

Financing for LEADER/CLLD: Opportunities and relevant practice

Relevant case studies

The case studies laid out in this document outline some examples of the tools and mechanisms which are in place, being piloted or proposed in individual Member States to simplify the financing of LEADER / CLLD. They explore the following questions:

- Who was involved in developing or designing the system?
- Why was it established?
- How was it implemented?
- What conditions, regulations and/or requirements were needed to implement the system?
- What lessons can be learnt for the 2014-2020 Programming period?

The case studies have been developed to provide more information on topics and experience that is presented during the LEADER workshop. (12 Nov, 2013). The information sheet includes:

1. Sweden: **LEADER Umbrella Projects**. Detailing a small projects fund for beneficiaries of the LEADER Programme
2. Germany: **Simplified cost options** – examples of application in the European Social Fund (ESF) – Germany. Exploring lump sum payment options for management and administration costs and micro projects
3. Malta: Addressing the challenges and limitations arising from the **LAG legal structure and finances**. Stakeholders working in partnership to develop and implement LAG advance payment systems.
4. Poland: From **small projects to umbrella projects**. The evolution from a system of funding small projects to developing a mechanism for targeted umbrella projects.
5. France: LEADER **'special envelopes' for public co-financing**. Two regional mechanisms developed to support privately led and/or innovative projects secure co-financing

LEADER Umbrella Project - Sweden

1. What type of organisations are/were involved in the design?

Department for Rural Development
Swedish Board of Agriculture

2. Why was the tool/mechanism put in place?

Groups implementing the LEADER approach have been able to make use of these umbrella projects since 2001. They have helped to simplify the administration for small projects and to mobilise and engage new categories of stakeholders.

3. Describe briefly how it is carried out in practice

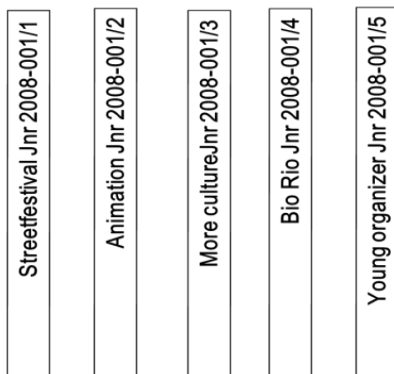
An umbrella project is defined as a project with a *common* purpose, goal and *one* specific focus. Throughout the duration of the project actors can apply for support for various subprojects that will contribute to the goal of the umbrella project. Each umbrella project has a decision making panel that decides on which subprojects are to be granted support. The project owner of the umbrella project is also the formal recipient of support for the subprojects.

The umbrella project must not be so broad or so general that the supporting authority cannot apply the regulations to determine what costs and which subprojects would be included in the umbrella project when it agrees its support. Support for subprojects is granted continuously during the project period and is usually not known when the decision is taken on the umbrella project. Each subproject should be approved based on a submitted project plan. Once the subproject has been approved, an agreement is drawn up with each subproject.

An umbrella project should not contain more than 30 subprojects and a subproject should not comprise more than 3 000 euro. If an umbrella project has considerably fewer subprojects, say about ten, it may be reasonable for the subprojects to comprise higher amounts.

Preferably the LAG is the project owner of an umbrella project however; the project owner may also be a party with high capacity and useful experience of administrating projects. It should be clear from the project plan how its funds are to be distributed, i.e. who has the right to approve subprojects within the project. Irrespective of whether the LAG or some other party is the manager of the umbrella project, the project approval board that has the mandate to decide which subprojects to implement should always include a LAG representative.

Example Umbrella project "Youth Culture"
Journal number: 2008-001



Each subproject is reported separately within the umbrella project using separate identification numbers. Project management, awareness raising, administration etc. for the entire umbrella project are reported separately and are recorded as a separate subproject in the project's accounts.

