Breakout group 2 discussion

Eligibility conditions and selection procedures to target better project durability

Subjects discussed:

This breakout group gathered examples of different eligibility conditions and selection procedures used by different Member States (MS) to target better project durability. Methods for selecting projects, such as business plan requirements, requirements for the economic and physical size of the farm, profit, and educational experiences were discussed. How to deal with the risk of non-accomplishment of business plans in different MS was also discussed, as well as how some MS are showing more flexibility to project applications in the 2023-27 programming period.

Specified MS example that kicked-off the discussion:

In Hungary, a strong business plan model is used for project selection. In investment calls, the business plan accounts for at least 50 of the maximum 100 points for an application. Business plans should be comprehensive and include elements such as implementation plan, financial plan, sustainability, and, innovation. The most important part of the application is the one concerning sustainability, which carries a score of between 25-30 points.

Summary of the discussion:

Eligibility criteria and business plans:

- Most MS represented in the workshop require applicants to prepare a business plan. In Hungary, if the funding amount is higher than €15,000, applicants must prepare a detailed business plan, whereas only a simplified business plan is required below this amount. Austria has a threshold of €50,000, below which a simplified business plan may be submitted. In Malta, as most farm projects are relatively small, applicants are asked for a 2-year crop-plan and a cost-effectiveness analysis instead of a formal business plan.
- Regarding other eligibility criteria, Ireland, Malta, and Greece require a certain economic or physical holding size to be eligible for certain types of investments. Bulgaria examines the net profit of the projects over the past three years, as well as the educational experience of project managers and/or employees, especially for non-farming projects.

Risk of failure and project sustainability:

- Regarding how to deal with the risk of non-accomplishment of business plans, many MS present in the workshop agreed that checking the project's financial stability of the is crucial. Ireland looks at previous inspection histories and ranks LEADER projects according to their level of risk. The Netherlands conducts risk analyses on projects, which an advisory board checks.
- The extent to which detailed financial data are taken into account varies by MS. In countries with small farms like Greece, other indicators along with robust financial/economic data are important to check. In Belgium-Flanders, specific sustainability indicators are highly important, which may pose a risk for projects if they are weak or lack financial viability.

Supporting innovative projects:

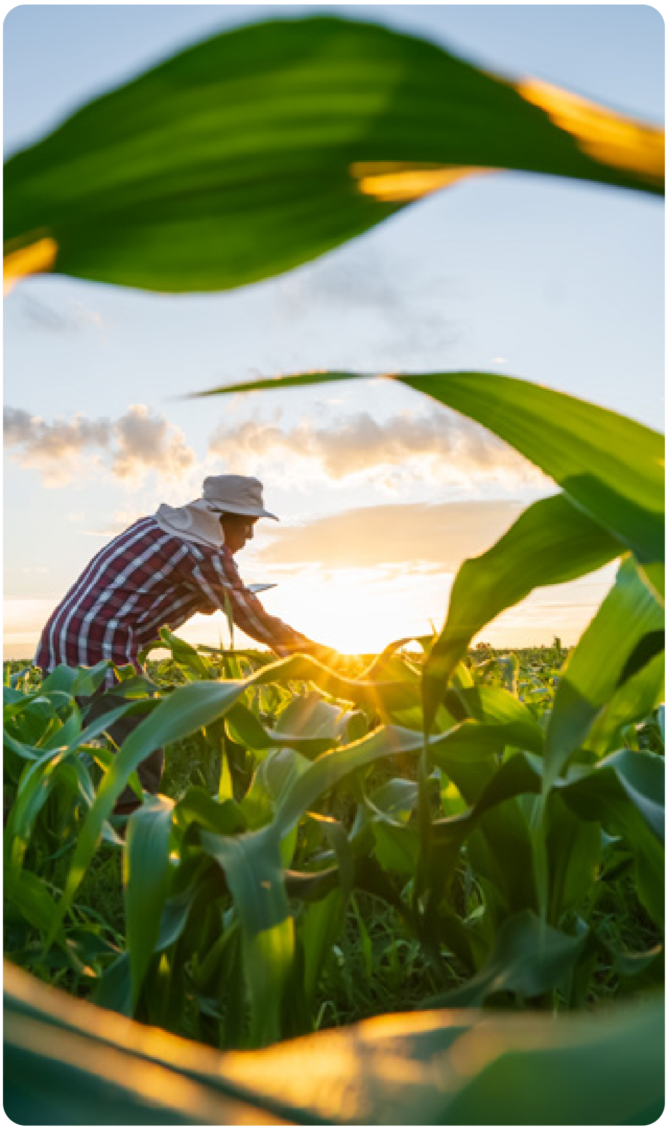
- Some MS look for innovative aspects of projects, such as their ability to diversify or create added value. This inherently poses risks because the project is conducting something that has not been done before.
- Many MS acknowledge that supporting innovative projects is nonetheless important, and one can never know if a project will fail during the initial evaluation if crises occur during the implementation phase, such as rising energy costs. Failure can also be seen as a learning experience in how to improve.

Flexibility to address uncertainty:

- Some MS, such as Cyprus, have chosen to allow more flexibility by accepting minor changes to projects, after increasing uncertainty due to COVID-19, the Ukrainian invasion, energy prices and climate change in recent years. In Bulgaria, requests for changes by beneficiaries have increased, and justification is required to show how these changes still reflect the objectives of the business plan.

Recommendations or actions proposed:

- Business plans remain a good way to assess project viability.
- Checking the financial stability of projects is essential for risk assessment.
- Other factors besides economic indicators should remain a part of the selection process, such as sustainability and innovativeness, even though the risk of failure may increase as a result.
- Providing more flexibility for projects by allowing them to change practices along the way should be allowed, as long as overall objectives do not change.
- Eligibility criteria and selection procedures are not and should not be a "one size fits all", and each MS typically employs different methods.
- Sustainability is recognised as a key selection criterion. However, the risk of failure may increase because durability is difficult to control.



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