



European Network for
Rural Development

LEADER Innovation Practitioner-Led Working Group Workshop Highlights

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The objectives of the 1st Workshop of the LEADER Innovation Practitioner-Led Working Group (PWG) included increasing clarity regarding controls and audit expectations from an EU perspective and identifying the possible contributing factors to improve LEADER innovation. The meeting involved practitioner presentations and workshop discussions focusing on the causes and effects of 'risk aversion' and 'opportunity-seeking' attitudes which are apparent in the LEADER delivery chain.

Event information

Title: 1st Workshop of the LEADER Innovation Practitioner-Led Working Group

Date: 30 November 2017

Location: Brussels, Belgium

Organisers: ENRD Contact Point

Participants: 35 representatives of Local Action Groups (LAGs), Managing Authorities (MA) and National Rural Networks (NRNs) from 15 Member States (MS)

Outcomes: Recommendations were developed for the future work of the LEADER Innovation PWG and for improving innovation in LEADER.

Web page: https://enrd.ec.europa.eu/news-events/events/enrd-workshop-leader-innovation_en

INTRODUCTION TO THE WORKSHOP

The 'key messages' from EU official documents relevant to LEADER innovation were summarised. The need to consider, interpret and assess LEADER innovation in the local development context was highlighted. The potentially negative impact of 'risk aversion' in the delivery chain on innovative LEADER-type local development was identified as this can lead to a 'narrower' interpretation of rules which can ultimately lead to a greater focus on compliance than performance.

Adequate capacities, coordination and information exchange at all levels of the LEADER delivery chain were illustrated as having a potentially positive impact on LEADER innovation. The distinction between innovative local strategies and innovative actions and what affects these was also drawn.

LEADER Innovation and the regulatory requirements

The EU controls requirements relating to LEADER were presented as these are often thought to present a constraint on innovation. The important distinction between EU regulation and EU Member State (MS) level application with regard to relevant controls, audit procedures and regulations was emphasised. EU auditors check the compliance of systems put in place at MS level with EU requirements.



There are no LEADER innovation specific control requirements, relevant control and administrative requirements are applicable to LEADER LAGs and projects irrespective of their 'innovative' content.

As administrative checks relate to 100% of projects funded from the EAFRD controls and payment claims may take considerable time to be completed. Where these checks have not previously been applied administrative obligations and risk averse attitudes may increase.

Over prescriptive eligibility conditions, additional 'layers' of rules or over interpretation of control provisions increases the complexity of overall requirements. This results in in red tape for beneficiaries and for the control bodies themselves. Such an approach provokes a higher risk of errors, sanctions and may in turn result in an even greater risk aversion in the LEADER delivery chain.

The assessment of the reasonableness of costs (RoC) serves to protect beneficiaries from financial risk. Strictly following the requirement to carry it out at the application for support stage may not be adapted to process-oriented or umbrella projects which LEADER can support. The amended modification of Control Regulation EC 809/2013 extends the time when the reasonableness of costs should be assessed in the application for support. It also drops the requirement totally for small projects up to €5000. Those two changes help address the specificity of some LEADER projects when assessing the costs.

In general, the use of simplified costs options (SCO) is encouraged as it considerably alleviates beneficiaries' administrative burden who in this case do not have to

prove the costs incurred covered by the SCO. The importance of proportionality of control approaches to LEADER was discussed.

- Administrative checks relate to 100 % of projects and their expenditure. Checks on small amounts of expenditure often bring about a disproportionate administrative burden and can result with costs exceeding the value of the actual item of expenditure.
- To counter the burden, the project owner may claim support for relatively 'largevalue' items of expenditure only while covering 'smaller amounts' from his own budget.
- The importance of local knowledge and LAG decision-making in local project selection must not be underestimated. Local decisions should use clear and transparent selection criteria equally applicable to all potential beneficiaries.
- Certain specific quantified outputs (e.g. number of jobs created) should not be used as an eligibility or selection criterion for innovative or pilot projects. Their use can reduce the possibility of these projects development or result in payment claims being rejected if such quantified outputs cannot be proven.

WORKSHOP SESSIONS

Working groups discussed 'risk averse' and 'opportunity-seeking' attitudes and the main underlying causes in their development at different levels in the LEADER delivery chain. The discussions sought to exchange experience and share good practices.

'Perceived risks of LEADER innovation'

The following broad categories of risk were identified:

- **Knowledge and information.** A lack of clarity regarding relevant regulations and their varied interpretation at different LEADER delivery chain levels were identified as important sources of risk for LEADER innovation. Limited coordination between different delivery chain levels can also lead to knowledge gaps and lack of understanding of objectives (of the controls, of the LDS, etc.).
- **The concept of risk and relevant attitudes:** Instead of making the avoidance of risk a priority, innovation related risk should be accepted as inherent part of LEADER projects and 'dealt with' in a more coordinated, cooperative manner.
- **Trust:** This is a key element in making LEADER innovation(s) work, losing trust leads to more 'riskaverse' attitudes, tighter controls, and additional sets of rules and regulations.



