



Welsh Government Rural Communities - Rural Development Programme 2014-2020

Co-operation and Supply Chain Development Scheme

Guidance Notes

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INTRODUCTION

1. These guidance notes explain the **Co-operation and Supply Chain Development Scheme (CSCDS)** and the kind of projects and activities that may qualify for grant aid. This scheme is an important element of the Welsh Government Rural Communities - Rural Development Programme 2014-2020 delivering under Measure 16 (Article 35 of Regulation (EU) 1305/2013).
2. Please note that this guidance document presents an outline of the CSCDS and the way it is to be operated, the detailed rules for the eligibility of activities and/or expenditure which may be subject to change throughout the Programme period.

3. **Vision:**

Businesses, Organisations and Communities should be working together to increase their resilience by tackling issues such as:

- rural poverty
- financial sustainability
- climate change and the Environment
- in-work poverty and social exclusion.

4. **Principles:**

The CSCDS will:

- build capacity and confidence
- act as a catalyst for further intervention
- develop shared visions through diverse approaches and practices
- build on the LEADER principles of innovation and pilot action
- use businesses, organisations, people and our natural resources effectively to stimulate community social, environmental and economic wellbeing for future generations
- develop a collaborative approach to promote both vertical and horizontal integration in the wider rural economy.

5. The CSCDS will work towards all 6 of the Priorities for Rural Development by:
 - supporting co-operative work on new products, new processes or new practices, including those that require technology changes
 - helping small operators in rural areas find economies of scale together which they lack when acting alone, by supporting the burden of co-operative work on organising joint work processes, sharing facilities and resources
 - increasing the profitability and resilience of the individual SME businesses engaged in the actions through horizontal and vertical co-operation among supply chain actors, for the establishment and development of short supply chains and local markets
 - managing soils to help conserve carbon stocks and reduce erosion

- improving water quality, reducing surface run-off and managing water to help reduce flood risk
 - conserving and enhancing wildlife and biodiversity
 - managing and protecting landscapes and the historic landscape
 - supporting joint approaches to mitigate or adapt to climate change
 - supporting joint approaches to environmental projects and ongoing environmental practices
 - providing biomass for use in food and energy production and in industrial processes - this stops short of supporting production
 - supporting feasibility studies into community-based renewable energy projects
 - supporting co-operative actions of a primarily social nature that use farming to deliver various benefits to society through joint action, and thus also to offer new income opportunities to farm households.
6. The CSCDS is designed to make new things happen. It cannot be used to support joint activities which are already taking place but could support an existing group of co-operating entities in undertaking a new joint project. As part of the above it can also support the adaptation of existing farming practices, research when directly linked to a practical project, and demonstration activities when linked to the final stage of testing / validating technology.
7. It will provide support for the full scope of a project from the initial stages through delivery and into dissemination and evaluation and as such will require as relatively detailed plan to be prepared unless funding is being sought for the initial stage only.
8. The CSCDS will support the creation of new networks and clusters. A cluster means a grouping of independent undertakings - start-ups, small, medium and large undertakings as well as advisory bodies and / or research organisations. It is designed to stimulate economic / innovative activity by promoting intensive interactions, the sharing of facilities and the exchange of knowledge and expertise, as well as contributing effectively to knowledge transfer, networking and information dissemination among the undertakings in the cluster. A network is broader in scope. The network or cluster would have to demonstrably carry out one or more projects that address the categories set out above.

CONTACT DETAILS

9. WELSH GOVERNMENT RURAL COMMUNITIES - RURAL DEVELOPMENT PROGRAMME 2014-2020 POLICY CONTACT DETAILS

E-mail: CooperationScheme@gov.wales

SUB-MEASURES COVERED BY THE CO-OPERATION AND SUPPLY CHAIN DEVELOPMENT SCHEME

10. CSCDS covers activity relating to the following sub-Measures under Measure 16, as activated in the Welsh Government Rural Communities - Rural Development Programme 2014-2020:
- **16.1** support for the establishment and operation of operational groups of the EIP for agricultural productivity and sustainability. See separate guidance for European Innovation Partnership (EIP)
 - **16.2** support for pilot projects and for the development of new products, practices, processes and technologies
 - **16.3** co-operation among small operators in organising joint work processes and sharing facilities and resources, and for developing and marketing tourism
 - **16.4** support for horizontal and vertical co-operation among supply chain actors for the establishment and development of short supply chains and local markets and for promotion activities in a local context relating to the development of short supply chains and local markets
 - **16.5** support for joint action undertaken with a view to mitigating or adapting to climate change and for joint approaches to environmental projects and ongoing environmental practices. See separate Guidance Notes for Sustainable Management Scheme (SMS)
 - **16.6** support for cooperation among supply chain actors for sustainable provision of biomass for use in food and energy production and industrial processes
 - **16.9** support for diversification of farming activities into activities concerning health care, social integration, community-supported agriculture and education about the environment and food.

STRATEGIC AND THEMATIC OBJECTIVES

11. Activities under CSCDS must address at least one of the following Focus Areas:

Sub-Measure 16.2 will contribute towards:

Focus Area 2. Enhancing competitiveness of all types of agriculture and enhancing farm viability, with a focus on the following areas:

2(a) Facilitating restructuring of farms facing major structural problems, notably farms with a low degree of market participation, market-oriented farms in particular sectors and farms in need of agricultural diversification.

2(b) Facilitating generational renewal in the agricultural sector.

Focus Area 6. Promoting social inclusion poverty reduction and economic development in rural areas, with a focus on the following area:

6(b) Fostering local development in rural areas.

But also:

6(a) Facilitating diversification, creation of new small enterprise and job creation.

6(c) Enhancing accessibility to, use and quality of information and communication technologies (ICT) in rural areas.

Focus Area 5. Promoting resource efficiency and supporting the shift towards a low carbon and climate resilient economy in agriculture, food and forestry sectors, with a focus on the following areas:

5(b) Increasing efficiency in energy use in agriculture and food processing.

5(c) Facilitating the supply and use of renewable sources of energy, of by-products, wastes and residues and of other non-food raw material, for the purposes of the bio-economy.

5(d) Reducing nitrous oxide and methane emissions from agriculture.

5(e) Fostering carbon sequestration in agriculture and forestry.

Sub-Measure 16.6 will contribute towards:

Focus Area 5. Promoting resource efficiency and supporting the shift towards a low carbon and climate resilient economy in agriculture, food and forestry sectors, with a focus on the following area:

5(c) Facilitating the supply and use of renewable sources of energy, of by-products, wastes and residues and of other non-food raw material, for the purposes of the bio-economy.

Sub-Measure 16.9 will contribute towards:

Focus Area 6. Promoting social inclusion poverty reduction and economic development in rural areas, with a focus on the following areas:

6(a) Facilitating diversification, creation of new small enterprises and job creation.

6(b) Fostering local development in rural areas.

6(c) Enhancing accessibility to, use and quality of information and communication technologies (ICT) in rural areas.

SPECIFIC DETAILS FOR EACH SUB-MEASURE

MEASURE 16.1

12. Support for the establishment and operation of operational groups of the EIP for agricultural productivity and sustainability.

See separate guidance for European Innovation Partnership (EIP).

MEASURE 16.2

Support for pilot projects and for the development of new products, practices, processes and technologies.

13. Measure 16.2 can support:
 - (a) pilot projects
 - (b) the development of new products, practices, processes and technologies in the agriculture, food and forestry sectors
14. Pilot actions and co-operative work to develop new practices, products and technologies are a vital bridge between Knowledge Transfer and Information actions and innovation in the workplace.
15. The ultimate aim of M16.2 is to increase the profitability of individual SME businesses. However, it is also expected that the act of co-operation and the sharing of the results of pilot activity will result in wider benefits to the sectors covered through improving knowledge and building greater confidence within the sectors.
16. Under M16.2 the Welsh Government is offering financial support to assist small operators to undertake pilot projects and to share related knowledge and to support co-operative work on either new products or new practices, including those that require technology changes.

