



*European Network for
Rural Development*

**Leader subcommittee Focus Group on
the Implementation of the bottom-up approach**

**Summary of the Extended Report on
the Implementation of Leader Approach**

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Connecting Rural Europe

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1 Introduction

This report presents the results of the work of Focus Group 1 "Implementation of the bottom-up approach under Leader Axis" established at the Leader Sub-Committee meeting of 25 November 2009. Preliminary results were presented to the Leader Sub-Committee at its meeting of 20 May 2010 and supplementary collection of information and analysis were subsequently carried out to the end of June 2010 and are included in this report.

The contents of the report reflect the opinion of Focus Group 1 and not necessarily of the European Commission.

The three main **objectives** of the focus group were:

To establish an inventory of implementation models.

To identify the main difficulties / obstacles in the implementation of Leader axis and good practice.

1. To reflect on possible solutions, at different levels and for the short, middle and long term to improve Leader administrative implementation.

In order to realise the objectives of Focus Group 1 two main activities were conducted:

- An **Inventory of Leader Implementation Models** was developed, using a **fiche** for each programme, completed by the Commission with contributions from Focus Group 1 participants. Replies were received from 27 MS covering 88 RDPs.
- A **questionnaire** on the Implementation of the Leader Approach was developed and distributed to participants and other NRN representatives. 24 MS provided 43 completed questionnaires covering 66 RDPs, some of which were returned by LAGs on behalf of NRNs.

Meetings of the group took place on 24 March 2010 in Rome and 19 May 2010 in Brussels. A number of working meetings were also held involving the co-chairmen of the group, the EN RD Contact Point and the Commission to prepare the questionnaires, plan the meetings and develop the report of the group. Working papers and methodological notes were prepared and used at the meetings.

The present report draws on the Inventory of Implementation Models, an analysis of questionnaires received, case studies and discussions from the meetings of the group, and a number of written comments and suggestions submitted by participants at various stages. It uses examples from different MS and RDPs to illustrate the findings of the group and does not aim to present comprehensively the implementation of Leader approach in individual MS and RDPs. Further information is included in a fuller working document which has been prepared for use by the focus group, Leader Subcommittee and thematic working groups of the Coordination Committee.

2 A typology of Leader implementation models

There are three major Leader implementation models currently used by the Member States under the Leader axis:

- First model: Decentralisation of project selection competence.
- Second model: Decentralisation of project selection and payment competence.
- Third model: Decentralisation of project approval ("local global grant").

The first is the most commonly used model in the Member States (19 MS, 41% of RDPs). The second model is used in 4 Member States (4.5 % of the RDPs) and the third model is applied in 12 Member States (54.5% of the RDPs).

Management tasks can be delegated to the LAGs partially or totally. When an administration delegates tasks, this means automatically that the administration applies a supervising system in order to assure that the delegated tasks are well implemented.

2.1 Decentralisation of project selection at LAG level (First Model)

This model can be considered as a "basic model" corresponding to the local competence minimum requirements. Other models have been developed on the initiative of the MS.

The LAG has the practical responsibility to implement the local development strategy (Article 62.1 a). Most of the management tasks are carried out at local level. The MA retains its responsibility on the efficiency and correctness of management (Article 75.2). The LAG has no role in the formal project approval and payment of EAFRD to the beneficiaries.

Under this model the LAG is responsible for generating, appraising and selecting projects (Article 64) but then submits them to the MA, or another implementing body(ies) sub-delegated for the formal project approval and subsequent authorisation of claims.

The following tasks are carried out by the LAGs:

1. Elaboration of calls including definition of local selection criteria.
2. Publication of calls.
3. Reception of applications.
4. Project Assessment.
5. Project ranking.
6. Final list of selected projects proposed to the MA including fixing the amount of support.
7. Monitoring the implementation of the strategy (including monitoring the realization of selected projects).
8. Evaluation of the strategy.

The payment of the subsequent claims is made by the PA. On the exchange of financial information two variants derive from this first model:

- Variant A: The decision of payment is sent to the beneficiary and to the LAG.
- Variant B: The decision of payment is sent only to the beneficiary.

Variant A allows the LAG to monitor progress made in the execution of projects and implementation of the strategy. This is not the case for variant B.

An additional factor of model differentiation is the fact that control tasks on projects can also be delegated to LAGs according to article 33 of Regulation (EC) n° 1975/2006 on control procedures. This is the case in AT, CZ, DE, DK, EE, ES (Galicia, País Vasco, Cataluña and Comunidad Valenciana), FI, IT (Bolzano, Umbria, Marche, Veneto), LT, LV, NL, PL, RO, SE, SI, SK and UK (Northern Ireland).

In the regions Marche, Umbria and Veneto (Italy) there is a partial decentralisation of selection tasks, and the PA or MA intervenes in the project ranking.

2.2 Decentralisation of project selection and payment to the beneficiaries (Second Model)

The payment task is added to the eight basic tasks carried out under the previous model. The LAG is responsible for selecting projects, receiving payment claims and paying funds to the beneficiary¹.

A distinction has to be made between the authorisation of the payment and the transfer of money to the beneficiary. Control tasks on projects can also be delegated to LAGs.

This model is used in BE (Wallonia), LU and UK (Wales and England) where the payment to the beneficiary is made by the LAG.

In Wales the LAGs can make payments to local beneficiaries and then submit a claim to the Welsh Assembly Government for reimbursement.

2.3 Decentralisation of project approval (Third Model)

The LAG is responsible for appraising, selecting and approving formally the project and issuing the grant letter to the beneficiary. The key distinctive feature of this implementation model is that the legal commitment towards the beneficiaries is made by the LAG (issuing the grant letter).

