

# Enabling LEADER through improved funding mechanisms

Financing for LEADER/CLLD:  
Opportunities and relevant practices  
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# Objectives

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

# Informed by

- LEADER subcommittee Focus Group on the Implementation of the bottom-up approach Extended Report. December 2010
- LEADER subcommittee Focus Group on Preserving the innovative/experimental character of LEADER. Extended Report on Preserving the Innovative Character of LEADER. November 2010
- Thematic Working Group 4 Delivery Mechanisms of Rural Development Policy. Final Report. December 2011
- Focus Group 4: Better Local Development Strategies. Final Report: June 2012
- Final Report on the ENRD Rural Entrepreneurship Thematic Initiative: Rural Finance. Final Version 28th March, 2012. Compiled by the ENRD Contact Point
- LEADER Event 2012
- LEADER Event 2013

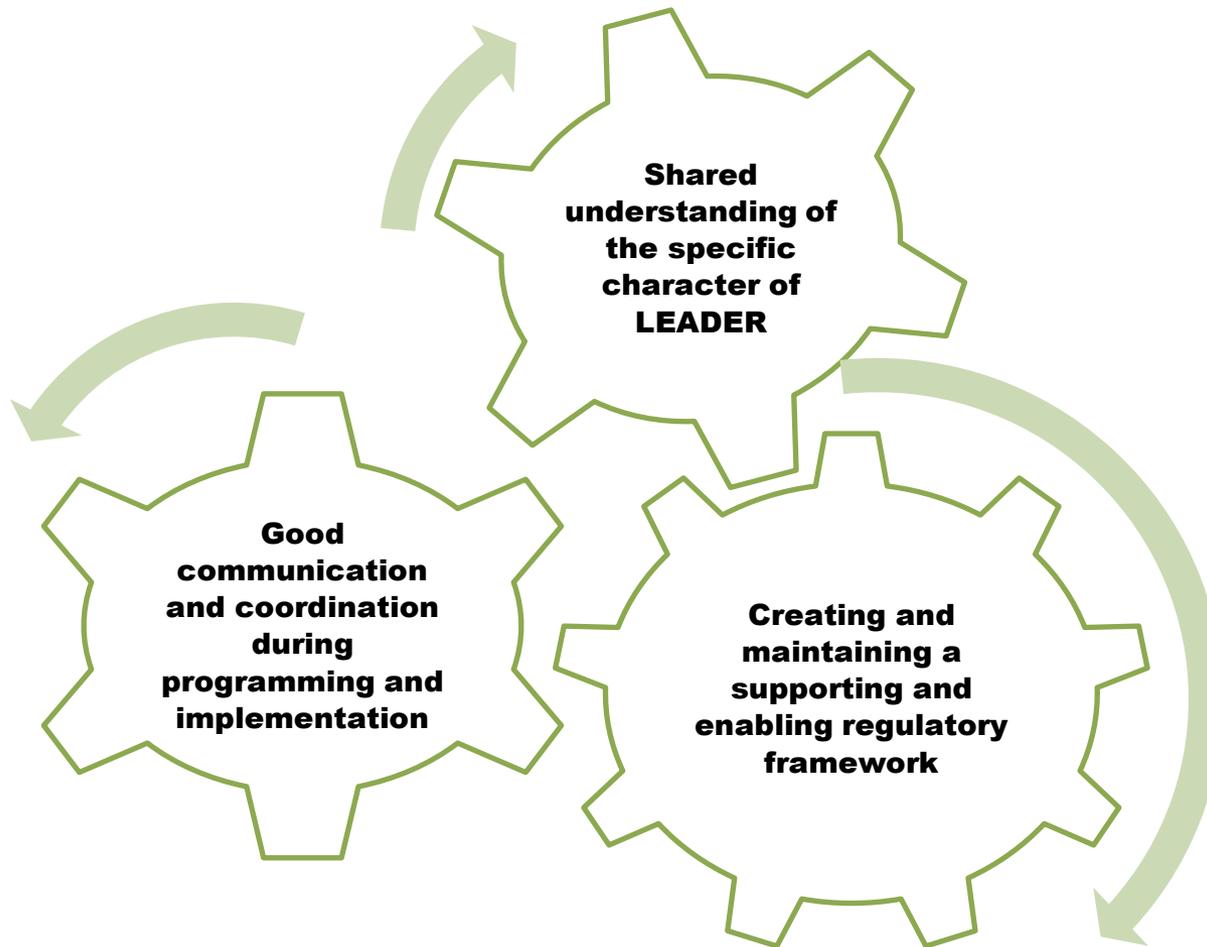
“Where enabled  
mechanism  
and EC.”