Each subproject should have a defined project period within the umbrella project. It is important that activities, costs and incomes are clearly described and defined in the project plan of each subproject. The person in charge of the umbrella project has to verify that the correct amounts are paid to the subproject.

When the umbrella project applies for support is it a good idea to gather a number of completed subprojects in each payment application submitted to the support authority. This may mean that their reporting periods overlap. Each subproject should submit some form of final report to the project management. There will then be one final report for the entire umbrella project.

The umbrella project has to submit lists of names and organisation numbers to the support authority, identifying the persons or other parties who receive reimbursement for their costs within an umbrella project. This is needed for evaluation and follow-up, and to facilitate controls of double financing.

4. What is the main effect of the described tool/model/practice in relation to financing LEADER and on which level is this effect achieved?

The main impact of the LEADER umbrella project has been:

- To mobilise and reach new groups of stakeholders so that more people have become interested in developing good ideas. Many subprojects are the first step towards developing a big project.
- A more efficient way for LAGs to reach the goals of their Local Development Strategy. It is a way for LAGs to promote and call for project ideas with a specific focus.
- Simpler administration of small projects, since the person in charge of the umbrella project is the one who submits the application for payment to the support authority. This helps the subprojects with their accounts.

- Quicker decisions for small projects. The subprojects do not need to wait for LAG meetings.
- More efficient administration at the support authority, since many small subprojects are treated as one decision and one project.
- Quicker payment helps smaller projects with their liquidity. The umbrella project can usually pay the money directly to the subprojects without waiting for the support authority to make its decision.

5. What have been the conditions needed or put in place to design, implement the practice?

There was no need for specific national regulations in order to implement umbrella projects. This is because each umbrella project is decided in the same way as other projects. The contributions are made for the expenditure by different parts taking part in one “all in” project. The project owner normally signs an agreement with the participants, limiting the costs, time etc. Every umbrella project normally needs to have a project leader (not necessary full time) for coordination and to administrate the project.

6. What are the lessons learnt and relevance for LEADER 2014-2020?

The main lessons learnt whilst delivering the umbrella projects are:

- Maintain a clear distinction between subprojects in the accounts. It is important for the project owner to have a clear system for bookkeeping of the different parts of the umbrella project.
- Mobilise and get enough project ideas into the umbrella project.
- Choose an appropriate size and duration for the umbrella projects, so that the LAGs do not tie up unused project funds.
- Inform the subprojects about what is required of their accounts, to avoid situations where information is missing.
- It is important that LAGs only use umbrella projects where it's appropriate i.e. to mobilise and more effectively reach the goals of their strategy. It should not be used just as a way of simplification or to speed up the process.

Sweden is planning to continue to use umbrella projects in the next programming period. We are looking for an effective way to handle this kind of project in our IT-system - both how LAGs apply to participate and how to administrate the whole process of umbrella projects.

7. Is there any further information on the practice?

There is further information about the umbrella projects in an intranet (called the Leader-guide) that all LAGs have access to in Sweden.

8. Contact details for further information

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Simplified cost options – examples of application in the European Social Fund (ESF) - Germany

1. What type of organisations are/were involved in the design?

Intermediary, ESF Managing and Auditing Authority, Departments of the Ministries, local actors.

2. Why was the tool/mechanism put in place?

The mechanism was put in place to:

- reduce the administrative burden on beneficiaries,
- enable a more efficient use of the funds,
- lower the error rate,
- create a more productive balance between administration issues, content related issues and output and result indicators, and;
- widen the simplified cost options for all ESI Funds.

3. Describe briefly how it is carried out in practice?

Case study I – German Federal ESF Programme “Staerken vor Ort”: A lump sum was agreed as part of the eligible costs of an operation. This approach simplified cost options for 280 local government administrations by implementing a fixed, pre-defined amount (14% of the total ESF grant) for the operational costs of the local co-ordination office.

Main Actors: Intermediary on Federal level, Ministry, ESF Management Authority, Head of Unit in charge of the Programme, 280 local co-ordination offices.