WHO CAN APPLY?

17. Applicants for support under **a) pilot projects** could be:
 - SME businesses
 - sole traders
 - partnerships
 - limited companies
 - public sector bodies
 - forest holders (including associations of owners and community woodlands)
 - education or research establishments
 - community or voluntary sector organisations (must be a legal entity)

18. Applicants under a) need not be involved in the agriculture, forestry, or food sectors but the activity they are seeking to pilot must contribute to achieving the objectives and priorities of rural development policy.

Applicants cannot be in the fisheries or aquaculture sector (due to the need to ensure complementarity with the European Maritime and Fisheries Fund).

19. Under ***b) the development of new products, practices, processes and technologies in the agriculture, food and forestry sectors***; at least one of those co-operating must be an SME business engaged in:
- agriculture
 - forestry or food sectors (except for fisheries or aquaculture products)
 - forest holder, including associations of owners and community woodlands.
20. Others involved in the co-operation can be
- SME businesses
 - education or research establishments
 - community
 - voluntary groups.
21. Applicants cannot be undertakings in difficulty as defined in the guidelines on State Aid for rescuing and restructuring (2014/C 249/01).

ELIGIBLE ACTIVITIES

22. Pilot projects; should be understood as referring to a "test project". A pilot project can of course form part of a larger process of "development". Note that the pilot projects are not limited to any particular sector; therefore "experimental" projects operating outside the agri-food and forestry sectors but matching the priorities of rural development policy could be considered for support. For a pilot project that is not being carried out on a co-operative basis then the applicant must agree to dissemination of the results of the funded pilot.
23. The development of new products, practices, processes and technologies in the agriculture, food and forestry sectors;
24. Animation - revenue costs for people (animateurs) who would broker and facilitate co-operative activities amongst businesses and/or organisations, including associated costs such as travel and subsistence.
25. Facilitation and Implementation - revenue costs for people, including associated costs such as travel and subsistence, which will directly manage and deliver activities and/or will provide support to businesses and/or organisations and support co-operation activities. This can include the costs incurred by the business or organisation that is acting as the innovation broker for the

establishment and subsequent delivery of the co-operation activities.

26. Mentoring - revenue costs for people who can provide particular kinds of support to organisations and groups to help them develop their own skills and expertise within the context of co-operation activities. This is a different approach to training.
27. Training - revenue costs to support co-operation partners to undertake training that cannot be provided through any other route. This may be in a formal classroom or lecture room type setting but not necessarily so. The subject matter to be covered and the intended outcome would have been determined by a skills assessment and a review of already available provisions before the training would be eligible.
28. Communication and dissemination - revenue costs to support the communication of the proposed co-operation activities; dissemination of information amongst the external stakeholder communities; ongoing communication within and between co-operation partners and final dissemination of the outcomes of the co-operation.
29. Evaluation - a key outcome of the co-operation and/or pilot activities is to learn lessons and record experiences of the participants that have been engaged in order to help to shape future programmes and projects. Therefore the cost of having an independent, external evaluation of the pilot and/or co-operation activities is eligible.

Definitions

30. The term used in point (a) "**pilot projects**" should be understood as referring to a "**test project**". A pilot project can of course form part of a larger process of "development".
31. Note that the wording of point (a) is not limited to any particular sector; therefore "experimental" projects operating outside the agri-food and forestry sectors but matching the priorities of rural development policy could be considered for support
32. Under (b) **the development of new products, practices, processes and technologies in the agriculture, food and forestry sectors**; the word "practices" may refer, *inter alia*, to farming practices, e.g. crop rotation, soil management or hedge maintenance. Under M16.2 support may be given for the development of techniques / methods which are essentially adaptations of existing technologies etc. to situations where they are not currently used.
33. "Direct costs" in this context are costs which arise directly from the activities of the project rather than from preparatory studies, animation or ongoing co-ordination. This provision covers investment costs but is not limited to them.

"Development" versus "research"

34. M16.2 cannot be used to support stand-alone research. Development activities supported by M16 might be connected to research which is itself being supported via other instruments such as Horizon 2020 or other research funding sources.
35. M16.2 can however, be used to fund research activities linked to and accompanying practical projects, in particular those carried out by European Innovation Partnership (EIP) operational groups (e.g. analysing the success and failure of projects, adapting solutions to specific climatic and structural contexts etc.).
36. Researchers could play a valuable role within operational groups, co-operating with other members and helping actively to achieve the aims of the groups' projects.

Demonstration projects

37. M16.2 may potentially support the "demonstration" of new technologies etc. where the demonstration activity is the final part of the process of testing / validating a technology, process etc.
38. Measure 1 *Knowledge transfer and information actions* (in Wales delivered by the Farming Connect Programme) is the appropriate place to support "demonstration activities" which simply raise awareness of technologies, techniques which are already operational and available - not demonstration activities forming the end phase of a project which tests / validates.

INELIGIBLE ACTIVITIES

39. There are a number of activities that are not eligible for aid:
 - support for capital investment in business or institutions involved in co-operation activities
 - support for activities that can be delivered through other mechanisms such as existing arrangements for sectoral development
 - support for the supply chain co-ordination of fisheries and aquaculture products are **not eligible** under this scheme. It will be delivered through the fisheries schemes.

ELIGIBLE COSTS

40. Support under M16.2 of the CSCDS can include:
 - running costs of the co-operation (not all of the running costs of the project but the running costs arising from the "act" of co-operation), in particular the

salary cost of a co-ordinator, animators and facilitators, including associated costs such as travel and subsistence

- mapping and gap analysis; including associated costs such as IT development costs
- costs of specific operations (projects) undertaken by the co-ordinator/ animator/facilitator or other partner in a pilot/co-operation activity (linked to a detailed plan)
- promotion activities (communications about project activities).

N.B. costs associated with animation would concern recruitment of participants in a project and networking between them required to define project adequately and get it off the ground.

INELIGIBLE COSTS

41. The following items or types of expenditure are **not eligible** under this section of the CSCDS:

- the purchase of land exceeding 10% of the total project value
- the purchase of vehicles for external transportation of goods (such as lorries, buses, vans, minibuses or any other kind of vehicle transport)
- any physical site work or other expenditure incurred before the project start date without prior written approval from the grantor
- temporary works not **directly** related to the execution of the project
- maintenance costs for existing buildings, plant or equipment
- like for like replacement
- costs connected with a leasing contract such as the lessor's margin, interest financing costs, overheads and insurance charges
- costs of arranging loans, VAT and other taxes recoverable by the beneficiary, administrative and staff costs or compensation paid to third parties for expropriation, etc.
- overheads allocated or apportioned at rates materially in excess of rates for similar costs incurred by other comparable delivery mechanisms
- notional expenditure
- payments for activity of a religious and/or political nature
- depreciation, amortisation and impairment of assets purchased with the help of a European grant
- provisions
- contingent liabilities
- contingencies

- dividends to shareholders
- interest charges (unless under an approved State Aid scheme)
- service charges arising on finance leases, hire purchase and credit arrangements
- costs resulting from the deferral of payments to creditors
- costs involved in winding up a commercial company
- payments for unfunded pensions
- compensation for loss of office
- bad debts arising from loans to employees, proprietors, partners directors, guarantors, shareholders or a person connected with any of these
- payments for gifts and donations
- personal entertainments (including alcohol)
- statutory fines and penalties
- statutory taxes (excluding irrecoverable VAT)
- criminal fines and damages
- legal expenses in respect of litigation
- reclaimable VAT.

Advice can be sought from SMU on a case by case basis if there is uncertainty.

