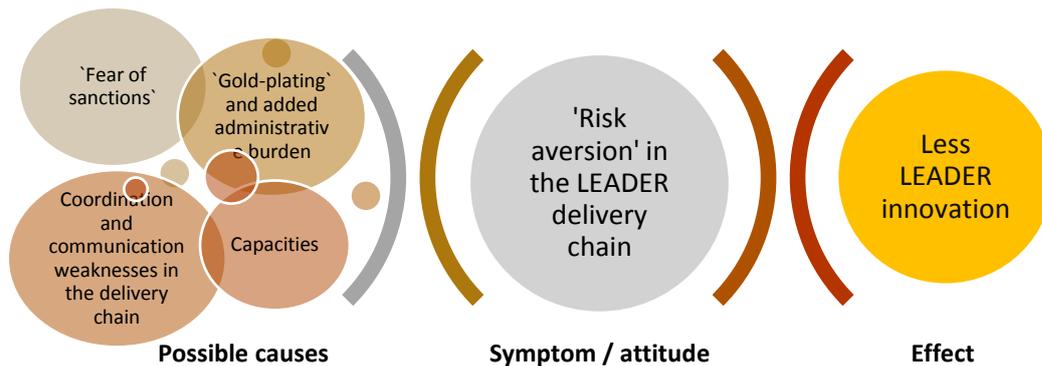


Background

The issue of “risk intolerance in the LEADER delivery chain – critical points that inhibit or enable innovation” was first discussed by the participants of the ENRD Workshop “Improving LEADER implementation: making progress with Practitioner-Led Working Groups” (June 2017, Brussels). This policy brief provides background/reference material for further discussions and aims to help the exploration of the ‘risk averse’ and ‘opportunity seeking’ attitudes in LEADER at the ‘ENRD Workshop on LEADER Innovation’ (30 November 2017).

Disclaimer: This document has been prepared to support workshop discussions by the participants of the ‘ENRD Workshop on LEADER Innovation’ (November 2017). The contents of the document do not represent the official position of DG AGRI.

Problem statement



Legal framework and guidance

<p>ESIF regulation (Regulation (EU) 1303/2013)</p>	<ul style="list-style-type: none"> States that “community-led local development shall be: ...(d) designed taking into consideration local needs and potential, and shall include innovative features in the local context, networking and, where appropriate, cooperation.” (Article 32.)
<p>The EAFRD Regulation (Regulation (EU) 1305/2013)</p>	<ul style="list-style-type: none"> Defines provisions relevant to the Union Priorities for rural development (in Article 5). Priority 6 (b) - the most frequently associated with LEADER refers to “fostering local development in rural areas”. Innovation as cross-cutting area of action relates to Priority 6b as well.
<p>The EC Guidance on Community-Led Local Development for Local Actors (Version 1: May 2014)</p>	<ul style="list-style-type: none"> States that “CLLD is about innovation and achieving results that bring about lasting change” and describes that the participative approach of CLLD leads to more demand-led ways of dealing with challenges, connect the experience of users to ‘providers’, and help go beyond the “usual suspects” and generate new ideas.
<p>The EC Guidance on Community-led Local Development in European Structural and Investment Funds (version 3: June 2014)</p>	<ul style="list-style-type: none"> “Strategies ... should aim at introducing new ideas or approaches to the area and not simply defend ‘business as usual’. Innovation can take many different forms which are all valid in contributing to the innovative character of the strategy... Innovation should be assessed in reference to the local situation ...
<p>The ‘Cork Declaration’</p>	<ul style="list-style-type: none"> Emphasises (in Point 7) the importance of participation of rural communities in the knowledge economy and a strong policy focus on social innovation, learning, education, advice and vocational training, while (in Point 8) the Declaration states that “... locally led initiatives should be rolled out to mobilise rural potentials...”

*No further details relating to the definition of innovation, its application in the definition of eligibility or selection criteria for local LEADER/CLLD projects are described in the key EU regulations.