Case study II – Berlin’s Local Social Capital (LSC) programme: Design of a mechanism which provided a lump sum for micro-projects of up to 10 000 EUR, based on historical data. Gsub as one of Berlin’s intermediaries designed the proposal on the basis of their experience of local projects in the framework of Local Employment Pacts. The ESF Management and Auditing Authority of the Land Berlin commented on and amended the proposal. The approach has not been finally approved as yet, the Court of Audit still has to agree it, but the underlying concept may be interesting for all European Member States.

4. What is the main effect of the described tool/model/practice in relation to financing LEADER and on which level is this effect achieved?

The presented simplified cost options can be applied within the LEADER approach; in particular when it comes to micro-grants or financing operational costs for NGOs and local authorities. The approach makes it easier, in particular for small initiatives, to apply for the funds.

5. What have been the conditions needed or put in place to design, implement the practice?

The legal basis for the two case studies is the ESF-Regulation No. 396/ 2009 and the Working Paper of the European Commission COCOF 09/0025/04-EN from 28/01/2010. Further conditions are laid down in the specific grant agreements and in the programme guidelines on

financial issues.

6. What are the lessons learnt and relevance for LEADER 2014-2020?

Gsub designed the proposal strictly on the basis of the above mentioned regulations and the working document in order to have a chance to put them into practice. It is hard to convince the auditors. You need “brave” actors within the Administration because everyone is afraid of the auditing of such approaches and the COM gives no guarantee that the planned approach will be accepted by the European Auditors. An internal evaluation showed a considerable reduction in the administrative burden and enabled more time to be spent working with the projects when compared to a real cost approach. The risk of the “binary approach” i.e. results achieved full payment, results not achieved no payment, may prevent authorities and beneficiaries from applying the lump sum approach. Creativity is needed in order to define the appropriate indicators. According to the §§57 and 58 of the Common Provisions Regulation and the Art. 14 (2), (3), (4) of the European Social Fund regulation, even more simplifications might be possible in the next period. It takes time for all participating actors in this process to get used to lump sums, it is a longer term process.

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Addressing the challenges and limitations arising from the LAG legal structure and finances - Malta

1. What type of organisations are/were involved in the design?

The Managing Authority, Paying Agency, Local Action Group, a commercial bank and other government departments have been working together to find solutions to a number of challenges that had a direct impact on the operation of the LAGs, especially during the start-up phase.

2. Why was the tool/mechanism put in place?

The first problem identified concerned the legal structure of the Local Action Group and which structure the LAG had to adopt. The decision was based upon the limitations existent within the national rules. Another problem encountered during the start-up phase was the lack of knowledge/awareness by potential interested public and private stakeholders of what a LAG consisted of, its role and functions.

Other problems were associated with the co-financing element related to Measure 431 and actions designed under Measure 41 in which the LAG would be a direct beneficiary. This challenge was addressed through the support from a co-financing fund which was set up on a national level for local councils and NGOs. Another solution which facilitated the operations of the LAG was the membership fee which the LAG started to charge to its public members.

3. Describe briefly how it is carried out in practice

Securing the upfront payment for Measure 431 – the Managing Authority (MA) and the Paying Agency (PA) provided assurance to the bank that all payments would be scrutinised by them and instructions for payments would only be issued upon confirmation that all claims for payments made by the LAG were eligible as per contract signed with the PA. In practice the LAG presents claims for payments to the MA, which scrutinises the invoices and claims presented and upon confirmation that all expenses are eligible, notification to issue payments is sent by the MA to the bank. The bank prepares the relevant bank drafts and effects the payments. The LAG then collects the receipts and copies of bank payment details and presents a claim for payment to the PA which then reimburses 80% of each invoice in the LAG's administration account.

