



*European Network for  
Rural Development*

**Leader subcommittee Focus Group on  
Preserving the innovative/experimental character of Leader**

## **Summary of the Extended Report**

February 2011



*Connecting Rural Europe*

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## **1 Background**

This report presents the results of the work of Focus Group 2 (FG2) "Preserving the innovative character of Leader", established at the Leader subcommittee (LsC) meeting of 25 November, 2009.

Preserving the innovative experimental character of Leader has been identified as a key challenge for those involved in its implementation in 2007-13. The concept of innovation is an integral element of the Leader axis and is regarded as a crucial aspect of the current EU legislative framework applicable to Leader. Next to this, innovation is not only a feature restricted to the Leader-method but can also be found in measures of the other axes. The voluntary focus groups, established by the LsC, were set up as to actively foster on-going dialogue on the implementation of the Leader approach, in EU Member States.

## **2 Focus group 2**

### **2.1. Participants**

Germany and the Netherlands agreed to lead FG2, as co-chairs. Other members included representatives from Austria, Belgium-Flanders, Ireland, Czech Republic, Hungary, France, Estonia, Finland, Italy, Poland and Slovenia. The participants included representatives from Managing Authorities (MAs), National Rural Networks (NRNs) and Local Action Groups (LAGs).

### **2.2. Mandate**

The main objectives of the Focus Group were:

- To define the scope of innovation relevant for Leader;
- To identify different examples of good practice in the design and implementation of eligibility conditions for innovative projects and innovation support schemes, at both Rural Development Programme (RDP) and local strategy level;
- To propose suggestions to the European Commission, NRN and MS;
- To propose recommendations for the future.

## 3 Discussion and Findings of Focus Group 2

The present report focus only on the implementation of “innovation” in the Leader-Axis.

### 3.1. The framework for innovation as set at EU level

Innovation is one of the goals set by the European Union in relation to Leader. However, in the Rural Development (RD) Regulation (EC) 1698/2005, the concept of innovation is not clearly defined. The guidelines of the Commission on the implementation of the Leader axis do explicitly mention the Leader axis as being a funding instrument meant to stimulate innovation. Within this context, special importance has to be given to the possibility provided in Art. 63 of Reg. (EC) 1698/2005 of funding projects under the Leader axis, which do not correspond to the eligibility criteria of standard measures as regards axes 1 – 3, but which respect the goals of one or several of these axes. Yet, a one-sided interpretation of Art. 64 of Reg. (EC) 1698/2005 may be restricting in the sense that projects selected by LAGs within the framework of their local strategy, have to comply with the eligibility criteria of measures from axis 1-3. In practice, this article only mentions the possibility of using the mainstream measures for the implementation of projects linked to local strategies. It does not refer to this as the only way to implement Leader.

The Reg. (EC) 1698/2005 gives Member States the possibility to design Leader as an instrument for the implementation of innovation. Integrated approach as such is a source of innovation; Local strategies frequently pursue, not only the goals of the EAFRD regulation, but due to their integrated character they also pursue goals outside rural development regulation. Therefore for the new programming period, further discussion is needed on whether or not the formulation of demarcation criteria for local strategies at RDP level is in fact acting as a ‘bottleneck’ for these projects. This also means that within the EAFRD itself, it should be possible to take projects into account without having to dissect them into different aspects corresponding to different measures of the programme.

The financing regulations which also apply to Leader (Reg. (EC) 1290/2005 and deriving implementation regulations) must also be seriously considered in terms of whether or not their character is appropriate for the specificities of the Leader approach.

### 3.2. Leader and Innovation in the RDPs

#### 3.2.1 How the Council Regulation is translated in the RDPs?

Focus Group 2 has attempted to cluster the different designs used in RDPs:

- Some RDPs do not allow for the explicit support of operations outside the menu of measures or to combine several measures under integrated approaches. Therefore it is not possible to support operations which do not fit the eligibility criteria of a catalogue measure.
- In other cases LAGs do not use the possibility of Article 64 Reg. (EC) 1698/2005 to support actions beyond the set of RD measures, since there is uncertainty on the eligibility of operations outside the menu of measures in the absence of a clear legal framework at RDP level.
- Other RDPs allow experimental actions by proposing a list of indicative operations outside the catalogue of measures which comply with Art. 64 of Regulation (EC) 1698/2005. Broad categories of eligible actions and beneficiaries are then indicated in the RDP.