The LAG will need to be a legally accountable body or to designate among its members such a body which will have delegated responsibility from the MA. The MA retains its responsibility on the efficiency and correctness of management. The LAG has to be considered as "another body" in the sense of Article 75.2 of Regulation (EC) n° 1698/2005².

Two variants derived from this model depending on who makes the payment to the beneficiary.

Variant A (the payment to the beneficiary is made by the PA):

This variant is applied in MT, PT, BG, BE (Flanders), IT (Abruzzo, Basilicata, Calabria, Emilia Romagna, Friuli Venezia Giulia, Lazio, Liguria, Piemonte, Puglia, Sardegna, Sicilia, Toscana, Trento, Campania, Lombardia, Molise, Valle d'Aosta).

¹ The payment task referred to under this implementation model is related to the EAFRD contribution. Payment of the national public co-funding can be also a task of the LAG in any of the three models.

² Article 75.2: When a part of its tasks is delegated to another body, the Managing Authority shall retain full responsibility for the efficiency and correctness of management and implementation of those tasks.

In MT LAGs will inform the MA about their decision and after verification the LAG can publicise the results and notify the beneficiary.

In BG after the PA conformity check, the LAG notifies all applicants of the results of the evaluation and signs the contracts with the successful applicants. LAGs submit one copy of the signed contracts to the Paying Agency.

A partial decentralisation of project approval has to be noted in FR where the grant contracts with the beneficiaries are co-signed by the MA and LAG and in HU where the commitment is done by the MA and the written decision to inform the beneficiary is made by the LAG. This written decision also contains the amount of support.

Variant B (the payment to the beneficiary is made by the LAG):

This variant is applied EL, IE, ES (all regions except Galicia, País Vasco, Cataluña and Comunidad Valenciana), UK (Scotland).

In EL for measure 41 the following successive steps are in place: MA examines the eligibility aspect of the projects; the contract is signed between LAG and beneficiary; PA credits the LAG account with an advance payment; LAG makes administrative checks and pays the beneficiary; MA applies a supervising procedure; PA credits the LAG account with an interim payment. For measures 431 & 421 the MA makes administrative checks on payment claim & approves the payments.

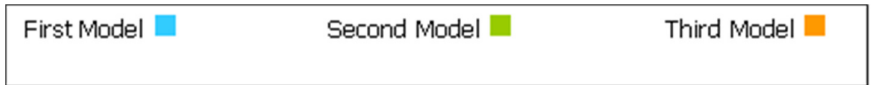
In IE when sufficient expenditure has been incurred the LAG will claim the funding from the PA. It is at this stage that a risk assessment exercise is carried out for pre-payment checks. Once the claim is cleared the PA will make the payment to the LAG who will in turn make the payment to the project promoter.

In the Spanish regions different financial circuits are used: LAGs are paying the beneficiaries and then the PA is paying the LAGs (Castilla la Mancha) or the PA pays the LAG which then transfers the amount to the beneficiary (Murcia).

Main advantages and disadvantages of different implementation Models

	Advantages	Disadvantages
First Model	<ul style="list-style-type: none"> • Relatively small administration burden. The LAG can focus more on animation and development work • Less risk, especially if a project fails. 	<ul style="list-style-type: none"> • LAGs have less of a sense of ownership of their local development strategy • Less control over project implementation if control tasks not delegated • There is an additional administrative layer. It can take longer to assess and approve projects • Selection competence (scope of intervention) can be limited by financial procedures (e.g. national co-funding restricting the scope) or by eligibility checks going beyond administrative and legal checks.
Second Model	<ul style="list-style-type: none"> • LAGs have a greater visibility towards the beneficiaries • It reduces time to pay claims. 	<ul style="list-style-type: none"> • It can be difficult to find locally an organisation prepared to act as an accountable body with the capacity to put in place the necessary administration and accountability systems • Greater degree of administration involving more staff • There might be risks linked to liquidity problems. Does the group or the designated partner have the financial capacity to pay advances to final beneficiaries in case of investments, e.g. through agreements with banks or through its own funds? • Higher level of risk as the LAG is responsible for the disbursement and accountability of EU funds.
Third Model	<ul style="list-style-type: none"> • LAGs have a greater visibility towards the beneficiaries • The LAG partners have greater ownership of their strategy • It allows more autonomy over what projects are finally approved and how to use the funds • It is easier to maximise co-ordination between projects • It reduces time to assess and approve projects • Establishment of mature and reliable mechanism for decentralised implementation of integrated, multi-sectoral development programmes (sustainability). 	<ul style="list-style-type: none"> • It can be difficult to find locally an organisation prepared to act as an accountable body with the capacity to put in place the necessary administration and accountability systems • Greater degree of administration involving more staff • Higher level of risk as the LAG is responsible for the disbursement and accountability of EU funds.

Indicative map of implementation models per Member State/Region



3 Definition of responsibilities and decision making

3.1 Project development and selection tasks³

Support to beneficiaries to develop projects and prepare applications. In the majority of responses, 43 out of 66 replies (65%), the LAGs are responsible for this task. In DK, DE (Hessen, Niedersachsen), MT and ES (Comunidad Valenciana) programme authorities and/or regional or national networks also assist the beneficiaries in addition to the LAGs.