Measure 41 (LAG's own actions) - discussions took place between the bank, PA and MA for an increase in the overdraft facility secured by an amended guarantee and by the presence of the contract with the PA. The LAG presents the invoice of the contracted tenderer to the PA which upon verification, issues instructions for payment (bank to pay contractor). The LAG delivers receipts to PA which again deposits the 80% of the amount paid to the contractor in the LAGs account. Payment of interest on the LAGs overdraft balance is made using the LAGs membership fees since bank charges and interest are considered as ineligible expenses.

4. What is the main effect of the described tool/model/practice in relation to financing LEADER and on which level is this effect achieved?

The system of paying Measure 431 costs allowed the bank to issue a bank guarantee to the Local Action Group and thus the paying agency was then in a position to provide the upfront payment. This was a huge step which allowed the LAG to employ its staff and start its operations within the region.

The process also highlighted the importance of opening two distinct accounts – an administration account for Measure 431 and an operational account for Measure 41, and setting down the financial modus operandi for both Measures.

5. What have been the conditions needed or put in place to design, implement the practice?

There was no regulatory requirement in principle as agreement was reached between all parties on the basis of mutual trust. The bank was the Paying Agency banker thus they had an assurance on the mitigation of risks, whilst the other Ministries had a direct interest because of the involvement of local councils in the LAG structure. All agreements were formalised, with all parties signing and agreeing to the process. Subsequently the manual of procedures was also updated to reflect this arrangement.

6. What are the lessons learnt and relevance for LEADER 2014-2020?

It is recognised there is a need to reduce the bureaucratic procedures and paperwork involved in all this process. The LAG is now a better recognised authority than it was in its initial start-up phase and thus it is easier for it to discuss funding issues with bank, government departments and its members in order to secure faster and additional financing.

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From small projects to umbrella projects - Poland

1. What type of organisations are/were involved in the design?

Ministry of Agriculture and Rural Development.

2. Why was the tool/mechanism put in place?

The concept of 'small projects' was developed in order to enable local people and informal associations to develop and deliver small scale projects. Although straightforward and worthwhile in nature, it appeared to be very complicated to implement small projects as they were subject to the same verification rules as large investment projects. The great popularity of these small projects - so far more than 41 000 applications have been submitted, resulted in many administrative bottlenecks. Moreover, excessive verification led to a significant limitation of small projects scope of aid, which had to strictly comply with the regulations in place.

3. Describe briefly how it is carried out in practice

Small projects are defined as projects which contribute to improving the quality of life or diversification of economic activity in LAG areas and which are not eligible for support under Axis 3 measures – Quality of life in rural areas and diversification of rural economy, provided they meet the eligibility and selection criteria and for which the total value of a project is between PLN 4 500 and 100 000.

The activities eligible under the 'Small projects' scope of aid are:

- increasing the awareness of local communities through training and other activities of an educational or workshop based nature, for entities from an area covered by a LDS;
- improvement of the quality of life of local communities in the area covered by a LDS;
- development of the activity of local communities;
- development of tourism and recreation in the area covered by a LDS;
- preservation, reconstruction, protection or signposting of valuable local landscape and natural heritage, in particular in areas covered by specific forms of nature protection, including Natura 2000 areas;
- preservation of local cultural and historical heritage;
- initiation of the creation, development, processing, distribution and services based on local resources, traditional sectors of economy or local heritage, including cultural, historic and natural, or improvement of the quality of such products.

Those eligible to benefit from aid through these projects included local people residing in a LAG area, if they run a business, non-governmental organisations, are a 'legal' person, and churches and religious communities which are based in or which operate in the area covered by a LAG. The available aid takes the form of reimbursement of a part of the eligible costs of operations. The eligible costs of 'small projects', unlike other RDP measures, can also include in-kind contributions such as labour or services provided free of charge. The level of financial support cannot exceed 80% of eligible costs of an operation.

4. What is the main effect of the described tool/model/practice in relation to financing LEADER and on which level is this effect achieved?

