

DRAFT (revised version presented on 08.03.2011)

GUIDE FOR THE APPLICATION OF THE LEADER AXIS OF THE RURAL DEVELOPMENT PROGRAMMES 2007-2013 FUNDED BY THE EAFRD

Introductory remark as regards the revision of this Guide in 2010/2011¹

The original version of this Guide was written in 2006/2007 in view of the approval of the RDPs. The update of this document is due to the results of the analysis of the implementation of the Leader Axis which was mainly driven through the work of the Focus Groups of the Leader-subcommittee of the ENRD and the Special Report of the European Court of Auditors "Implementation of the Leader approach for rural development" (published in November 2010).

The update covers mostly issues which were not possible to be predicted in the first version due to the novelty of the "mainstreaming" of the Leader approach. It should be understood as a tool for improvement of the implementation of the Leader approach in the current period, with a view to prepare the transition to the next period in a smooth way.

Depending on the proposals in the RDP mid-term evaluations relevant adjustments can still be carried out to improve the implementation of the Leader axis in each individual RDP.

The implementation of specific recommendations on monitoring and evaluation at LAG level should also be facilitated if amendments to local development strategies are envisaged during the implementation phase.

Aims and structure of the guide

The main purpose of this guide is to help the authorities in the Member States to design the Leader Axis of their Rural Development programmes ("Axis 4 " designated under Articles 61 to 65 of Regulation (EC) N°1698/2005), in order to start preparing for the selection of areas

¹ For reasons of visibility of the old and the new text, the new text remains highlighted.

and groups and to ensure sound financial management in the implementation of local development strategies. In this document the Commission provides a brief checklist of questions and some helpful examples that the Member States should take into account in order to achieve the potential added value of the Leader approach.

The "cooperation" measure under the Leader Axis is not covered by the present guidelines and is the subject of specific guidelines (Guide for the implementation of the "Cooperation" Measure under the Leader Axis of Rural Development Programmes 2007-13), the most recent versions of which were presented to the Rural Development Committee on 19 November 2008).

This guide does not create any new legislative rules. It should be noted that, in any event, interpretation of Community law is ultimately the role of the European Court of Justice.

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Chapter I

Introduction

Why a Leader Axis in rural development policy?

From 1991 to 2006, Leader I, Leader II and Leader+ have been conceived as a laboratory to encourage the emergence and testing of new approaches to integrated and sustainable development and to influence, complement and/or reinforce rural development policy in the Community.

The Leader initiative, after having gone through these three programming periods, has reached a level of maturity enabling the competent authorities of the Member States and local action groups in rural areas to implement the Leader approach more widely in mainstream rural development programming.

This is why Council Regulation N° (EC) 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) for the period 2007-2013 contains a fourth "Axis", called the Leader Axis².

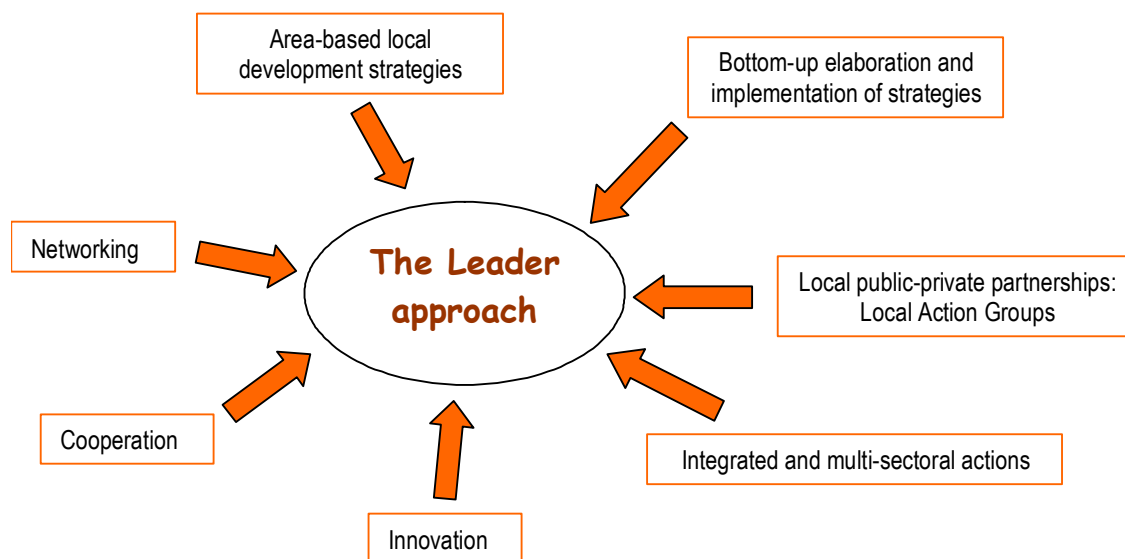
The crucial difference between Leader Axis and other Axes in this programming period of the EAFRD lies not so much in the content of the actions. In fact, as we will see later, many of the actions carried out in the Leader Axis will probably be similar to those implemented under the other Axes.

The main added value of the Leader Axis is to be found in *the way in which these actions are implemented and linked together, both in and by rural communities themselves.*

² OJ L277 of 21.10.2005

The seven key features of the Leader Method:

The seven key features of Leader



This figure presents a series of suggestions on how to ensure that rural areas really get the most value out of the Leader Axis in the remainder of this guide.

Chapter II

Defining a strategy for rural areas using the Leader approach

In order to define the **context** for the Leader Axis, it is suggested that the Member States should address the following main questions:

What is the overall national strategy for the development of rural areas and what will be the main role of the Leader Axis in achieving this strategy?

Since the Leader approach no longer corresponds to a Community initiative, it is up to the Member States to define its strategic role in rural development policy taking into account the Community strategic guidelines for rural development (Council Decision 2006/144/EC of 20 February 2006 published in OJ L 55, 25.2.2006 p 20).