Elaboration of calls including definition of local project selection criteria. In most programmes, as indicated in 73% of answers received, LAGs prepare the calls. Most of the LAGs, according to 49 of 66 the responses, use separate periodic calls with submission deadlines. Some LAGs in 17 of the RDPs, (AT, DE, LU and IE, DK) use open (permanent or continuous) calls under which applications can be submitted at any time during the period of strategy implementation and the process of project selection is often non-competitive. Although this task is normally under the responsibility of LAGs there are certain programmes where the MA or other implementing bodies intervene in addition to the LAG, e.g.:

- In CZ, IT (Abruzzo, Emilia Romagna, Friuli Venezia Giulia, Liguria, Marche, Molise, Piemonte, Toscana, Trento, Val d'Aosta, Veneto), MT and PT calls are elaborated by LAGs and approved by the MA.
- In other programmes this task is under the responsibility of the MA and/or the PA, e.g. HU, IT (Bolzano, Calabria, Sardegna, Sicilia, Umbria).
- In x ES all the RDPs are under the joint responsibility of the LAGs and the MA.

Deciding local project selection criteria. LAGs define local project selection criteria at the stage of local development strategy implementation. In PL the project selection criteria are already included in the local development strategy. In EL a basic set of project selection criteria is defined and approved by the Monitoring Committee but LAGs may add local criteria. In PT LAGs propose the components and respective weighting of selection criteria and the MA approves them.

Publication of calls. LAGs publish calls in the majority of cases, in 48 of the 61 responses (79%), with the exception of HU where it is under the responsibility of the MA. In some programmes (PT, PL, SK, ES (Castilla y Leon, País Vasco, Cataluña, Castilla la Mancha) the publication is a joint responsibility of programme authorities and LAGs. In PT LAGs publish the calls in regional newspapers and on LAG internet sites. The MA publishes also the calls on its internet site. In PL both LAG and IB publish the call.

Reception of applications. LAGs generally receive applications from beneficiaries⁴, as evident in 86% of 65 responses received. In DE (Sachsen-Anhalt) the MA receives the applications. In UK (Northern Ireland) in each LAG area the grouping of local authorities ("the rural development joint council committee"), distinct from the LAG, receives the applications.

Project assessment. LAGs perform the qualitative assessment of projects including the compliance with the local development strategy (LDS). In HU the PA is responsible where a LAG gives support to the beneficiary to develop the project and prepare the application.

³ This section applies mainly to projects under measure 41 implementing the local development strategy.

⁴ If they are not themselves the beneficiary.

In some of the MS applying the Third Model, LAGs also assess the compliance with the administrative and eligibility criteria (IE and 15 regions in IT). **Project ranking**⁵. LAGs perform this task with the exception of HU and some Italian regions. In IT (Bolzano, Lombardia, Marche, Umbria, Veneto) the project ranking is established jointly by the LAG, MA and PA.

Final list of selected projects proposed to the MA. LAGs are responsible for this task with some exceptions: in SK and IT (Veneto) the PA establishes the final list of selected projects proposed to the MA; in ES (Cataluña, País Vasco, Comunidad Valenciana and Galicia) the final list of selected projects is proposed to the MA, in IT (Bolzano, Lombardia, Marche and Umbria) the MA is responsible for this task.

Fixing the amount of support. Under the maximum amount determined in the programmes LAGs normally fix the amount of support, as recorded in 61% of the 64 responses received. This allows LAGs to decide how to use the LDS budget allocation. In some cases the MA or PA is responsible for this task, e.g.:

- In IT (Bolzano, Marche, Umbria and Valle d'Aosta) the MA is responsible.
- In SK, IT (Veneto) and DE (Nordrhein-Westfalen, Schleswig-Holstein, Sachsen-Anhalt) the PA is responsible.
- In CZ and SE the LAG decision has to be approved by the PA.

Control tasks. Control tasks have been delegated to LAGs, according to article 33.1 of Reg.1975/2006, in the majority of programmes as indicated in 66% of 86 responses. Exceptions include AT, BE (Wallonia), CY, CZ, DE, EE and IT (Lombardia). Four types of checks can be distinguished:

Administrative checks on project applications have been delegated in several MS: BE (Flanders), BG, CZ, FI,HU and IT (all regions, except Bolzano, Lombardia, Campania, Valle d'Aosta and Veneto).

Administrative checks on payment claims have been delegated in BE Flanders, CZ, ES, IE, IT (Abruzzo, Basilicata, Calabria, Emilia Romagna, Friuli Venezia Giulia, Lazio, Liguria, Marche, Piemonte, Puglia, Sardegna, Sicilia, Toscana and Trento), MT, LT, PT and UK (Scotland).

In situ checks on investments have been delegated in BE (Flanders), DK, ES, IE, HU, IT (Abruzzo, Basilicata, Calabria, Emilia Romagna, Friuli Venezia Giulia, Lazio, Liguria, Marche, Piemonte, Puglia, Sardegna, Sicilia, Toscana and Trento), MT and PT. In FR and UK (Scotland) there is a possibility to insert this delegation in the contract between programme authorities and LAG. In CZ and SK LAGs are not performing the checks but may participate.

On-the spot checks on sample basis have been delegated in BG, HU, LT, MT and IT (Abruzzo, Emilia Romagna, Liguria, Sardegna, Sicilia, Toscana). In CZ LAGs are not performing the checks but may participate. In UK (Scotland) there is a possibility to insert this delegation in the contract/service level agreement between PA and LAG.

⁵ These observations refer to First and Second Models and not to the Third Model where LAGs formally approve the projects.

Project execution monitoring. In most cases, in 83% out of 65 responses received, the LAG is responsible for (SK, PT) or participates in project execution monitoring in a shared management (BG, ES, IE, LV, MT, SI) since this is a necessary step for ensuring the monitoring of the local development strategy implementation. Examples of practical arrangements include:

- In EL and some regions of IT (Bolzano, Lombardia, Umbria, Valle d' Aosta) the LAGs are responsible and the MA monitors the LAGs according to a supervising system.
- In IE and IT (Molise and Veneto) responsibilities in this area are shared among the bodies involved in the RDP. LAGs are responsible for the collection of performance indicator data. The PA is responsible for the collation of the data and onward transmission to the MA who is responsible for ultimately reporting the data to EC.
- In SI LAGs are monitoring their projects and must report to the MA based on indicators set by the LAG / applicant for each project. These reports form part of claim for payments.
- LAGs are not always involved in the production of monitoring indicators. In CZ the beneficiaries have to send monitoring indicator data to the PA.

