detail how the operation will align with and support all relevant policies and strategies relating to the CCTs.
- Describe in detail how the operation will maximise its potential to contribute towards the CCTs objectives, indicators and associated targets.
- Provide detailed and specific evidence of how any indicators that will contribute towards the CCT objectives will be delivered, when and by whom. A specific staff member will need to be identified as being responsible for the implementation and monitoring of the CCTs. This information should be cross-referenced with the general indicator information provided under the 'Indicators & Outcomes' criterion.

Rating Definitions

INADEQUATE
The applicant has provided incomplete or insufficient responses against many of the listed evidence requirements thereby demonstrating an <u>unacceptable level of risk</u> .
LOW
The applicant has provided potentially incomplete or insufficient responses against one or more of the evidence requirements but demonstrates a <u>potentially significant yet acceptable level of risk</u> .
MEDIUM
The applicant has provided satisfactory and detailed responses against most of the evidence requirements and demonstrates a low level of risk.
HIGH
The applicant has provided robust and detailed responses against all of the evidence requirements and demonstrates <u>minimal risk</u> .

SUITABILITY OF INVESTMENT

Brief Description

Outlining the need and demand for the proposed operation, and whether this demand is already being met through existing provision. Assessing whether the operation will be able to successfully deliver the proposed activity through an effective procurement process.

Sources of assessment advice

- WEFO Policy & EPF teams
- Value Wales assessment via T-FAT
- RME

Evidence Requirements for Assessment

- The need of the operation, in terms of:
 - Define the target participants and/or sectors;
 - Define the barriers facing the identified participants and/or sectors;
 - Explain how the operation will overcome these barriers and ultimately benefit the identified participants and/or sectors;
 - Demonstrate that these activities are not already being undertaken by existing or planned public or third sector support.
- Please outline in detail the potential of the proposed operation to duplicate activity currently being undertaken by the private sector.
- Where the potential for duplication with private sector activity exists, please analyse in detail the potential of the proposed operation to displace the private sector. If displacement is deemed unlikely, please describe the reasons for this.

Rating Definitions

INADEQUATE
The applicant has provided incomplete or insufficient responses against many of the listed evidence requirements thereby demonstrating an <u>unacceptable level of risk</u> .
LOW
The applicant has provided potentially incomplete or insufficient responses against one or more of the evidence requirements but demonstrates a <u>potentially significant yet acceptable level of risk</u> .
MEDIUM
The applicant has provided satisfactory and detailed responses against most of the evidence requirements and demonstrates a low level of risk.
HIGH
The applicant has provided robust and detailed responses against all of the evidence requirements and demonstrates <u>minimal risk</u> .

MANAGEMENT OF OPERATION

Brief Description

Assesses whether the proposed operation has the capacity and resources necessary to successfully deliver on their planned results, output indicators and activities.

Sources of assessment advice

- T-FAT for detailed due diligence

Evidence Requirements for Assessment

- A description of the governance & human resource requirements for the operation showing that you have a clear and detailed understanding of:
 - The governance arrangements necessary for delivery of the operation, including the identity and role of the Senior Responsible Officer (SRO);
 - The key management and staff functions considered necessary;
 - The skills and knowledge needed for each identified staff member and how these competence requirements will be met through recruitment and / or procurement within the required timeframe;
 - Confirmation that all resources required for effective delivery is or will be available;
 - How staff will be managed and performance indicators identified and monitored;
 - Confirmation that detailed continuity processes are in place to ensure that a strong link between the business plan and the delivery team is maintained and any loss of staff members will not lead to a 'drift' in the agreed delivery;
 - A draft exit strategy for staff.
- All time-critical governance and human resource activities described above must be incorporated into the delivery profile, with a specific focus on those activities that are essential for the preparation for delivery (which will constitute key milestones during the 'mobilisation' of the operation).
- Provide details of any necessary tender specifications for elements of the project that will be procured. Draft early tender notifications, Pre Qualification Questionnaires (PQQs) or Invitation to Tender (ITTs) and associated draft contracts should be included in an annex to your Business Plan wherever possible.

- Provide details on initial and ongoing risk identification, mitigation and management. Have regular reviews been timetabled? What thought has been given to contingency planning if identified as necessary, such as in the event of any changes in demand that may impact on the successful delivery of the proposal? Include the identification of any procurement risks, such as securing suitable plant and or sub contractors.
- Outline the Management and IT systems, processes, facilities (accommodation & equipment) that you intend to deploy. It is important also to be clear about location and communication requirements.
- Draft closure plans should be provided which include a realistic timescale (at least one year) to begin preparations for the closure of the operation. Guidance on the closure of your operation is available via your assigned WEFO contact and will shortly be available from the WEFO website.
- Provide information on how you will comply with any relevant legislation relating to your operation (e.g. equality and environmental, legislation, habitats directives, Natura sites, planning regulations etc).

Promotional Activity

You will also need to evidence:

- How you will advertise and promote the opportunities / benefits that the operation is offering to target participants and/or sectors;
- How you will work with identified stakeholders to promote the operation;
- How you will publicise the results and impact of your operation;
- How you will disseminate best practice;
- How you will ensure that full acknowledgement of the funding from the European Union is clearly displayed including type of media utilised;
- How you propose to 'fly the EU flag' during the week that includes 9 May;
- How you propose to ensure that participants and/or enterprises are clearly aware of the funding received from the EU;
- Confirmation that you will ensure that you liaise with WEFO's PR manager on any proposed launches/press releases to be arranged/issued in relation to the operation;

Further information relating to publicity requirements can be obtained via your assigned WEFO contact and will shortly be available from the WEFO website.

Rating Definitions

INADEQUATE
The applicant has provided incomplete or insufficient responses against many of the listed evidence requirements thereby demonstrating an <u>unacceptable level of risk</u> .
LOW
The applicant has provided potentially incomplete or insufficient responses against one or more of the evidence requirements but demonstrates a <u>potentially significant yet acceptable level of risk</u> .
MEDIUM
The applicant has provided satisfactory and detailed responses against most of the evidence requirements and demonstrates a low level of risk.
HIGH
The applicant has provided robust and detailed responses against all of the evidence requirements and demonstrates <u>minimal risk</u> .