In this respect RDPs do partly allow for more flexibility as regards smaller projects rather than larger ones. Some RDPs have attempted to define what is meant by innovation. Where the legal approval of projects is not carried out by the LAGs, authorities tend to rely solely on what is stated in the RDP. In this case there seems to be a lack of flexibility in terms of finding feasible solutions for the implementation of certain Leader projects, especially those with an experimental character. Due to this fact, LAGs do in some cases avoid submitting innovative projects for approval by authorities.

### 3.2.2 Reference to innovation in the RDPs

In the absence of a clear definition at EU level some MAs have decided upon their own **definition of innovation**, restricting possibilities in some instances, for LAGs and projects to be implemented within Leader. In other cases a more flexible approach was adopted.

In the following countries/regions for example, no clear definition for innovation exists nor indeed for the innovative character of Leader as regards the RDP: Basilicata (Italy), Marche (Italy), Poland and Finland. In this context any assessment of the innovative character of Leader can be subject to arbitrary interpretations. The concept of innovation may seem more dictated by the regulation itself, than a true regional interpretation and this 'top down' interpretation poses certain problems in terms of 'eligibility'.

It may be left to the interpretation of stakeholders and of the local actors, whose role will also be to define what innovation means in the context of their local area and the strategy they wish to implement (more of a 'bottom-up' approach).

In instances where there is no formal definition of innovation in the RDP, there are other definitions which are commonly accepted at national level: in Finland, innovation is regarded as the development or deployment of a new policy, operation model, product or technology. It can thus be either social (policy operation model, or a way of thinking and acting) or technological (new products or the deployment of new technology). Innovative actions must involve something new, particularly for the geographical area where the funded actions are implemented;

In other cases, innovation is defined in a way that still encompasses flexibility. This is the case for Bavaria (Germany) where, according to the Bavarian EAFRD Programme (BayZAL), innovation with Leader means: "the implementation of innovative concepts".

Concerning the question of the **place for innovation in the RDP**, there is much diversity to be observed across Europe.

As an example, in France, innovation is explicitly mentioned in the RDP for the following measures only:

- 111 (professional training and information actions) for the diffusing of specific knowledge and new practices. The idea is to develop innovation capacity in the agro-food chain and in the forest domain (innovation transfer);
- 124 (cooperation for development of new products, processes and technologies) in order to support innovation in the farming and agro-food chain by promoting the transfer of technology and cooperation between professional actors and public research;
- 321 (basic services) mentions innovation in the objective of the measure.
- 421 (implementing cooperation projects under Leader) mentions innovation as a general objective for the measure.

Conversely, in Slovenia innovation is not linked to any specific measure (even if for some measures of axis 1 and 3, the support to development of new innovative products is mentioned as one of the measure goals). Yet, all measures do have an innovative aspect to some extent.

### 3.2.3 Eligibility of projects at RDP level

Member States have to specify eligibility criteria in accordance with Art. 71 of Reg. (EC) 1698/2005. This also applies in cases where a choice has to be made between several projects which are eligible in principle and but need to be prioritised, notably in view of scarce funding. It appears that every definition and/or limitation at the "abstract" level of the RDPs can potentially make the eligibility of a concrete project more difficult. Also detailed descriptions of what is innovative (lists of possible actions) in the RDP may serve as a deterrent, especially if such descriptions give the impression of being a "closed" set of types of eligible operations.

***Innovation: an obligation, a priority or merely a possibility?***

The concept of innovation may not be identified as compulsory but is still encouraged in the RDP. For example, in France there are no obligations regarding innovation as regards the RDPs, but it is mentioned as an objective in the programme and actively encouraged. In Slovenia, innovation is not obligatory either but LAGs outline the innovative aspects of the project in a specific report.