In these strategic guidelines the overall strategic priority specific to the Leader Axis is to build local capacity for employment and diversification:

*"The resources devoted to the axis 4 (Leader) should contribute to the priorities of axes 1 and 2, and in particular of axis 3, but also play an important role in the horizontal priority of improving governance and mobilising the endogenous development potential of rural areas. Support under the axis 4 offers the possibility, in the context of a community-led local development strategy building on local needs and strengths, to combine all three objectives of competitiveness, environment and quality of life/diversification. Integrated approaches involving farmers, foresters and other rural actors can safeguard and enhance the local natural and cultural heritage, raise environmental awareness, and stimulate investments in and promotion of specialty products, tourism and renewable resources for energy."*³

Providing an overall vision for the Leader Axis is probably one of the most important steps in the design of a credible strategy. However, it is also one of the most complex and politically sensitive phases. This vision is meant to bring together key stakeholders behind the programme - so it is highly advisable to involve them from the beginning in the elaboration of the programme.

This vision should lay down some broad principles concerning the role that the Leader approach can play in rural areas in the next programming period.

The Leader Axis can play at least three different main roles, namely: stimulating endogenous *local development*, increasing the organisational capacity of rural communities *governance*, and breaking the vicious circle of decline that is still present in many rural areas by encouraging *innovation*. The importance attached to these three aspects by each Member State affects both the strategy and the management of the Leader Axis.

³

Point 3.4 of Council Decision of 20 February 2006, 2006/144/EC.

The Leader Axis as a tool for endogenous local development

One of the main advantages of bottom-up approaches is that they are able to mobilise more local resources for the development process. This happens both because local actors have a better knowledge of the resource opportunities available and because they have a greater sense of ownership and commitment to the projects.

Experience has shown that the bottom-up approach should not be regarded as competing with or opposed to top-down approaches from national and/or regional authorities, but instead as combining and interacting with them, in order to achieve better overall results.

The Leader Axis as a governance tool for building the organisational capacity of the rural community

Leader local action groups have played a major role in bringing together all of the public, private and civil organisations operating in a given territory and gradually creating the methods and knowledge for working together in the pursuit of common goals.

Leader has also forged a sense of local identity which goes *beyond* narrow village boundaries. The boundaries for many local government services have subsequently been reorganised to fit the territories built by the Leader partnerships.

One aim of the Leader axis is to increase the organisational capacity of rural communities (strengthening of the local management and project development capacity). This tends to involve a fairly broad coverage of rural communities (and as a result certain countries will cover nearly all rural areas with Leader partnerships). It also means developing trust, long term structures, experience and expertise, and thus having a major impact on the importance attached to the measure "acquisition of skills" and to the processes of selecting the local action groups.

The Leader Axis as a tool for stimulating innovation

Leader can play a valuable role in stimulating new and innovative approaches to the development of rural areas. Such innovation is encouraged by allowing LAGs a great deal of latitude and flexibility in making decisions about the actions they wish to support. This has a major impact on the design of the eligibility rules in the programmes.

The possibility of funding experimental or innovative projects depends very much on the extent to which the RDPs are making use of the possibilities of the Council Regulation to fund projects outside the standard menu of measures from axes 1 ó 3 (Article 64). In principle, all projects which correspond to the aims of axes 1, 2 and 3 in Reg. 1698/2005 are eligible for funding.

Eligibility rules for innovation should be appropriate to suit the existing needs for implementing innovative projects. Former evaluations of the Leader Community Initiative have pointed out that the benefits of Leader in terms of innovation may be lost if the eligibility rules are too detailed or limited. Indeed, very strict criteria can hinder innovation and limit the development of (new) ideas. Innovation needs to be understood in a broad sense. Innovation is not necessarily defined in terms of hi-tech novelties. It is simply seen as a way of finding new solutions to an area's needs. In this sense, every area - no matter how undeveloped - can benefit from an innovation strategy that is adapted to its most pressing

problems. Innovation may mean the introduction of a new product, a new process or a new organisation, or a new market. This common definition of innovation is valid for both rural and urban areas.

However, owing to their low density and relatively poor level of human and physical resources, a number of rural areas have weaker linkages with research and development centres and may find it difficult to produce radical innovations, although this ought to be possible.

Innovation in rural areas may involve the transfer and adaptation of innovations developed elsewhere, the modernisation of traditional forms of know-how, or finding new solutions to persistent rural problems which other policy interventions have been unable to solve in a satisfactory and sustainable manner. This can provide new responses to the specific problems of rural areas also on a local level. The selection criteria for innovative projects should also be decided at the appropriate level. Due to the specific nature of the Leader approach, it is unlikely that any potential for innovation will be measured by the public authorities alone. Indeed, eligibility and selection conditions defined in the RDP may present an obstacle to supporting new types of projects. It would be more relevant to have LAGs set criteria in the context of their local strategy and area/development conditions. By asking LAGs to provide an adequate system of selection criteria and an efficient system for documenting their decisions, the question of eligibility of innovative projects can be answered by applying the principle of 'defendability'. In any event, it is for the LAG alone to estimate whether a project meets the criteria in terms of its local strategy, and thereby adds value to its area.

Other potential functions of the Leader Axis

In preparing their national strategy plans, Member States must ensure consistency in accordance with Article 2(1) of Regulation (EC) No 1974/2006. Moreover, as stated in the Community strategic guidelines, "Member States should ensure that synergies between and within the axes are maximized and potential contradictions avoided. Where appropriate, they may develop integrated approaches."⁴

The Leader approach is a tool to implement integrated schemes that combine a number of economic sectors in order to develop a global approach in rural development, by organising a coalition of rural actors and coordinating various support measures to create synergies between Axes 1, 2 and 3 (e.g. to promote quality food products in connection with the development of tourism). The horizontal Leader approach also makes it possible to combine objectives aimed at diversification, environment and quality of life.

Leader is a tool that allows the development of an area-based approach at micro-regional level, thereby taking the diversity of rural areas into account. The real advantage of the Leader approach lies in its greater ability to encompass the complexity of the territorial system, i.e. in relation to rural infrastructures, common goods, local heritage, organisational capacity, knowledge transfer, cultural enhancement etc.