INDICATORS & OUTCOMES

Brief Description

How the proposed operation intends to deliver the result and output indicators identified and all associated targets.

Sources of assessment advice

- RME team

Evidence Requirements for Assessment

- An analysis of the predicted longer term benefits associated with the operation;
- Details of the result & output indicators and their associated targets identified (both those listed in the Operational Programme and any additional indicators that the applicant consider relevant) that will be achieved in the short & medium term;
- Details of the precise activities that will be undertaken during the duration of the operation in order to achieve the result and output indicators.
- A clear logical flow should be demonstrated between the planned activities that will be undertaken, the short and medium term indicator achievement and the longer term benefits.
- Details should be provided of whom will be responsible for the delivery and monitoring of each identified indicator (i.e. an identified post either within the management team or the wider delivery model).

Delivery Profile

- You will also be required to provide a delivery profile (which should be provided as an annex to the business plan). This delivery profile must include the achievement of all key activities, indicators and outcomes identified above in a set of realistically timetabled milestones over the duration of the operation. It must include the achievement milestones needed for mobilisation and delivery, profiles of indicator target achievement, and all spend & audit milestones. The delivery profile will be constructed through the development of the business plan and is not a unique evidence requirement to this criterion.

Monitoring & Evaluation

- A monitoring and evaluation plan must be included which covers the following:
 - Evidence that the applicant is fully aware of their data reporting requirements in relation to the operation.
 - The applicant must demonstrate that an effective system is in place for the collection, recording and reporting of all required data (including participant and enterprise level data).
 - Details of the methodology to be used to monitor and evaluate the identified long term benefits. Will the operation seek to collect baseline data? If so, when will this be undertaken?
 - Details and precise definitions of any other indicators to be included outside those required by the EU Programmes, including a justification of why they are necessary.
- An explanation of how your systems for collecting monitoring data will:
 - Ensure that data will be used to refine the operation and keep it on track;
 - Ensure high levels of data quality;
 - Ensure that data will be effectively reported to WEFO at claim periods & reviews and at other intervals, and how data will be fed through into evaluation exercises;
 - Collect and store wider information to be used for the management of the operation and for its evaluation.
- An explanation and justification of the chosen evaluation methods, covering both “Formative” evaluation (during the life of the operation) and “Summative” evaluation (at the end of the operation), including why they are appropriate to the scale and scope of your operation.
- Details of all internal and external evaluations to be undertaken must be provided, including an associated timetable.
- A description of the dissemination plans for the evaluations, including which organisations you plan to share the results with.

Rating Definitions

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VALUE FOR MONEY

Brief Description

Whether the proposed operation represents the best use of EU funds.

Sources of assessment advice

- T-FAT for detailed financial assessment
- Value Wales via T-FAT

Evidence Requirements for Assessment

- A detailed cost benefit analysis of the short listed options listed under the Delivery criterion. This analysis should clearly identify why the preferred option was chosen and have been based on a comparison of the following factors:
 - The overall quantifiable costs, benefits and risks;
 - The Net Present Value (NPV) which is derived from the calculation of quantifiable benefits minus quantifiable costs (with a further reduction due to the 'discount rate' and consideration of 'optimism bias');
 - The weighting and scoring of non-quantifiable benefits, including potential long term benefits.

Operation Costs

- A detailed breakdown of operation costs linked to all identified activities & indicators. These need to be fully cross-referenced with the delivery profile.
- A cash flow projection for the lifespan of the operation identifying the cash surplus or deficit. This should include the expenditure and income on a monthly basis for the first two years of the operation, quarterly or annually beyond this.
- Where the cash flow indicates an overdraft or access to working capital is needed, the proof that this exists should be evidenced.
- The assumptions used and their sources, including the methodology used to calculate (allocate and apportion) costs and income.

- Indirect Costs – where the simplified cost option is not being utilised, you will need to provide a robust methodology for the calculation of these costs.
- Full details of any credit arrangements and facilities.
- If the operation involves a capital build, it should provide the necessary Estates documents such as RIBA Design Stages and BREEAM assessments if required.
- Identification of any self build assets and provide justification as to why the chosen option of building the proposed asset 'in house' constitutes best value for money in the absence of comparative costs.

Rating Definitions

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LOW
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MEDIUM
The applicant has provided satisfactory and detailed responses against most of the evidence requirements and demonstrates a <u>low level of risk</u> .
HIGH
The applicant has provided robust and detailed responses against all of the evidence requirements and demonstrates <u>minimal risk</u> .

LONG TERM SUSTAINABILITY

Brief Description

Assesses the potential of the proposed operation to continue the proposed activity beyond the lifetime of the programme(s).

Sources of assessment advice

- T-FAT

Evidence Requirements for Assessment

- A detailed assessment of the potential for sustainability upon cessation of the financial support (if applicable and the activity will still be required).
- An analysis as to whether the operation has the potential to alter the delivery model in the future to a more financially sustainable model.
- If further financial support will be required, details of any plans to secure further ongoing support;
- If the activity will no longer be required, details on how the closure of the operation will be managed effectively.

Rating Definitions

INADEQUATE

The applicant has provided incomplete or insufficient responses against many of the listed evidence requirements thereby demonstrating an unacceptable level of risk.

LOW

The applicant has provided potentially incomplete or insufficient responses against one or more of the evidence requirements but demonstrates a potentially significant yet acceptable level of risk.

MEDIUM

The applicant has provided satisfactory and detailed responses against most of the evidence requirements and demonstrates a low level of risk.

HIGH

The applicant has provided robust and detailed responses against all of the evidence requirements and demonstrates minimal risk.

Annex E: Glossary of Terms

Common Provisions Regulation

EU Regulation No 1303/2013 that sets down the common regulatory provisions for the European Structural and Investment Funds i.e. ERDF, ESF, Cohesion fund, EAFRD and EMFF programmes for the 2014-2020 period.

Economic Prioritisation Framework (EPF)

The EPF will help to guide the use of EU funding over the 2014–2020 programme period by setting it within a broader investment context. It provides an overview of areas of key economic opportunity in Wales, highlighting important investments which are underway or being planned. Guidance on the EPF is available from the WEFO website.