3.2 Monitoring and evaluating local development strategies

LAGs have to monitor annually and evaluate the implementation of local development strategy except in the cases of EL and ES (Aragon). In DE (Schleswig-Holstein) these tasks are only recommended.

The obligation is often included in the grant agreement between the MA/PA and the LAGs. The monitoring and evaluation of local development strategies is integrated in the evaluation and monitoring of the programme except in IE, PT, SL and ES (Comunidad Valenciana). In DE (Nordrhein-Westfalen) the establishment of a monitoring system (including impact and output indicators, the methodology used and timetable) was an obligation of the tendering for Leader.

LAGs can in most cases supplement the key indicators in the RDP with other indicators specific to their own area or special interest.

Specific guidelines on monitoring and/or self-evaluation have been issued by the MA in CZ, MT, PL, ES (Navarra, Castilla y Leon, Rioja, Cantabria) and IT. In IT specific guidelines on monitoring and/or self-evaluation have been issued by the NRN, the MA and the Regions.

Specific examples concerning the **monitoring** of local development strategies:

- In CZ the set of obligatory indicators is monitored annually against the values planned by LAGs. The set contains the number of development studies, the actions aimed at distributing the information on the region and the local development strategy, educational actions, promotional actions. The optional indicators were defined by each LAG, without specific guidelines, and the range is wide and diverse.
- In LV LAGs have specified procedures for monitoring and evaluation, and determined impact and output indicators in their local development strategies. Once a year LAGs submit to the PA an overview on the implementation of the strategy. In addition, at the end of each month, LAGs submit to the PA reports received from the beneficiaries on the results of the implementation of the projects and reports on the beneficiaries' economic performance.
- In ES (Castilla y Leon) LAGs must prepare an annual report, following a model set out in the Manual of Procedures of the Payment Authority.

Specific cases concerning the **evaluation** of local development strategies which have been noted:

- In PL evaluation of all LAGs is planned for 2011. The best will receive additional financial support.
- In FI and MT each LAG shall co-operate with and contribute to the on-going and final evaluation of the Programme.
- In FR there is no obligation to evaluate the local development strategy.

3.3 Observations and Conclusions

From the above analysis it appears that a clear division of implementation tasks is not present in all cases. There is a need in some programmes to define more clearly a division of labour when implementing the programme which involves defining the responsibility of the MA, PA and LAG in more detail.

The majority of LAGs execute the bulk of strategy implementing responsibilities but in a large number of cases there are varying degrees of involvement by the programme authorities. Such overlapping tasks between LAGs, MA and PA in several MS, reflect differences in administrative rules, know-how and experience, and in some cases a deficit in trust between actors, and are seen as constraining the smooth and genuine Leader-type implementation of the programmes.

4 Collaboration between implementing bodies

Collaboration takes place generally through a common I.T. project management system. It has been noted that existing I.T. systems are in place or will be in BG, DE (Hessen, Baden Württemberg), FR, EL, IE, IT and PT. In FI the IT system is reserved for authorities.

In most cases regular meetings are organised, as recorded in 71% of 58 responses to this question. In BE (Flanders) the MA, LAG coordinators and Flemish Rural Network meet every month for exchanging information. In IT the NRN has also opened a number of activities (focus groups, meetings, seminars) creating opportunities for meeting and interaction between the MAs in an attempt to highlight and discuss critical issues and find common solutions.

Difficulties and insufficient fluidity in the information exchanged between MAs and between MA and EC have been reported in some Spanish and Italian Regions.

Observations and conclusions

Close cooperation and improved flows of information ("acting in partnership") between the MA, PA and LAGs is essential. A good practice is to appoint one of the MA experts as a contact person for each of the LAGs and to hold regular meetings between the programme authorities and LAG managers. In this respect the creation of informal LAG networks can make a significant contribution.

A good practice to ensure the monitoring of the local development strategy is to inform the LAG about the grant contract signed with the applicants, the value of paid financial resources, any changes in contract and annexes.

Regarding the control task, even if it is not delegated, a good practice is to inform the LAG about the control results and to offer the possibility of inviting LAG staff at the *in situ* checks.

5 Characteristics of LAGs

5.1 Status and experience of LAGs

In most cases, 87% out of 63 responses, LAGs have their own legal entity, usually as associations or non profit organisations. LAGs without legal entity are to be found in BE (Flanders-several LAGs) , DE (Rheinland-Pfalz -most of the LAGs, Sachsen-Anhalt), NL (all LAGs except one), PT (14 LAGs out of 47 LAG), FR, SI (50% of the LAGs) and UK (Scotland). LAGs without legal entity are using a supporting public structure. In FR the president of the supporting structure for the LAG without legal personality is legally responsible.

Many LAGs are experienced having operated in previous programming periods or have been supported under capacity building activity. The percentage of LAGs operating already under the previous programming periods varies:

- from almost 100% -FI, EL, IE, PT, ES (Navarra, País Vasco, Islas Baleares, Cantabria, Murcia, Comunidad Valenciana);
- to less than 25% -CZ, DK, DE (Schleswig-Holstein), ES (Cataluña), SI, SE, SK

Most of the LAGs, 55 out of 64 (86%), also deliver other EU or national programmes or funds. Exceptions include BE (Flanders), DE (Baden-Württemberg, Niedersachsen, Nordrhein-Westfalen, Saarland), ES (Comunidad Valenciana), PL, SK.