MEASURE 16.3

42. Support for co-operation among small operators in organising joint work processes, sharing facilities and resources, and for developing / marketing tourism.
43. Measure 16.3 can support co-operation activities highlighting innovative approaches between at least two entities.
44. The ultimate aim of M16.3 is to increase the profitability of individual SME businesses. However, it is also expected that the act of co-operation in order to organise joint working practices and to share facilities will result in wider benefits to the sectors covered through improving knowledge and building greater confidence within the sectors.
45. Under M16.3 the Welsh Government is offering financial support to encourage development of new practices and processes in rural small businesses, including shared activity and facilities, with a view to business efficiency, and to develop local tourism opportunities.

WHO CAN APPLY?

46. Applicants for support could be:

- SME businesses
- sole traders
- partnerships
- limited companies
- forest holders (including associations of owners and community woodlands)
- education or research establishments
- community or voluntary sector organisations (must be a legal entity)

47. Businesses and organisations involved in the co-operation must be engaged in supply chains for the agriculture, forestry, food and/or hospitality sectors.

48. Applicants cannot be in the fisheries or aquaculture sector (due to the need to ensure complementarity with the European Maritime and Fisheries Fund).

49. Applicants cannot include Natural Resources Wales or other owners and managers of public forest areas unless there is a long term lease or agreement with a community, in which case the community will be the beneficiary.

50. Applicants cannot be undertakings in difficulty as defined in the guidelines on State Aid for rescuing and restructuring (2014/C 249/01).

ELIGIBLE ACTIVITIES

51. Animation - revenue costs for people (animateurs) who would broker and facilitate co-operative activities amongst businesses and / or organisations, including associated costs such as travel and subsistence.

52. Facilitation and Implementation - revenue costs for people, including associated costs such as travel and subsistence, which will directly manage and deliver activities and/or will provide support to businesses and / or organisations and support co-operation activities. This can include the costs incurred by the business or organisation that is acting as the innovation broker for the establishment and subsequent delivery of the co-operation activities.

53. Mentoring - revenue costs for people who can provide particular kinds of support to organisations and groups to help them develop their own skills and expertise within the context of co-operation activities. This is a different approach to training.

54. Training - revenue costs to support co-operation partners to undertake training that cannot be provided through any other route. This may be in a formal classroom or lecture room type setting but not necessarily so. The subject matter to be covered and the intended outcome would have been determined by a skills assessment and a review of already available provisions before the

training would be eligible.

55. Communication and dissemination - revenue costs to support the communication of the proposed co-operation activities; dissemination of information amongst the external stakeholder communities; on-going communication within and between co-operation partners and final dissemination of the outcomes of the co-operation.
56. Evaluation - a key outcome of the co-operation amongst small operators is to learn lessons and record experiences of the participants that have been engaged in order to help to shape future programmes and projects. Therefore the cost of having an independent, external evaluation of the co-operation activities is eligible.
57. Direct costs of specific projects linked to a detailed plan.

DEFINITIONS

58. "Small" is as defined in the Delegated Act, with a focus on micro enterprises. At least one of those co-operating will be a small business, operating principally in a rural area. Others involved in the co-operation can be community or voluntary groups or other entities.
59. "Direct costs" in this sub measure are costs which arise directly from the activities of the project rather than from preparatory studies, animation or on-going co-ordination. This provision covers investment costs but is not limited to them.

INELIGIBLE ACTIVITIES

60. There are a number of activities that are not eligible for aid:
 - Support for activities that can be delivered through other mechanisms such as existing arrangements for sectoral development
 - Support for the co-operation amongst small operators in the supply chains of fisheries and aquaculture products are not eligible under this Scheme. It will be delivered through the fisheries Schemes.
61. The development of websites that are aimed at offering online booking services; buying and selling holidays and holiday accommodation; and promotion, marketing and advertising activities such as themed holidays with named tourism providers is not eligible.
62. Promotion, marketing and advertising activities that do not meet the public purpose of providing tourism information and promoting the country, region or area and which does or may compete with activities carried out by private sector organisations in the tourism sector is not eligible.

ELIGIBLE COSTS

63. Support under M16.3 of the CSCDS can include:

- running costs of the co-operation (not all of the running costs of the project but the running costs arising from the “act” of co-operation), in particular the salary cost of co-ordinators, animators and facilitators, including associated costs such as travel and subsistence
- mapping and gap analysis; including associated costs such as IT development costs
- costs of specific operations (projects) undertaken by the co-ordinator / animator / facilitator or other partner in a pilot/co-operation activity (linked to a detailed plan)
- promotion activities (a category of direct costs).

N.B. costs associated with animation would concern recruitment of participants in a project and networking between them required to define the project adequately and get it off the ground.

INELIGIBLE COSTS

64. The following items or types of expenditure are not eligible under this section of the CSCDS:

- the purchase of land exceeding 10% of the total project value
- the purchase of vehicles for external transportation of goods (such as lorries, buses, vans, minibuses or any other kind of vehicle transport)
- any physical site work or other expenditure incurred before the project start date without prior written approval from the grantor
- temporary works not directly related to the execution of the project;
- like for like replacement
- costs connected with a leasing contract such as the lessor’s margin, interest financing costs, overheads and insurance charges
- costs of arranging loans, VAT and other taxes recoverable by the beneficiary, administrative and staff costs or compensation paid to third parties for expropriation, etc.
- overheads allocated or apportioned at rates materially in excess of rates for similar costs incurred by other comparable delivery mechanisms
- notional expenditure
- payments for activity of a religious and/or political nature
- depreciation, amortisation and impairment of assets purchased with the help of a European grant
- provisions
- contingent liabilities

- contingencies
- dividends to shareholders
- interest charges (unless under an approved State Aid scheme)
- service charges arising on finance leases, hire purchase and credit arrangements
- costs resulting from the deferral of payments to creditors
- costs involved in winding up a commercial company
- payments for unfunded pensions
- compensation for loss of office
- bad debts arising from loans to employees, proprietors, partners directors, guarantors, shareholders or a person connected with any of these
- payments for gifts and donations
- personal entertainments (including alcohol)
- statutory fines and penalties
- criminal fines and damages
- legal expenses in respect of litigation
- reclaimable VAT

Advice can be sought from SMU on a case by case basis if there is uncertainty.

MEASURE 16.4

65. **Support for horizontal and vertical co-operation among supply chain actors for the establishment and development of short supply chains and local markets and for promotion activities in a local context relating to the development of short supply chains and local markets.**
66. M16.4 is designed to help move 'embryonic' co-operative partnerships to a stage where they are confident to adopt a new process leading to greater tangible and intangible benefits. It would increase the capacity of producers to take costs out of the supply chain, improve marketing capability and ensure future sustainability.
67. This theme will be intended to increase the profitability and resilience of the individual SME businesses engaged in the actions through horizontal and vertical co-operation among supply chain actors for the establishment and development of short supply chains and local markets. The deployment of the information gained should also result in improved knowledge and confidence in the sector as a whole, which will help build the agriculture, forestry, and food sectors.
68. It will support work with the three established Food Industry Centres to map the food supply chain in Wales. It includes the manufacturing supply chain (ingredients), and hospitality supply chain, to consider deficiencies in the supply chains of both sectors and work with producers and manufacturers to identify

what products can be developed and marketed to fill the deficiencies. This will include referral to marketing, innovation and business development schemes to allow businesses to meet the requirements of the ingredients and hospitality markets.