The Leader approach is also a tool for solving local conflicts between divergent interests in rural development (e.g. tourism development in environmentally protected areas, farm or forestry competitiveness that is compatible with nature and water protection).

⁴

Point 3.5 of Council Decision of 20 February 2006, 2006/144/EC.

Chapter III

Designing the content of Leader Axis in the programme: Planning and resources

In parallel with the process of working out what *needs* to be done, as described in the previous chapter, Member States have to decide what *can* be done with the available resources. This involves providing answers to a series of questions which are presented below.

Under which thematic Axis should the Leader Axis be implemented?

The Leader Axis is a horizontal, methodological Axis, which will have to be implemented in one or more of the three thematic axes. In terms of content, choices will therefore have to be made as to where the Leader method can be best applied.

One pragmatic approach would be to take into account previous successful experience with Leader local development strategies, using their scope of intervention and the results of evaluation.

It will be always possible at a later stage to modify the indicative financial table of the program indicating the share of Leader axis funding between the three axes (see extract of table below annexed to Commission Regulation (EC) N°1974/2006 laying down detailed rules for the application of Council Regulation (EC) N° 1698/2005). The distribution key of Local development strategies in relation to the three axes (4.1) also applies to cooperation (4.21) and running costs, skills acquisition and animation of the territory. (4.31)

4.1 Local development strategies:
• 411.Competitiveness
• 412.Environment/land management
• 413.Quality of life/diversification
4.21 Cooperation:
4.31 Running costs, skills acquisition, animation

The evaluation study "Methods for and success of mainstreaming Leader innovations and approach into rural development programmes" ⁵ commissioned by DG Agriculture and Rural Development defined the concepts of "strategic vertical/top down mainstreaming" and of "mainstreaming on demand"

The current process is a "strategic/top down mainstreaming" because it started from the Community level before being translated into national priorities in national strategy plans. It was then implemented at local level. "Mainstreaming on demand" means that mainstreaming can also be introduced from the bottom up, by means of political statements/declarations made by local and regional stakeholders, who convey the demands of local people and institutions (e.g. municipalities): mainstreaming on demand occurs after the initial successful experiences with Leader-like approaches, which in the view of local stakeholders should be intensified.

⁵ Final report by ÖIR 6 Managementdienste GmbH
Vienna, 19 April 2004

A genuinely bottom-up approach used by certain Member States to prepare their next programming period is to apply the model of "mainstreaming on demand"; this means allowing the three Axes to apply the Leader method and letting the LAGs define the scope of their local development strategies.

A more top-down approach would mean the exclusion of one or two axes from the programme.

Should innovation be included in the programme?

Innovation is not mandatory at LAG level, but it must be included in the programme as an operational objective of the Axis; the "implementation of innovative approaches" is an element of the Leader approach as defined in Article 61 of Regulation (EC) N°1698/2005.

Innovation should be included as a strategic theme (see Fiche 3 on Innovation in rural development strategies annexed to the Guidance Template "Establishing the National Strategy Plan"), possibly integrated ex-ante in the "integrated local development strategies" or be given priority in the selection of the local development strategy. (see Chapter II: The Leader axis as a tool for stimulating innovation)

How many areas are likely to participate in the Leader Axis?

The programme must provide, inter alia, "the indicative number of LAGs and the planned percentage of rural territories covered by local development strategies."⁶

According to Article 37 of Regulation (EC) No 1974/2006, Member States or regions may opt to cover either their whole territory or part of it by adapting accordingly the criteria for selecting the local action groups and the areas they represent.

If the objective of the Member State is to cover only a part of its rural territory, this leads to stronger competition between LAGs, since any rural local partnership must have the possibility to submit a local development strategy. Selection criteria might include socio-economic criteria in order to give preference to disadvantaged areas or attach a strong priority to qualitative criteria relating to the strategy and the organisation of the Local action group (see Article 37(1) of Regulation (EC) No 1974/2006).

In cases where the Leader approach is expected to be implemented in the whole territory of the programme selection will take place mainly on the basis of administrative/eligibility criteria (Article 62 of Regulation (EC) No 1698/2005). With respect to selection criteria, see also Article 37(4) of Regulation (EC) No 1974/2006.

As mentioned above, if one of the main strategic aims of the Leader Axis is to improve the governance of rural policy, its implementation will involve a broader coverage of rural communities than in the previous programming period. One possible way to measure the improvement in local governance could be for Member States to indicate in their programme the increase in geographical and population coverage and in the expected number of selected local action groups compared to the previous programming period.

⁶ Point 5.3.4.1. of Annex II of Regulation (EC) No 1974/2006.

How will rural communities be prepared for implementing local development strategies?

Even where there is already some local experience of Leader, it is still important to ensure that the local action group is properly prepared for its role.

One of the first tasks of the national rural network funded under technical assistance⁷ will be to prepare training programmes for local action groups in the process of formation⁸. It is recommended that national rural networks should be in place soon after the adoption of the programmes, although the deadline for this is 31 December 2008 in accordance with Article 41(4) of Regulation (EC) No 1974/2006. If the network is not established by the end of 2008, it would be preferable to use the sub-measure "acquiring skills" under Article 63 c) of Council Regulation (EC) No 1698/2005 from the start of the programming period in order to help local groups organise themselves and prepare the local development plan in a short period of time (e.g. 6 months to 1 year). Article 59 of Council Regulation (EC) No 1698/2005 defines the following eligible operations:

- (1) At national level through training bodies as beneficiaries :
 - the training of staff involved in the preparation and implementation of a local development strategy;
 - promotional events and the training of leaders;
- (2) At local level through the local communities, local development agencies, local partners associated through agreement or already established LAGs as beneficiaries :
 - studies of the area concerned, including the analysis of a potential local strategy;
 - measures to provide information about the area and the local development strategy;

In Member States that have established Leader+ National Network Units these structures can provide technical assistance to the LAGs for the preparation of the new local development strategies (e.g. Netherlands); this can be done before the new rural development network unit is in place.