### ***Innovation, risk taking and possible sanctions***

The notion of risk means that some innovative projects funded through Leader may fail and this consequence should be accepted in order to promote innovation. One way of ensuring this, would be to guarantee the system-inherent risk of innovative Leader actions not be subject to the same system of funding cuts and sanctions, applied to the first pillar of the CAP. Such an assurance would certainly contribute to moderating the restraints of some project promoters who do not seek financial support from relevant authorities because their project might be considered too 'novel'.

### ***Leader: MAs, Project Assessment Bodies and Paying Agencies***

Some RDPs do attempt to give a definition to innovation. However, where the legal approval of projects is not carried out by LAGs, several problems may occur:

- Authorities may tend to rely solely on what is stated in the RDP, which might not be flexible enough for transversal and sometimes complex Leader projects;
- Authorities might therefore seem lacking in flexibility in terms of identifying feasible solutions for the implementation of certain innovative projects;
- Assessment bodies often interpret these sector-specific and legal regulations in a very literal way as a result of their previous experience in EAGGF-Guarantee.

One very common view is that assessment bodies should not demand comprehensive application forms with detailed descriptions of the different steps of the project or expected results. Rather, innovation requires 'testing new ways', for which some uncertainty may remain. Consequently, a balanced approach should be implemented in terms of administrative requirements for projects which follow the Leader approach.

### **3.2.4 The selection of innovative projects, the criteria for innovation**

With the exception of a few cases, innovation is often not included in the selection criteria of standard measures where the selection criteria are not of qualitative nature.

The selection criteria for innovation should not be too precise. Selection criteria should also be decided at the relevant level. Due to the specificity of the Leader approach, it is unlikely that any potential for innovation will be predicted by public authorities only. Indeed, eligibility conditions and selection criteria defined in the RDP may represent an obstacle to supporting new types of projects. It would be more pertinent to have LAGs set criteria in the context of their local strategy and area/development conditions. If innovation selection criteria is to be included in the RDP LAGs should actively contribute to defining it.

For example, in Bolzano (Italy), innovation is assessed mainly in relation to territorial considerations (in terms of culture, environment, socio-economic conditions). In France, the introduction to axis 3 asks those regional partners who selected the Leader groups to establish selection criteria which allow for the integration of innovative approaches in the territory where projects are implemented, and to promote innovation in rural areas. It is then up to the LAGs to define their own eligibility criteria, which may or may not be linked to innovation.

Selection criteria should also make it possible to select more complex projects. With the mainstreaming of Leader, the same rules apply to this approach as to all the other beneficiaries. In many cases, the scope of aid is limited to a closed catalogue with clear eligibility rules but is not relevant for the more complex Leader approach: in Finland, quality of actions, cost efficiency (for example cost of one employed person), capacity of the applicant to deal with the bureaucracy linked to the project and with the actions for which funding is requested; in Bavaria (Germany), bottom-up, networking, integrated approach, sustainability, LAG agreement (including project selection criteria) and contribution to the implementation of the RDP must all be fulfilled (also by main development projects) and it must be guaranteed that these projects contribute to an innovative approach to the RDP.

In conclusion, it is apparent that the definition (or lack of) definition and other limitations imposed at the "abstract" level of the RDPs can potentially make the eligibility of a concrete project more difficult.

### 3.2.5 Innovation and financial framework

#### ***Difficulties in finding co-financing for innovative projects***

As previously mentioned, innovative projects inherently pose some risk which can have specific consequences in terms of project selection:

- In terms of eligibility projects may not be selected because they do not offer any guarantee that they will be implemented soundly and/or achieve all the expected results;
- In terms of identifying potential co-financing, potential backers may tend to have the same reluctance as the Leader assessment bodies.

Another difficulty regarding Leader is the fact that Leader funding is often paid last. This may cause problems for project promoters with less financial capacity (and these are often the more innovative projects). In order to overcome this difficulty, project promoters might tend to seek funding from programmes other than the Leader programme.

