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- *Working Document from the Commission services*

Delegations will find attached a Working Document submitted by the Commission services.

CAP-REFORM

Fiche No 26

“Application of the multi-fund approach to Community-led local development (CLLD) from the perspective of LEADER“

Brussels, 24 May 2012

Commission Proposal	Relevant Article
Common Provisions Regulation [COM(2011) 615]	28-31
EAFRD Regulation [COM(2011) 627/3]	42-45
EMFF Regulation [COM(2011) 804]	60-67
ERDF Regulation [COM(2011) 614]	None specific
ESF Regulation [COM(2011) 607]	None specific

This paper has been drawn up on the basis of the proposals for regulations adopted by the European Commission on 12 October 2011. It neither prejudices the position which may be taken by the Council and the European Parliament, nor does it anticipate the possible content of any delegated or implementing acts that may be drawn up by the Commission

1. Community-led Local Development and strategic choices

1.1 A common approach to CLLD for the CSF Funds

Articles 28-31 of the Common Provisions Regulation (CPR) define a common method for Community-led local development (CLLD) under the CSF Funds.

The common rules are complemented by fund-specific provisions in the case of the EAFRD and the EMFF. For the EAFRD, they concern additional rules on tasks assigned to the Local Action Groups (LAGs) on the payment of advances, preparatory support and co-operation activities. The EMFF regulation defines specific objectives for LDS supported by the EMFF and provides additional criteria for the definition of fisheries areas, features of an integrated local development strategy, and requirements for and rules on tasks assigned to Fisheries Local Action Groups (FLAGs).

The common approach to CLLD has the following added value:

1. it broadens support for bottom-up local development by opening up the possibility of financial contributions from all CSF funds;
2. it facilitates integrated territorial development through harmonised rules for design and implementation of CLLD;
3. it enables various EU policies to contribute to local development according to their policy objectives and specific instruments;
4. it improves the consistency and coordination of EU Funds support to CLLD.

1.2 Member States/regions strategic programming

In order to reach the objectives of EU2020, promote territorial cohesion, and increase citizens' participation and social inclusion, MSs and regions will need to develop a strategic approach on the role they wish to attribute to CLLD and the way they plan to use it across the Funds.

According to Art. 14(b) of the CPR, MS will have to set out in the Partnership Contract an "integrated approach to territorial development supported by the CSF Funds", which covers both

- the mechanisms at national and regional level that ensure coordination between the CSF Funds and other Union and national funding instruments and
- the arrangements to ensure an integrated approach to the use of the CSF Funds for the territorial development of urban, rural, coastal and fisheries areas and areas with particular territorial features.

In order to inform their approach to these two issues, MS/regions will have to consider the following elements set out in the CSF :

¹
COM (2011) 615 final; Art. 14 (b).

²
Commission Staff Working Document. Elements for a Common Strategic Framework 2014 to 2020. SWD (2012) 61 final.

The main challenges MS intend to address with CLLD

The MS should reflect on the role CLLD could play in achieving their aims for territorial development and cohesion, as well as on the added value it is expected to generate. Consequently, they should indicate the funds with which this would be achieved and, if possible, the budget per Fund. The key actions foreseen for CLLD for each of the Funds under the CSF Thematic Objectives have to be considered only as indicative fields of action for CLLD, having in mind that territorial development is a cross-cutting issue contributing in many ways to the Europe 2020 strategy. The analysis should also be informed by the experience with LEADER, FARNET and the integrated development co-financed by ERDF and ESF.

The types of territories where the CLLD should be implemented and role envisaged for the different Funds in different types of territories (rural, urban, etc.)

First, MS/regions have to decide in which areas and with which Funds they want to implement CLLD.³ Second, if applicable, MS should set out the extent to which a local development strategy (LDS) could cover functional areas, e.g. peri-urban or rural with an urbanised centre or a strong fisheries dimension.

It is desirable that MS/regions design the most flexible and comprehensive framework possible, allowing for complete integration, and leave to the LAGs the following decisions:

- the choice whether to design a multi- or a mono-fund local strategy, including the area which the strategy will cover;
- the choice of funds included in that strategy;
- the question whether a lead fund should be defined (see annex).

The type of preparatory support which will be made available for local actors (c.f. page 6-7).

2. Preparation of implementation of CLLD

2.1 Multi-funded local development strategies ("one area – one strategy")

By defining a common method for all CSF Funds in the CPR (Articles 28-31), the Commission's proposal enables MS to set a framework for CLLD which allows complete integration, i.e. integrated multi-sectoral area-based local development strategies drawn up by a broad group of partners representing a great variety of local interests. A **local action group** in a **given territory** would thus be **enabled** to develop and implement **a multi-funded strategy** that received support from all (or several) CSF Funds. In this case a LDS can take account of the needs of various sectors, territories and stakeholders and there could be only **one CLLD local development strategy in a given geographical area**.