At LAG level it is important to ensure that there is a smooth transition from the capacity building phase to the implementing phase, and that enough time is left for the latter. This is why, as a general rule, the calls for proposals for the selection of rural areas for the implementation of local development strategies have to be organised within two years of the approval of the programmes.⁹

It should be mentioned that acquisition of skills according to Article 63c) of Council Regulation (EC) No 1698/2005 should be also available during the implementation phase of local development strategies for training actions on issues such as LAG management, self

⁷ See Article 66(3) Regulation (EC) No 1698/2005.

⁸ See Article 68(2)(b) Regulation (EC) No 1698/2005.

⁹ See Article 37(2) Regulation (EC) No 1974/2006.

evaluation, monitoring etc. It is recommended that the exchange of experience between LAGs on the respective local development strategies - which are not eligible under cooperation where there is a requirement to have a joint action - should be eligible under acquisition of skills.

To sum up, Member States should explain to the existing and potential LAGs how they plan to help the areas in preparing and implementing their development strategy (national network, seminars through other training bodies using the acquisition of skills, local capacity building, preparation of the necessary financial and administrative documentation í)

What will be the duration of implementation of local development strategies?

The length of time remaining for the implementation of the local development strategies depends mainly on the timetable of the LAG selection procedure. National or regional programmes must indicate the timetable for selecting the local action groups.

Pursuant to Article 37(2) of Regulation (EC) No 1974/2006, calls for proposals for the selection of rural areas for the implementation of local development strategies shall be organised no later than two years after the approval of the programmes. However, Member States or regions may organise additional calls for proposals, especially where Leader is open to new areas, in which case longer time limits may be necessary.

It is therefore possible to organise one call or to have two waves of projects at the beginning of the programming period. However, it should always be remembered that local development and capacity building is a long-term process. Experience shows that the actual implementation of local strategies on the ground does not usually start until the fourth year of the programming period.

What types of projects can be funded under the local development strategies?

Detailed minimum general eligibility rules (conditions set at the Community level and at programme level according to Article 71(3) of Regulation (EC) n°1698/2005) will have to be respected.

"Award criteria" (selection criteria under Article 78 a) of Regulation (EC) n°1698/2005, set at programme level after consultation of the Monitoring Committee, will also have to be applied. In addition, Local action groups are defining project selection criteria "local selection criteria" in relation to the specific priorities of their local development strategies. It is recommended that these local selection criteria be included in the local development strategies; within this model the specific local selection criteria can be approved under the selection procedure for the local action groups.

According to Article 63 of Regulation (EC) N° 1698/2005 LAGs can undertake actions which fall within the scope of an EAFRD measure or outside the scope of a measure within each Axis designated as being applicable to the Leader approach under the programme.

This means that any operation within the scope of this designated Axis (competitiveness of agricultural and forestry sector, improving the environment or diversification of economic activities and improving the quality of life) is eligible. Within their responsibility, Member States must ensure coherence and consistency with other Community funds.

Member States should adapt their rules as necessary to allow LAGs also to develop local solutions that do not wholly correspond to the rural development programme measures as defined in the programmes, but which are appropriate to contribute to the objectives of the relevant axes.

(1) Operations eligible within measures defined in Council Regulation (EC) N°1698/2005

In principle, any territorial measure and several sector related measures can be implemented using the Leader approach (see conclusions of the DG Agriculture and Rural Development study "Methods for and success of mainstreaming Leader innovations and approach into rural development programmes"³ under point 5.2.3.2) : "sufficient examples showed that a broad range of agricultural measures, beyond the ones eligible under Article 33 (diversification) and Article 9 (training) of Reg. N°1257/99, can be integrated into Leader-type programmes, such as investments in farms, setting up of young farmers, marketing and processing, agri-environmental measures, and forestry beyond the extent to which this is already done in regional operational programmes. There are sufficient examples in ES, FI, FR, IT and UK showing that the strong mainstreaming of Leader features embraces measures for developing farm businesses and for preserving the diversity of cultural landscapes. The inclusion of farm-targeted measures can produce material and immaterial benefits for the producers, land stewards, rural society and society as a whole" "

Measures can be implemented exclusively through the Leader Axis or in addition to the normal top-down delivery system (selection of projects by the Managing Authority).

If a project falls within the scope of application of a particular measure, its eligibility and selection conditions apply (Art. 64 Regulation N°1698/2005). Conditions applying to the measure are defined at EU level (by Council Regulation N°1698/2005 and/or by Regulation N°1974/2006) and at programme level (eligibility rules defined according to Article 71(3) of Regulation N°1698/2005). Horizontal conditions not specific to a measure also apply (e.g. state aid rules, contributions in kind í).

According to the analysis of the Leader focus groups established in 2010 under the European Network for Rural Development, Member States should review the existing measures in the RDPs to assess whether the eligibility rules constrain the LAGs' ability to design and implement innovative, multi-sectoral, local strategies to achieve the objectives of Axes 1-3 of the rural development policy. Projects that are typical for the Leader approach should be eligible; they may include innovative projects, territorial projects, small scale projects or multiple partner projects. Furthermore, the **combination of several measures** (also between axes) should allow support to be given to complex projects which take better account of the cross-cutting objectives of local development strategies.

(2) Operations eligible outside the measures defined in Council Regulation (EC) N° 1698/2005

Operations supported do not necessarily correspond to one of the rural development measures. This is important in terms of maintaining the experimental/innovative function of the Leader method. Horizontal conditions defined at Community level (e.g. State aid rules, contribution in kind í) and at programme level not specific to the measure apply. The objectives of the relevant Axis have to be respected.