69. It will also support co-operation and collaboration activities related to Food Tourism, principally to encourage greater linkages between the sectors and improve take up of local sourcing. The aims would be to raise the profile of Wales as a Food destination, develop a range of communication methods targeted at raising awareness and providing information on Welsh Food and Drink to the hospitality/tourism industry and visitors to Wales, and develop partnership initiatives designed to encourage greater collaboration between food and tourism sector, to ensure a consistent approach and reduced duplication.
70. **What is a “short” supply chain?**
Article 11 (1) of Commission Delegated Regulation (ELI) No 807/2014 sets out that support can only be offered in the case of supply chains involving no more than one intermediary between farmer/forester and consumer. An “intermediary” is an entity which buys the product from the farmer for the purpose of selling it on.
71. A retailer would be an intermediary. A processor would also be an intermediary if it bought the product from the farmer and by doing so took control of it. If the farmer retains control of the product during processing and decided the sale price then the processor would not be an intermediary, they would just be providing a service to the farmer.
72. **What is a “local” market?**
Article 11 (1) of Commission Delegated Regulation (ELI) No 807/2014 sets out the conditions under which support can be given for the establishment and development of local markets. To be eligible for support under the CSCDS markets must be within a 50 kilometres radius of farm/forest on which the product originates.
73. The scheme will also cover benchmarking, which is a business tool that allows businesses to review the strengths and weaknesses of their business and compare it against counterparts in the same business area. It will ensure the accurate collection and collation of farm and forestry business data, which will enable effective benchmarking of Wales agricultural, horticultural and forestry sectors. Benchmarking has proven potential to improve business competitiveness and sustainability.
74. The aims of the scheme are broad and it will be necessary to discuss and agree your project proposals well in advance before you start the application process.

WHO CAN APPLY?

75. The scheme is open to applications from a wide range of individuals, businesses and organisations involved in the supply chains of the agriculture, forestry, food

and hospitality sectors (except for fisheries or aquaculture products) and other actors that contribute to achieving the objectives and priorities of rural development policy.

76. This can include sole traders, partnerships, limited companies, public bodies, education or research establishments, community groups, social enterprises, Producer Organisations, producer groups and co-operatives.
77. At least one of those involved in the co-operation must be an SME business, operating principally in a rural area and engaged in the supply chain of the agriculture, forestry, food (except for fisheries or aquaculture products) or hospitality sectors; a forest holder, including associations of owners and community woodlands.
78. Applicants cannot be undertakings in difficulty as defined in the guidelines on State Aid for rescuing and restructuring (2014/C 249/01).

ELIGIBLE ACTIVITIES

79. Horizontal and vertical co-operation among businesses and/or organisations in the supply chains of the agriculture, forestry, food and hospitality sectors (except for fisheries or aquaculture products) for the establishment and the development of short supply chains and local markets.
80. Animation - revenue costs for people (animateurs) who would broker and facilitate co-operative activities amongst businesses and/or organisations across the supply chains, including associated costs such as travel and subsistence.
81. Facilitation and Implementation - revenue costs for people, including associated costs such as travel and subsistence, who will directly manage and deliver activities and/or will provide support to businesses and/or organisations and support co-operation activities. This can include the costs incurred by the business or organisation that is acting as the innovation broker for the establishment and subsequent delivery of the co-operation activities.
82. Mentoring - revenue costs for people who can provide particular kinds of support to organisations and groups to help them develop their own skills and expertise within the context of co-operation activities. This is a different approach to training.
83. Training - revenue costs to support co-operation partners to undertake training that cannot be provided through any other route. This may be in a formal classroom or lecture room type setting but not necessarily so. The subject matter to be covered and the intended outcome would have been determined by a skills assessment and a review of already available provisions before the training would be eligible.
84. Communication and dissemination - revenue costs to support the communication of the proposed co-operation activities; dissemination of

information amongst the external stakeholder communities; ongoing communication within and between co-operation partners and final dissemination of the outcomes of the co-operation.

85. Evaluation - a key outcome of the co-operation activities is to learn lessons and record experiences of the participants that have been engaged in the co-operation to help to shape future programmes and projects. Therefore the cost of having an independent, external evaluation of the co-operation activities is eligible.
86. Direct costs of specific projects linked to detailed plan.
87. Promotion activities in a local context relating to the development of short supply chains and local markets.

INELIGIBLE ACTIVITIES

88. There are a number of activities that are not eligible for aid:
 - support for activities that can be delivered through other mechanisms such as existing arrangements for sectoral development
 - support for the supply chain co-ordination of fisheries and aquaculture products are **not eligible** under this scheme. It will be delivered through the fisheries schemes.

ELIGIBLE COSTS

89. Support under Measure 16.4 of the CSCDS can include:
 - running costs of the co-operation (not all of the running costs of the project but the running costs arising from the “act” of co-operation), in particular the salary cost of a co-ordinator, animateurs and facilitators, including associated costs such as travel and subsistence
 - developing supply chain mapping and gap analysis; including associated costs such as IT development costs
 - costs of specific operations (projects) undertaken by the co-ordinator/animateur/facilitator or other partner in a co-operation activity
 - "direct costs" - in this context costs which arise directly from the activities of the project rather than from preparatory studies, animation or ongoing co-ordination. This provision covers investment costs but is not limited to them. **If these are activities which would normally be supported through other parts of the programme then the maximum aid intensities / maximum funding of the relevant measure or sub-measure must be complied with**

- Promotion activities (a category of direct costs, see above).

N.B. costs associated with animation would concern recruitment of participants in project and networking between them required to define a project adequately and get it off the ground.

INELIGIBLE COSTS

90. The following items or types of expenditure are **not eligible** under this section of the CSCDS:

- the purchase of land exceeding 10% of the total project value
- the purchase of cars, vans, motorcycles, bicycles and any other form of personal transport (for whatever purpose)
- any physical site work or other expenditure incurred before the project start date without prior written approval from the grantor
- temporary works not **directly** related to the execution of the project
- maintenance costs for existing buildings, plant or equipment
- like for like replacement
- costs connected with a leasing contract such as the lessor's margin, interest financing costs, overheads and insurance charges
- costs of arranging loans, VAT and other taxes recoverable by the beneficiary, administrative and staff costs or compensation paid to third parties for expropriation, etc.
- overheads allocated or apportioned at rates materially in excess of rates for similar costs incurred by other comparable delivery mechanisms
- notional expenditure
- payments for activity of a religious and/or political nature
- depreciation, amortisation and impairment of assets purchased with the help of a European grant
- provisions
- contingent liabilities
- contingencies
- dividends to shareholders
- interest charges (unless under an approved State Aid scheme)
- service charges arising on finance leases, hire purchase and credit arrangements
- costs resulting from the deferral of payments to creditors
- costs involved in winding up a commercial company

- payments for unfunded pensions
- compensation for loss of office
- bad debts arising from loans to employees, proprietors, partners directors, guarantors, shareholders or a person connected with any of these
- payments for gifts and donations
- personal entertainments (including alcohol)
- statutory fines and penalties
- statutory taxes (excluding irrecoverable VAT)
- criminal fines and damages
- legal expenses in respect of litigation
- reclaimable VAT

91. Advice can be sought from the Scheme Management Unit (SMU) on a case by case basis if there is uncertainty.

MEASURE 16.5

92. **Support for joint action undertaken with a view to mitigating or adapting to climate change and for joint approaches to environmental projects and ongoing environmental practices.**

See separate Sustainable Management Scheme (SMS) Guidance Notes.

MEASURE 16.6

93. **Support for horizontal and vertical co-operation among supply chain actors for sustainable provision of biomass for use in food and energy production and industrial processes**

GENERAL DESCRIPTION AND DEFINITIONS

94. The Welsh Government's consultation work and SWOT analysis during the development of the Rural Development Programme 2014-2020 indicated some opportunities and demand in respect of biomass, currently an immature market with indicators of potential.

95. The forestry sector in Wales is relatively small compared to some parts of the European Union and Welsh farms grow little in the way of energy crops so at the Wales level the opportunities are somewhat limited. Nevertheless a clear opportunity exists, and for smaller businesses the potential for an additional market could be a significant boost in income at relatively low additional cost.