EAFRD	European Agricultural Fund for Rural Development
EC	European Commission
EMFF	European Maritime Fisheries Fund
EOI	Expression of Interest (the form currently completed by beneficiaries through WEFO Online and used by WEFO to assess whether an operation can be developed further through the submission of a business plan).
ERDF	European Regional Development Fund
ESF	European Social Fund
ESI	European Structural & Investment Programmes (consisting of ERDF, ESF, EAFRD & EMFF funds)

Net Present Value

The recommended approach for analysing the value of money of operations within the public sector. Net Present Value is the sum of discounted costs and benefits over the lifetime of the proposal. Costs are 'discounted' in order to compare the costs and benefits that occur in different time periods. The discount rate used in public sector projects is set by HM Treasury and is currently set at 3.5% per year (as referenced by the 'Green Book Guidance on Public Sector Business Cases Using the Five Case Model' – October 2012).

Net Revenue

Cash in-flows directly paid by users for the goods or services provided by the operation, such as charges borne directly by users for the use of

infrastructure, sale or rent of land or buildings, or payments for services less any operating costs and replacement costs of short life equipment incurred during the corresponding period. Operating cost savings generated by the operation shall be treated as net revenue unless they are offset by an equal reduction in operating subsidies.

PC	Priority Controller (WEFO head of branch in PMD division responsible for the approval and portfolio management of operations under the Structural Fund Programmes)
PMC	Programme Monitoring Committee (The Committee required under European Regulations to oversee the effective management and implementation of ESI programmes)
PMD	Programme Management Division (the division within WEFO responsible for selecting operations and the subsequent management & monitoring of their delivery).
PPIMS	Programme and Project Information Management System (IT system used by WEFO to process and record operations)
WEFO	Welsh European Funding Office (designated Authority within Wales for the delivery of the European Structural Funds)

ANNEX A: Article 125.3 of the EU Regulation 1303/2013 Common & General Provisions

Including the proposed action to meet the requirement described.

As regards the selection of operations, the managing authority shall:

- (a) draw up and, once approved, apply appropriate selection procedures and criteria that:

- (i) ensure the contribution of operations to the achievement of the specific objectives and results of the relevant priority;

Proposed to be met through the Strategic Fit criterion assessment.

- (ii) are non-discriminatory and transparent;

This will be a general fundamental principle of the selection process.

- (iii) take into account the general principles set out in Articles 7 (promotion of equality between men, women & non-discrimination) and 8 (sustainable development);

Proposed to be met through the Cross Cutting Theme criterion assessment.

- (b) ensure that a selected operation falls within the scope of the Fund or Funds concerned and can be attributed to a category of intervention or, in the case of the European Maritime Fisheries Fund (EMFF), a measure identified in the priority or priorities of the operational programme;

Proposed to be met through the Strategic Fit & Indicators & Outcomes criteria assessments.

- (c) ensure that the beneficiary is provided with a document setting out the conditions for support for each operation including the specific requirements concerning the products or services to be delivered under the operation, the financing plan, and the time-limit for execution;

This will be met through the issue of the grant offer letter.

- (d) satisfy itself that the beneficiary has the administrative, financial and operational capacity to fulfil the conditions referred to in point (c) before approval of the operation;

Proposed to be met through the Delivery, Financial & Compliance & Management of Operation criteria assessments.

- (e) satisfy itself that, where the operation has started before the submission of an application for funding to the managing authority, applicable law relevant for the operation has been complied with;

Proposed to be met through the Financial & Compliance criterion assessment.

- (f) ensure that operations selected for support from the Funds or the EMFF do not include activities which were part of an operation which has been or should have been subject to a procedure of recovery in accordance with Article 61 following the relocation of a productive activity outside the programme area;

Proposed to be met through the Financial & Compliance criterion assessment.

- (g) determine the categories of intervention or, in the case of the EMFF, the measures to which the expenditure of an operation shall be attributed.

Proposed to be met through the Financial & Compliance, Delivery & Value for Money criteria assessments plus the construction of the delivery profile.

Annex C (Updated October 2014)

Diagram 1 – Flow diagram illustrating the methodology for the assessment of the three core selection criteria