According to the analysis of the Leader focus groups, Member States should amend their rules as necessary to allow LAGs also to develop local solutions that do not entirely correspond to the rural development programme measures as defined in the programmes, but which are appropriate to contribute to the objectives of the relevant axes. Elements in RDPs to ensure an effective implementation of the method may include the following :

- **creation of specific sub-measures** (to measures 411-413) including eligible actions, beneficiaries and financial conditions, which allow the funding of projects which do not correspond to the eligibility criteria of any standard measure, but which aim to achieve the objectives of one or more of Axes 1 ó 3;

- **a possibility to fund projects as part of a local development strategy which is not linked to any specific measure in the RDP**, with the sole condition that this is done with a view to achieving the objectives of one or more of the other three axes (within the meaning of Art. 63 (a) and Art. 4 of Reg. 1698/2005). The eligible actions and beneficiaries are defined in the local development strategy. The financial conditions are defined at programme level (e.g. support to small scale projects).

How will the budget for each group cover the running costs of the group as well as acquisition of skills and the animation of the territory?

The programme must provide an indicative estimate of expenditure which will be used for running costs, skills acquisition and animation for the Leader Axis.¹⁰ The eligible period for all three types of activities may be both the period necessary to elaborate the strategy and the period of its implementation.

- *Running costs*

The running costs of the groups may not exceed 20% of the total public expenditure allocated to the local strategy (Article 38(1) of Regulation (EC) No 1974/2006). Running costs include the staffing and administration costs of the selected LAG. Participation of LAG staff and LAG members in the meetings of the National and European Networks should also be an eligible expenditure, since networking is one of the seven Leader principles.

Normally, the minimum number of staff required for the basic functions (see Chapter V) is two ó a qualified manager and an administrative assistant. Additional human resources might be needed depending on the amount of additional administrative tasks delegated, area and/or population covered or budget strategy. The staff must be qualified and/or have experience in the administrative management of local projects and also in certain models of implementation in financial management.

It is recommended to apply a system of advances for the running costs under the terms of Article 38(2) of Regulation (EC) No 1974/2006 to allow LAGs to meet their cash flow needs.

- *Skills acquisition*

Article 59, referred to in Article 63 c) of Council Regulation 1698/2005, indicates eligible activities for skills acquisition ("studies of the area concerned", "training of the staff involved

¹⁰ Point 5.3.4.3. Annex II of Regulation (EC) No 1974/2006.

in the preparation and implementation of a local development strategy"). Training of the LAG members should also be considered as an eligible expenditure under skill acquisition, as they are involved in the preparation and implementation of the local development strategy.

- *Animation.*

Most local action groups consider that the main part and value of their work comes from animation activities.

Article 59, referred to in Article 63 c) of Council Regulation 1698/2005, lists eligible animation activities ("measures to provide information about the area and the local development strategy, "promotional events and training of leaders"). These include project development tasks, such as providing support to potential beneficiaries to develop projects and prepare applications, but also bringing together the different stakeholders that comprise their community. If they do not play this role, it will be only the strongest organisations, companies and areas that participate in the implementation of the local development strategy. This important part of their function consists in: encouraging the weaker members and areas of the community; providing them with the necessary technical assistance; teasing out new ideas that would otherwise not emerge, helping to overcome the conflicts that exist in every community, creating a culture of working together for common goals, and forging a strong identity and image of the territory.

LAGs should use various means to inform the local community about the possibilities for project grants: at public meetings and events, through leaflets and publications, the LAGs' web sites, and via the members of LAGs. In this way, the LAGs not only respond to the existing demand for grants, but also potentially encourage other local actors to consider new investments or other projects.

Animation requires additional resources and communication skills that are different from those needed for the financial and administrative functions mentioned above. The countries that have used Leader approaches to improve the organisational capacity and local development of their rural areas usually have a team of 4-5 people locally. Those local teams should possess both the economic and technical skills required for assessing and supporting the viability of local projects.

Should cooperation be included in the local development strategy?

Cooperation is not mandatory at LAG level, but it must be available for those LAGs that are willing to implement cooperation projects. Cooperation measure, just like the other Leader measures, should be programmed.

Cooperation can be integrated ex-ante in the local development strategies, and in the old Member States it has to be given priority in the selection criteria for the local development strategy.

The Cooperation measure can also be directly implemented through selection procedures organised by the competent authority.

Chapter IV

The selection of the local action groups

What will be the selection criteria and the procedures to be followed?

Selection procedure

The selection and setting up of the local groups and their corresponding territories and strategies is probably the most important phase of the entire programme. It is therefore important that the definition of selection criteria is not only seen as a simple administrative process, but also that it should correspond to the strategic policy objectives assigned to the Leader Axis in the programme.

Calls for proposals for the selection of rural areas for the implementation of local development strategies must be organised not later than two years after the approval of the programmes. However, Member States or regions may organise additional calls for proposals, especially where Leader is open to new areas, in which case longer time limits may be necessary.

Regulation (EC) N°1974/2006 states that the programme shall specify the procedures, the timetable and the objective criteria for selecting the local development strategies. The advantage of already having precise objective selection criteria in the programme is that the call for tenders can be launched as rapidly as possible.

The Member States have a certain flexibility in adopting implementation models.

The procedures for selecting the local action groups must be open to all rural areas and ensure competition between the local action groups putting forward local development strategies.¹¹ In other words, the Member States must at least demonstrate that procedures are in place for informing stakeholders about the possibility of applying for Leader Axis, and that the decision-making process is clear to them. Rural communities should receive the widest possible information (publications, web sites, etc.).

The same selection criteria should apply to all LAGs in the programme in order to ensure the application of the principle of equal treatment.

Selection procedures under a national programme might include a regional selection phase to assess the consistency of the local development strategy with the regional development strategy under other policies or instruments. However, the same selection criteria should apply to all LAGs. This regional phase should precede a national final selection phase where a national selection committee conducts a comparative assessment of all applications.

The Managing Authority can envisage one call for interest with two deadlines for submission: a first date for areas with Leader experience which are ready to implement local development strategies and a later date for the areas where Leader+ is not yet implemented, with a view to launching local strategies from 2008.

¹¹ Article 37 Regulation (EC) No 1974/2006.

The Managing Authority can also envisage two successive calls for proposals for each of these categories.