96. The SWOT analysis also identified opportunities to increase market penetration of high quality heating schemes based on locally sourced material, growing

demand for woodfuel production, creating a market for previously low value timber products and enhanced supply chain transparency and linkages.

97. The Welsh Government wants to encourage, within the over-arching context of the sustainable management of natural resources, development in order to prove concepts, build knowledge capacity and establish the viability of methods and technologies.
98. Article 2(e) of the Renewable Energy Directive (Directive 2009/28/EC of the European Parliament and of the Council) gives the following definition of biomass:
'the biodegradable fraction of products, waste and residues from biological origin from agriculture (including vegetal and animal substances), forestry and related industries...as well as the biodegradable fraction of industrial and municipal waste'.
99. Agriculture and forestry sectors are important biomass suppliers, providing raw material, such as agricultural residues, for the production of bioenergy. Bioenergy is the result of the conversion of biomass resources, such as trees, plants, agricultural/forest residues and urban waste, into energy and energy-carriers including heat, electricity and transport fuels.
100. European Commission's Guidance Document on the Co-operation Measure (November 2014) says that "biomass used in "food production" would not include biomass which becomes part of the food itself, but rather any other biomass used to aid the production process in some way".
101. As biomass can regrow, it is considered a renewable energy source. Although the Common Agricultural Policy does not provide direct financial support for the production of biomass for bioenergy, the Rural Development Regulation does support the use of renewable energy (e.g. through investment Measures such as Measure 7 - Basic Services).
102. Under sub-Measure 16.6 the Welsh Government is offering financial support for co-operation activities between at least two supply chain actors for the sustainable provision of biomass for use in food and energy production and industrial processes, i.e. projects that explore co-operative working to organise the supply of biomass.
103. As the European Commission says in its Guidance Document "The key word in this point is "provision" (as opposed to "production"). The intention behind point 2 (h) of Article 35 (of Regulation EU No. 1305/2013) is not to directly influence farmers' production decisions, but rather to help them to work together to organise the supply of biomass resulting from the production decisions which they take anyway".
104. N.B. Where projects under this sub-measure work co-operatively with sub-measure 16.1 - European Innovation Partnerships (EIP), the Welsh Government

will require that EIP Operational Groups disseminate the results of their project, in particular through the EIP network.

WHO CAN APPLY?

105. At least one of those co-operating must be an SME business engaged in:

- supply chains of sustainable provision of biomass for use in food and energy production and industrial processes.

Others involved in the co-operation can be

- sole traders
- SME businesses
- public sector bodies
- forest holders, including associations of owners and community woodlands which have sufficient control of the land to discharge their obligations under any grant contract; not including Natural Resources Wales or other public forest areas unless there is a long term lease or agreement with a community, in which case the community will be the beneficiary.
- education or research establishments
- community or voluntary groups (must be legal entities)

106. Applicants cannot be undertakings in difficulty as defined in the guidelines on State Aid for rescuing and restructuring (2014/C 249/01).

107. Applicants cannot be in the fisheries or aquaculture sector (due to the need to ensure complementarity with the European Maritime and Fisheries Fund).

ELIGIBLE ACTIVITIES

108. Horizontal and vertical co-operation among supply chain actors for sustainable provision of biomass for use in food and energy production and industrial processes.

- Animation - revenue costs for people (animateurs) who would broker and facilitate co-operative activities amongst businesses and/or organisations, including associated costs such as travel and subsistence.
- Facilitation and Implementation - revenue costs for people, including associated costs such as travel and subsistence, which will directly manage and deliver activities and/or will provide support to businesses and/or organisations and support co-operation activities. This can include the costs incurred by the business or organisation that is acting as the innovation broker for the establishment and subsequent delivery of the co-operation activities.
- Mentoring - revenue costs for people who can provide particular kinds of support to organisations and groups to help them develop their own skills and expertise within the context of co-operation activities. This is a different approach to training.

- Training - revenue costs to support co-operation partners to undertake training that cannot be provided through any other route. This may be in a formal classroom or lecture room type setting but not necessarily so. The subject matter to be covered and the intended outcome would have been determined by a skills assessment and a review of already available provisions before the training would be eligible.
- Communication and dissemination - revenue costs to support the communication of the proposed co-operation activities; dissemination of information amongst the external stakeholder communities; ongoing communication within and between co-operation partners and final dissemination of the outcomes of the co-operation.
- Evaluation - a key outcome of the co-operation and/or pilot activities is to learn lessons and record experiences of the participants that have been engaged in order to help to shape future programmes and projects. Therefore the cost of having an independent, external evaluation of the pilot and/or co-operation activities is eligible.

INELIGIBLE ACTIVITIES

109. There are a number of activities that are not eligible for aid:

- support for capital investment in business or institutions involved in co-operation activities
- support for activities that can be delivered through other mechanisms such as existing arrangements for sectoral development
- support for the supply chain co-ordination of fisheries and aquaculture products are not eligible under this scheme. It will be delivered through the fisheries schemes.

110. Co-operation activities to develop supply chains for biomass to be used for domestic or commercial heating systems are not eligible.

ELIGIBLE COSTS

111. Support under M16.6 of the CSCDS can include:

- running costs of the co-operation (not all of the running costs of the project but the running costs arising from the “act” of co-operation), in particular the salary cost of a co-ordinator, animators and facilitators, including associated costs such as travel and subsistence
- mapping and gap analysis; including associated costs such as IT development costs
- costs of specific operations (projects) undertaken by the co-ordinator/ animator/ facilitator or other partner in a pilot/co-operation activity (linked to a detailed plan) This provision covers investment costs but is not limited to them. **If these are activities which would normally be supported through other parts of the programme then the maximum aid**

maximum funding of the relevant measure or sub-measure must be complied with

- promotion activities (communications about project activities).

N.B. costs associated with animation would concern recruitment of participants in a project and networking between them required to define project adequately and get it off the ground.

INELIGIBLE COSTS

112. The following items or types of expenditure are not eligible under this section of the CSCDS:

- the purchase of land exceeding 10% of the total project value
- the purchase of vehicles for external transportation of goods (such as lorries, buses, vans, minibuses or any other kind of vehicle transport)
- any physical site work or other expenditure incurred before the project start date without prior written approval from the grantor
- temporary works not directly related to the execution of the project
- maintenance costs for existing buildings, plant or equipment
- like for like replacement
- costs connected with a leasing contract such as the lessor's margin, interest financing costs, overheads and insurance charges
- costs of arranging loans, VAT and other taxes recoverable by the beneficiary, administrative and staff costs or compensation paid to third parties for expropriation, etc.
- overheads allocated or apportioned at rates materially in excess of rates for similar costs incurred by other comparable delivery mechanisms
- notional expenditure
- payments for activity of a religious and/or political nature
- depreciation, amortisation and impairment of assets purchased with the help of a European grant
- provisions
- contingent liabilities
- contingencies
- dividends to shareholders
- interest charges (unless under an approved State Aid scheme)
- service charges arising on finance leases, hire purchase and credit arrangements
- costs resulting from the deferral of payments to creditors

- costs involved in winding up a commercial company
- payments for unfunded pensions
- compensation for loss of office
- bad debts arising from loans to employees, proprietors, partners directors, guarantors, shareholders or a person connected with any of these
- payments for gifts and donations
- personal entertainments (including alcohol)
- statutory fines and penalties
- statutory taxes (excluding irrecoverable VAT)
- criminal fines and damages
- legal expenses in respect of litigation
- reclaimable VAT.