5.2 Size of LAG staff

The size of the LAG staff depends on the amount of administrative tasks, area and/or population covered or budget of the LAG. Two major categories can be identified:

- 1 to 2 staff in AT, BE (Flanders), CZ, DE, DK, FI, FR, LV, MT, SI, SE and UK (Scotland).
- 3 or more in EL, HU, IE, PT, SK, IT and most of ES regions where most of the administrative tasks are delegated.

Examples of LAGs with small teams include:

- In FR the minimum is 1.5 full-time equivalent posts; at least 0.5 for administrative tasks and 1 for animation tasks.
- In LV LAGs employ on average 2 people – one administrative manager and one financial manager. Most of the LAGs have service contracts with staff without fixed working hours.
- In DK most LAGs have a coordinator working for them part-time. The larger LAGs with the largest budgets have a coordinator working full-time. The functions vary considerably but all coordinators are also responsible for the administration tasks.

Examples of LAGs with larger teams include:

In EL it is estimated that there is 1 coordinator and 3-4 persons per LAG. The main tasks are coordination & management of the local strategy, information–publicity, project assessment, project monitoring, administrative checks, payment of claims and the provision of all relevant information about the projects to the I.T. system for RDP.

In HU the average number of permanent staff in the “working organisations” is 6 to 7 persons, including an administrator and a “senior role”.

In IE LAGs vary in size and can have between 3 to 5 management and administration staff with 1 to 3 project officers. As many LAGs also manage other national programmes, they can also have other staff.

In ES (Aragon) a LAG usually operates adequately with a manager, two technicians and an administrative worker. Most of them have 4 or 5 people.

5.3 Training and support

Training actions for the LAG staff have been organised by the MA or NRNs in most programmes as indicated by the 58 positive responses out of 65 replies (88%) with the exceptions of EL, ES (Islas Canarias, Navarra, Islas Baleares, Rioja), NL, DE (Saarland, Schleswig Holstein) where experienced LAGs (active under Leader+ and/or Leader II) were selected. In BG training for potential LAG personnel is organised by LAGs under a preparatory measure.

Topics covered by training relate to I.T. tools, project management (including documentation financial conditions, eligibility, control) monitoring, negotiations, human capital building, RDP procedures, gender equality, anti-corruption measures (conflict of interest rules), public procurement, transnational cooperation, LAG operation, measuring performance, animation task, quality of the LAG work, the development process of the Leader method, management skills, project development, fundraising to secure LAG financial balance, innovation and LAG legal structure.

Support documents have been produced by the MAs or PAs to assist the LAGs in their administrative tasks in several programmes as indicated in 61 cases out of 66 replies examined. They correspond to procedure manuals (including LAG internal procedures), implementing rules, templates for contracts with beneficiaries, application forms, guidelines on LAG action plan reports, guidelines on state aid rules, guidance on preparation of claim for payment, guidance on transnational cooperation, etc.

5.4 Observations and Conclusions

A significant number of LAGs, 34 out of 62 (55%) have a very small staff and many face difficulties in performing the multiple tasks required of them, especially if they have responsibility for control tasks. Larger LAGs tend to be found under the Third Model and have a greater range of responsibilities.

The prevalence of small LAG teams is a matter requiring further consideration as LAGs are meant to be local structures with the capacity to perform the tasks required for the implementation of their local development strategy, including animation, administration, assessment and, even, control. This requires for a critical mass in the staff complement of the LAG (full-time and/or part-time) and a separation of functions if control tasks are carried out.

There is extensive activity in training and other forms of support, especially manuals and guides. However, many of these activities appear to be ad hoc responses to needs as they arise, rather than a strategy for capacity building and for ensuring that sufficient capacity is maintained in the LAGs for the performance of their tasks.

6 LAG decision making rules

6.1 Transparency, conflict of interest, appeal

In many MS, according to 39 responses (65%), internal procedures on decision transparency, avoiding conflict of interest or appeal have to be set **by LAGs** e.g.:

- In FR the template for LAG internal rules provides that rules to avoid conflict of interest should be described. A LAG member who is also beneficiary should not take part in vote or discussions linked to his project.
- In SI procedures and criteria had to be described in the "LAG ID", an obligatory document part of LAGs selection application. Some rules are defined at national level: LAGs publish "call for projects" once a year, where clear criteria for approval are set. Evaluation is made by the decision body, where members must be excluded in case of conflict of interest. Decisions taken are published and all applicants are also informed. In case of complaint the "supervision body" must decide if the complaint is justified or not.
- In ES (Castilla y Leon) the General Office of Rural Infrastructure and Diversification has approved the groups' Internal Management Procedures.

In other MS **more unified rules** are applied, such as in IE where implementing rules of the RDP 2007-2013 address all of the above internal LAG rules in detail ("Governance Guidelines of the LAGs and Operating Rules"). Other examples include:

- In EL a set of rules apply: the composition of the Assessment Committee is different from the one of the Appeal Committee; the stakeholders of the LAG can be beneficiaries and implement projects of the local strategy up to 30% of the public expenditure of measure 41; project approvals are published on the internet at all stages of the evaluation process; the LAG staff cannot be a beneficiary under the local strategy.
- In PL each LAG had to introduce both appeal and conflict of interest procedures. Decision making body members have to sign a declaration on lack of conflict of interest, including the situations when they are applicants, an applicant is their relative or employer or if they were involved in the process of project preparation. LAGs are obliged by the regulation to publish their local development strategy, list of approved projects and annual budget for the costs of running the LAG, animation and acquisition of skills.
- In ES (Castilla la Mancha) an appeal may be filed with the Regional Ministry for Agriculture and Rural Development against the LAG's decision to approve or reject investment projects submitted by a final recipient. This appeal must be filed within a deadline of one month from the date following the date of notification thereof, without prejudice to any other action legally admissible.
- In SE a LAG member has to report in advance at the meeting that he or she has a conflict of interest. At the time when the LAG is to discuss the application in question he or she leaves the room to come back after the application has been discussed and decided upon. According to Swedish law all public documents (involving public money) are accessible to the public. Appeal is not possible in Leader.