It would be useful to ensure that essential national co-funding for the whole funding period be available at LAG level. This would avoid any blocking of innovative projects to co-funding due to national or regional conditions. The principles for national co-financing should follow what is already being implemented as regards the EAFRD funding.

#### ***Difficulties with public co-funding***

EU regulations require a national public co-funding for each axis of the RDP. RDPs frequently require private projects to find public co-funding, whose finances are often not amenable for the support of projects which are not seen as a priority in terms of the national strategy. It is recommended that both public and private funding be considered as co-financing options.

### 3.2.6 Innovation and regulation: Incompatibility ?

Responsibility for the approval of Leader projects, as well as control of the eligibility criteria frequently lies with the authorities. Furthermore, in cases where the LAGs have approval and control functions (see Art. 29f of Reg. (EC) 65/2011, for example in Spain and Ireland), the Paying Agencies remain responsible for the legality and regularity of payments, according to the financial regulations. However LAGs are still responsible for deciding on the appropriateness of funding in accordance with their local strategy.

**Paying Agencies** who are used to operating under the relatively homogenous and 100% community financed system of the 1st Pillar of the CAP, might place less importance on the achieving of local strategy objectives, in comparison with their concern for a well-managed execution of the budget. Innovative projects are often experimental and so not conducive to this sort of approach to funding.

The **MAs** can take advantage of the flexibility offered by the EAFRD regulation to shift decisions regarding the classification and/or definition of innovative actions (inherent to the system of the objectives of the EAFRD regulation) to the local level. The same possibility exists for the demarcation criteria associated with other funds.

### 3.2.7 Further areas for improvement at RDP level

The following areas were identified as requiring further improvement:

- Further time is needed for innovation to develop (which is not possible given the objective of commercial imperative which currently exists);
- Links should be forged between the RDPs, the authorities (instructing services, MA, assessment bodies and Paying Agencies) and the applicants. Furthermore a consultation service is envisaged so as to identify the best financing solutions for individual innovative ideas/actions;



- A measure specific to the Leader approach should be developed, with a wide scope in terms of available aid, the possibility of financing riskier ventures, and the different projects to be implemented;
- Greater flexibility is needed in terms of the verification of the 'reasonableness' of innovative projects (at the European level and also with respect to auditors) and verification in terms of the relevance of costs;
- Better promotion of innovative cooperation projects and exchanges of experience in this area;
- More information highlighting the benefits of innovation, including its possibilities and added value for local development;
- Determining a way of rewarding innovation (prize and/or financial bonus).

### 3.3. Leader and innovation at Local Development Strategy Level

As well as the establishment of clear objectives through the SWOT analysis, a local strategy should also demonstrate that a debate on innovation has taken place locally. In Poland strategies must include a chapter on innovation. The rather abstract definition of innovation in the local context (e.g. new types of projects, categories of beneficiaries, new economic activities, demonstration projects with an experimental character which claim being transferable, linking of existing mainstream actions in a new context etc.) could be more focused. This is the only feasible way to ensure that innovation is recognised as a valuable eligibility criterion when a project proposal is being assessed.

#### 3.3.1 The overall interpretation of innovation at LAG level

In most cases, innovation is interpreted as something 'novel' at LAG level. For Flanders (Belgium), the LAG has to demonstrate that there are new additional benefits to be gained in terms of sustainable development, in comparison with other aspects of the mainstreaming programmes. In Ireland, it should be a new project for the area or a new sector (such as renewable energy) or a new approach (integrated funding). In Finland, an innovative project or action must always include some kind of new action, policy or cooperation. Furthermore in Finland, innovation must (usually) be transferable to other areas. Poland too puts as an important point the fact that innovation is the implementation of ideas and solutions known elsewhere but new in a given area. In Slovenia, innovation requires a new, different (in terms of approach, method, product, project, market etc.) in and/or for the local area and its inhabitants. While in France, innovation is encouraged through the priority theme which the LAGs need to define in order to develop their strategy (no pre-defined theme at national level). This priority theme must demonstrate the multi-sectoral approach of the strategy.