- **The Local Action Group capacities:** These are essential for successful LEADER innovation along with sufficient animation and capacity building resources at local level and in the LAG. The quality of the partnership is also important, this applies to the way the LAG operates, quality of projects selected and selection methodologies. The LAG's ability to communicate, coordinate, and cooperate with other LEADER delivery chain levels is also important. This can contribute to the success of local innovation, lower error rates and greater trust. LAGs risk having to spend too much time on administration and reporting as opposed to on animation and capacity building for innovation.



- **Fear:** This concern is the root cause of the ‘risk aversion’ in the delivery chain and can lead to ‘over-regulation’ at national and regional levels. For MAs and PAs this can relate to potential disallowance of RDP funds and losing accreditation (for PAs). LAGs and beneficiaries mainly fear the loss of funds and project failure. When ‘fear’ and ‘risk avoidance’ prevail non-standard projects have difficulty in being approved or paid whilst typical responses to audit findings include adding further layers of rules. This in turn limits imaginative approaches in addressing the strategy objectives and, in the latter case requires LAGs and beneficiaries to spend relatively more resources in complying with these additional rules.

‘Perceived opportunities of LEADER Innovation’

The following broad categories of opportunities were identified:

- **Resources and capacities for animation:** Increasing LAG resources and improving capacities for better animation and innovation support LAGs provide to potential beneficiaries would improve the quality of projects, lead to lower error rates, less uncertainty and lower perception of risk.
- **Selection and eligibility criteria:** Clear and transparent selection and eligibility criteria – ‘tailor-made’ for innovative projects and initiatives – devised by the LAG and approved by the Managing Authority as part of approval of the local development strategy.
- **Proportionality:** If sanctions and controls were more directly proportional to the amount of project funding this would substantially reduce the perceived level of risk associated with failure.

- **Links in the delivery chain:** Links between the different levels of the LEADER delivery chain should be improved for better coordination and communication of LEADER objectives, delivery procedures and controls.
- **Quality manuals/procedures:** These are being developed by LAGs in Finland, the MA is exploring how these could be developed and applied at all levels in the delivery chain.
- **Simplified cost options:** Establishing simplified cost options (SCO) in cooperation between all levels in the delivery chain – including to facilitate innovative approaches – can strengthen trust, reduce the need for administration and controls and reduce the risk of errors.
- **Change of attitudes, operational culture:** Culture change – from “top-down and controls” to “bottom-up and partnership” – can bring the Paying Agency closer to the project to better understand the objectives and bring the LAG or beneficiary closer to understanding the controls’ rationale. This needs a ‘can do’ attitude focused on achievement, optimising the results of local rural development whilst achieving compliance. Delivery stakeholders can work together to prevent failure e.g. by setting up good quality, enabling systems and criteria.
- **Provision of information:** Sharing and discussion of control and audit findings could be used to help facilitate improvements and learning, rather than using audit as a tool leading to sanctions.



CONCLUSIONS AND NEXT STEPS

Workshop conclusions

Proportionality of regulatory requirements, improving the provision of information and coordination along the whole LEADER delivery chain was central to the discussions. Workshop participants agreed to continue the work through the LEADER Innovation PWG, sharing the outcomes of PWG work to date more widely and developing their recommendations further. This can contribute to work on LEADER simplification and developing proposals for the next programming period.

The parallel workshop sessions found the following elements to be essential to improve LEADER's innovative element:

- **The role of animation:** Provide sufficient time, resources, and capacities for the LAGs to perform their 'animation' function. Animation is strongly linked to LEADER innovation at local level, to improving the capacities of potential beneficiaries and to improving the quality of projects. This can reduce associated risks.
- **The role of audits and controls:** Audits should be viewed as a learning process, a tool for improvement along the whole LEADER delivery chain. It is essential to share and discuss audit findings with a view to improvements instead of adding new layers of rules and sanctions.
- **Reasonableness of costs:** Some participants stressed that 'reasonableness of costs' should be 'reasonable' for the beneficiaries as well – the bureaucratic requirements should be optimised to demonstrate the reasonableness of costs. Proportionality to the scale of action is a key consideration.

- **Stronger links in the delivery chain:** Building stronger links between all stakeholders in the LEADER delivery chain is a first step for a transformation from a top-bottom system towards a delivery model based more on partnership, cooperation and common identification of bottlenecks and solutions.

Next steps for the LEADER Innovation Practitioner-Led Working Group

The following next steps were discussed and agreed for the Practitioner-Led Working Group:

- Focusing on how the animation function of the LAGs could be enhanced for more LEADER Innovation. The PWG will continue to discuss 'professionalising the LEADER innovation facilitator' role in the LAG. This recognises that animation and capacity building by LAGs can lead to better knowledge of relevant requirements by beneficiaries and lower error rates.
- Participants recognised the good progress made by the PWG and agreed that a summary of PWG discussions – and other outcomes – should be made available to all interested stakeholders on the ENRD website.
- A 'good practice' example shared during the workshop related to a joint 'LEADER quality management system' being introduced in the LEADER delivery chain in Finland. The ENRD CP will follow up on this and more details will be published in the form of a 'good practice' fact sheet.
- Workshop participants were invited to contribute to an upcoming ENRD workshop on LEADER simplification where the results of the ENRD LAG Survey 2017 will be discussed with a view to bringing proposals forward for improvements in the current funding period and informing those for the EU legal framework of the next programming period.

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