This system of funding 'small projects' has enabled a much higher number of small scale projects to access the funding available. This has supported the engagement of communities with the LEADER Programme, placed a value upon the volunteer contributions often made in projects of this nature and has built the capacity of smaller groups to develop, manage and deliver projects with the potential this will lead on to the same groups or individuals applying for larger scale activity.

5. What have been the conditions needed or put in place to design, implement the practice?

Under Axis 4 of the Rural Development Programme 2007-2013, with the exception of activity eligible for support under Axis 3 measures, Poland, within the measure "Implementation of Local Development Strategies" allowed support for 'small projects' meeting the objectives of Axis 3.

6. What are the lessons learnt and relevance for LEADER 2014-2020?

Having reviewed the 'small projects' system and its associated administration the Ministry of Agriculture and Rural Development has decided to replace 'small projects' with 'umbrella projects' in the next programming period. It is anticipated this will simplify the aid application process as far as possible. The main aspects of the new system for 'Umbrella Projects' include:

- umbrella projects group several micro projects which contribute to the overall goal set for the whole umbrella project,
- The LAG sets the specific targets and indicators for each umbrella project,
- The LAG is the sole beneficiary of the umbrella project, distributing grants to the final beneficiary who is delivering the micro project,
- The maximum value of a single micro project is 50 000 PLN,
- To be used by really small scale projects in order to avoid an unduly heavy administrative burden,
- The LAG publishes call for proposals, verifies applications, signs contracts and pays the final recipients,
- To complete the financial settlement with the Paying Agency the LAG presents a list of bank transfers made to the beneficiaries,
- The beneficiaries do not have contact with any institutions other than the LAG,
- Full responsibility for the implementation of the umbrella project and the achievement of its targets and indicators lies with the LAG,
- Only a proportion of LDS funds can be allocated to umbrella and the LAGs own projects.

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LEADER 'special envelopes' for public co-financing - France

1. What type of organisations are/were involved in the design?

Two local authorities, a Regional Council and sub-regional Council, were the institutional partners working with LAGs in their regions.

2. Why was the tool/mechanism put in place?

The mechanism was needed to manage the lack or absence of public co-financing needed to unlock LEADER funding. The goal was to fully optimise the opportunities available through LEADER. This was generally required for:

- private project managers and associations
- innovative projects that do not fit within the remit of traditional funding sources

3. Describe briefly how it is carried out in practice

The LEADER special envelope from the Alsatian Regional Council provides:

- A subsidy for the four Alsatian LAGs in the form of an endowment,
- €50,000 is paid to the LAGs supporting structure in two tranches - €25,000 and a further €25,000 once the first installment has been used,
- Allocation of the credit is then agreed by the LAGs during meetings of their Boards, taking into account the normal conditions and regulations when allocating LEADER funds.

The LEADER special envelope of the Haut-Rhin sub-regional Council:

- € 50,000 was set aside for each of the two Haut-Rhin LAGs,
- The system works like a traditional grant with the grant application receiving technical support and then being reviewed by a Committee to the sub-regional Council rather than the LAG.

4. What is the main effect of the described tool/model/practice in relation to financing LEADER and on which level is this effect achieved?

The use of special envelopes for the LEADER Programme enables:

- More projects to access LEADER funding, particularly:
 - o Private project managers and associations
 - o Innovative projects that do not fit within the remit of traditional funders
- Optimisation of project financing - unlocking the maximum LEADER funding
- Simplification of the procedures for the LEADER special envelope of the Regional Council

5. What have been the conditions needed or put in place to design, implement the practice?

A system needed to be put in place to request loans from the public funders and a contract was developed for the management of these credits by projects managers.

6. What are the lessons learnt and relevance for LEADER 2014-2020?

The main lessons learnt were that these mechanisms provided:

- Very strong efficiency as there were less problems finding co-financers
- Greater and more diverse use of the resources available

These mechanisms will be utilised again through the 2014-2020 RDP.

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