In areas with Leader experience in the programming period 2000-2006 (or 2004-2006 for the EU 10) transitional rules have to be respected: these LAGs will only start implementing their new local development strategies when the former strategy is already closed in terms of the legal commitments with beneficiaries. Special cases of former LAGs expanding their territory or the scope of their local strategy also have to be envisaged; they can start implementing the new strategy in the new territory while awaiting the end of 2008 (or the end of commitments/cut-off) in the old territory. If a new type of operation (new category of eligible recipient of payments or new area of intervention) is included in the Local Development Strategy, their implementation may begin in parallel with the previous strategy. There needs to be a separate accounting system. However, in the interests of sound financial management, it is recommended that a LAG should have exhausted the financial allocation of the previous local development strategy before starting to implement the new strategy.

In new areas, prior acquisition of skills (over a period of 6 months to one year) is necessary before the submission of a local development strategy.

Once the selection has been made, a good administrative practice taken up on the initiative of certain Member States is the signing of a convention/a contractual agreement on the local development plan between the legal entity established or designated by the LAG and the Paying Agency and/or Managing Authority. The administrative arrangements due to be put in place to deliver the agreed local development strategy are summarized in a local development plan.

Selection criteria

We can distinguish three categories of selection criteria: these are criteria related to the territory (1), the partnership (2) and the strategy (3). Qualitative elements in addition to eligibility criteria can be required for each of these three elements (coherence of the territory, quality of the strategy, organization of the local action group)

Article 62 of Council Regulation (EC) N°1698/2005 defines minimum selection criteria. They can therefore be supplemented by specific national criteria. This means that Member States can add further criteria which specifically help them to select the best groups and areas for implementing their goals for local communities.

- (1) Criteria related to the territory

The area covered by the strategy shall be coherent and offer sufficient critical mass in terms of human, financial and economic resources to support a viable development strategy (Article 62(3) of Council Regulation (EC) N°1698/2005).

The coherence of the territory

The area must be sufficiently *coherent* from a geographical, economic and social point of view. The territorial approach adopted for the Leader Axis fundamentally changes the way in which local areas are perceived and defined. The territories are becoming territorial projects ó namely active, learning organisations working together for a common goal. This approach changes the logic for defining the boundaries of LAGs areas. It is not recommended to start

from fixed administrative boundaries, consider their needs and then look for someone (usually from outside) to solve the problem. The cycle has to start with the actors in the territory, the definition of their needs, the identification of their potential and their strategy for the future. The precise boundaries of the territory depend upon who wants to do what with whom.

Criterion of critical mass: What should be the size of the territories?

Regulation (EC) N°1974/2006 fixes the lower and upper limits for the LAGs area in flexible terms: "The population of each area must as a general rule be not less than 5,000 and not more than 150,000 inhabitants. However, in properly justified cases, the limits of 5,000 and 150,000 inhabitants may be lowered or increased respectively."¹²

If the Member State makes use of this derogation possibility, a sound justification has to be presented in the programme. Small towns and peri-urban areas might be included in the territory, but for Axis 4 the geographical targeting should not go beyond the delimitation of the rural area given in the programme: According to Article 61 a) of Regulation (EC) No 1698/2005, Leader approach area-based local development strategies are intended for well-identified subregional *rural territories*.

As a reference, the average size of Leader+ local action groups is around 56 000 inhabitants over an average territory of 1.805 square kilometres. However, this masks wide variations; the average number of inhabitants was over 70,000 in countries like Ireland, the United Kingdom and Italy and under 40 000 in Spain, Austria, Belgium and Luxembourg. In Sweden and Finland, the average size is over 4,000 km² and in Belgium, Luxembourg and the Netherlands it is less than 500 km².

It is clear that the size of the territory should be adapted to the realities of each country (e.g. population density). In this sense, each Member State needs to take into account at least two aspects:

- The larger the territory, the greater the critical mass. There are more likely to be economies of scale in managing the programme and the area may possibly (but not necessarily) conform more closely to a functional (and sustainable) labour market area.
- The smaller the territory, the easier it is to connect with local people, increase local participation, and build organisational capacity as well as local identity. So, since these are main aims of the Leader Axis, the areas should not be too large.

Consequently, the main task for Member States is to strike a reasonable balance between the two aspects mentioned above, within the limits laid down in Article 37(3) of the Implementing Regulation.

- **(2) Criteria related to the partnership**

The local action group must consist of a group that either qualified for the Leader II or Leader+ initiatives, or gained experience following the Leader approach, or a new group

¹² Article 37(3) Regulation (EC) No 1974/2006.

representing partners from the various locally based socioeconomic sectors in the territory concerned.¹³

At the decision-making level, the economic and social partners, as well as other organisations representing civil society such as farmers, rural women and young people's organisations, must make up at least 50 % of the local partnership. Here, the aim is to achieve a balance between the socioeconomic composition of the area and the composition of the partnership.¹⁴

Leader action groups must be distinguished from local public-private partnerships of Axis 3 under Article 59(e) of Regulation (EC) No 1698/2005, which were established for local strategies applying only one or more measures of Axis 3 and where the minimum percentage of private partners is not fixed at Community level.

The local action group must show an ability to define and implement a development strategy for the area, propose an integrated local development strategy and be responsible for its implementation¹⁵.

The Managing Authority shall ensure that the local action groups either select an administrative and financial lead actor able to administer public funds and to ensure the satisfactory operation of the partnership, or come together in a legally constituted common structure the constitution of which guarantees the satisfactory operation of the partnership.¹⁶ The ability to administer public funds must be guaranteed. Some local groups may have this expertise within their organisations, whereas in other cases it may be necessary to use one of the members of the partnership or an external body with the ability to manage public funds. The latter model, although understood for new LAG territories without experience in Leader, should not be used systematically in older LAGs.

- (3) Criteria related to the local development strategy

An integrated local development strategy must be based on at least the following elements (Article 61(a) to (d) and (g) of the Council Regulation):

- area-based local development strategies intended for well-identified sub-regional rural territories;
- local public-private partnerships;
- bottom-up approach with a decision-making power for local action groups concerning the drawing up and implementation of local development strategies;
- multi-sectoral design and implementation of the strategy, based on the interaction between actors and projects from different sectors of the local economy;
- networking of local partnerships.