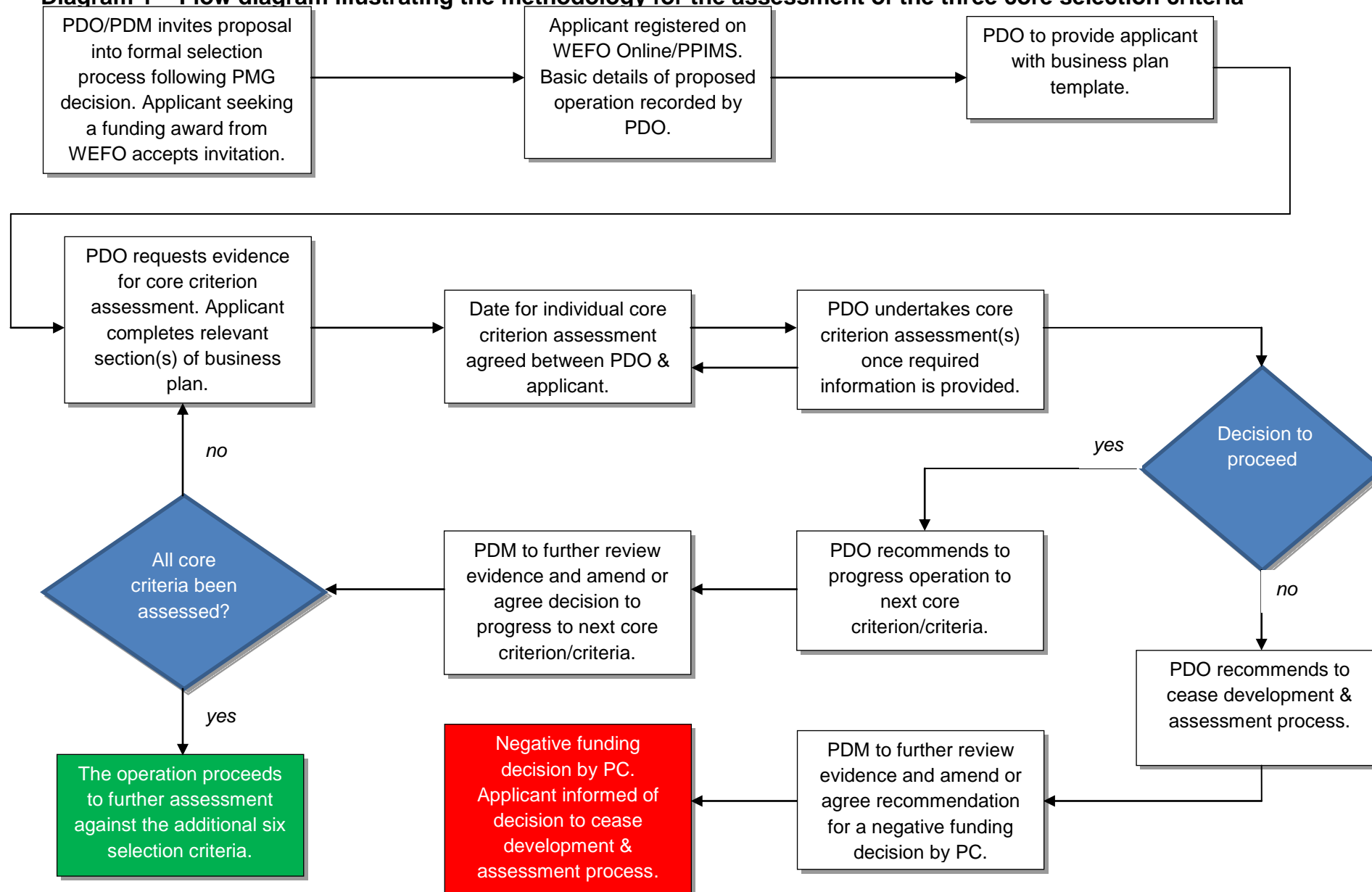
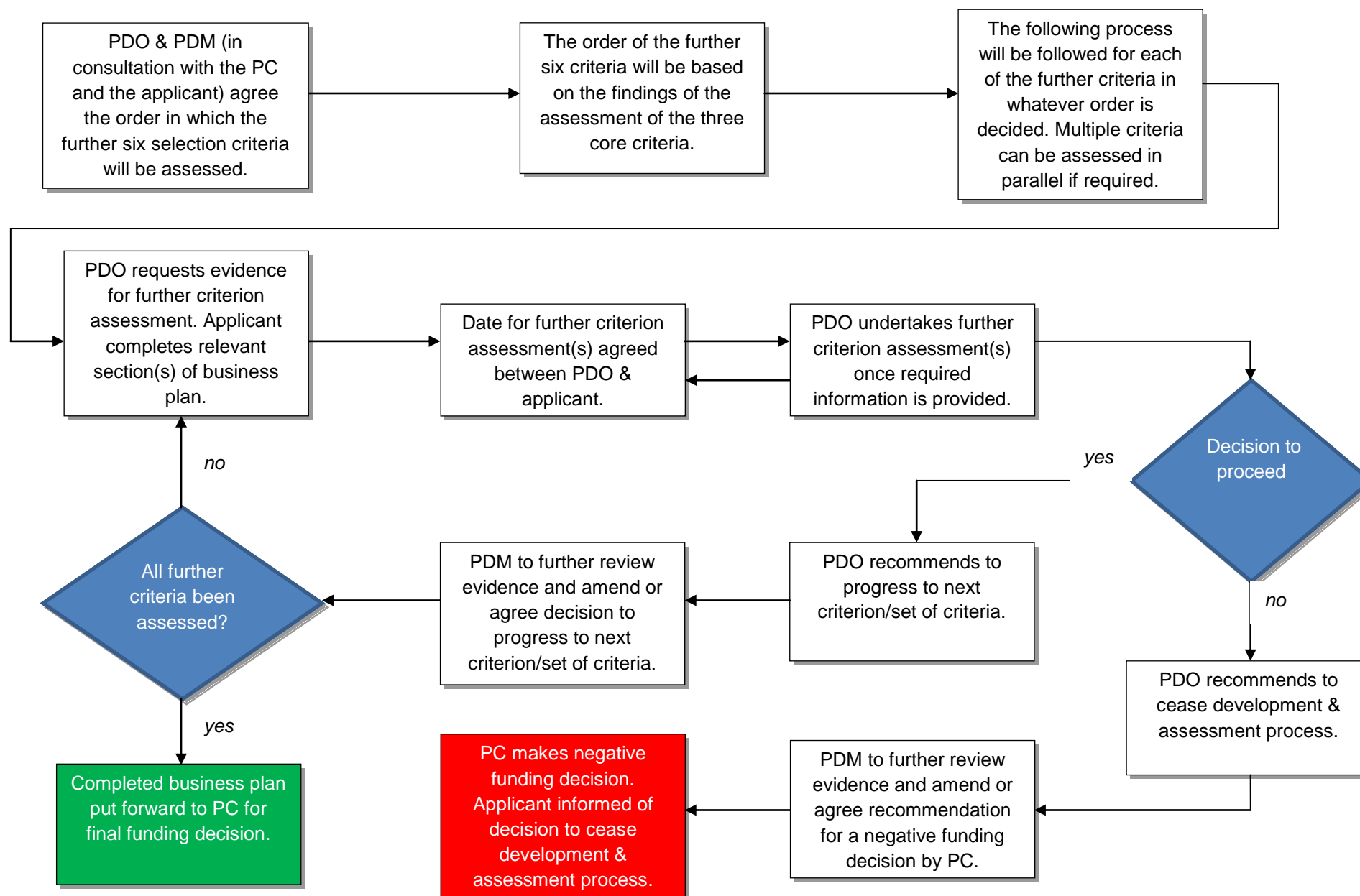


Diagram 2 – Flow diagram illustrating the methodology for the assessment of the six further selection criteria



WALES PROGRAMME MONITORING COMMITTEE, EUROPEAN STRUCTURAL AND INVESTMENT FUNDS 2014 – 2020:

Implementation arrangements: simplified cost options

Introduction

1. This paper informs members of plans to introduce simpler ways of calculating grants through the use of flat-rate percentages and standard unit costs agreed in advance ('simplified costs'). Specifically,
 - the background to 'simplified costs';
 - European Commission expectations and the UK Partnership Agreement;
 - benefits, risks, anticipated impact; and
 - next steps.