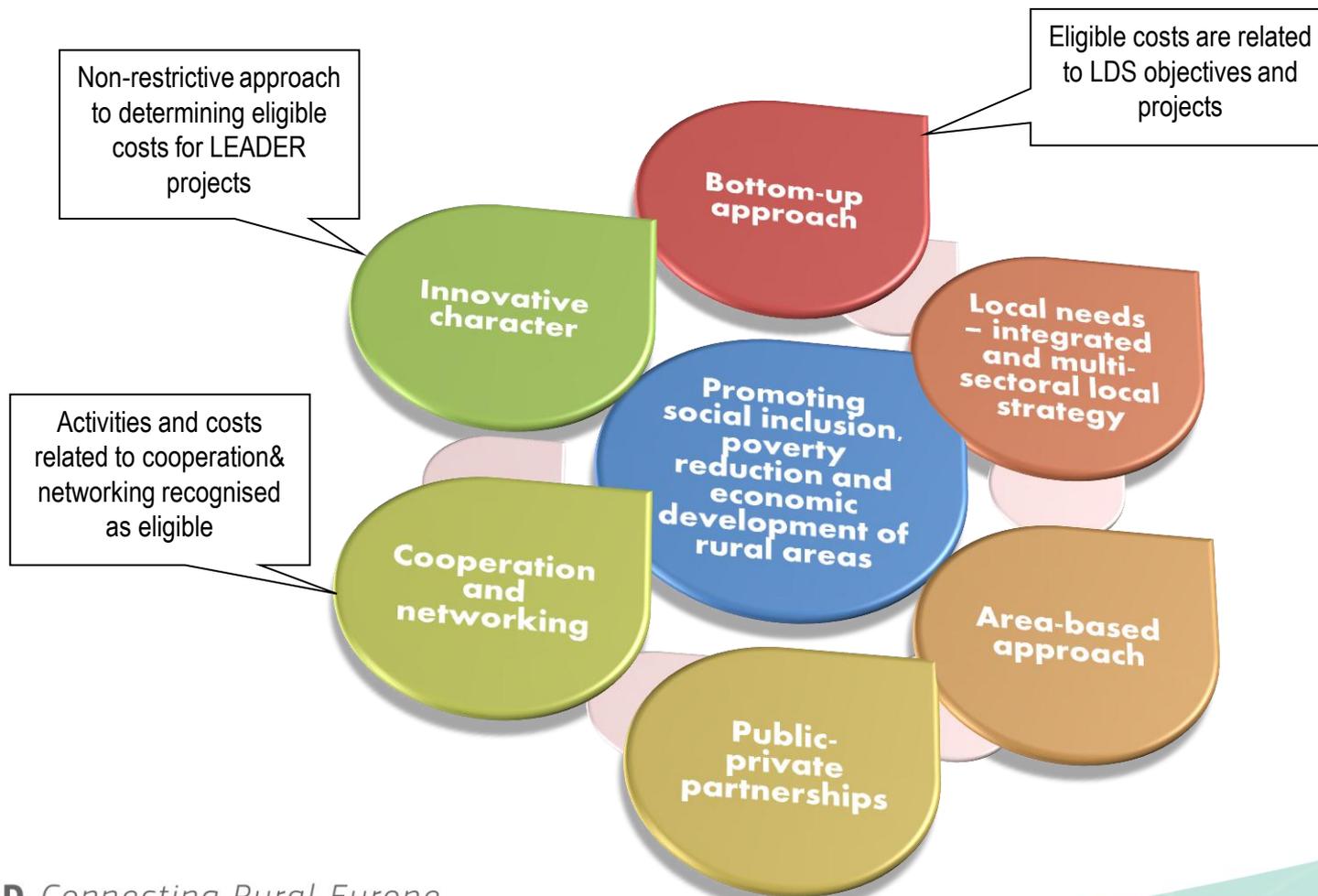
orted and  
**associated**  
, MA, FA

Report. June 2012

# Framing LEADER funding



# LEADER principles and implications for funding LEADER



# The typical `funding` flow for LEADER

## LDS and LEADER projects

Aid intensity?