113. Advice can be sought from SMU on a case by case basis if there is uncertainty.

LINKS TO OTHER LEGISLATION

114. The legislation relevant to each project will depend on the subject of the project however applicants will be expected to comply with the legislation noted below, if applicable:

- Environment (Wales) Act 2016
- Countryside Act 1968 - provides power for Natural Resources Wales (NRW) to operate public access and recreation facilities and to set bylaws, for example including plant health issues.
- Forestry Act 1967 - provides powers for NRW and Welsh Ministers on a range of forestry issues.
- Forestry Act 1979 - as above but including specific grant giving powers to NRW.
- Countryside and Rights of Way Act 2000 - provides for open access rights,
- Dutch Elm Disease (Local Authorities) Order 1984 - control measures for Dutch Elm Disease listed as a species of concern.
- European Communities Act 1972 s2(2)
- European Communities (Designation) Order 1996
- Environmental Impact Assessment (Forestry)(England and Wales) Regulations 1999
- Forest Reproductive Material (Great Britain) Regulations 2002
- Natural Environment and Rural Communities Act 2006
- Plant Health Act 1967
- Conservation (Natural Habitats, &c.) Regulations 1994 (The Habitats Regulations')

- Government of Wales Act 2006 TCP (Tree Preservation Order) (Amendment) Regulations 1988
- Plant Health (Wood Packaging Material Marking)(Forestry) Order 2006
- Plant Health (Forestry) Order 2005
- Plant Health (Export Certification) (Forestry) (Great Britain) Order 2004
- Plant Health (Fees)(Forestry) Regulations 2006
- Forestry (Exceptions from restrictions of felling) Regulations 1998
- Forestry (Felling of Trees) Regulations 1979
- Ministerial Direction under S1 (4) Forestry Act 1967
- April 1984 Ministerial Direction under S1 (4) Forestry Act 1967. August 1996

MEASURE 16.9

115. Support for diversification of farming activities into activities concerning health care, social integration, community-supported agriculture and education about the environment and food

MAXIMUM GRANT RATE AND MAXIMUM GRANT THRESHOLD

N.B. The following sections apply to the Sub-Measures under the CSCDS as stated:

116. The grant amount is made up from the total public sector contribution to the investment project which includes, monies from the EU, co-finance to the EU funds from Welsh Government, monies from other government departments and agencies, non-departmental public bodies and local authorities, monies from governmental controlled bodies such as the Small Business Service and the National Lottery, and monies from parafiscal taxes (levies).
117. If other EU or UK public funds are obtained to support the costs of a project they will be discounted against the grant awarded.
118. The maximum grant threshold per enterprise for any individual co-operation project is **£10,000,000**.
119. The minimum grant threshold per enterprise for any individual co-operation project is **£2,400**.
120. The maximum grant rate where the activities are supported on a no State aid basis are as follows:

Up to 100% for activity supported on a no State aid basis •
support for the primary activities of research organisations

Co-operation and Supply Chain Development Scheme - Guidance Notes

- support to research organisations for technology transfer activities
- support for research organisations to undertake certain collaborative R&D&I projects.

121. In this context only, 'research organisation' means research and knowledge dissemination organisations as defined by Welsh Government Research, Development and Innovation Scheme (SA.39648) and includes innovation intermediaries such as innovation brokers. Innovation brokers have a role to widely disseminate the results of experimental developments or industrial research by way of teaching, publication or knowledge transfer. Activities will be in accordance with Welsh Government Research, Development and Innovation Scheme (SA.39648) - Schedule 1.

122. Up to 100% for the following activities supported on a no State aid basis:

- support for the development of community transport provisions
- support for non-productive investments and other activities related to habitat management.

123. Up to 100% for co-operation activities in the agriculture sector under the following Sub Measures:

- 16.1 • 16.2
- 16.3 (excluding development and/or marketing of tourism services)
- 16.4
- 16.6 (biomass for energy production must not exceed on-farm consumption).

124. Up to 100% for co-operation activities in the forestry sector including the drawing up of forest management plans or equivalent under the following Sub Measures:

- 16.1 • 16.2
- 16.3 (excluding development and/or marketing of tourism services)
- 16.4
- 16.6 (biomass for energy production and industrial processes).

125. Up to 50% for co-operation activities in rural areas under the following Sub measures where the co-operation benefits rural areas:

- 16.1
- 16.2 (only in the food sector - Non Annex 1 inputs)
- 16.3 (including development and/or marketing of tourism services)
- 16.4
- 16.6 (biomass for food and energy production and industrial processes).

126. The maximum grant rate for direct costs (capital investment costs) incurred in support of a co-operation project under CSCDS (excluding Sub Measure 16.5) are determined by the aid intensity for investment activities as follows:

in Less Developed Regions:

- (i) 50 % of the amount of the eligible costs for investment in regions whose GDP per capita is below 45 % of the EU-27 average.
- (ii) 35 % of the amount of the eligible costs for investment in regions whose GDP per capita is between 45 % and 60 % of the EU-27 average.
- (iii) 25 % of the amount of the eligible costs for investment in regions with a GDP per capita above 60 % of the EU-27 average.

in Other Areas:

- 10 % of the amount of eligible costs for investment for medium-sized undertakings
- 20 % of the amount of eligible costs for investment for micro and small undertakings.

Note - the maximum aid intensity for large investment projects must be scaled down to the adjusted aid amount as defined in Point (35.31) of the European Union Guidelines for State aid in the agriculture and forestry sectors and in rural areas (2014/C 204/1).

STATE AID

127. Grants provided under this scheme shall be compatible with the internal market within the meaning of Article 107(3)(c) of the Treaty and shall be exempted from the notification requirement of Article 108(3) thereof pursuant to Article 24 of Commission Regulation (EU) No 702/2014 (OJ L No 193, 1.7.2014, p.1.) (Agricultural Block Exemption Regulations). This scheme will fully comply with the relevant provisions of Article 24 of the Agricultural Block Exemption Regulations.

128. Grants provided under this scheme for those activities that fall outside the scope of the Agricultural Block Exemption Regulations will be compliant aid pursuant to Articles 25 to 30 of Commission Regulation (EU) no 651/2014 (General Block Exemption Regulation). Under this regulation the following scheme has been registered the Welsh Government Research, Development and Innovation Scheme (SA.39648). This scheme will fully comply with the provisions set out in SA. 39648.

129. Grants provided to SMEs in the agriculture sector will fully comply with the relevant provisions of Chapter 1.1.11 of the European Union Guidelines for State aid in the agricultural and forestry sectors and in rural areas 2014 to 2020 (2014/C 204/1).

130. Grants provided to SMEs in the non-agriculture sector will fully comply with the relevant provisions of Chapter 3.10 of the European Union Guidelines for State

aid in the agricultural and forestry sectors and in rural areas 2014 to 2020 (2014/C 204/1).

CROSS CUTTING THEMES

131. The Regulations governing the European Programmes stipulate that all projects funded through the Common Strategic Framework must integrate the Cross-Cutting Themes (CCTs) of Equal Opportunities and Gender Mainstreaming and Sustainable Development. These mandatory CCTs need to be integrated into the design and development of the European Structural and Investment Funds and the activity supported through the funds. This includes the Welsh Government Rural Communities - Rural Development Programme 2014-2020.
132. In addition to the two CCTs mandated by the European Commission, Tackling Poverty and Social Exclusion will also be a mandatory CCT for the Welsh programmes.
133. The Cross-Cutting Themes are intended to add value, raise awareness and understanding while ensuring maximum participation and mitigating adverse impacts. This should help operations move beyond compliance and develop systems which support best practice.
134. Further guidance is available at: [Cross Cutting Themes Key Document – European Social Fund](#)

SELECTING SUCCESSFUL PROJECTS

135. To be selected a project must, as necessary, demonstrate how the European Structural & Investment (ES&I) core criteria are met:
 - core criteria include: Strategic fit, Delivery, and Financial and Compliance
 - other key criteria include: Indicators and Outcomes, Value for Money, Management of Operation, Cross Cutting Themes, Suitability of Investment, Long Term sustainability.

KEY REQUIREMENTS

136. The maximum period of an investment project will not usually exceed three years.
137. The maximum period of support for a co-operation activity project is seven years.
138. That the project would not proceed without grant assistance.

