European Structural and Investment Funds
Guidance for Member States, Programme Authorities and
Beneficiaries

Guidance on Community-Led Local Development for Local Actors[1]

April 2014

Guidance on Community-Led Local Development for Local Actors

April 2014

Contents

Figures

Boxes

Main acronyms and abbreviations

CLLD	community-led local development
CPR	Common Provision Regulation
DG AGRI	Directorate-General for Agriculture and Rural Development
DG EMPL	Directorate-General for Employment, Social Affairs and Inclusion
DG MARE	Directorate-General for Maritime Affairs and Fisheries
DG REGIO	Directorate-General for Regional and Urban Policy
EAFRD	European Agricultural Fund for Rural Development
EFF	European Fisheries Fund
EMFF	European Maritime and Fisheries Fund
ENRD	European Network for Rural Development
ERDF	European Regional Development Fund
ESF	European Social Fund
ESI Funds	European Structural and Investment Funds (EAFRD, EMFF, ERDF, ESF and Cohesion Fund)
EU	European Union
FARNET	European Fisheries Areas Network
FLAG	Fisheries Local Action Group
IB	intermediate body
ITI	integrated territorial investment
LAG	local action group
LDS	local development strategy
LEADER	Liaisons entre Actions de Développement de l'Economie Rurale
MA	managing authority
MS	Member State
SCO	Simplified Cost Options

Introduction

The purpose of the guidance

This guide to community-led local development (CLLD) has been issued at the start of the new programming period 2014-20 in order to give those directly involved in local action groups some practical tools and suggestions for implementing CLLD in a range of contexts.

This guide is complementary to the Common Guidance[2] issued in April 2013 by four Directorates- General of the European Commission (DG AGRI, EMPL, MARE and REGIO) to help the authorities in the Member States to create the conditions for effectively using community-led local development in their Partnership Agreements and to design it in their respective programmes.

This guide should also be relevant to provide arguments for cities and social organisations that CLLD is an effective tool for meeting some of their challenges and to illustrate how ESF and ERDF can be used.

For existing LEADER and FARNET (European Fisheries Areas Network) partnerships the guide aims to help them to develop more focused and higher quality strategies that have a clear results orientation and which are responsive to changing external conditions. The guide draws on the new results framework for achieving the goals of Europe 2020. The guide is aimed at a target audience of local actors and practitioners and specifically local action group coordinators and chairs. However, it should also be useful for Managing Authorities (MAs) and other stakeholders involved in implementation of CLLD who need further insight into some of the key issues facing actors on the ground. It is intended both for new partnerships in cities and for social inclusion as well as the 2600 plus existing LEADER and FARNET partnerships.

Chapter 1 looks at why it is worth doing CLLD in the rapidly changing situation facing different local areas in Europe.

Chapter 2 takes the reader through eight steps needed to set up a CLLD using a spiral to illustrate the relationship between the trinity of strategy, partnership and area.

Chapter 3 is targeted on existing partnerships – particularly the approximately 2600 LEADER and FARNET groups. It explores how to make CLLD respond to the new challenges. It starts from the recognition that local conditions at the start of this programming period are dramatically different compared to the previous two programme periods. Because of the crisis, business as usual is not an option. There is a need for new thinking, exploring new approaches particularly around how to use CLLD for job creation and meeting some of short term and long term challenges thrown up by the crisis.

Chapter 4 examines why and how to carry out CLLD in cities in relation to the specific challenges that they are facing: in terms of strategy, how to identify the key challenges in the city and use CLLD to develop and implement a local strategy for change and for the partnership how to use CLLD to build effective alliances in an urban context and for areas how to define effective boundaries for action within cities

---

[2] Latest version 29th April 2013 available at :
http://ec.europa.eu/regional_policy/what/future/pdf/preparation/clld_guidance_2013_04_29.pdf

Chapter 5 looks at why and how to carry out CLLD for social inclusion. It situates CLLD in relation to social innovation. It goes on to examine a range of different foci for social inclusion CLLD and explores how to address the question of strategy, partnership and area in a social inclusion context. The chapter explores how CLLD can promote social inclusion and illustrates how this can be done in practice by reference to a variety of social challenges such as marginalised groups, migrants, enterprising communities, and the homeless as well as active ageing and youth.

Chapter 6 explores how to coordinate with other Funds and improve results. In the context of increasingly tight public budgets, it is essential to get the most out of existing initiatives and ensure that they are aligned with local needs. The Commission's proposals for CLLD insist that coordination between local initiatives is obligatory but there are many ways and levels at which this can be achieved - including making full use of the proposals for joint funding. More specifically the chapter explores: how to build synergy in strategy design and implementation; how partnerships can join forces without diluting their main goals; how to define local boundaries that are best suited to the diverse problems being addressed.

Chapter 7 examines how to make CLLD safer, faster and easier. There is widespread agreement that the administrative burden has become too heavy and that this disproportionately affects small CLLD partnerships operating on limited budgets. The requirements can lead to delays, inflexibility and frequently diverts staff away from their core task of encouraging and developing good projects. The Court of Auditors report[3] on LEADER has emphasised that local partnerships have a responsibility to act in a fair and transparent manner and to control risks. This chapter explores how to balance simplicity with risk in order to make CLLD easier, faster and safer for all actors.

---

[3] http://eca.europa.eu/portal/pls/portal/docs/1/7912812.PDF

Chapter 1. Why community-led local development?

Community-led local development[4] is a term used by the European Commission to describe an approach that turns traditional "top down" development policy on its head. Under CLLD, local people take the reins and form a local partnership that designs and implements an integrated development strategy. The strategy is designed to build on the community's social, environmental and economic strengths or "assets" rather than simply compensate for its problems. For this, the partnership receives long-term funding - and they decide how it is spent.

It is no accident that the application of the principles behind CLLD have spread over the last twenty years, from a small cluster of 200 pilot LEADER projects to around 2600 partnerships (both LEADER and Axis 4 of the EFF: European Fisheries Fund) covering nearly every corner of rural Europe and a large part of the coast. Total public and private investment supported by these partnerships has also grown, to around €8.6b in the 2007-2013 period, supporting a vast array of mainly small projects, thousands of firms and jobs and significant improvements to local services and the environment. Outside of Europe, the World Bank also supports projects using a very similar community "driven" methodology (CDD) in 94 countries, with a total investment valued at almost 30 billion dollars[5].