Both France and the Netherlands suggest that there may be differing definitions of innovation depending on the LAG.

#### 3.3.2 Selection of innovative projects and eligibility criteria at local level

##### ***LAG definitions and subjectivity***

As previously mentioned, selection criteria as regards the innovative character of planned actions should also be described in the Local Strategy, but not in such a way where they might become exclusion criteria. Selection criteria are only relevant as regards eligible projects if only limited funding is available. By asking LAGs to provide an adequate system of selection criteria and a sound system for documenting their decisions, the question of eligibility of innovative projects can be answered with regard to a principle of "defendability". This means that innovation becomes a matter of opportunity for which the LAG is the only reference point

These selection criteria could include a series of qualitative indicators which would be more useful to measure innovation than any of the quantitative indicators which are currently available (i.e. amount of rural population involved the actions/projects, increases in company turnover, the creation or securing of employment etc.) which are not the most appropriate means to assess innovation.

***One objective criteria: The capacity of the LAG and of the project promoters***

Furthermore, those elements, which are not directly linked to the "defendability" of the project, can also be taken into account when selecting innovative projects.

### ***The purpose of innovation***

Having the LAG decide upon selection criteria seems to be the best solution given the specificities of the Leader approach. This means that innovation may denote different qualities according to the level of 'maturity' of the area and of the LAG. For example, in the current programming period, simply putting together a public-private partnership and writing a common strategy may be the central innovative point of a new LAG, in which the actions carried out would otherwise be less innovative. On the contrary, experienced areas and/or LAGs would be more inclined to work on innovative projects (in the sense of new actions or the implementation of new ideas)

### **3.3.3 Innovation in Leader and other funds**

Innovative Leader projects do frequently pursue multi-dimensional objectives, which can also fall under the scope of other funding possibilities. Therefore it seems necessary to define demarcation criteria with other funding possibilities, in particular with those of structural funds. In some MS, LAGs have to undergo a complicated "splitting" of projects in order to apply for finance from several funds. Yet, demarcation criteria with other EU funds should not restrict the scope of local strategies by identifying eligible domains of intervention (e.g. tourism, training, micro business support etc.). Instead demarcation criteria should be related to the size, nature or location of project

The establishment of demarcation criteria with other EU funds is a task which ought to remain at the local (LAG) level. The necessity of demarcation should however not prevent the local strategy from pursuing other objectives than those of the EAFRD regulation. This implies that certain innovative projects will have to be funded by means other than the EAFRD.

If the LAG is implementing an additional strategy funded by another EU fund, demarcation should apply at local strategy level, respecting the demarcation criteria mentioned in the RDP. This principle (explained in the 2007 EU inter-service note on complementarity) is not applied in all MS (or even respected in all RDPs).

### **3.3.4 The factors which may limit innovation at local level**

There are additional factors which may limit innovation at local level:

- A quantification of the individual goals should be developed by the LAGs together with the local strategy success indicators. These indicators should then be adapted to all individual innovative projects. Close collaboration is therefore recommended during project preparation, between project promoters, LAGs (as decision making bodies) and the authorities dealing with the administration of the EAFRD. In this way time-consuming or frustrating discussions with regard to the eligibility of projects can be avoided;
- When the eligibility of some projects does not correspond with the RDP, the LAG should be able to negotiate with the assessment bodies in order to introduce reasonable changes to the RDP;
- The fact that project promoters must self-finance a percentage of the budget is identified as problematic for innovative (and therefore risky) projects;
- In some rural areas, there is a lack of new ideas or an innovative approach generally. Information, training, exchanges, mentoring and external technical assistance with more 'proactive' areas/actors could be useful to boost the innovative spirit required.

## **3.4. Innovation of projects: the wide scope of approaches**

Four different types of innovation can be seen in the sample of projects which have been analysed:

- Innovation in the project itself, which raises the question of who decides what is/is not innovative. With this approach, projects may be innovative in many different rural development themes (extracts of example to be presented for as many themes as possible) e.g. Tourism; Service to the population; Environment; Education and social affairs; New products; Support to business creation and development.

