Enabling LEADER through improved funding mechanisms

Financing for LEADER/CLLD: Opportunities and relevant practices
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Objectives

- To raise awareness of the need for a systemic approach to funding LEADER
- To inform and stimulate exchange about LEADER funding issues
Informed by

• LEADER subcommittee Focus Group on the Implementation of the bottom-up approach Extended Report. December 2010
• LEADER subcommittee Focus Group on Preserving the innovative/experimental character of LEADER. Extended Report on Preserving the Innovative Character of LEADER. November 2010
• LEADER Event 2012
• LEADER Event 2013
“Where LEADER works well it is supported and enabled by a well-structured framework with associated mechanisms and systems. Ideally this links the LAG, MA, PA and EC.”

Framing LEADER funding

- Good communication and coordination during programming and implementation
- Creating and maintaining a supporting and enabling regulatory framework
- Shared understanding of the specific character of LEADER
LEADER principles and implications for funding LEADER

- Non-restrictive approach to determining eligible costs for LEADER projects
- Eligible costs are related to LDS objectives and projects
- Activities and costs related to cooperation & networking recognised as eligible
- Promoting social inclusion, poverty reduction and economic development of rural areas
- Innovative character
- Cooperation and networking
- Area-based approach
- Public-private partnerships
- Local needs – integrated and multi-sectoral local strategy

Bottom-up approach
The typical `funding` flow for LEADER

- Aid intensity?
- Types of beneficiaries?
- Eligible costs based on LDS?
- Animation - LEADER specific?
- Funding the 'own source'
- Min and max project size?
- LDS review and modifying the financial allocation?
Some elements of effective LEADER funding

• Adequate needs analysis and planning for budget allocation
• Indicative budgets for LAG/LDS planning
• Quality of the LDS & LAG size considered in LAG/LDS budget allocation
• LDS funding driven by LEADER features
• LAG running cost & animation costs proportionate to LAG tasks allocation
• Advance payment made available
• Evidence based LAG/LDS budgets
• Clear rules on budget allocation
• Regular LDS review allows for modification of financial allocations
• Small and complex projects and relevant procedures
First "financial planning" for CLLD 2014-2020 in the Partnership Agreement

Strategic choices of the Member State for integrated territorial development include developing an overall vision for CLLD (objectives and priorities):

- Results wanted from CLLD
- Identify objectives and priorities that can best be dealt with locally
- Identify resources and scope of the four Funds for most appropriate combination to achieve the aims
Contribution of the Fund(s) to LEADER/CLLD in the RDP/OP 2014-2020

• EAFRD, EMFF contribution calculated on the basis of eligible public expenditure

• ERDF, ESF: contribution calculated on the basis of total eligible expenditure (incl. public and private expenditure) or eligible public expenditure
Co-financing rates EAFRD for LEADER/CLLD – importance given to the approach by the EU

**2007-2013**

- Higher EAFRD contribution rate for LEADER axis (*+5 percentage points*):
  - Up to 80% in Convergence regions
  - Up to 55% in the other regions
  - (up to 85% in the outermost regions, the smaller Aegean islands)

**2014-2020**

- Higher EAFRD rate for LEADER (*between +5 and +27 percentage points in comparison to standard rate*):
  - Up to 80%
  - Up to 90% for the RDPs of less developed, the outermost regions, the smaller Aegean islands and transition regions
Guidance on EAFRD aid intensity for LEADER

- Guidance for the different type of operations (Draft LEADER measure fiche):
  - Preparatory support; running costs and animation: up to 100%
  - Implementation of operations under the LDS and cooperation:
    - State aid and de minimis rules apply to LEADER funding
    - Up to 100% depending on the applicable state aid regime
    - A co-financing by the public or private investor is recommended
    - In case of the same types of operations implemented through standard measures and the LEADER approach, LEADER could get a higher aid intensity rate
Specific eligibility issues / harmonisation between the ESI-Funds

• **VAT**: only where it is non-recoverable under national VAT legislation *(see art. 59.3(c) CPR)*

• **Contributions in Kind** *(Art. 59 (1) CPR)*: voluntary work can be eligible for support

• **Simplified cost options** *(New for the EAFRD!)*: standard scales of unit costs, lump sums not exceeding 100 000 EUR of public contribution; flat-rate financing *(determined by the application of a percentage to one or several defined categories of cost)*
New legal requirement in the CPR: The financial plan of the local development strategy

A mandatory element of the LDS is: the financial plan of the strategy, including the planned allocation of each of the concerned ESI-Funds. (Art. 29 (1) (g) CPR)
LDS budget: Recommendations from the CLLD Guidance document

• Managing Authorities to decide on the distribution key on RDP/OP level and the way the LDS budget is factually "allocated" to the LDS/LAG
  – Recommendation to distribute funding between LAGs based on the quality of the proposal (in terms both of the strategy and the partnership)
• It is important that during the LDS selection process the LAG gets assurance on the budget and that it can fine-tune the LDS respectively ("feedback phase"): The budget has to be proportionate to the action plan.
• This is part of the obligation of the MS to define criteria for the selection of LDS. (see Art. 29 (2) CPR).
• Legal requirement: The decision approving a LDS has to set out the allocations of each of the concerned ESI-Funds (Art. 29 (4) CPR).
Possibility of a lead Fund for running costs and animation for multi-funded LDS: a proposed simplification

- Art. 28 (4) CPR: If the decision of the selection committee determines that the LDS requires multi-fund support, it may designate a „lead Fund“ which covers all running and animation costs

- Up to the Member States to decide if they want to make use of this option

- To be best defined at local level when drawing up the strategy? (see Art. 29.1 c+g CPR): Highest proportion of funding? The fund whose character fits most to the territory and the strategy? (see CLLD Guidance)
Running costs and animation

• Recommendation in CLLD Guidance that the programmes mention an indicative estimate of expenditure / Allocation of budget
• Maximum ceiling 25% for RC&A together: from total public expenditure incurred for each LDS
• Use of simplified cost options for certain cost items listed in Art. 31 (1) (d) and (e) CPR?
Advance payments EAFRD (if option is included in RDP)

• For **investments**: beneficiaries may request the payment of an advance of up to 50% of the public aid related to the investment (Art. 46 (5) RD Reg)

• For **running costs & animation in LEADER**: LAGs may request the payment of an advance. The amount of these advances shall not exceed 50% of the public support related to the running and animation costs (Art. 42 (1) RD Reg)

**Requirement**: bank guarantee corresponding to 100% of the amount of the advance or an equivalent guarantee by public authority (Art. 70 (1) RD Reg)
Comparison of some financial aspects (old and new)

**2007-2013**

- LAG running costs max. 20%
- Advances for running and animation costs up to 20%
- 20% of investment support payable as advance (1974/2006 EC Art.56.)
- Advances: bank guarantee (or equivalent) 110% (Reg. 1974/2006 EC Art.38, 56.)
- No legal provisions for simplified cost options
- VAT: restricted eligibility (art. 71.3(a) Reg. 1698/2005)

**2014-2020**

- LAG running costs and animation max 25%
- Advances for running costs and animation up to 50%
- 50% of investment support payable as an advance (EAFRD reg. Art.46.5 and 70 – to be checked)
- Advances: bank guarantee (or equivalent guarantee by MA) for advances 100% (EAFRD Reg. Art. 70.)
- Possibility use simplified cost options (CPR Art.57)
- VAT: eligible where non-recoverable under nat. legislation (art. 59.3(c) CPR)