139. That the amount of grant being asked for is the minimum gap funding necessary for the project to go ahead.

140. Applications must also demonstrate that the following have been addressed:

- outline planning permission has been obtained, where required
- all other consents, licences and permissions have been granted, where required
- applicants who are existing legal entities must prove the economic viability of the project and the business, through the provision of accounts for three consecutive years immediately preceding the date of the application and financial forecasts for the period of the project.
Newly created legal entities applying will be required to supply full details about the background and experiences of the directors along with other evidence necessary to validate the business plan and project proposals
- compliance with UK and EU Law on equal opportunities and projects should promote and encourage equal opportunities and combat social exclusion
- compliance with minimum standards and legislative requirements regarding the environment, hygiene, animal welfare and health and safety standards (to include, where relevant, approvals the local Environmental Health Officer)
- availability within the applicant organisation (legal entity) of the necessary technical skills and competences
- attain or exceed the 'Excellent' rating under the BREEAM environmental assessment framework, or equivalent, for all new buildings
- aspire to zero carbon emissions for all new buildings built from 2011 onward.

141. To be selected a project must, as necessary, demonstrate:

Need for activity

- the outputs are required and will deliver against the Measure outputs
- it adds to and does not displace/unnecessarily duplicate existing activity.

Need for funding

- it cannot proceed now without support
- the costs are not excessive for the nature of the activity involved
- there is a market failure or funding gap, where applicable.

Ability to deliver

- viability of the business

- legal compliance
- financial viability of project and sustainability, including exit strategy
- support and commitment of key stakeholders
- project management, monitoring and evaluation arrangements.

142. The greater the importance and contribution that the project investment can make to the appropriate strategic and thematic objectives the more likely it is to be recommended for selection.

HOW TO APPLY

143. It is a European Commission requirement that projects in the Welsh Government Rural Communities - Rural Development Programme 2014-2020 are not selected on a first past the post system. To meet this requirement it is intended that the Welsh Government Rural Communities - Rural Development Programme 2014-2020 schemes will open and close for applications periodically through the life of the new programme, dependent upon available programme financial allocations.

The Application process for Welsh Government Rural Communities - Rural Development Programme 2014-2020 socio-economic schemes will be in two stages. The first stage will be an Expression of Interest (EOI). Applicants that are successful at EOI stage will be invited to the second stage which is to submit a full application.

144. EOI applications will be submitted in direct competition with one another and it is expected that there will be significant demand for the grant available. Businesses will be invited to submit outline proposals for new investments. Third Sector organisations and other bodies such as colleges or universities will be invited to submit outline proposals for projects. Those proposals will be assessed against criteria that will demonstrate the expected value of the investment or project and the contribution that is expected to be made towards the objectives of the Welsh Government Rural Communities - Rural Development Programme 2014-2020.

145. Details of the EOI application window(s) will be published on the Welsh Government website. This will give the opening and closing dates, the indicative budget available for each window and the expected maximum number of EOIs that will be invited to submit a full application, selection criteria will also be published on the website.

146. The EOI applications will be scored and ranked in order of merit according to the published selection criteria. Project proposals will be selected in ranked order until either the funds available have been allocated or the maximum number of applications has been reached. There is no guarantee that all of the funds will be allocated or that the maximum number of projects will be invited.

147. Full details of how to submit an EOI are set out in the Expressions of Interest Guidance Note, and accompanying Scheme specific EOI criteria and application form.
[Rural grants and payments](#)
148. Once a project proposal has been selected at the EOI stage the applicant will be invited to prepare and submit a full Scheme application for their proposed project, along with supporting documentation such as business development plan, previous accounts (where appropriate); financial projections and cash flows and other information as may be necessary.
149. Full applications must be submitted through the WEFO Online portal. Guidance will be provided to all applicants.
150. Second stage applications must be consistent with the proposal outlined in the approved EOI.
151. The full application will be appraised in accordance with the usual Scheme Guidance and eligibility rules. They will be subject to full due diligence appraisal and eligibility checks and only at that point will a final decision be taken to offer a grant. There is no guarantee that a project proposal will be approved for a grant. We aim to complete the appraisal of full applications within 90 working days of receipt of the full application. Appraisal of complex projects, or applications with eligibility issues may take longer. If you delay in replying to requests for further information this will extend the time.
152. **You must not start any work until you have received written confirmation from the Welsh Government that you may do so.**
153. **You should be aware that if successful, the Welsh Government and the EC reserve the right to publish the name of your company, the amount of grant you were awarded and a summary of your project.**
154. **You may use a consultant to prepare your application if you wish but it is your responsibility to ensure that the application is correctly completed and that the information provided in support of your project is accurate.**
155. When you submit your application form, the Welsh Government will acknowledge its receipt. If your project is ineligible, you will be told this as soon as possible. If your application is eligible, it will be subject to a detailed technical and financial appraisal. When the appraisal is complete, support for your application will then be evaluated against the extent to which it meets national and regional objectives and priorities, as described above.
156. There are three possible outcomes:
- (a) Your project is not eligible for the grant. You will be told as soon as possible.

- (b) Your project is eligible for consideration but is not approved for an award. You will be informed of the reasons why your application was not successful. You may apply again with the same project (amending the application if you wish) **but only if you have not started work.**
- (c) Your project is eligible and is approved for an award. An approval letter will be issued to you setting out the terms and conditions of the award which you will be asked to sign as agreement that you accept the terms and conditions therein. The letter will also provide you with the authority to start work.

CONDITIONS OF GRANT

- 157. The CSCDS is subject to a range of relevant legislation (see separate guidance notes). Both the Welsh Government and the applicant/recipient must act in accordance with legislation.
- 158. The offer of a CSCDS grant is made subject to terms and conditions, including those set out below. **Failure to meet the terms and conditions of the award could result in the cancellation of your award and/or the recovery of sums already paid, or a reduction of the amount of grant payable.**

Conditions:

1. Acceptance of the grant awarded must be made within fourteen (14) working days of the date on the approval letter.
2. The award is made on the basis of statements made by you or your representatives in the application form and subsequent correspondence.

The making of false or misleading statements is an offence.
3. You must not begin any work on the project without first obtaining written authority to do so from Welsh Government.
4. You must meet any legal obligations imposed under ELI and UK law, including hygiene legislation.
5. No alterations may be made to the project, including the location of the activity, without the written approval of Welsh Government.
6. No equipment and/or buildings purchased with grant aid must be disposed of, transferred or sold without the prior written consent of Welsh Government during the project delivery and for five years from the project end date.
7. The applicant is required to comply with the rules on eligible expenditure as detailed in the relevant Scheme Guidance Note.

8. Claims must be submitted in the correct format and accompanied by all necessary documentation. If not, they will not be accepted and will be returned to the claimant.
9. Claims must be submitted in accordance with the agreed timetable. You cannot change the agreed timing and value of your claims without written agreement from Welsh Government.
10. The first claim must be submitted no later than **six months** from the date on the approval letter.

If the first claim is not made within this period the grant offer will be automatically terminated.

11. Projects should be completed within the timetable agreed with Welsh Government. You cannot change this without written agreement from Welsh Government.
12. You must confirm that none of the items covered by the application are replacements under an insurance claim.
13. You must provide confirmation that no other public funding (whether from ELI or UK sources) has been sought.
14. Any publicity given to the project must make reference to the part played by both the European Union and Welsh Government in funding it.
15. Records concerning the activity of the business and the delivery of the project, including all original invoices and other related documents such as competitive tenders or quotes, must be retained for at least seven years after the project end date as stated in this grant approval letter.
16. You must allow representatives of Welsh Government, the Auditor General for Wales, Audit Commission and the European Court of Auditors to inspect the project. On request, you must provide them with information and/or access to original documentation in relation to the project.
17. The information provided in the application and any supporting documentation is subject to the requirements of the Welsh Government's Code of Practice on Public Access to Information, the Freedom of Information Act 2000 and the Environmental Information Regulations 2004.