The principles of CLLD have not only consolidated but multiplied more than ten-fold over four consecutive funding periods. This experience has shown both when and where CLLD approaches work well, and how they can add value to national and regional programmes. It has also exposed the limits of CLLD and revealed areas where it is harder to achieve results. In this context, there is a major opportunity for extending the CLLD approach to cities, and to using it to develop local responses to some of the most pressing social and environmental problems facing European citizens today. In addition, there is considerable scope for increasing the impact of CLLD on people`s lives by coordinating four major EU funding streams.

Here are eight reasons for using CLLD.

1. **CLLD puts the people experiencing a need or challenge in the driving seat.** Strategies are designed and projects are selected by local entities. This is the most distinctive feature of CLLD and its greatest advantage. Compared to other classical local approaches, the people who were previously the passive "beneficiaries" of a policy become active partners and drivers of its development. Involving people in the "coproduction" of development policy brings a series of important benefits:

   - People who were seen as the problem are empowered to become part of the solution.
   - Their direct experience - in combination with the views of other stakeholders - can help to adapt policies far better to real needs and opportunities.
   - Their involvement in the process increases their capacity to act and take constructive initiatives.
   - This in turn induces a sense of local identity and pride, as well as a feeling of ownership of and responsibility for activities.

---

[4] See the Common Guidance of the European Directorates General Agri, Empl, Mare and Regio on Community-Led Local Development in European Structural and Investment Funds
http://ec.europa.eu/regional_policy/what/future/pdf/preparation/clld_guidance_2013_04_29.pdf
[5] Susan Won, What have been the impacts of the World Bank Community Driven Development Programs? The World Bank Social Development Department. Sustainable Development Network. May 2012.

- Taking part as an equal around the table with other partners builds bridges and trust between people, private enterprises, public institutions and sectoral interest groups.

These intangible human and social outcomes establish a foundation for the realisation of more concrete material results. At present, all public institutions in Europe urgently need to find such ways of building the trust and engagement of local people.

2. **CLLD strategies can respond to growing diversity and complexity.** This diversity is often described as a cornerstone of the European social model but the challenge is to find ways of conserving it and transforming it into an asset rather than a liability. In certain areas, differences between countries and regions are growing and it is increasingly difficult to deal with them through standard policies conceived from above – even if they are delivered through a local office. To take just one example, youth unemployment rates now vary from 7.5% in Germany to 56% in Spain and 62.5% in Greece[6]. Differences between neighbourhoods, cities and regions in the same country can also be vast, so strategies for dealing with youth unemployment must take into account the differences in the way the economy and the labour market function in each area. Because CLLD strategies are designed, and projects selected, by local people, solutions can be tailored to local needs and partnerships can be driven by the energies of local stakeholders, including young people.

3. **CLLD strategies can be more flexible than other approaches.** Some public authorities are concerned that the delegation of certain decisions to local partnerships can make the delivery of CLLD too complex. However, the Commission has made CLLD simpler and more versatile by allowing it to be programmed under one "thematic objective", while at the same time allowing it to be used to achieve any or all of the economic, social and environmental goals of the "Europe 2020 strategy"[7]. Similarly, the activities supported under CLLD do not have to be bound to the standard measures described in the programmes, as long as they are consistent with their overall objectives. It also argues that it is not necessary to set strict demarcation lines between Funds as long as there are systems in place to ensure that beneficiaries do not claim reimbursement for the same expenditure from different EU sources. In other words, CLLD strategies financed by one Fund should be allowed to support the actions normally covered by other Funds as long as these are also consistent with the respective Fund-specific rules, aims of the programme and the local strategy.

4. **The scope of CLLD has been broadened** to allow local strategies to focus on challenges like social inclusion, climate change, the segregation of Roma and other disadvantaged groups, youth unemployment, urban deprivation, urban-rural linkages and so on. Although the CLLD approach was originally developed in rural areas through support from EAFRD (European Agricultural Fund for Rural Development), and then applied in fisheries and coastal areas with EFF funding, there is now an opportunity to extend it to fields normally dealt with by the ESF (European Social Fund) and ERDF (European Regional Development Fund). The Commission recognises, however, that this will mean adaptations in the way that strategies, partnerships and areas are designed. These are dealt with in chapters 3 and 4 of this guide.

---

[6] Eurostat News Release on Youth Unemployment. 31 May 2013. Figures for April 2013
[7] There are 11 economic, social and environmental "thematic objectives" in the Common Provisions Regulation which translates the general goals of the Europe 2020 strategy into a series of specific objectives and priorities for the "European Structural and Investment Funds"

5. **CLLD builds on linkages between sectors and actors in ways that have multiplier effects on local development and on the mainstream programmes**. CLLD strategies should not be seen as islands separate from other programmes. On the contrary, they are also tools for enhancing the results of national and regional rural development programmes and sustainable urban development strategies financed under Article 7 of the ERDF. As such they can form part of or work alongside other tools including Integrated Territorial Investments (ITIs).

   Nevertheless, CLLD strategies often emanate from specific issues or problems of concern to a local community – like the decline of traditional industries such as fishing and farming, disaffected youth, climate change, or poor housing and services. The advantage of CLLD is that it allows for one or several issues to be considered and addressed in its local context, and for the mobilisation of all the relevant policies and actors. This can break down several types of boundary or barrier to local development, including:
   - Between different local departments, municipalities and public administrations;
   - Between local public, private and civil society organisations;
   - Between local and higher level institutions like regional and national governments and universities;
   - Between problem areas and areas of opportunity. Although CLLD puts the people facing the challenge in the driving seat, it does not expect them to solve everything on their own. It helps them to build bridges and negotiate with those that have more capacity to do so.