- Innovation in the combination of different projects which contribute to a more transversal objective. Innovation in the new types of partnerships emerging thanks to the Leader method (examples from Finland, Ireland and Poland);
- Innovation in financial engineering projects which were necessary to overcome some difficult procedures (examples from Germany, France and the Netherlands).

### 3.4.1 Examples of innovation in the project itself

#### ***Leader innovation in the field of natural and cultural heritage***

##### Finding new uses for the local cultural heritage and resources

One innovative approach is to find new alternative uses for old buildings or other cultural resources in order to strengthen the regional culture and promote its specificities. Three examples can be mentioned: Creating a house of literature in a rural area(DE) - This project aims to create a literary museum and forum using the reputation of Wipfeld's three most famous writers. Its innovative character lies in the fact that it will lead to the establishment of a 'house of literature' and a reading room in a rural area, which is not commonly encountered.

Communicating about the local environment: local people are sometimes unaware of the environment they live in, of its richness or its specificities. Innovation can lie in changing the way people see the area they live and also perhaps the way they feel about it: Traveling landscape (NL) This involves a traveling exposition about the landscape of the province of Flevoland. The innovative aspects of the project lie in the new manner in which the information is presented and also in the fact that the exhibition travels to people (and not the other way around). Furthermore, the development of the project involves the population, in particular the young people in the area.

Promoting an environmental approach: renewable energy and environmentally friendly approaches are areas with unlimited innovation possibilities which some areas have already seized: a wide programme supported under Leader to promote renewable energies in Ireland. The central idea was to provide both technical support and to generate employment, through the development of renewable energy projects in the area.

***Leader innovation in the field of services to the population:*** more than individual service projects, Leader innovation enables a transversal approach for services to population, with the objective of maintaining or developing a level of services in rural areas which will be similar to the service available in more urban zones; and to inform on how to best access this service: Creating a centre of services in a scarcely populated zone - Balow, a village for Children, a village for everyone (German LAG South West Mecklenburg): The integrated approach of the LAG enabled the village of Balow (with 325 inhabitants) to have direct access to an important number of services including a primary school, a childcare centre, a culture and communication centre, activities, leisure and sports facilities, a shop, restaurant and community centre. A strong local partnership and five local NGOs.

***Leader innovation in the field of new products, services, activities and technologies:*** projects in this category may be even more diverse than those in the aforementioned categories, as demonstrated in the three examples below: Digiroute42 - a digital Flemish Ardennes route: This project aims to develop an instrument that creates opportunities for proposing routes (which are recorded with a GPS) on a smartphone, thereby enriching their presentation with informative and interactive animations.

***Leader innovation in the social sector:*** projects within this category also offer valuable examples of innovation: The Malchow island residency (German, LAG "Mecklenburgische Seenplatte-Müritz"); enabling people suffering from dementia to live together with their life partner: An old textile factory is converted into a centre for old people and those suffering from dementia, where the marital partners may also be accommodated in order to maintain closeness to loved ones, contributing to the pathology being better dealt with by the family and easing relations between the family and the caring staff easier.

### **3.4.2 Examples of innovation in the new types of partnerships emerging thanks to the Leader method**

One essential characteristic of the specificities of the Leader approach is partnership. It refers to the public-private decision making partnership which is compulsory inside the LAG but it also refers to the idea of a wider partnership involving local actors and stakeholders. This forging of new links inside the area also helps clarify definitions of transversal projects, common to more than one promoter, fostering a greater drive for success than one actor alone would have been able to achieve. A project in Finland bringing together public, private and third sectors in order to develop services for elderly people in rural areas planted the seed for better public-private partnership (between the municipality and third sector) in the organising of welfare services in rural areas. New cooperation arose between rural associations (village movements, sport associations, etc.) and the public sector (municipalities) and forced municipalities and different administrations to work with each other in order to produce efficient and high quality services.