EU 15 Member States are obliged to endeavour to give priority to the selection of local action groups which have integrated cooperation into their local development. Priority might also be given to innovative strategies or other characteristics.

The fact that the LAG legal entity is implementing other EU funds (e.g. acting as a group under Axis 4 of the European Fishery Fund) should not be considered as an exclusion

¹³ Article 62(1)(b) Regulation (EC) No 1698/2005.

¹⁴ Article 62(1)(b) Regulation (EC) No 1698/2005.

¹⁵ Article 62(1)(a) and (c) Regulation (EC) No 1698/2005.

¹⁶ Article 62(2) Regulation (EC) No 1698/2005.

criterion. It is necessary to ensure a clear separation of instruments (distinct partnerships; project selection committees; separate book keeping and delimitation between strategies) and sharing of the common running costs.

Chapter V

The implementation of the local development strategy

The local action group has the practical responsibility to implement the local development strategy (Article 62(1) (a) of Regulation (EC) No 1698/2005). The "centre of gravity" in the decision-making process should be local, i.e. where the main operations for implementing the Leader Axis have to be carried out. The decentralisation of management tasks does not affect the responsibility of the Managing Authority as regards the efficiency and correctness of management (Article 75(2) Reg. 1698/2005).

Leader implementation models

The experience with the previous Leader Community initiatives has shown that there are big differences between the Member States as regards the scope of the tasks delegated to the LAGs. There are three major Leader implementation models that are currently used by the Member States under the Leader axis:

- LAGs are competent only to select projects
- LAGs are competent to select projects and pay the beneficiaries
- LAGs are competent to both select and approve projects

The first model (decentralisation of project selection competence only) can be considered as a "basic model" corresponding to the minimum requirements as regards the transfer of decision-making to the local level. Other models have been developed at the initiative of Member States.

In the two first models, the eligibility check prior to project approval is carried out by the Paying Agency or Managing Authority or some other public body by delegation. This administrative check should *only* be a legality check on the eligibility of operations and not a quality assessment or an assessment of the relevance of the project for the local strategy. Only projects which have already been selected by the LAGs should be the subject of such a check. Projects or lists of projects which have been rejected by the LAGs should not be the subject of further checks/ consideration by these bodies.

Managing Authorities should issue clear guidance to the Paying Agencies on the role they have to play in the decision making process for Leader.

In all implementation models an appropriate separation of responsibilities should be maintained in order to ensure transparency in decision making and to avoid any potential conflict of interest. In general, those involved in project development should not be involved

in project selection or approval. Those involved in project selection or approval should likewise not be involved in control tasks on payment claims.

Basic LAG administrative tasks

The basic LAG administrative functions common to all of these implementation models are the following (naturally, they have to be adapted to the national or regional administrative context):

1. Drawing up and publication of calls, including definition of local selection criteria (periodic or permanent calls)
2. Receipt of applications
3. Project assessment
4. Either project ranking and presentation of lists of selected projects to the MA, including fixing the amount of support, or presentation of selected projects to the MA on an ongoing basis
5. Monitoring the implementation of the strategy (including monitoring the implementation of selected projects)
6. Evaluation of the strategy

The role of MA should focus on tasks that aim to facilitate the work of LAGs at local level, by providing the necessary implementation framework for LAGs and a supervisory system in order to monitor implementation at the local level. In the same way, the PA should focus on control tasks in order to ensure that eligibility rules are respected.

Project selection procedure

LAGs are performing the qualitative assessment of projects, including compliance with the local development strategy, on the basis of local project selection criteria. The project assessment should be motivated and documented so as to demonstrate the soundness and fairness of the decision in terms of consistent and relevant selection criteria. Project selection decisions are usually entrusted to an elected body (committee, board etc.) drawn from the partnership.

Procedures should be in place to ensure transparency of all decisions with the appropriate visibility (e.g. published minutes of project selection meetings on LAG web sites) and to avoid conflicts of interest. Any member of the project selection committee with an interest in a project should declare such interest and not take part in the vote.

The declaration should describe the nature of the link between the member of the selection committee and the applicant. This information should be also documented in the minutes. For instance there is a conflict of interest where the exercise of the functions of the member of the project selection committee is compromised for reasons involving family, or economic interest (e.g. the member of the selection committee is the applicant).

Internal rules should be also applied by LAGs to ensure that the partnerships are not dominated by the local authorities at project selection meetings, for instance by requiring that

the 'private' sector members should represent at least 50 % of the votes in each decision-making meeting (Article 62.1.b).

Appeal procedure

An appeal procedure should be put in place so that an applicant's appeal can be submitted to the body responsible for the approval of project (MA or LAG depending on the implementation models) within a given period of time from the date of the negative decision.

Payment function

There are two main models for certifying the expenditure and paying the final beneficiary:

(1) A decentralised model, where the group is directly responsible for the initial certification of completion of the projects and payment is (global grant system). The global grant is either held by the LAG itself or managed by a partner agency, which was either embedded in the LAG or acting independently from the local group.

Article 6(1) of Regulation (EC) No 1290/2005 lists the tasks to be carried out by the Paying Agency and goes on to state: "With the exception of the payment of Community aid, the execution of these tasks may be delegated". Article 6(1) refers only to the "payment of Community aid". In the area of rural development, where normally a single public subsidy co-financed by the Community and the Member State is paid out to the final beneficiary, that payment to the final beneficiary is not covered by Article 6(1) and, therefore, may be executed by the local action group. Only the reimbursement of the Community part of the subsidy to another authority or body must remain with the paying agency.

In cases where a Member State makes use of this possibility, the Paying Agency remains fully responsible for the legality and regularity of the entire underlying transaction, including protecting the financial interest of the Community, as well as for declaring the corresponding expenditure to the Commission and for preparing the accounts accordingly. For instance, the LAGs can use an eligibility check-list prepared by the Paying Agency which corresponds to the relevant financial legislation. This check-list must be completed by the LAGs. The entire file has to be kept for control purposes for the length of time stipulated in the relevant legislation.