6. **CLLD is about innovation and achieving results that bring about lasting change.** The first step usually involves building the capacity and resources of local communities to take initiative. CLLD can also be used to cover some of the small scale investments in infrastructure that are pre-conditions for innovation and further development. But these are generally a means to an end. The participative, multi-stakeholder approach of CLLD leads to a different "demand" or "needs-led" way of looking at challenges, which connects the experience of users to the more specialised knowledge of different types of providers. CLLD can go beyond the "usual suspects" to generate new ideas and finance the small "seed" and pilot projects required to test these out in practice. When successful these projects can also lever in more mainstream private and public funds.

7. **Participation in CLLD opens up access to a large and growing European network and body of experience**. Over the last 20 years, the existing LEADER and FARNET partnerships, and many EU, national and regional networks, have developed a significant number of methods, guides, toolkits and case studies, which can be of great help to new partnerships. As mentioned, international organisations like the World Bank also have a long experience and have developed many useful methodological manuals. We will provide links to many of these tools and resources, which represent a "living" body of knowledge, throughout this guide. New partnerships in new fields and areas will also bring fresh insights and ideas and this is why the European Commission recommends reinforcing and streamlining the important measures to support cooperation and networking among CLLD practitioners.

8. **CLLD is a financially attractive tool for carrying out local development**. The Commission recognises that local development is a long term process, which normally

lasts several funding periods, and it recommends an equally long term financial commitment to building community capacity and assets. Local partnerships are, therefore, not seen as one-off projects which are simply disbanded at the end of a funding period, but part of a process to put communities on a more sustainable path. Similarly, the Commission considers that local budgets for CLLD need to have a certain "critical mass" in order to make a difference, with budgets generally not smaller than around €3m of seven years in terms of the total public funding commitment for any one funding period. However, this can and may have to be larger in urban and other more densely populated areas.

It is also worth noting that, as regards ERDF, ESF and EMFF, if Member States devote an entire priority axis or union priority to CLLD within their programmes the EU co-financing rate can be increased. This means that Member States have to contribute less national funding compared to a standard support.

Chapter 2. How to launch CLLD in eight basic steps?

The current model of CLLD has been practiced for over 20 years by LEADER in rural areas and 3-5 years by Axis 4 of the EFF in coastal and fisheries areas. Programmes which contain elements of CLLD also have a long history in cities supported by ERDF (through URBAN Community Initiatives and URBACT) and in dealing with social inclusion through the European Social Fund (EQUAL, Local Employment Initiatives and Territorial Employment Pacts). As a result, a series of guides and manuals have been produced to help local partnerships through the first critical steps of launching a process of CLLD. These include the online LEADER Toolkit[8], the FARNET Start-up Guide[9] and also the URBACT Local Support Group Toolkit[10]. References to these will be made throughout the text, while avoiding repeating their content, which stands in its own right.

The time and resources required to launch a CLLD strategy and partnership depend very much on the local context and the experience and capacity of local actors and organisations. But even in experienced communities, the entire cycle usually takes between six months to a year to do properly. The process is complex, but this is mainly because local communities themselves are very different and complex rather than because the approach is more complicated than others. The preparatory phase can uncover many hidden ideas, resources and opportunities and is critical for future success. In this context, the support offered in the new regulation for the preparatory phase can play an important role in ensuring the success of later stages.

Launching a process of CLLD can be broken down into a series of iterative steps or cycles for designing and shaping three basic components – the strategy, the partnership and the area. These are sometimes referred to as the "trinity" of CLLD and the way in which they are looked at and interact forms the basis of the bottom up "paradigm shift" that is the foundation of CLLD. These basic steps[11] can be portrayed as a spiral, as shown in the Figure 1: Spiral diagram of the area partnership and strategy trinity of CLLD over time.

---

[8] The LEADER Toolkit. http://enrd.ec.europa.eu/leader/leader/leader-tool-kit/en/index_en.cfm

[9] FARNET Guide 1. Area-based Development in EU Fisheries Areas. A start-up Guide for Fisheries Local Action Groups and Steps for Success. https://webgate.ec.europa.eu/fpfis/cms/farnet/sites/default/files/documents/FARNET%20Start-up%20Guide%20EN.pdf

[10] URBACT Local Support Group Toolkit. June 2013. http://urbact.eu/fileadmin/general_library/URBACT_Toolkit_online_4.pdf

[11] These steps can of course be broken down and grouped in different ways to suit different situations

Figure 1: Spiral diagram of the area partnership and strategy trinity of CLLD over time.
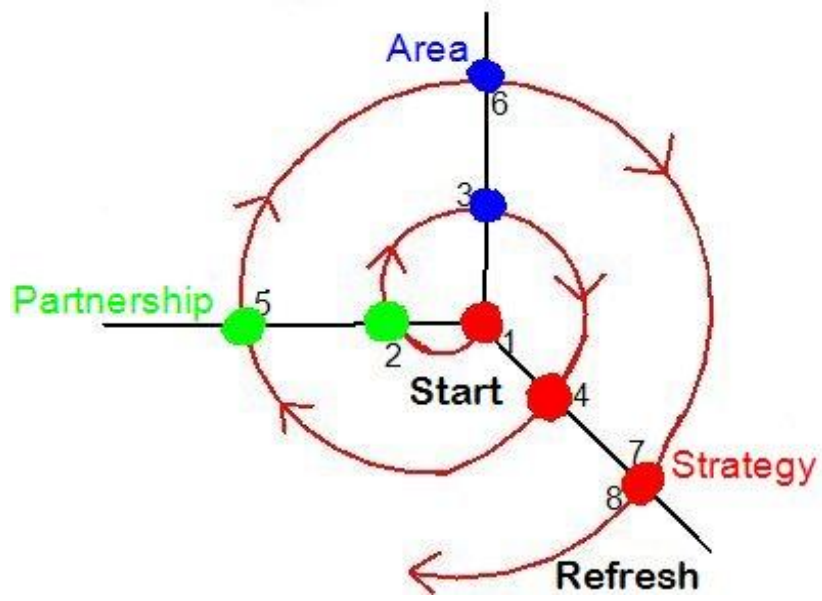
1. Decide what you want to change (Strategy)

CLLD turns conventional top-down development approaches on their head by starting with the vision of where local actors would like to be in the future and what they think should be changed in order to get there. Responding to local needs comes first and funding is seen as a means to an end.