Conclusions of practitioners` meetings

Achieving Results the CLLD Way: Putting the method to work (2016, Sweden): The `Working with local assets` workshop included a focus on developing and fostering innovation. Some of the ways to foster innovation that participants proposed included:

- build stronger relations along the delivery chain to enhance mutual understanding;
- innovate at all levels to take away the fear, encourage supportive Managing Authorities;
- build innovation into strategies, i.e. re` the way things are done; and
- design calls for projects with the participation of potential beneficiaries.

The priority innovation recommendation put forward by workshop participants stressed the need to include `allowing innovation by allowing failure` and `real decision making by local people`.

Capitalising on CLLD experiences – Building resilient communities (2017, Hungary) – The workshop discussions on `Rules for risk and innovation` concluded that not all results and effects can be expressed by standard numeric indicators. RDP Managing Authorities `chase` numbers, which – even though LEADER impacts can be powerful – leads to LAGs` risk averse selection of projects. Differences in understanding of what innovation is at different levels of the delivery chain also affects LEADER innovation. Framework rules cannot `predict` all eligible situations and thus do not allow `out of the box` actions. Participants agreed that ways to improve LEADER innovation include developing good learning examples (successes and failures), `educating` all levels of the delivery chain (through workshops and networking), and that the regulatory framework should place more trust in local levels.

ENRD Workshop on Improving LEADER Implementation through Practitioner-led Work - The innovation workshop session discussed `Enabling innovation in the delivery chain`. Participants agreed that innovation is often unjustly equated with risk. The delivery chain is risk intolerant and dominated by `fear of errors`. Promoting a positive perspective in the delivery chain and communicating the local meaning and relevance of innovation are essential, and for this purpose, more examples of practical procedures and flexible ways of delivering innovation are needed.

ENRD Workshop on Extending LEADER Innovation discussed the `LEADER Niche` in innovation. Participants agreed that LEADER creates the space for sharing ideas and can be a good `midwife` for local innovation by facilitating links between different actors and sectors and supporting the transition from ideas to projects. Some of the things LEADER could do better – according to workshop participants – include: communicate innovation results better, broaden involvement to include universities and researchers to help identify innovators, improve synergies between LAGs and EIP OGs, and strengthen the innovation focus within local strategies.

Relevant statements from “Research for REGI Committee – Gold-plating in the European Structural and Investment Funds (2017)”

“Gold-plating in the context of ESIF refers to imposing additional administrative obligations on top of the minimum requirements set by the ESIF regulatory framework.”

“Risk aversion and fear are a key reason for gold-plating...the **fear of non-compliance** often leads players toward more narrow interpretations of rules...compliance dominates over performance focus.”

“...Although one would expect that inconsistent regulatory frameworks would be the most prominent reason *<for gold-plating>*, other reasons such as various uncertainties, risk aversion and fear tend to be more important.”

“Due to the application of rigid rules **the quality of projects becomes often secondary**, while the compliance to these formal rules gets more importance, thereby negatively affecting potential results.”

“One of the key effects of `gold-plating` is the **decreasing attractiveness of ESIF for beneficiaries**. ...Potential actions across levels include **capacity building, open dialogue, better focus on a balance between compliance and performance, encouraged use of simplification measures and a possibly new role for the auditors to limit different interpretations of regulations.**”

A possible conclusion...: *Some critical issues in the context of LEADER/CLLD and innovation relate to whether `local` interpretations of innovation (as demonstrated in the relevant local development strategies) are `embraced` by the various decision-making levels of the delivery chain (if yes “how” - if not “why”). This includes selection by LAG decision making committees, approval by Managing Authorities or Paying Agencies, approval of innovation related expenditure in projects by Paying Agencies. A common acceptance of LEADER innovation as being closely linked to a diversity of local contexts and understanding the relevance of this for local eligibility and selection criteria by all stakeholders in the LEADER delivery chain is an important first step.*