Action required

2. Paper to note.

Background

3. The traditional 'real costs' basis of paying EU grants requires beneficiaries to keep documentary proof that each individual cost was incurred, paid and related to the project. This approach places a high administrative burden on beneficiaries and the lack of adequate supporting documentation is one of the most common types of error found by European and national auditors. At the same time, the focus on the minutiae of project costs has distracted from a focus on what an operation is actually delivering.
4. Therefore, the increased use of 'simplified costs' is one of the key changes in the 2014-2020 EU Regulations designed to reduce the complexity of project management and administration. The EC has introduced simplified cost options across most of their 2014-2020 funding programmes, not just the Structural and Investment Funds. **Annex 1** provides a basic overview of simplified costs.
5. These simplified financial rules are designed to significantly reduce the time and costs associated with managing a project and the related inspection and audit burden. Recent audits by the European Court of Auditors confirm that error rates are extremely low where projects use simplified costs. Similarly, high level of errors in rural development programmes across the EU has led to the Commission (Agriculture and rural development DG) looking at simplified costs as a key tool to help reduce error rates in these programmes.
6. The Commission's proposals provide an extensive range of options for national programme authorities with strong encouragement for national

eligibility rules to embrace simplified costs but - other than for very small ESF projects under €50,000 – they are not mandatory for ESI Funds. They are mandatory in some other EU funds, e.g. Horizon 2020 indirect costs can only be reimbursed via a flat-rate of 25%.

7. Finally, the EU Regulations (article 4, ESI Common Provisions Regulation 1303/2013) specifically requires programme implementation arrangements to take into account the aim of reducing administrative burdens. The Welsh Chapter of the UK Partnership Agreement therefore confirms that the Wales programme authorities will encourage and support the increased use of simplified costs.
8. The Welsh Government welcomes the expanded use of simplified costs as an opportunity to implement a number of recommendations from the WAO and the National Assembly for Wales in respect of making processes easier for beneficiaries. We will therefore be adopting simplified costs as part of our delivery arrangements for 2014 – 2020. Where EU regulations allow the managing authority some discretion in how simplified costs are implemented, our principle is to adopt the model that offers the greatest simplification and the greatest protection against future audit or other challenge.

Simplified costs in the Wales ES&I fund programmes

9. Arrangements are in place to launch three types of simplified costs at programme launch.
 - a. Indirect costs calculated using a flat-rate percentage (three rates available, depending on type of project). Flat-rates will be the only method available if a beneficiary seeks reimbursement for indirect costs.
 - b. For ESF projects: All costs, other than eligible staff costs, can be calculated by applying a 40% flat-rate percentage to eligible staff costs [optional].
 - c. Fixed hourly staff cost rates for project staff [optional].
10. Beyond these initial 'ready-made' simplified costs, the two managing authorities will provide information to beneficiaries on the full range of simplified cost possibilities and continually assesses the appetite and suitability to expand their use in the Wales programmes, particularly the 'payment by activity' or 'payment by delivery' approaches where standard unit costs are used. In this way, the range of options will be developed during the life of the programme. We will work with beneficiaries to maintain the flexibility to make the most of options as they develop. **Annex 2** analyses the advantages, disadvantages and likely impact of implementing simplified costs.
11. There are some restrictions on the type of EAFRD operation that can be considered suitable for simplified costs, see **Annex 3**.

Next steps

12. Further information and examples will be provided at the two programme launch events later in November.
13. Rules and guidance documents will be published on the WEFO website to coincide with the launch of the programmes.
14. Training and awareness sessions, for beneficiaries and staff, will be organised.

WEFO Lead: Dean Langley
Cleared by: Peter Ryland
Date: 4 November 2014

ANNEX 1

Simplified costs: the basics

Simplified costs are a way of allowing a project to forecast and then claim eligible project costs without having to identify, record or account for the real costs actually incurred and paid. The key features are listed below:

Flat-rate financing

A percentage of specified ('real') costs are added to the project's eligible costs in every claim to cover another cost category e.g. a fixed % of staff costs is added to in order to settle estimated indirect costs. Audit and document retention is then restricted to auditing the real costs that the flat-rate is based on and ensuring that the calculation of the percentage is correct.

Example (flat-rate for indirect costs)

A local authority is awarded an ERDF grant for the construction of a road: £1,000,000 of eligible costs, ERDF reimburses 50%, remaining 50% from the local authority own match funding.

Construction (public procurement)	£ 700,000 [real costs]
Other costs:	£ 300,000 , comprising of...
<i>Direct staff costs</i>	£ 100,000 [real costs]
<i>Other direct costs</i>	£ 185,000 [real costs]
<i>Indirect costs</i>	<i>Direct staff costs x 15% flat-rate =</i> <i>£ 100,000 x 15% = £ 15,000 [simplified costs]</i>
Total eligible costs declared	£ 1,000,000 (ERDF pays £500,000)
	<hr/> No documentation required to justify £15,000 of indirect costs <hr/>

Standard scales of unit costs

These are fixed amounts paid per agreed activity, deliverable or output e.g. a fixed payment for each

- training hour/day
- certificate obtained
- module completed
- consultant hours worked
- hotel nights
- hotel meals

Audit and document retention is then limited to verifying the payment trigger event - this is agreed at grant award stage - and ensuring that the calculation is accurate.

Example (ESF, 'output-based' unit costs)

For advanced IT training of 1,000 hours provided for 20 trainees, the eligible costs may be calculated on the basis of a cost per hour of training x number of hours of trainees. The unit cost per hour has been defined in advance by the managing authority and is shown in the funding agreement.

Assuming for example that the managing authority sets the training cost at **£7 per hour** of training per trainee, the grant awarded to the project would be based on a forecast 1,000 hours x 20 trainees x £ 7 /hr. / trainee = **£ 140,000 eligible costs** (forecast).