This option permits local development strategies to have a broader scope and to be better adapted to specific territorial concerns, making use of the opportunities offered by all the funds involved. A

³ For rural development policy, CLLD is mandatory, with 5% of EAFRD support to be spent on LEADER. MS can continue to implement CLLD with Leader only in rural areas, or they can use the new possibilities for an integrated approach, combining Leader with other funds. The application of CLLD can consequently be broadened outside rural areas.

multi-funded strategy implies involving a wider variety of partners that can together better define and deal with common cross-cutting challenges. It also helps to avoid artificial demarcation or overlaps between strategies receiving support from different funds. Moreover, multi-funded strategies enable the delivery of support on local level to be streamlined and simplified, taking advantage of the harmonisation of the delivery rules among the Funds. Multi-funded strategies may also potentially increase the total budget available for local development, given that a LAG will have access to several sources of financing.

It should however be noted that broad partnerships representing various interests carry risk that the most powerful interest dominates the direction of the strategy. Also, "going big" and trying to suit all interest groups could lead to areas that would be so big that the community-led character would be lost.

The decision whether to opt for a multi-funded strategy or use a single fund to implement a LDS should therefore ideally be based on the individual needs and capacity of the area concerned. It is crucial to let the LAGs themselves reflect on the size of territory they wish to cover and the type and degree of integration they wish for their area. It should also be **the LAG which decides whether to use the multi-fund approach or not, if a multi-fund option is proposed by the MS.**

The choice of a MS and a LAG for mono-funded or multi-funded local development strategies should therefore be steered by the following considerations:

- Multi-funded strategies are more complex to design and implement and require a certain level of experience and sufficient capacity on the ground. It will therefore be crucial to analyse the LAGs' capacity and to choose an appropriate division of tasks between the LAGs and the authorities responsible for the design and implementation of a programme. Solid preparation and capacity building actions could help to overcome these difficulties.
- Multi-funded strategies require broader LAG partnerships, as the strategies may address a larger number of issues and sectors. This brings more possibilities but also more complexity and requires more sophisticated methods of management.
- Local development takes time. In former periods a considerable investment has been made at all levels to create delivery structures (LAGs, but also at the level of the administration) and mobilise local actors around a shared strategy. It is essential to safeguard the results of this investment, including the existing local dynamic, and the creation of any new framework should take into account the already existing structures and strategies.

However, the possibility to use several funds for CLLD does not exclude that some LAGs will decide to use one fund only to finance their strategy.

Implications for the management structures

Once the strategic choices have been made and the general approach decided, the implementation principles for CLLD have to be defined. Practical implementation arrangements should be kept as simple as possible to limit the burden put on beneficiaries. The division of roles between the programme managing authorities, paying agencies and the LAGs must be communicated in a timely way, so that the partnership can make sure that it has sufficient capacity to fulfil its tasks.

In order to facilitate the management of a multi-funded LDS, MS could delegate its financial management to an intermediate body and therewith release the individual programme managing

authorities from their individual managing tasks as regards CLLD. This is facilitated through provisions in the Commission's proposals⁴ which allow delegating the implementation of parts of the programmes to an intermediate body. Such a body could be located at a lower territorial level, in order to allow a closer link to the beneficiaries. In cases where certain administrative tasks have already been delegated to LAGs in the current programming period, LAGs could also be part of this administrative solution. In such a case attention should be paid so that the arrangement does not give rise to any conflict of interest.

It should be noted that designating a specific intermediate body to be in charge of CLLD could also be an interesting solution in the context of a mono-fund LDS. It could help to meet the requirement to put in place at national or regional level co-ordination mechanisms between the different Funds offering support through CLLD. The example of regional development agencies that have played a similar role in the current period could be further explored in this context.

Furthermore, exchange and coordination between the Funds in the area of CLLD is worthwhile and should be encouraged. This should happen in the context of the newly improved structures between the CSF Funds and could include specific structures for CLLD (e.g. a specific monitoring group for CLLD). Experience with Leader shows that it is crucial that Paying Agencies are made aware of the specificities of CLLD. Solutions have to be found at national level so that appropriately adapted procedures are available for CLLD which take account of its specificities.

Implications for financial plans

In the case of a multi-funded LDS, LAGs should indicate in their financial plan the planned allocation of resources from each Fund (as specified in Art. 29(1)(g) CPR).

When approving the multi-funded LDS the managing authorities concerned (i.e. the selection committee) should allocate budgets for each of the Funds involved in the strategy (see Art. 29(5) CPR).

2.2 Integrated funding for functional areas

In some cases MS may see a need to have parallel strategies on (partially) overlapping territories due to the function that these territories fulfil.

For instance, in the current period there are cases where a LAG area partly overlaps with a FLAG area. This stems from the fact that fisheries areas, especially the strong ones, are determined by the spatial distribution of the sector. In these cases it will not be appropriate to break up a fisheries area to fit several LAG areas since it is crucial to preserve the critical mass of fisheries related activity to bring about change for the fishing community.

In such cases, two parallel strategies could be run on the overlapping territory. They would have to be complementary, co-ordinated and aim at synergies. In any case, they should be defined in a way which excludes implementing the same type of actions.