Types of beneficiaries?

Eligible costs based on LDS?

Animation - LEADER specific?

Funding the 'own source'

Min and max project size?

LDS review and modifying the financial allocation?

# Some elements of effective LEADER funding

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

# First "financial planning" for CLLD 2014-2020 in the Partnership Agreement

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

- Results wanted from CLLD
- Identify objectives and priorities that can best be dealt with locally
- Identify resources and scope of the four Funds for most appropriate combination to achieve the aims

# Contribution of the Fund(s) to LEADER/CLLD in the RDP/OP 2014-2020

- **EAFRD, EMFF** contribution calculated on the basis of **eligible public expenditure**
- **ERDF, ESF**: contribution calculated on the basis of **total eligible expenditure** (incl. public and private expenditure) or **eligible public expenditure**

## Co-financing rates EAFRD for LEADER/CLLD – importance given to the approach by the EU

### 2007-2013

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

### 2014-2020

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

# Guidance on EAFRD aid intensity for LEADER

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

# Specific eligibility issues / harmonisation between the ESI-Funds

- **VAT:** only where it is non-recoverable under national VAT legislation (see art. 59.3(c) CPR )
- **Contributions in Kind** (Art. 59 (1) CPR): voluntary work can be eligible for support
- **Simplified cost options** (**New for the EAFRD!**): standard scales of unit costs, lump sums not exceeding 100 000 EUR of public contribution; flat-rate financing (determined by the application of a percentage to one or several defined categories of cost)

# New legal requirement in the CPR: The financial plan of the local development strategy

A mandatory element of the LDS is:

**the financial plan of the strategy, including the planned allocation of each of the concerned ESI-Funds. (Art. 29 (1) (g) CPR)**

# LDS budget: Recommendations from the CLLD Guidance document

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

## Possibility of a lead Fund for running costs and animation for multi-funded LDS: a proposed simplification

- Art. 28 (4) CPR: If the decision of the selection committee determines that the LDS requires multi-fund support, it may designate a „lead Fund“ which covers all running and animation costs
- Up to the Member States to decide if they want to make use of this option
- To be best defined at local level when drawing up the strategy? (see Art. 29.1 c+g CPR): Highest proportion of funding? The fund whose character fits most to the territory and the strategy? (see CLLD Guidance)

## Running costs and animation

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

## Advance payments EAFRD (if option is included in RDP)

- For **investments**: beneficiaries may request the payment of an advance of up to 50% of the public aid related to the investment (Art. 46 (5) RD Reg)
- For **running costs & animation in LEADER**: LAGs may request the payment of an advance. The amount of the advances shall not exceed 50% of the public support related to the running and animation costs (Art. 42 (1) RD Reg)

**Requirement:** bank guarantee corresponding to 100% of the amount of the advance or an equivalent guarantee by public authority (Art. 70 (1) RD Reg)

# Comparison of some financial aspects (old and new)

## 2007-2013

LAG running costs max. 20%

Advances for running and animation costs up to 20%

20% of investment support payable as advance  
(1974/2006 EC Art.56.)

Advances: bank guarantee (or equivalent) 110% (Reg.  
1974/2006 EC Art.38, 56.)

No legal provisions for simplified cost options

VAT: restricted eligibility  
(art. 71.3(a) Reg. 1698/2005)

## 2014-2020

LAG running costs and animation max 25%

Advances for running costs and animation up to 50%

50% of investment support payable as an advance  
(EAFRD reg. Art.46.5 and 70 – to be checked)

Advances: bank guarantee (or equivalent guarantee by  
MA) for advances 100% (EAFRD Reg. Art. 70.)

Possibility use simplified cost options (CPR Art.57)

VAT: eligible where non-recoverable under nat. legislation  
(art. 59.3(c) CPR)