Furthermore, Leader also opens up the possibility to work with structures and people from outside the area or even outside the MS. Cooperation between territorial (and rural) actors is both innovative in itself and serves as a path for the development of new ideas and concepts.

### **3.4.3 Examples of innovation in financial and administrative engineering**

One generally agreed fact is that innovation is not always compatible with the financial and administrative frameworks conceived for projects more 'conventional'. Furthermore, innovation inherently involves the necessity of taking risks, which are also not compatible with certain regulations. However, for some projects, innovative solutions have been found in terms of financial and administrative engineering. In France - taking the voluntary work inside associations into account: Many local development projects are implemented by local NGOs (associations) which do not have any independent financial means. Consequently it is difficult for them to co-finance a project they wish to implement as it is usually compulsory for them to contribute to at least 20% of the budget. This resulted in a tendency of this type of beneficiary to be 'excluded' from crucial Leader funding. Taking this into account and, in parallel, the fact that much of the work done in these structures is voluntary work (thus not 'financially tangible', the MA is looking at possibilities of financially valorising the time spent by co-financers, thereby equating it with own co-financing for some specific types of projects (notably in the social care sectors).

## **4 Recommendations for possible solutions**

### **4.1. Possible solutions at the level of the regulatory framework**

The Reg. (EC) 1698/2005 gives MS the possibility of designing Leader as an instrument for the implementation of innovation. The relevant statements in the Commission's Guidelines about Leader could still be improved. An innovative project should therefore be permitted to find finance completely through the EAFRD, if the objectives of the EAFRD regulation are at least reflected in a substantial part of the project. Therefore for the new programming period it should be discussed whether the formal task of formulating demarcation criteria for local strategies at RDP-Level (see Annex II, Nr. A. 10.3 of Reg (EC) 1974/2006) could be a bottleneck for these projects.

As for the financing regulations which also apply to Leader (Reg. (EC) 1290/2005 and deriving implementation regulations) whether or not their character fits to the specificities of the Leader approach should be seriously considered in the new programming period. The future design of the regulation should take into consideration the particular requirements of the Leader approach even with regard to its administrative execution.

At the very least, it should be made clear that the system-inherent risk of innovative Leader actions should not be subject to the same system of sanctions.

### **4.2. Possible solutions at the RDP level**

The MAs can take advantage of the flexibility offered by the EAFRD regulation and shift the decision on the classification and definition of innovative actions (inherent to the system of the objectives of the EAFRD regulation) to the local level. The same applies to the demarcation criteria with other funds.

The National Rural Networks (NRNs) should support the process by collecting the different approaches in the RDPs, and providing opportunities for discussing both advantages and shortcomings of the approaches.

It would be useful to always ensure that the LAGs can count on the fact that the necessary national co-funding is available together with the EAFRD funding throughout the whole funding period, thereby avoiding the necessity of LAGs having to search for national-co-financing for each project.

### **4.3. Possible solutions at the level of national authorities**

Even if the final and general responsibility for sound and safe EAFRD funding remains with the National Authorities, FG2 is still of the opinion, that they are not taking advantage of the flexibility provided by the regulatory framework.

By asking LAGs to provide them with an adequate system of selection criteria and a sound system to document their decisions, the question of eligibility of innovative projects can be answered with regard to a principle of "defendability". This means that it is not necessary that national authorities share in all aspects the opinion of a LAG, especially if a project fits the local strategy and will add value.

NRNs could play a useful role in moderating the different points of view through the organisation of common meetings with all relevant actors. (LAGs, MAs, Paying Agencies and Certifying Bodies).

### **4.4. Possible solutions at the level of the local strategy**

A delegation of competences from the programme level to the local strategy level implies that a LAG has to make use of these competences in an appropriate way. The central factor should be whether or not the respective project has a specific added value for the strategy.

A quantification of the individual goals should be developed by the LAGs, together with the local strategy success indicators. These indicators should then be adapted to all individual innovative projects.

FG2 therefore recommends a close collaboration between project promoters, LAGs (as decision making bodies) and the authorities dealing with the administration of the EAFRD, during the project preparation.