⁴ See Art. 73(2) of the legal proposal for EAFRD regulation, Art. 108(2) of the legal proposal for EMFF regulation and Art. 113(6) of the legal proposal for CPR.

2.3 "One area – one fund" as an alternative to multi-funded local development strategies

As an alternative to the option of multi-funded LDS, MS are free to decide to offer a framework using only one Fund for the support of CLLD in specific types of areas ("mono-funded local development strategies").

This solution is initially simpler from a management point of view. It excludes, however, broader strategies and limits the achievement of synergies between Funds. A limited partnership reduces its chance to deal with cross-cutting challenges. Consequently, the full potential of diversified and inclusive local development strategies is not achieved.

In some cases (as observed in the current period) a mono-fund LDS can also be an obstacle to the creation of territorially homogenous strategies, as small towns can sometimes be excluded from LEADER strategies, depending on the Member State's choices.

3. Specific aspects for LEADER

The following explains the specificities of certain tools available through LEADER under EAFRD.

3.1 Preparatory support

Creation of partnerships and preparation of local development strategies will be facilitated under CLLD by preparatory support. Under Leader two types of support are foreseen:

- a Leader start-up kit (Art. 43(1)(a) of the EAFRD regulation proposal)
- capacity building actions for groups before they submit a development strategy (Art. 43(1)(b) of the proposal).

The **start up kit** consists of capacity building actions and support for small pilot projects for groups that have not operated under Leader in the current period. It should in particular apply in areas with less advanced and developed governance structures. Those areas might need more time to get acquainted with and test the method on a smaller scale. MS are free to design both the capacity building and the small pilot projects in a way that best fits the needs of the territories/partnerships concerned.

The Leader start-up kit is a "phasing-in" tool which can cover the whole funding period. The partnerships benefitting from the kit do not have to submit a local development strategy in 2014-2020. Consequently, there is no scope for multi-funding.

The **capacity building, training and networking** actions provided for in Art. 43(1)(b) are open to both new areas, which have not operated under Leader, and to already existing LAGs. This support aims at assisting partnerships with the preparation of local development strategies, which, if selected, will be implemented in 2014-2020 under the CLLD rules (Art. 31(c) of CPR). These strategies may well be financed by several funds, according to the MS and LAG choices.

The MAs in charge of the Funds supporting CLLD should coordinate capacity building activities, seeking for synergies and the best use of resources available. MS might consider organising a capacity building process common for all the Funds concerned..

3.2 Co-operation

Under CLLD the Funds may finance the preparation and implementation of co-operation activities of local action groups.

Article 44 of the EAFRD proposal specifically defines the scope and rules of co-operation for LEADER LAGs. As in the current period, support will be available for implementation of inter-territorial and transnational projects. This will be accompanied by preparatory technical support, if a LAG demonstrates that it intends to implement a concrete project.

A new feature for the period after 2013 is that the rural LAGs will be able to co-operate not only with partners implementing a LDS in a rural area, as in the current period, but also with partners from non-rural areas within the EU, financed under other Funds. This new opportunity could e.g. foster synergies in functional mixed areas (urban-rural or rural and fisheries). Apart from the advantage of exchanging experience and mutual learning, LAGs would benefit from developing co-operation around major themes that are better dealt with on a bigger scale.

Lead Fund option for multi-funded LDS (Art. 28 (3) & (4) CPR)

What?

The lead Fund option is a tool to simplify the management of multi-funded strategies. Through the designation of the lead Fund, it will be possible to cover running and animation costs (art. 31 (d) CPR), as well as the networking costs linked to a LDS, through one of the Funds only.

According to art. 28 (3) CPR, the MS/region **may** designate a „lead Fund“ which covers all management costs (running costs, animation and networking), **if** the decision of the selection committee confirms the application of a LAG for a multi-fund financing (see art. 29(1)(c) and (g); art. 28(4) CPR).

The use of a lead-Fund is **optional** and does not have to be applied in all cases of multi-funded LDS.

Who decides on the lead Fund and which should be the criteria to decide on it?

On the basis of the decision of the MS/region on the extent to which the different Funds will be geographically available, LAGs, when drafting their LDSs, should be able to express their preference as regards the lead Fund. The choice of the lead Fund will have implications for the financial plan of their LDS (art. 29(1)(g) CPR).

It is the joint selection committee for the LDS that takes the formal decision on the lead Fund: In case a MS/region wants to apply the lead Fund option and where the implementation of a LDS also foresees the use of more than one Fund, the selection committee is obliged to determine the lead Fund at the moment of the selection of each individual LDS (art. 28(3) CPR). The selection committee is in this case a joint selection committee where all relevant MAs are represented.

The choice of the lead Fund will probably depend on the activities foreseen in the LDS and the area in question. It might also be influenced by the allocation and availability of funding for CLLD from the different Funds in the respective MS/region and the different co-financing rates stipulated in the regulations.

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