Building a clear agreement on "what you want to change" is the first and most important step in designing the strategy and should not be rushed. There is a wide range of participative techniques that can help to achieve this (see sections on strategy in chapters 3, 4, 5 and 6).

In contrast, conventional local development is often funding-led. Local bodies apply for funding on the basis of their deviation from the national average in terms of certain identified indicators. Under this scenario, local agencies are simply the last link in the chain for delivering funds and services.

2. Build trust and alliances with the people that can help to make the change (Partnership)

This step normally takes place in parallel with the decision on what the community wants to change. It requires face to face contact and sufficient time to uncover the main concerns, hidden agendas and historical resentments that lie deep in most communities. This can be helped by the use of formal tools like "stakeholder analysis", which maps out different stakeholders according to a series of characteristics, such as their level of interest and capacity to influence results[12]. Individual and group discussions can help to clarify longer term common goals, as well as shorter term activities that can achieve quick wins and build support. They can also help to clarify who is good at what and the level of commitment to creating a formal partnership. Before rushing to create a formal partnership structure, it is useful to build trust and develop experience of working together through an informal working group, which can supervise the following stages (see sections on partnership in chapters 3, 4, 5 and 6).

3. Define the boundaries of your area (Area)

Here, once again, CLLD differs from traditional top down approaches, in the sense that the areas targeted do not have to follow predefined administrative boundaries. National or regional authorities should however indicate the types of areas that will or will not be eligible, and provide clear criteria for their selection. Within these broad frameworks, local actors are meant to decide on the most appropriate boundaries for achieving their goals.

This means ensuring, firstly, that the area is large enough and has sufficient "critical mass" to achieve its goals, and secondly, that it is not too large to risk that the community loses control. Finally, it should be "coherent" in physical, social and/or economic terms, and in terms of the aims of the strategy.

However, the physical boundaries created by coastlines, water tables or mountain ranges do not necessarily coincide with the locations of economic clusters of activity such as fishing or farming, or functional areas based on travel to work or the use of basic services. Similarly, the

---

[12] URBACT Local Support Group Toolkit. http://urbact.eu/fileadmin/general_library/URBACT_Toolkit_online_4.pdf

historic boundaries between municipalities in dense urban areas or on the urban fringe can be a barrier to effective action. Many areas are confronted with problems that cross local, regional or national administrative boundaries.

This is why different local projects often operate over slightly different territories. It is basically up to local actors to take these factors into account and to forge a realistic compromise on the boundaries of intervention area, which provides the best opportunities for achieving the aims of their strategy (see sections on areas in chapters 3, 4, 5 + 6).

4. Prepare a local strategy for change based on the involvement and needs of local people (Strategy)

Once there is broad agreement on what the community wants to change, who can help to achieve this, and the broad area of intervention, it is then possible to go further into the details of how this can be achieved by preparing the local strategy. This requires objective evidence and facts about the strengths, weaknesses, opportunities and threats facing the area, as well as the full involvement of the community, so they understand how these factors impact on their main needs and how they can be addressed.

The local development strategy becomes the roadmap of CLLD implementation, and partnerships normally select and support projects according to the contribution they make to the goals of the strategy. In order to support the preparation of high quality strategies, the Commission has included a list of the key components that they should contain and has strengthened a number of the key principles of CLLD. These are described and explained with examples in chapter 5 (see also sections on strategies in chapters 3, 4, 5 + 6).

5. Agree on a partnership structure and clarify who does what (Partnership)

Local communities have different levels of capacity, histories of working together and/or conflict, and very diverse institutional cultures. Because of this, experience has shown that it is vital to design the partnership to fit the realities of the local context. Nevertheless, there are two broad models. In the first, a completely new legal entity is created that brings together local partners. This can take various forms, depending on the context (although most are non-profit associations). Whatever the legal form adopted, the entity needs to be broadly representative of the local stakeholders concerned with the strategy, open, transparent and accountable, both to local people and to its funders. The exact balance of the partners involved and their power in decision making depends on local circumstances, but as mentioned earlier, a key feature of CLLD is that the partnerships should not be dominated by any single public or private interest group.

A second model can be used when there is no need or desire to create an additional structure and/or when it is clearly advantageous to draw on the administrative capacity of an experienced partner. In this case, the experienced partner can become the "accountable body" for legal and administrative purposes, while the other partners form some sort of decision making or selection committee for projects. However, the same principles of representativeness, openness, accountability and transparency as in the first model should apply.

In order to ensure that high quality strategies are actually implemented by participative and efficient partnerships, the Commission has also provided a list of the main tasks they should

carry out. These will also be explained in more detail with the aid of examples in chapter 5. Each partnership needs to consider whether it has the skills and experience within the area to carry out these functions or whether it is necessary to bring in help from outside.

Both models described above can be used to coordinate more than one funding stream. This will be explained in chapter 6 (also see sections on partnerships in chapters 3, 4, 5 + 6).

6. Adjust boundaries (Area)

In the process of preparing the local development strategy and building the partnership it will become clear that certain issues can be better tackled by including other parts of the territory. For example, a rural area may need to take into account a local market town or a deprived urban neighbourhood may need to consider the links to areas providing local jobs and services. Similarly, a potentially useful ally in the partnership might find themselves just outside the original boundaries. It may also be possible to improve the synergy between local initiatives financed by different EU Funds by aligning their boundaries. Finally, the national or regional criteria for selecting the areas for CLLD may require some adjustment in the definition of the area.

For all these reasons, the exact boundaries of intervention should be seen as something fluid that can be adapted to meet changing circumstances. In fact, CLLD offers local partnerships a range of alternatives for dealing with problems at different scales. For example, adjacent local partnerships may each focus individually on the actions financed by one particular Fund but then use the measures for cooperation or participate jointly in another Fund for problems best solved at a different, trans-boundary level. CLLD provides a flexible menu for ensuring that boundaries match evolving local needs rather than being fixed at a specific point in time.