Assuming a 75% ESF grant, the EU funds will be £105,000 and the beneficiary commits to provide the remaining £35,000 as match funding.

At the end of the operation the final eligible costs will be set on the basis of the real number of hours for each trainee (that could include some justified absences), according to actual participation of trainees and delivered courses. There will still be a need for accurate attendance sheets of trainees detailing the training activities and certifying the actual presence of trainees.

So if, finally, only 18 people participated in the training, 6 of them for 900 hours, 5 of them for 950 hours, 5 of them for 980 hours and the remaining 2 for 1,000 hours, the number of total hours x trainees will be equal to:

$(900 \times 6) + (950 \times 5) + (980 \times 5) + (1,000 \times 2) = 17,050$ total hours of training.

The eligible expenditure becomes: 17,050 hours of training x £ 7 unit cost = £ 119,350 eligible costs.

At the agreed 75% grant rate, ESF pays £89,513 (75%) and the beneficiary provides the remaining £29,838 (25%) as match funding.

Other considerations

- Projects must always always comply with EC public procurement and State aid rules are followed even if simplified cost options are used.
- If a project, or part of a project, is implemented exclusively through procured contracts (i.e. outsourced activities/ service provider) then simplified cost options are not available for those activities – must claim real (contract) costs only.

ANNEX 2

Simplification and reducing administration burdens

Simplified costs have considerable potential to reduce administrative burdens by changing the management focus from documenting, reporting and auditing expenditure ('inputs' orientation) to making payments based on activities or delivery ('outputs/ delivery' orientation).

Audits by the European Court of Auditors during 2006-2009 showed that a significant proportion of errors related to the absence or inadequacy of supporting documents (11% ERDF, 35% ESF). The EC is proposing more extensive use of simplified costs as a key step to reduce administration costs for projects (and for the programme management and audit bodies).

This performance orientation – rather than compliance orientation - is expected to contribute to a reduction in error rates and the Commission is therefore strongly recommending that Member States and regions maximise the simplification opportunities.

The legal framework underpinning the use of simplified costs is set out in the new EU Financial Regulation (adopted in 2012) and will be a feature across most EU policy areas, including Horizon 2020, Connecting Europe Facility, and European Territorial Cooperation.

The EC Position Paper on the UK's Partnership Agreement and Programmes (2012) specifically encourages the implementation of simplified costs for ESF projects (*...beneficiaries could take advantage of the increased use of well-designed systems with simplified costs*).

Advantages of simplified costs

- No document retention of actual costs incurred (invoices, bank statements etc.). Only need to evidence the quantities, activities or particular 'actual' costs that trigger the payment of the agreed rate.
- Audit certainty. Agreed rates specified in the grant offer letter with no further 'cost eligibility' compliance. No debate about whether or not actual costs are 'linked to the project' or about the apportionment of costs.
- Reduces complexity for project staff in understanding and applying eligibility rules.
- Project better placed to deal with changes in personnel and long-term continuity issues (simple claim calculations, document retention issues minimised).
- Fewer documents to retain. Reduced storage costs and eliminates risks such as accidental loss or damage. Removes concerns about the privacy and use of sensitive project documents, e.g. salary details.
- Simple claims calculation and process - reduces administration time.
- Audit and inspection burden is reduced – many costs can be audited without a visit to the project or during a shorter visit (calculations can be

verified remotely, limited number of documents to inspect, feasible to send documents electronically to the auditor or managing authority).

- Commonality to other EU funds and instruments. Organisations implementing projects sourced from a number of EU funds will be able to adopt the simplified costs approach across all projects using the same methodologies.

Disadvantages of simplified costs

The main disadvantages and risks are:

- Risk for the beneficiary of a financial shortfall compared to real costs system. The flat-rate/ lump sum/ unit cost is a fixed amount, agreed before the issue of the grant offer letter, and cannot change mid-project. There is therefore inherent risk that they may on occasion overcompensate (this is acceptable and the beneficiary can retain any 'surplus') or undercompensate compared to real actual costs and the project beneficiary would have to absorb this. This can be mitigated by the level of sophistication applied during the agreement of costs process e.g. build in forecast pay increments/ remove exceptional items from historic costs etc.
- Administrative effort in providing records and information (but only in some cases) in order to agree the simplified cost rates at project development stage.
- Preparatory work for the Managing Authority (developing and communicating guidance and methodologies) and a re-allocation of resources to deal with increased upfront checks and reviews.

Anticipated impact and demand for simplified costs

Flat-rates are likely to be popular as it is still driven by spending (not outputs) and relatively low risk with clear savings in time and administration.

ESF projects where staff costs account for most of the budgeted costs will be able increase their eligible actual staff costs by a further 40% in recognition of other project costs – again, without any calculations, checks or audits of costs other than staff costs.

For most research, development and innovation projects, we will be able to offer the same flat-rate as offered under Horizon 2020 – 25% of direct costs – without any upfront checks or calculations.

Unit costs may be useful in certain projects – perhaps better suited to the ESF and EAFRD rather than ERDF – but project staff costs on a unit cost basis could be a popular option for all projects.

ANNEX 3

Applicability of Simplified Costs for the EAFRD

The following list of measures can be considered falling under the scope of simplified costs as an alternative to reimbursing real costs incurred and paid.

The EAFRD Regulations already provide for certain payments based on a scale of unit costs determined by the EC (i.e. per hectare or per livestock unit) and are therefore excluded from this list.

To clarify, Glastir will not use the simplified cost options set out in this paper.

Measures that the EC permit to use simplified cost options (sub-measure, if applicable)

- Support for LEADER local development.
- Cooperation.
- Forest-environmental and climate services and forest conservation (sub-measure: support for the conservation and promotion of forest genetic resources).
- Agri-environment-climate (sub-measure: support for conservation and sustainable use and development of genetic resources in agriculture)
- Investments in forest area development and improvement of the viability of forests.
- Basic services and village renewal in rural areas.
- Farm and business development (sub-measure: support for investments in creation and development of non-agricultural activities).
- Restoring agricultural production potential damage by natural disasters and introduction of appropriate prevention.
- Investments in physical assets.
- Quality schemes for agricultural products and foodstuffs.
- Knowledge transfer and information actions

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 - European Commission expectations and the UK Partnership Agreement;
 - benefits, risks, anticipated impact; and
 - next steps.