You should be aware that if successful, Welsh Government and the EC reserve the right to publish the name of your business or company, the amount of grant you were awarded and a summary of your project.

18. The information provided in the expression of interest application and full applications is subject to the Privacy Notice at [Privacy Notice](#).

The Privacy Notice explains the Welsh Government's processing and use of your personal data and your rights under the General Data Protection Regulation (GDPR).

Competitive Tendering and Public Procurement

159. The EC Procurement Directives apply to contracts that are financed or part financed by ELI Funds. The full procurement rules apply to all public bodies and commercial enterprises in the private sector who receive grant support of 50% or more of total project costs exclusive of VAT.
160. Third sector organisations that are not financed or supervised by public sector bodies and commercial enterprises in the private sector who receive grant support of less than 50% of the total project costs may not be covered by the European Community (EC) Procurement Directives but are still expected to use fair and open practices, including competitive tendering, when buying goods or services as part of project activities that are being supported through ELI funded Programmes.
161. For guidance on the requirements that must be followed by all applicants please see WG Competitive Tendering and Public Procurement Technical Guidance Notes:

<http://gov.wales/docs/drah/publications/160704-competitive-tendering-and-public-procurement-technical-guidance-notes-en.pdf>

PAYMENT OF GRANT

Claims

162. You may make interim claims during the period of your project. Guidance notes on how to claim will be issued when the award is confirmed and subsequently the claim is invited. Claims will only be paid when the Welsh Government is satisfied the relevant expenditure has taken place and that the work has been completed according to plan. Payment will be made by electronic transfer to your bank account.
163. Final claims for payment of grant should be submitted as soon as possible after the physical work on the project has been completed. All final claims must be received no later than 30 June 2023 in order for Welsh Government to be able to meet the payment. Failure to submit claims may result in the grant paid to date being recovered.
164. During the lifetime of the grant, when claims are submitted, they may be scrutinised to ensure expenditure is eligible and in line with that approved in the

original application. During the project, the project sponsor may be visited and a detailed assessment of the project undertaken, this may include a review of all original supporting documentation. The release of grant will be conditional upon adequate progress having been made.

Incorrect claims and penalties

165. You have a responsibility to make sure that each claim submitted is arithmetically correct; that all actual costs are evidenced as defrayed expenditure (the payment has gone from your bank account); that all the items and costs are eligible and that the claim is on time.
166. If the claim is incorrect then your claim will be reduced to the amount that is eligible and the grant to be paid will be calculated accordingly. However, if the error is more than 10% of the total amount claimed then a financial penalty will be applied as described below.
167. The amount of eligible expenditure will be reduced by the amount of the error and so the final amount of grant to be paid will be lower than expected. You will have to make up the difference because the lost grant cannot be included in later claims.
168. If you have any doubts about the eligibility of any expenditure you must check **before you incur the costs.**

Offences

169. Regulation 13 of the Rural Development Programmes (Wales) Regulations 2014 (No. 3222 (W.327)) establishes criminal offences and penalties in relation to certain aspects of rural development funding. That Regulation and those offences are applicable to the CSCDS. Examples of offences include knowingly or recklessly providing false or misleading information in relation to rural development funding; obstructing an inspector or official; and refusing to provide information when requested to do so.

MONITORING OF PROJECTS

170. It is a European Commission requirement that the progress of your project is monitored and its success evaluated following completion. You will be asked to provide regular updates on its progress and three months following completion, a final report on its performance, when the project will be evaluated against the objectives and targets set out in the approved application. If the project should fail to meet these targets and, on the basis of progress actually made, would not have qualified for grant aid under the scheme, action may be taken to recover the grant paid.
171. It will be a requirement of the grant award that any equipment purchased with the aid of a grant and any buildings on which grant is paid, must be kept in situ, operational and in good repair, and used for the same purpose as set out in the

original application, for five years from the project end date.

172. You must allow officials from Welsh Government and the European Commission, or their representatives, to inspect the project at any reasonable time within this five year period.

END OF CO-OPERATION AND SUPPLY CHAIN DEVELOPMENT SCHEME

173. All claims must be submitted to the Welsh Government by no later than 30 June 2023. All project activity must be completed in time for accounts and records to be audited and claims to be prepared and submitted by this date.

APPEALS PROCEDURE

174. If an application is rejected, the reasons for rejection will be spelt out clearly. We will be prepared to discuss any modifications which might be needed to make the project acceptable.
175. If an application is still rejected an appeals procedure will be established which will take the form of an oral or written submission to persons appointed by and independent of the Welsh Ministers.

COMPLAINTS PROCEDURE

176. If you consider that we have failed to follow the correct procedure in the handling of your request you may wish to make a complaint in accordance with Welsh Government's Complaints procedure which is available by post or via the website at:

[http://gov.wales/contact us/makeacomplaint/?lang=en](http://gov.wales/contact-us/makeacomplaint/?lang=en)

ANNEXA

PRIORITY AND FOCUS AREA DESCRIPTION

Regulation (EC) 1305/2013 presents the following **Objectives**:

- fostering the competitiveness of agriculture
- ensuring the sustainable management of natural resources and climate action
- achieving a balanced territorial development of rural economies and communities including the creation and maintenance of employment.

There are 6 EC Rural Development **Priorities** which set the context for the EAFRD:

- 1) Fostering knowledge transfer and innovation in agriculture, forestry, and rural areas.
- 2) Enhancing competitiveness of all types of agriculture and enhancing farm viability.
- 3) Promoting food chain organisation and risk management in agriculture.
- 4) Restoring, preserving and enhancing ecosystems dependent on agriculture and forestry.
- 5) Promoting resource efficiency and supporting the shift towards a low carbon and climate resilient economy in agriculture, food and forestry sectors.
- 6) Promoting social inclusion, poverty reduction and economic development in rural areas.

These Priorities are broken down into **18 Focus Areas**:

Priority 1: Fostering knowledge transfer and innovation in agriculture, forestry, and rural areas

- (a) Fostering innovation and the knowledge base in rural areas
- (b) Strengthening the links between agriculture and forestry and research and innovation
- (c) Fostering lifelong learning and vocational training in the agricultural and forestry sectors

Priority 2: Enhancing competitiveness of all types of agriculture and enhancing farm viability

- (a) Facilitating restructuring of farms facing major structural problems, notably farms with a low degree of market participation, market-oriented farms in particular sectors and farms in need of agricultural diversification

Priority 3: Promoting food chain organisation and risk management in agriculture

- (a) Better integrating primary producers into the food chain through quality schemes, promotion in local markets and short supply circuits, producer groups and inter-branch organisations

(b) Supporting farm risk management
Priority 4: Restoring, preserving and enhancing ecosystems dependent on agriculture and forestry
(a) Restoring and preserving biodiversity, including in Natura 2000 areas and high nature value farming, and the state of European landscapes
(b) Improving water management
(c) Improving soil management
Priority 5: Promoting resource efficiency and supporting the shift towards a low carbon and climate resilient economy in agriculture, food and forestry sectors
(a) Increasing efficiency in water use by agriculture
(b) Increasing efficiency in energy use in agriculture and food processing
(c) Facilitating the supply and use of renewable sources of energy, of byproducts, wastes, residues and other non-food raw material for purposes of the bio-economy
(d) Reducing nitrous oxide and methane emissions from agriculture
(e) Fostering carbon sequestration in agriculture and forestry
Priority 6: Promoting social inclusion poverty reduction and economic development in rural areas
(a) Facilitating diversification, creation of new small enterprises and job creation
(b) Fostering local development in rural areas
(c) Enhancing accessibility to, use and quality of information and communication technologies (ICT) in rural areas