In all cases, however, enlarging the area needs to be handled with care. Most of the pressures will drive areas to become larger but this should not be at the expense of losing a sense of local identity and real community involvement (see sections on areas in chapters 3, 4, 5 + 6).

7. Prepare an action plan and funding application (Strategy)

Once the partnership has agreed what it wants to change and established a clear "intervention logic" showing how this change can be measured and what kinds of action might lead to success, it needs to translate these broad intentions into a realistic action plan and funding application. There are many detailed guides on how to complete this stage[13].

At this stage, all applicants are faced with the challenge of providing sufficient detail to make the plan credible while at the same time retaining the flexibility to respond to unforeseen circumstances. Member States, regions and local partnerships deal with this challenge in different ways. However, it is important to show that the calendar, and the human and financial resources devoted to the main types of activity, correspond to the needs identified earlier and have a reasonable chance of achieving the desired change. Similarly the partnership needs to demonstrate that it has the skills, systems and procedures in place to ensure that the plan can be implemented in an effective and transparent way (see sections on strategy in chapters 3, 4, 5 + 6).

---

[13] see for example: LEADER http://enrd.ec.europa.eu/leader/en/leader_en.cfm
FARNET https://webgate.ec.europa.eu/fpfis/cms/farnet/tools/implementing-axis-4
URBACT http://urbact.eu/fileadmin/general_library/URBACT_Toolkit_online_4.pdf

8. Establish a system for periodically reviewing, evaluating and refreshing the strategy

Since the preparation of the last round of local development strategies began in 2007, the situation facing local partnerships in many countries has been severely affected by the economic crisis. But even in times of relative stability, partnerships need mechanisms for measuring the extent to which they are achieving their expected results and learning from past mistakes and successes. In its review of LEADER, the European Court of Auditors argued that monitoring, self-evaluation and external evaluation of local development strategies needed to be improved and incorporated into the regular activities as part of a learning-by-doing cycle.

While this is an area that still requires further development, there are a series of useful guides and toolkits on how this can be done without getting submerged in masses of irrelevant data LINKs (also see sections on strategy in chapters 3, 4, 5 + 6).

It takes time and effort to properly carry out these eight steps. However, the Commission has strengthened the preparatory support to cover this (see chapter 5.3 Section on preparatory support). And even when they have done it before, local people generally appreciate and enjoy the process of building a common road map to the future.

Chapter 3. How to support CLLD partnerships in responding to the new challenges?

3.1 Introduction.

This chapter is directed mainly at <u>existing</u> partnerships in rural and fisheries areas to help them use the new regulations to deal with some of the emerging challenges they are facing. However, the points it contains are also relevant to <u>new</u> partnerships in cities and those dealing with social inclusion.

In many Member States the situation facing local communities at the beginning of the programming period for 2014-2020 is dramatically different to that in the previous two programming periods. Faced with the severity of the economic crisis, many existing local partnerships are under pressure to find additional sources of funds simply to continue what they are doing or to survive. But in the context of escalating social, environmental and economic challenges, business as usual is simply not a viable long term option for many local communities. In addition, after several programming cycles, there is a risk of disillusionment and "community burn-out" in certain areas.

Alongside changes in the external context, the European Commission has taken into account many of the past lessons from LEADER and Axis 4 of the EFF in order to introduce certain changes in the new regulations. For example, partly in response to the Court of Auditors report on LEADER, the Commission has proposed to strengthen a number of the specific features of CLLD. If properly implemented, these modifications will improve the ability of local partnerships to deal with some of the new challenges they are facing. However, past experience shows that the necessarily concise wording of the EU regulations can be subject to different and often mistaken interpretations at national, regional and local levels. In this chapter, therefore, we try to do two things.

- Firstly, without going into detail, we briefly map out some of the key changes in the external conditions facing local partnerships, as well as some of the emerging responses that they need to consider supporting;
- Secondly, we try to provide a fuller explanation of *what the Commission understands* by some of the key provisions in the regulation, as well as giving examples of how these might be used at local level for dealing with some of the challenges identified in the first section.

3.2. The new challenges facing local partnerships.

There is now broad agreement that Europe is facing a series of long term global challenges, which include declining competitiveness in the face of the emerging economies, global warming and resource depletion, stagnant or declining real wages and living standards for a high proportion of the population, growing inequality and social polarisation, and threats to health and social security systems created partly by ageing and demographic change. The EU 2020 Strategy was developed to help tackle some of the these major issues, and the eleven thematic objectives of the Common Provisions Regulation have been designed to ensure that the European Structural and Investment Funds focus resources on the most pressing issues.

However, since the beginning of the financial crisis in 2007, many local partnerships also face an additional set of problems, which are compounding the underlying global challenges mentioned above. There is a huge divergence in the impact of these problems across Europe,

which makes it very difficult to arrive at common solutions at EU level and provides even more justification for locally adapted approaches.

The geographical implications of these changes *within countries* are also both complex and diverse. For example, some argue that there will be a greater concentration of economic activity in metropolitan hubs; that growth will slow down and may even falter in attractive residential and tourist areas, and that areas which are highly dependent on traditional industrial sectors, construction and/or public transfers will continue to suffer major decline[14]. All this is affecting the role and the relationship between different types of areas - between metropolitan areas, peri-urban areas and regional and provincial service centres, between coastal and inland areas, between densely and more remote, sparsely populated areas, and between deprived urban neighbourhoods and the more affluent parts of our cities.

The drivers behind most of the long term and more recent developments are global and/or national so the margin of manoeuvre for partnerships at local level is bound to be limited. Nevertheless, the local context and people`s needs are undergoing a profound change. As a result, society is already responding in a number of ways – for example, by new more socially and territorially rooted forms of entrepreneurship, through various forms of self-help and collective forms of mobilising community assets, by improving short circuits and exploring local and community-based responses to climate change. The next round of local development strategies must keep pace with the main changes in citizens needs and, where possible, find ways of supporting many of the creative grass roots responses that have already emerged.