Action required

2. Paper to note.

Background

3. The traditional 'real costs' basis of paying EU grants requires beneficiaries to keep documentary proof that each individual cost was incurred, paid and related to the project. This approach places a high administrative burden on beneficiaries and the lack of adequate supporting documentation is one of the most common types of error found by European and national auditors. At the same time, the focus on the minutiae of project costs has distracted from a focus on what an operation is actually delivering.
4. Therefore, the increased use of 'simplified costs' is one of the key changes in the 2014-2020 EU Regulations designed to reduce the complexity of project management and administration. The EC has introduced simplified cost options across most of their 2014-2020 funding programmes, not just the Structural and Investment Funds. **Annex 1** provides a basic overview of simplified costs.
5. These simplified financial rules are designed to significantly reduce the time and costs associated with managing a project and the related inspection and audit burden. Recent audits by the European Court of Auditors confirm that error rates are extremely low where projects use simplified costs. Similarly, high level of errors in rural development programmes across the EU has led to the Commission (Agriculture and rural development DG) looking at simplified costs as a key tool to help reduce error rates in these programmes.
6. The Commission's proposals provide an extensive range of options for national programme authorities with strong encouragement for national

eligibility rules to embrace simplified costs but - other than for very small ESF projects under €50,000 – they are not mandatory for ESI Funds. They are mandatory in some other EU funds, e.g. Horizon 2020 indirect costs can only be reimbursed via a flat-rate of 25%.

7. Finally, the EU Regulations (article 4, ESI Common Provisions Regulation 1303/2013) specifically requires programme implementation arrangements to take into account the aim of reducing administrative burdens. The Welsh Chapter of the UK Partnership Agreement therefore confirms that the Wales programme authorities will encourage and support the increased use of simplified costs.
8. The Welsh Government welcomes the expanded use of simplified costs as an opportunity to implement a number of recommendations from the WAO and the National Assembly for Wales in respect of making processes easier for beneficiaries. We will therefore be adopting simplified costs as part of our delivery arrangements for 2014 – 2020. Where EU regulations allow the managing authority some discretion in how simplified costs are implemented, our principle is to adopt the model that offers the greatest simplification and the greatest protection against future audit or other challenge.

Simplified costs in the Wales ES&I fund programmes

9. Arrangements are in place to launch three types of simplified costs at programme launch.
 - a. Indirect costs calculated using a flat-rate percentage (three rates available, depending on type of project). Flat-rates will be the only method available if a beneficiary seeks reimbursement for indirect costs.
 - b. For ESF projects: All costs, other than eligible staff costs, can be calculated by applying a 40% flat-rate percentage to eligible staff costs [optional].
 - c. Fixed hourly staff cost rates for project staff [optional].
10. Beyond these initial 'ready-made' simplified costs, the two managing authorities will provide information to beneficiaries on the full range of simplified cost possibilities and continually assesses the appetite and suitability to expand their use in the Wales programmes, particularly the 'payment by activity' or 'payment by delivery' approaches where standard unit costs are used. In this way, the range of options will be developed during the life of the programme. We will work with beneficiaries to maintain the flexibility to make the most of options as they develop. **Annex 2** analyses the advantages, disadvantages and likely impact of implementing simplified costs.
11. There are some restrictions on the type of EAFRD operation that can be considered suitable for simplified costs, see **Annex 3**.

Next steps

12. Further information and examples will be provided at the two programme launch events later in November.
13. Rules and guidance documents will be published on the WEFO website to coincide with the launch of the programmes.
14. Training and awareness sessions, for beneficiaries and staff, will be organised.

WEFO Lead: Dean Langley
Cleared by: Peter Ryland
Date: 4 November 2014

ANNEX 1

Simplified costs: the basics

Simplified costs are a way of allowing a project to forecast and then claim eligible project costs without having to identify, record or account for the real costs actually incurred and paid. The key features are listed below:

Flat-rate financing

A percentage of specified ('real') costs are added to the project's eligible costs in every claim to cover another cost category e.g. a fixed % of staff costs is added to in order to settle estimated indirect costs. Audit and document retention is then restricted to auditing the real costs that the flat-rate is based on and ensuring that the calculation of the percentage is correct.

Example (flat-rate for indirect costs)

A local authority is awarded an ERDF grant for the construction of a road: £1,000,000 of eligible costs, ERDF reimburses 50%, remaining 50% from the local authority own match funding.

Construction (public procurement)	£ 700,000 [real costs]
Other costs:	£ 300,000 , comprising of...
<i>Direct staff costs</i>	£ 100,000 [real costs]
<i>Other direct costs</i>	£ 185,000 [real costs]
<i>Indirect costs</i>	<i>Direct staff costs</i> x 15% flat-rate = £ 100,000 x 15% = £ 15,000 [simplified costs]
Total eligible costs declared	£ 1,000,000 (ERDF pays £500,000)
	<hr/> No documentation required to justify £15,000 of indirect costs <hr/>

Standard scales of unit costs

These are fixed amounts paid per agreed activity, deliverable or output e.g. a fixed payment for each

- training hour/day
- certificate obtained
- module completed
- consultant hours worked
- hotel nights
- hotel meals

Audit and document retention is then limited to verifying the payment trigger event - this is agreed at grant award stage - and ensuring that the calculation is accurate.

Example (ESF, 'output-based' unit costs)

For advanced IT training of 1,000 hours provided for 20 trainees, the eligible costs may be calculated on the basis of a cost per hour of training x number of hours of trainees. The unit cost per hour has been defined in advance by the managing authority and is shown in the funding agreement.

Assuming for example that the managing authority sets the training cost at **£7 per hour** of training per trainee, the grant awarded to the project would be based on a forecast 1,000 hours x 20 trainees x £ 7 /hr. / trainee = **£ 140,000 eligible costs** (forecast).

Assuming a 75% ESF grant, the EU funds will be £105,000 and the beneficiary commits to provide the remaining £35,000 as match funding.