A grant system of delivery is only fully operational if all the public funds are concentrated in a single package (see below: part of the degree of concentration of funding). If the European funding alone is decentralised, whereas the LAG has to bid for the national co-funding for each project, the gain in flexibility would be removed entirely. A global grant requires properly coordinated management of financial flows.

(2) A more centralised model is where the payment is made by the Paying Agency. The ultimate beneficiary presents its payment claim via the LAG to the Paying Agency (the LAG informs the Paying Agency that the payment can be made) or directly to the Paying Agency with copy to the LAG. The payment is executed by the Paying Agency directly to the ultimate beneficiary with copy to the LAG. The LAGs must be informed for monitoring purposes and for the evaluation of their strategy.

Both systems have been used for Leader+ LAGs. There are advantages and disadvantages with both methods. However, much depends on the administrative practice and routine. For

example, some authorities are able to make payments directly to the beneficiary very quickly after receiving the documentation from the group without interfering in the decision. However, in other cases, this can involve a laborious process of double checking, which slows down procedures considerably and diminishes the group's ability to take decisions and deliver results.

It is suggested that maximum deadlines for payments to beneficiaries, or for reimbursements to LAGs if applicable, should be introduced in the description of the financial circuits, so that LAGs have a measure of security in planning and a spending horizon.

Controls

Article 28f .2 (ex Article 33.1) of Council Regulation EC No. 1975/2006 (which lays down rules for the implementation of Regulation 1698/2005 with regard to control procedures) allows Member States to delegate control tasks to LAGs by a formal act in the case of expenditure related to Article 63a) (Measure "implementation of local development strategy") and 63 b) (Measure "cooperation"). Administrative checks on application and payments claims including in situ visits related to investments may be carried out by LAGs. However, the competent authority shall remain responsible for verifying that those LAGs have the administrative and control capacity to undertake that work and shall carry out regular controls of the operations of the LAGs, including bookkeeping checks and repetition of administrative checks on a sample basis.

In the case the LAG has not received such delegation it is recommended to inform LAGs about the results of the checks or to allow the participation of LAG staff to in situ visits and on-the-spot checks. This is a way for the LAG to monitor the implementation of the local development strategy and to improve skills in eligibility rules and financial management.

The carrying out of on-the-spot checks remains under the responsibility of the competent authorities. The sample to be checked shall represent the relative weight of the Leader expenditure.

Matching funding

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

- Establishing national/regional and/or local funds to ensure that beneficiaries obtain public co-funding simultaneously with the EAFRD support
- Using a joint application form for EU and national co-funding.

In the case of national public co-funding obtained separately by the beneficiary, the LAG can play a useful role in obtaining or granting the national public co-funding or part of it.

Monitoring and evaluation on RDP level

There are specific Leader output indicators (Table O.41 (1) to Table O.431). For Table O.41 (2) indicating the number of projects and beneficiaries. Data should be broken down into the different measures of axis 1, 2 or 3. For those projects which cannot be linked to a specific measure, these should be counted under the 'other' category of the different axes according to the respective objectives to which they contribute. The data on beneficiaries are further

broken down into individuals, private and public sector and LAG; and for individuals into gender/age.

There are no specific result and impact indicators for Leader, since the method is a tool to achieve the objectives of the other axis.

There are eight specific CMEF evaluation questions for Leader:

Measure 41: Three questions relate solely to the qualitative assessment of the effect of the Leader approach, i.e. they focus on the specific features of the Leader approach (improvement of governance, the mobilisation of endogenous development potential, multi-sectoral approaches and cooperation). One question relates to the extent to which the Leader approach has contributed to the priorities of Axes 1, 2 and 3.

Measure 421: - To what extent has the support contributed to promoting cooperation and to encouraging transfer of best practices? - To what extent have co-operation projects and/or transfer of best practices based on the Leader approach contributed to a better achievement of the objectives of one or more of the other three axes?

Measure 431: To what extent has the support increased the capacities of Local Action Groups and other partners involved to implement local development strategies? To what extent has the support contributed to increasing the capacity for the implementation of Leader?

Monitoring and evaluation on local strategy level (LAG)

A system for monitoring and evaluation of the local development strategy is in place at LAG level before starting the implementation of the local development strategy. The costs related to these tasks should be eligible under the sub-measure "running the local action group" under measure 431.

Monitoring

Procedures for the formal monitoring and reporting on the implementation of the strategy, and associated compliance checks, are likely either to be laid down by the managing authority or outlined in programme guidance. LAGs should indicate how they intend to comply with these requirements.

The objectives of the local development strategy should define precisely the local outcomes to be achieved, thus providing a clear framework and guidance for the day-to-day management of the programmes and a basis for performance management and accountability. to report at regular intervals and in an annual report. There is no separate system for LAGs monitoring. LAGs should be required to report to MA on the outputs and results of the projects they support in a form which is similar to that to be used for reporting on the other axes. LAG annual monitoring reports should contribute to the annual RDP monitoring. Monitoring of project implementation (measuring the financial and physical advancement of projects) is a necessary step for ensuring the monitoring of the local development strategy implementation. Therefore it is important that LAGs should have a clear perception the targets for the RDP as

a whole and that they are trained in monitoring indicators in order to be able to include within their strategy some details of how they will contribute to those targets.

Evaluation

A LAGs self-evaluation should focus on selected questions related to the objectives of its local development strategy, but also to common evaluation questions, e.g. related to the Leader method and the added value. The focal points of the LAG's self-evaluation include:

- LAG's internal working processes
- beneficiary satisfaction and feedback on LAG's services, and
- stakeholders' assessment of the LAG's impact

Guidelines to coordinate self evaluation should be laid down by the managing authority.

LAGs should be trained in self evaluation by evaluation specialists.

Tools used by LAGs under the Leader+ Community Initiative include, among others, the use of working groups, general community and stakeholders' consultations, LAG meetings and consultant support.

Managing Authorities should consider the possibility for LAGs to regularly review and modify the local development strategy in order to benefit from monitoring and evaluation.