Despite the differences between countries, most local development strategies will need to take account of some of the following changes in local contexts and answer the following questions:

- On average, **unemployment** has increased by over 47% in the EU between 2007 and 2012, with particularly severe consequences for young people[15]. One in two young people in Spain and Greece are unemployed, although the variation between countries and local areas is huge. The risks of not only losing a highly educated generation, but also of creating a vast, disaffected and angry pool of young people are huge. *What short and longer term measures can be put in place to create employment and support young people at local level?*
- **Domestic consumption** has collapsed or is stagnant in many countries with the result that **the markets** for new and existing firms are often contracting. In this context, it is difficult to create new jobs and the first priority is usually to save existing ones. However, some traditional, staple industries like agriculture, fisheries and food are holding up relatively well and there may well be a need to reconsider their role in local economies. *What steps can be taken to make existing sectors and firms more competitive? What type of support is required for new entrepreneurs in the context of stagnant and declining markets?*
- **Private finance** has dried up in many countries, compounding the point above and making it very difficult for project promoters to find the necessary match funding for EU grants. *How can local areas gain access to or create alternative sources of finance?*
- **Public investment** has been cut back in most countries, making it harder to find public co-funding for projects. In many of the new Member States, inadequate infrastructure is still a major bottleneck for local development. At the same time, the *maintenance of existing*

---

[14] Laurent Davezies. 2012 La Crise qui vient. La nouvelle fracture territoriale.
[15] Unemployment rates increased from 7.2% in 2007 to 10.5% in 2012. Youth unemployment increased from 15.7% to 22.9% over the same period. Eurostat

infrastructure is becoming a problem in other countries. *Is it possible to develop new (shared) uses and ways of maintaining the stock of public asset?*

- **Public revenue expenditure** has been severely reduced in many countries, resulting in cuts to education, health, social services and social benefits. This means fewer jobs and puts pressure on local authorities to use EU Funds to find new ways of designing and delivering basic services. *Can CLLD partnerships become local platforms of social innovation which explore new ways of improving social standards while levering in resources from the private sector and civil society?*

- **Poverty and social exclusion** have increased in most countries. However, the geographical implications of this are complex. In some cases, there may be a return to rural areas or certain urban neighbourhoods because the cost of living is lower and there are more family and self-help networks. *How can this proximity be used to increase social responsibility and solidarity between rich and poor areas, sectors and groups?*

- **Climate change** and the need for transitioning to a low carbon society has taken centre stage in EU policy and is now a horizontal priority across all EU policy areas. The urgent need to reduce greenhouse gas emissions and establish a new economic development paradigm based on the concept of green growth and the sustainable use of resources is a major change for the next programming period. *Can CLLD partnerships develop and support local responses to this challenge?*

CLLD partnerships also face an entirely *different governance context* than they did in their early days. Many of them have evolved from being a small, relatively free pilot Community Initiative to being mainstreamed across rural areas and large parts of the coast. This has brought considerable extra responsibility and burden in terms of administrative and audit procedures. At the same time, current top-down models of service delivery are also being questioned and there is growing interest in more participatory, responsive and innovatory ways of meeting social needs that are close to the CLLD approach. *What role can CLLD partnerships play in demonstrating and shaping a new governance model?*

Box 1 below provides some examples of ways in which local development strategies could be adapted to take account of these challenges.

Box 1: Examples of responses to different challenges through implementation of local development strategies

Challenge	Possible responses by local development strategies
Rising unemployment	- Focus more on job rich investments (often expansions of existing firms and/or fairly standard labour intensive operations); - Support new activities linked to the renovation of local housing, local energy production, energy conservation, new uses for existing buildings, recycling, etc.; - Support new form of enterprise, including the social economy and social enterprises; - Concentrate more on youth – on outreach, and on the transition from study to work; - Support apprenticeships, placements, temporary work, mentoring…..; - Support intermediate and sheltered labour market schemes; - Support complementary training and active labour market policies; - Support local currency schemes (LETS), time banks, voluntary work and other systems that mobilise the unused resources of unemployed people to meet local needs.

Declining markets	• Support existing companies to enter new markets: promotion, marketing, quality control, support for exports, technology transfer, training…; • Explore new markets related to climate change, energy saving and production, care, health, culture and the digital economy; • Ensure good follow-up support for any new enterprises (professional market and viability studies, professional training, etc…); • Use public procurement (including through the insertion of social clauses) and buy local campaigns; • Support the use of local currencies (LETs schemes) and time banks to find useful outlets for unemployed or underemployed people while meeting local needs; • Mobilise local people to support local shops, services and enterprises (e.g. Cashmob); • Reinforce short circuits and supply chains (e.g. Farmers markets, buy off the boat), local food systems (e.g. "Incredibly edible"[16] and the PROVE project in Portugal[17] • Improve training and entry to stable or growing sectors.
Lack of private finance	• Tap into new financial instruments (guarantees and microcredit schemes; • Develop privileged links with banks; • Explore the potential of crowd funding and other emerging ideas; • Recognise payment in kind, voluntary labour and self-help schemes; • Mobilise local savings to support local projects, such as through cooperative or community investments (Vallée de l'Aspe France); • Considerably increase the speed and adaptability of EU grants (small grants, umbrella schemes…); • Reduce bureaucracy associated with projects, for example, through the use of lump sums, simplified costs, etc.
Cuts in public investment	• Request EU funding advances; • Secure public co-finance up front on the same terms as EU Funds; • Make alternative uses of public buildings, land, etc.; • Explore the use of collective schemes for using, sharing and maintaining existing public infrastructure (crèches, schools, cultural centres, old people centres, health centres, sports centres, public spaces…).
Reduced public revenue expenditure	• Build links with local public sector workers – teachers, social workers, health workers, planning and environmental control officers to develop complementary and outreach services; • Support socially innovatory projects, which improve services and/or maintain jobs, as well as public-private-social economy partnerships; • Prioritise prevention, sharing, self-help……
Poverty and social exclusion	• Support local plans for social inclusion, driven by people facing poverty, with the support of professionals and other stakeholders; • Support community organisation and self-help groups; • Support sharing schemes, new forms of transport such as car sharing

---

[16] http://incredibleediblenetwork.org.uk/about
[17] http://enrd.ec.europa.eu/policy-in-action/rdp_view/en/view_projects_en.cfm?action=detail&backfuse=jsview&postcard_id=1184)

	and car-pooling, and collective gardens and plots.
	• Support social, sustainable and cooperative housing initiatives.
Climate change and the transition to a low-carbon society	• Broaden existing partnerships to include new partners with knowledge and experience in addressing climate change and sustainability at local level;
	• Support local and community-based initiatives that focus on reducing greenhouse gas emissions and/or facilitating the transition to a low-carbon society;
	• Include 'sustainability' as a horizontal objective in the local strategy and establish a system to measure progress towards defined goals.