6.2 Transparency, conflict of interest, appeal

Various steps are taken to ensure adherence to the 50-50 rule for the public-private partnership, e.g.:

- In FI the principle of tripartite partnership with the involvement of individual citizens is used at the board of the LAG. This means that the board should have a balanced representation of

the following parties: local public administration; communities (organisations, associations and large enterprises); rural residents.

- In FR LAGs apply the double quorum rules for meetings where decision is taken on project application; at least 50 % of the members should be present with at least of 50 % of present members from the private sector. If the condition is not fulfilled the meeting is postponed.
- In PL and in IT the 50-50 rules have to be ensured in case of membership of the decision making body. There are no obligations to respect this rule while voting.
- In PT the LAG management team checks the 50-50 rule in the attendance to meetings.

6.3 Observations and Conclusions

Extensive but varied rules are in place concerning decision making, and various other operational and financial aspects, including several examples of good practice on appeal systems and avoidance of conflicts of interest. Such good practice would be of relevance in the cases that transparency rules are incomplete. Application of transparency rules in the management system is also crucial as it is closely connected with the "image of the LAG" at local level, a factor that should not be underestimated in effective LEADER implementation.

7 Project eligibility

7.1 Eligible operations outside the scope of measures

Operations outside the scope of rural development measures (Article 64) as defined by Council regulation n °1698/2005 or outside the scope of programmed measures in Axes 1 to 3 are eligible in BG, DE (Bayern, Baden Württemberg, Nordrhein-Westfalen, Rheinland Pfalz, Schleswig-Holstein, Saarland), IT (Abruzzo, Basilicata, Campania, Emilia Romagna, Friuli Venezia Giulia, Liguria, Marche, Molise, Sardegna, Sicilia, Toscana and Trento), LV, MT, PL and SI. However, very few projects have been approved. Examples of approved operations include in SI (e.g. cultural events, promotion of local products, support for marketing of local products) and in LV (e.g. small scale infrastructures).

In CZ, DE (in 7 Länder) DK, FI, EL, IE, LT, PT, ES, and SE eligible operations are limited to the rural development measures as defined by Council regulation n °1698/2005.

7.2 Complex Project eligible under several measures

LAGs can select complex projects consisting of a group of operations combining several RD measures in BE(Flanders) -tourism and heritage, CZ, DE (Baden Württemberg, Bayern, Nordrhein- Westfalen, Rheinland Pfalz, Saarland, Schleswig-Holstein), DK, FR, EL, SI, ES (Aragon , Madrid, La Rioja, Cantabria, Cataluña, Comunidad Valenciana) and SE.

In practice the funding of complex projects is subject to practical constraints, e.g.:

- In CZ a LAG can choose one main measure and maximum two adjacent measures to its project fiche in order to combine the eligible activities and costs from these measures (more than 50% must come from the main measure). Most LAGs have chosen the easier way of "single-measure fiches" and most complex projects use the activities and costs from the main measure in the combined fiches.
- In DE (Sachsen-Anhalt) it is possible for LAGs to select complex projects but they have to be divided into several parts corresponding to the relevant measures. Each part is approved, funded and checked separately.
- In FR it is possible to support such complex projects but difficult to implement (the I.T. tool does not take into account such projects).
- In IT (Piemonte) it is possible to plan "chain projects" based on measure 312 (primary measure) and other complementary measures that LAGs may choose coherently with the LDS.

Examples of good practice include:

- In IT (Liguria) it is possible to plan integrated projects and they may include all the measures in the LDS as well as operations funded by other programmes.
- In DE (Nordrhein-Westfalen, Schleswig-Holstein) eligibility of complex projects is possible and based on a state level funding guideline for integrated rural development measures including Leader.

7.3 Specific Leader project eligibility rules

Specific eligibility rules have been established mostly for small scale or similar projects.

In PL small scale projects are eligible under Axis 4 with a wide scope of aid (training, small tourism infrastructure, museums, day rooms, local products, preservation of local heritage) and wide coverage of beneficiaries (natural and legal persons). Application rules are similar to those applied for Axis 3 measures and documentation requirements depend on the nature of project. The maximum amount of public support is € 5 000, the maximum total project cost is € 25 000, and the period of project implementation is up to two years.

In FI "coordination projects" are eligible under Leader: the LAG collects small scale "co-projects" together. Maximum amount of public support is € 150 000.

In SE "umbrella projects" are supported only under the Leader axis where small-scale projects within specific targets, such as for example youth projects, can be conducted.

In LT small scale projects and multiple partner projects have been defined within RD measures.

In UK (Scotland) funding schemes can be developed through third party organisations. Small grant schemes are operated by some LAGs.

In DE (Rheinland Pfalz) specific complementary Leader rules have been established under the programme.

In DE (Schleswig-Holstein) guidelines were defined for innovative measures including Leader. In addition a specific action for lighthouse projects ("Leuchtturmprojekte") with selection criteria defined by LAGs has been implemented.