At the end of the operation the final eligible costs will be set on the basis of the real number of hours for each trainee (that could include some justified absences), according to actual participation of trainees and delivered courses. There will still be a need for accurate attendance sheets of trainees detailing the training activities and certifying the actual presence of trainees.

So if, finally, only 18 people participated in the training, 6 of them for 900 hours, 5 of them for 950 hours, 5 of them for 980 hours and the remaining 2 for 1,000 hours, the number of total hours x trainees will be equal to:

$(900 \times 6) + (950 \times 5) + (980 \times 5) + (1,000 \times 2) = 17,050$ total hours of training.

The eligible expenditure becomes: 17,050 hours of training x £ 7 unit cost = £ 119,350 eligible costs.

At the agreed 75% grant rate, ESF pays £89,513 (75%) and the beneficiary provides the remaining £29,838 (25%) as match funding.

Other considerations

- Projects must always always comply with EC public procurement and State aid rules are followed even if simplified cost options are used.
- If a project, or part of a project, is implemented exclusively through procured contracts (i.e. outsourced activities/ service provider) then simplified cost options are not available for those activities – must claim real (contract) costs only.

ANNEX 2

Simplification and reducing administration burdens

Simplified costs have considerable potential to reduce administrative burdens by changing the management focus from documenting, reporting and auditing expenditure ('inputs' orientation) to making payments based on activities or delivery ('outputs/ delivery' orientation).

Audits by the European Court of Auditors during 2006-2009 showed that a significant proportion of errors related to the absence or inadequacy of supporting documents (11% ERDF, 35% ESF). The EC is proposing more extensive use of simplified costs as a key step to reduce administration costs for projects (and for the programme management and audit bodies).

This performance orientation – rather than compliance orientation - is expected to contribute to a reduction in error rates and the Commission is therefore strongly recommending that Member States and regions maximise the simplification opportunities.

The legal framework underpinning the use of simplified costs is set out in the new EU Financial Regulation (adopted in 2012) and will be a feature across most EU policy areas, including Horizon 2020, Connecting Europe Facility, and European Territorial Cooperation.

The EC Position Paper on the UK's Partnership Agreement and Programmes (2012) specifically encourages the implementation of simplified costs for ESF projects (*...beneficiaries could take advantage of the increased use of well-designed systems with simplified costs*).

Advantages of simplified costs

- No document retention of actual costs incurred (invoices, bank statements etc.). Only need to evidence the quantities, activities or particular 'actual' costs that trigger the payment of the agreed rate.
- Audit certainty. Agreed rates specified in the grant offer letter with no further 'cost eligibility' compliance. No debate about whether or not actual costs are 'linked to the project' or about the apportionment of costs.
- Reduces complexity for project staff in understanding and applying eligibility rules.
- Project better placed to deal with changes in personnel and long-term continuity issues (simple claim calculations, document retention issues minimised).
- Fewer documents to retain. Reduced storage costs and eliminates risks such as accidental loss or damage. Removes concerns about the privacy and use of sensitive project documents, e.g. salary details.
- Simple claims calculation and process - reduces administration time.
- Audit and inspection burden is reduced – many costs can be audited without a visit to the project or during a shorter visit (calculations can be

verified remotely, limited number of documents to inspect, feasible to send documents electronically to the auditor or managing authority).

- Commonality to other EU funds and instruments. Organisations implementing projects sourced from a number of EU funds will be able to adopt the simplified costs approach across all projects using the same methodologies.

Disadvantages of simplified costs

The main disadvantages and risks are:

- Risk for the beneficiary of a financial shortfall compared to real costs system. The flat-rate/ lump sum/ unit cost is a fixed amount, agreed before the issue of the grant offer letter, and cannot change mid-project. There is therefore inherent risk that they may on occasion overcompensate (this is acceptable and the beneficiary can retain any 'surplus') or undercompensate compared to real actual costs and the project beneficiary would have to absorb this. This can be mitigated by the level of sophistication applied during the agreement of costs process e.g. build in forecast pay increments/ remove exceptional items from historic costs etc.
- Administrative effort in providing records and information (but only in some cases) in order to agree the simplified cost rates at project development stage.
- Preparatory work for the Managing Authority (developing and communicating guidance and methodologies) and a re-allocation of resources to deal with increased upfront checks and reviews.

Anticipated impact and demand for simplified costs

Flat-rates are likely to be popular as it is still driven by spending (not outputs) and relatively low risk with clear savings in time and administration.

ESF projects where staff costs account for most of the budgeted costs will be able increase their eligible actual staff costs by a further 40% in recognition of other project costs – again, without any calculations, checks or audits of costs other than staff costs.

For most research, development and innovation projects, we will be able to offer the same flat-rate as offered under Horizon 2020 – 25% of direct costs – without any upfront checks or calculations.

Unit costs may be useful in certain projects – perhaps better suited to the ESF and EAFRD rather than ERDF – but project staff costs on a unit cost basis could be a popular option for all projects.

ANNEX 3

Applicability of Simplified Costs for the EAFRD

The following list of measures can be considered falling under the scope of simplified costs as an alternative to reimbursing real costs incurred and paid.

The EAFRD Regulations already provide for certain payments based on a scale of unit costs determined by the EC (i.e. per hectare or per livestock unit) and are therefore excluded from this list.

To clarify, Glastir will not use the simplified cost options set out in this paper.

Measures that the EC permit to use simplified cost options (sub-measure, if applicable)

- Support for LEADER local development.
- Cooperation.
- Forest-environmental and climate services and forest conservation (sub-measure: support for the conservation and promotion of forest genetic resources).
- Agri-environment-climate (sub-measure: support for conservation and sustainable use and development of genetic resources in agriculture)
- Investments in forest area development and improvement of the viability of forests.
- Basic services and village renewal in rural areas.
- Farm and business development (sub-measure: support for investments in creation and development of non-agricultural activities).
- Restoring agricultural production potential damage by natural disasters and introduction of appropriate prevention.
- Investments in physical assets.
- Quality schemes for agricultural products and foodstuffs.
- Knowledge transfer and information actions