These are just some of responses that CLLD partnerships should consider to ensure that local strategies meet the new challenges faced by their areas. Now we will turn to the new regulation and how this might help them do this.

3.3 New or reinforced elements in the regulations

Partly in response to the Court of Auditors Report on LEADER, the Commission has proposed to strengthen a number of the specific features of LEADER in the regulations. These include: provisions to specify the minimum content of the strategies and improve their quality; provisions to clarify the minimum tasks of the groups and to safeguard their autonomy; a greater focus on animation and capacity building through stronger preparatory support and a higher percentage allocation for running costs; reinforcing the role of civil society and the private sector; and streamlining transnational cooperation (through the fund specific regulations of the EAFRD and EMFF). These and other provisions can help to strengthen the capacity of the groups to respond to some of the challenges above. In the following pages we will explain what the Commission means by these provisions and provide examples of how they can be used.

3.3.1. New or reinforced elements in the strategy

Article 33(1) of the Common Provisions Regulation (CPR)[18] describes the minimum content of the strategies for CLLD, (see box 2 below).

Box 2: Article 33 Common Provisions Regulation on local development strategies

1. A CLLD strategy shall contain at least the following elements:
    a) the definition of the area and population covered by the strategy;
    b) **an analysis of the development needs and potential of the area**, including an analysis of strengths, weaknesses, opportunities and threats;
    c) a description of the strategy and its objectives, a description of the **integrated** and **innovative** character of the strategy and **a hierarchy of objectives, including**

measurable targets for outputs or results. For results, targets may be expressed in quantitative or qualitative terms. The strategy shall be consistent with the relevant programmes of all the ESI Funds concerned that are involved;

d) a description of the **community involvement** process in the development of the strategy;

e) **an action plan** demonstrating how objectives are translated into actions;

f) a description of the **management and monitoring** arrangements of the strategy, demonstrating the capacity of the local action group to implement the strategy and a description of **specific arrangements for evaluation;**

g) the **financial plan** of the strategy, including the planned allocation from each of the ESI Funds concerned.

In the following sections we provide a brief explanation of what the European Commission understands by some of the key terms (in bold), together with examples.

- **What does the Commission understand by "*a definition of the area and the population covered by the strategy*"? (Article 33(1)a CPR)** (steps 3 and 6 of chapter 2).

The key point here is that the definition of the area and the population must be consistent with and justified by the strategy the community intends to implement. The population of target areas should be not less than 10,000 inhabitants, in order to have the critical mass needed to carry out the strategy. It should also be not higher than 150,000, so that there is a sense of identity and local people can directly be involved in decision making. However, exceptions can also be justified (for example for islands or densely populated areas and neighbourhoods) when this fits the strategy.

One risk, at present, is that the pressure to reduce costs and combine Funds will lead to bigger and bigger areas of an "economic planning type", which lack a real sense of identity and offer local people little chance of involvement.

Within the broad EU conditions, the intention is that Member States provide a framework for selecting areas in their programmes, which corresponds to their own national priorities for different types of areas.

Figure 2: Fixing the boundaries

They can do this by fixing certain eligibility conditions and/or setting criteria that will be used to choose between different areas. For example, the eligibility conditions for fisheries areas could include ports below a certain size, certain parts of the coast, distance from the sea or water, areas which are continuous and so on. Examples of selection criteria could include the absolute and/or relative importance of fisheries employment, trends in landings, the importance of small scale coastal fishing, population change and so on.

Types of areas
Eligibility conditions
Selection criteria

M.A.

LAGs adjust boundaries to meet local needs and their strategy

LAG
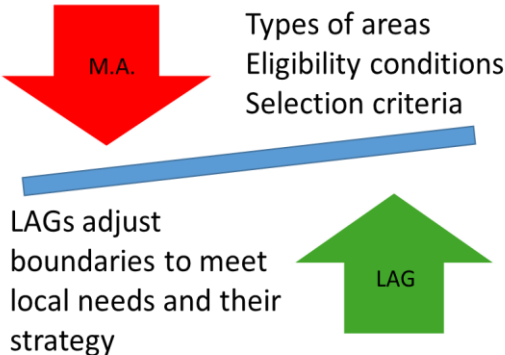
However, the Commission´s aim is that *local partnerships* decide on the *precise boundaries* of their areas in a bottom-up way, based on what they are trying to achieve. This can be justified by reference to:

- ✓ The physical or geographical coherence of the area (islands, mountain ranges, estuaries, rivers, built urban areas);
- ✓ The area's cultural identity and common social issues (concentrations of Roma, migrants, unemployment…..);
- ✓ Concentrations of economic activities (types of agriculture, fishing, certain declining or growing sectors…..).

These points can be assessed and taken into account in the final selection of partnerships.

In the past, some Member States preselected areas in a top-down way, while others allowed open calls across the entire territory. Both extremes entail risks. The first can create rigid and artificial areas, which do not build organically on local linkages. The second can result in a very large number of applications and political pressure to spread the budget too thinly. The Commission, therefore, proposes a balance between the top down and bottom up approaches.

Box 3: Examples of defining the area from Portugal and Finland

Based on the criteria in the EFF regulation, Portugal designated 45 municipalities as eligible for Axis 4 funding - 39 along Portugal´s mainland coast and 6 in the Azores. Indicators it chose to use included a decline in fisheries activities, measured in terms of decreasing landings from 1999-2005, and dependence on fisheries activities, defined as 3% or more of the active population employed in the sector - this also included those working in Portugal´s sea salt industry, an important component of its maritime activities in certain areas.