7.4 Observations and conclusions

Few programmes have taken the opportunity afforded by Council regulation n °1698/2005 to allow operations outside the scope of rural development measures defined by this regulation or outside the programmed measures in Axes 1 to 3. This is proving a limiting factor in applying the Leader approach and maintaining innovation, intangible effects, and projects "adjusted to local conditions and needs".

Regarding complex projects, measure-by-measure is the predominant or exclusive approach in implementation creating serious constraints on operations combining several measures.

A solution is to establish specific eligibility and procedural rules under the RD programmes (Axis 4) to implement the Leader principles, in particular for small scale projects, innovative projects, or integrated/complex projects.

Separate rules for small scale projects have been adopted by a few programmes, as noted above. This is regarded as a good practice that other programmes could also adopt although their implementation is not necessarily linked with less bureaucracy and simplified rules.

There are also examples of good practice with programmes introducing an integrated approach and, inter alia, using a single project application form and approval procedure.

8 Financial issues

8.1 National public co-funding

There is an obvious advantage for beneficiaries to obtain national public co-funding simultaneously with the EAFRD support. This is the case in BE (Flanders), DE (Bayern, Baden Württemberg, Rheinland Pfalz, Saarland, Sachsen-Anhalt), EL, FI, HU, ES, IE, PL, PT, LV, SK, SI and SE.

National public co-funding is obtained by the beneficiary separately in CZ (one request form, separate payments), DE (in most cases), and UK (Scotland). For instance in UK (Scotland) EAFRD funding is the last brick in the wall and requires all match funding to be in place prior to approval.

Both procedures are used in DK and FR. In DK when the co-funding is provided by the MA, it is obtained simultaneously. When the co-funding is provided by the local public authorities it is obtained separately. In FR in most cases it is separated since there is no single national fund. Simultaneous co-funding appears very complicated because of the high number of possible co-financers.

LAGs play a role in obtaining or granting the national public co-funding or part of it in DE (Sachsen Anhalt if Land co-funding is not sufficient for private projects), DK, FI (they obtain the public funding from the municipalities), FR (in some regions, a specific fund was set up in order to provide national funding through the LAG (good practice), SI (LAGs have to obtain co-funding sources other than national funds), ES (Castilla y Leon), ES (Cantabria the Scheme is 10% co-funded by the Local Authorities that form part of the LAG) and in SE (LAGs have to find 50% of the national funding).

Bringing in the national co-funding is considered as one of the main issues in DE (Nordrhein-Westfalen). The situation is different in other German regions; for instance, in DE (Rheinland Pfalz) where the MA and the LAG are assisting project promoters in obtaining the national co-funding or in DE (Bayern) where there is a single application to obtain EU and national funds.

A distinction has to be made between private beneficiaries and public beneficiaries as regards their own resources. In DE and FR "own resources" of public local beneficiaries are considered as national co-funding.

8.2 LAG running costs

Most commonly reported problems are the allowed ceiling (DK , EL, PT, SI) eligibility rules (FR-structure costs and no lump sum support, LV - limit for salary, PT, DE and SI- non eligibility of VAT, DE-Schleswig-Holstein non eligibility of costs related to voluntary working groups) and cost of bank guarantee for advance payment (PL, BG, SK and SI).

Examples of such difficulties include:

In EL (LAG Achaia) they report that: the ceiling for the Administration and Operating Costs (20%) is very low and proved problematic for covering all the necessary implementation tasks; payments for the LAG costs must be accompanied with various analytical accounting documents; eligibility of expenses is based on a very strict list of eligible expenses; the time between the decision of the LAG's selection and the first payment is very long and causes many problems for the running costs.

In SK delays in payments for the LAG operation from the PA (advance payments and also refunding system) is reported.

In SI LAGs also find the rules for administrative controls for reimbursement of running costs too complicated.

The Italian Regions report that the ceiling for the Administration and Operating Costs (20%) is very low and proved problematic for covering all the necessary implementation tasks. (minimum number of staff, etc). In all Italian RDPs this ceiling refers to the whole measure 431 (including the cost of animation and skills). Moreover, some RDPs limit the amount that can go towards running costs to less than 20%⁶.

Regarding Value Added Tax ineligibility for public sector bodies, as enshrined in Article 71 of Regulation (EC) 1698/05, some Regions apply the article to LAGs treating them as public entities because they manage public resources.

8.3 Observations and conclusions

It has been noted that securing public co-funding is problematic in some MS. Practical solutions to current difficulties could include the following:

- To establish national/regional and/or local funds to ensure that beneficiaries obtain public co-funding simultaneously with the EAFRD support.
- Leader projects could also be co-financed by private funding without national public co-funding in a context of a financial crisis where national co-funders can only support the implementation of their statutory tasks (DE).
- To calculate the level of EU support in relation to total costs (DE- Rheinland Pflaz).
- To use a joint application form for EU and national co-funding.

The 20% running cost ceiling is likely not to be enough in the case of LAGs with a control task or generally under the Third Model, in the case of local development strategies with very low budgets, or in cases where the MA rules stipulate that the cost of animation should be included under the 20% ceiling (e.g. IT). The 20% running cost ceiling should be related to the minimal LAG functions established at EU level. Derogation could be envisaged if additional tasks are delegated (payment and control) on the initiative of the MS. Also, the practice followed in several programmes of certain animation activities being funded under measure 341 would be of relevance and could be considered further.

The lack of possibility for some LAGs to receive an advance payment for their running costs can be a serious constraint. The issue of obtaining a bank guarantee, including its costs being treated as ineligible expenditure in some cases, should be further investigated since it represents a major obstacle in raising advance payments.

⁶ In Emilia Romagna, Veneto and Sardegna the whole measure 431 may not exceed 15% of the LDS; in Calabria, Bolzano, Lombardia, Marche, Piemonte running costs cannot exceed 15% of the LDPs; in Abruzzo and Trento running costs of the LAGs cannot exceed 15% of Axis 4; in Liguria operating costs of the LAGs are not eligible.

9 Comparison with Leader+

9.1 Scope of eligibility

There is a great diversity in answers compared with Leader+ and this is mainly linked to the options taken in the mainstreaming (application of Leader to one or several axes) and to the greater targeting of measures at programme level.

Overall, in most cases, which accounts to 61% of 38 replies, projects supported are considered similar to those supported under the previous period. Exceptions in CZ, LV, PT (there is less public investment and more private investment; training is no more eligible), ES País Vasco, ES Murcia (in this period, the creation and development of micro-enterprises is funded, together with the diversification towards non-agricultural activities).

Other examples of a more limited scope include:

- Scope is considered more restricted in the case of AT, CZ, DE (Schleswig-Holstein and Bayern, ESF and ERDF actions are no more eligible), DE (Saarland), FR (difficulty to support private companies), HU, IE, PT⁷, ES (Islas Canarias Castilla y Leon⁸, Islas Baleares, Castilla la Mancha⁹, Comunidad Valenciana) and SE.
- In FR and DE, LAGs have the feeling that the possibility to choose what they want to finance has been restricted. Difficulties are linked to the more precise description of what is eligible under each measure and specific eligibility rules of each financial source. There is a lot of discussion with the MA or PA in charge of the legal checks.

There are also cases where the scope under the RDPs is considered to be wider than under Leader+:

- in FI (possibility to implement projects also in Axis 2), in LV (Axes 1 and 3), in PL, in ES (Navarra -primary sector other than trading and craftsmanship-axis 1 and the environment - axis 2), ES (País Vasco), ES (Cataluña -axes 1 and 2 and Murcia).
- In DK although the scope of measures is considered broader in the current period, the rules of the system have had an influence on the broadness and scope of the specific projects.

9.2 Management and financial procedures

Considerable concerns have been raised by group participants regarding management and financial procedures and their compatibility with the Leader approach, as illustrated in the examples of responses, below.

Most of the Autonomous Regions in ES agree that the delegation of administrative functions to the LAGs has led them to be subjected to a large number of controls, besides the additional administrative work. The LAGs have had to adapt to much more complex management and control procedures displacing time that their structures need to conduct their delegated functions.

⁷ Restricted to Axis 3 in this period, while in previous periods, they could also include actions corresponding to Axes 1 and 2.

⁸ ibid

⁹ ibid

In PL Leader adopted rules of implementing RDP rather than RDP was adapted to Leader, thus there is less "leader" in Leader approach. This approach had to adjust to mainstreamed rules, which, for instance, makes implementation of innovative projects more difficult.

Financial rules of EAFRD are perceived as less flexible (BE-Flanders) or as an obstacle to a smooth implementation of LAG strategy. Rules rigidity – fixed rates, co-financing obligation for each project and rules applying to VAT have been reported in FR¹⁰.

The rule of 3 % sanction has caused an "atmosphere of fear" (DE-Baden Württemberg, FI and IE). "How can LAGs find new solutions to the problems of the countryside if the local people are too afraid to work on the projects?" Sanction rules don't fit to the variety of possible projects (DE-Nordrhein-Westfalen).

The level of bureaucracy is considered extremely onerous with regard to project claims on both the applicant and LAG administration. . Requirements for small scale projects should not be the same as for the big ones (LT). Staff is now unable to work in depth with applicants and to work directly with the communities as the bulk of time available is spent in form filling (LAG Cairngorms, UK-Scotland). In addition, visiting 100% of the projects after completion was not required previously.

9.3 Observations and conclusions

The institutionalisation of the Leader approach within rural development policy and the resulting better integration within the axes and measures is considered as an advantage (PT) in particular if there is a possibility to better integrate the agricultural sector to the LAG strategy in using Axis 1 and Axis 2 support (FR). However, this is not the case in all MS, whilst the changes resulting from mainstreaming, mostly concerning management and financial procedures and to a lesser extent the scope of eligibility and LAG membership, have been reported as constraining and diminishing the Leader approach.

Recognition of the value of a strategic rethink has been noted in some Member States. In Ireland the LAGs and the PA are consistently working together to develop meaningful systems that facilitate the need to look at the programme strategically. Finland has launched a review on how to re-introduce a "genuine" Leader approach. In Italy, the NRN and the regions are conducting a study to investigate the aptitude of the regulatory framework of RDP to integrate the Leader approach within Axis 4 avoiding effects of "denaturation" of its features as outlined in EC Regulation 1698/05. There are some opinions that mainstreaming has only an added value if Leader maintains its characteristics and specific rules (DE-Bayern).

Although major variations apply in the way Leader is implemented in the Member States in the 2007-2013 programming period, its mainstreaming is broadly perceived as having created general implementation conditions which are not in line with the spirit of the bottom up and territorial approach of Leader.

Whilst piecemeal solutions may address particular shortcomings in the short term, a general solution to the issues identified should be sought in the long term at three levels:

¹⁰ The non eligibility of public legal entities for VAT is also considered as an important issue in DE.

1. LAGs should have autonomy in the implementation of their local development strategy and should be endowed with the necessary resources and capacity to perform all essential implementation (development, management and control) tasks.
2. There should be specific eligibility rules and simpler procedures under the RD programmes (Axis 4) to implement the Leader principles, in particular for small scale projects, innovative projects, and integrated/complex projects.
3. To the extent that it is legally possible, LAGs should have autonomy for managing the financial envelope of their local development strategy, including flexibility in the provision of national (public and private) co-funding and in intervention rates.