Local partnerships were then free to propose their specific FLAG areas within the boundaries proposed at national level. A certain flexibility was also shown for justified exceptions. For example, the Managing Authority allowed Oeste FLAG to include 3 boroughs from Lourinhã municipality, at the southern tip of their territory, originally excluded from the designated areas due to proximity with a large city (Lisbon). This was justified by the presence of a number of small scale fishing vessels operating from Lourinhã but landing fish in the FLAG territory as the nearest landing site. The integration of these more isolated fishing communities with the FLAG's development programme was considered important.

Finland offers another example of allowing sufficient flexibility to respond to carefully considered needs. Although the EFF regulation recommends that FLAG areas be smaller than NUTS 3, in Finland's case, given extremely low population density in some areas, DG MARE approved larger than normal FLAG areas in order to allow them to include a critical mass of fisheries sector workers. Furthermore, a process to reflect on results and improve outcomes in the future has led FLAGs to propose small adjustments to their boundaries for the next programming period.

For further resource material see below[19]

---

[19] Further resource material: FARNET Start-Up Guide 1 Chapter 2. Defining the area
https://webgate.ec.europa.eu/fpfis/cms/farnet/sites/default/files/documents/FARNET%20Start-up%20Guide%20EN.pdf

- **What does the Commission understand by "*an analysis of the development needs and potential of the area*"? (Article 33(1)b CPR)** (steps 1 and 4 of chapter 2)

The regulation says that this analysis should "include an analysis of strengths, weaknesses, opportunities and threats". For some time, SWOT analyses have become standard practice in national, regional and local programmes supported by the European Commission. However, in reality, many are extremely general and could often apply to almost any similar area in the EU. Moreover, while the development needs and potential should be based on the SWOT, this generally requires a second stage of analysis. Some strategies simply present an unranked list of needs with no justification of how this relates to the SWOT. The Commission wants to improve this situation and ensure that the "analysis of development needs and potential" becomes a valuable tool for building a strong intervention logic and ensuring a stronger orientation on results.

SWOT analysis

	Strengths	**Weaknesses**
Opportunities	**Reinforce** to seize opportunities	**Decrease** to use opportunities
Threats	**Secure** against future threats	**Avoid** to escape from traps

To do this, local partnerships should take account of the following:
- ✓ The points raised in the SWOT should be clearly based on evidence obtained from the diagnosis of the area.
- ✓ They should focus on the specific features of the area and why it is different, rather than simply enumerating many of the common features of major sectors such as agriculture or fisheries or of target groups such as youth or women. Unfortunately, some SWOT analyses are so general they could be applied anywhere.
- ✓ As much, if not more attention should be paid to mapping the opportunities and "assets" as to describing the weaknesses and threats. The strategy should be forward looking not purely defensive.
- ✓ There is no point in providing an undifferentiated wish list of every need. Even at this stage it is important to start ranking or prioritising needs and potential.
- ✓ The prioritisation or ranking must be evidence based and should take into account the reasoned views of local stakeholders, as explained below.
- ✓ The local partnership must distinguish between what it would like to achieve and what it can achieve with the resources and programmes available.

See the examples of local development strategies in fisheries areas from France, Spain, Finland and Scotland and the other resource material below[20].

---

[20] Some resource material:
- Examples of integrated strategies from fisheries areas from around Europe. Summaries and full examples https://webgate.ec.europa.eu/fpfis/cms/farnet/tools/implementing-axis-4/strategies
- Leader Toolkit on Strategy Design. Subsection A. on the content of the LDS with videos. http://enrd.ec.europa.eu/leader/leader/leader-tool-kit/the-strategy-design-and-implementation/the-strategy-design/minimum-content/en/description-of-the-strategy-and-its-objectives_en.cfm
- FARNET Start-Up Guide 1. Section 4b Developing Effective Strategies: https://webgate.ec.europa.eu/fpfis/cms/farnet/sites/default/files/documents/FARNET%20Start-up%20Guide%20EN.pdf

- **What does the Commission understand by "*a description of the integrated features of the strategy*?(Article 33(1)c and 32(2)c CPR)** (step 4 and 7 chapter 2)

The regulation states that CLLD shall be "carried out through integrated (article 33(1)c) and multi-sectoral area based local development strategies" (article 32(2)c). However, the meaning of integrated and multi-sectoral has evolved over time and must be adapted to the type of problem and area being dealt with. The term was originally used by the first LEADER programmes in rural areas, which needed to distinguish themselves from traditional top-down sectoral agricultural policies. The acronym LEADER comes from the French for "links between economic activities in rural areas". Partnerships were seen as catalysts which would exploit all the possible local multipliers between sectors such as agriculture, food, crafts, rural tourism, local services and the environment. To do this, they would design "integrated" sequences of support measures (such as training, capital grants, promotional support, business support) that all pulled in the same strategic direction. As most LEADER programmes took place in fairly low density rural areas they were able to take a fairly holistic approach in terms of integrating most of the drivers of local development.

However, even in these cases it became clear that there were some things that could be influenced by an endogenous programme like LEADER while others were out of reach. In Finland, a useful distinction was developed between "narrow rural development policies", usually within the scope of the ministry of agriculture and rural development, and "broad rural development policies", which referred to all the policies, like transport, education and health, which had a significant influence on the shape of rural development but were harder to influence at local level.

This means that even in rural areas integration does <u>not</u> mean that strategies should try to tackle everything at once or give everything the same weight. As mentioned earlier, communities need to make choices and focus on the objectives and actions that have the greatest chances of bringing about the changes they want to achieve. This point is even more relevant in cities and in dealing with complex social problems in densely populated areas. Here, there may already be a history of past initiatives and a number of organisations active in the same field. So local partnerships need to position their strategies in a way that adds value to what already exists and mobilise the maximum support around it.

This interpretation broadens the scope of CLLD to the kinds of thematic objectives and investment priorities that are particularly relevant to the social and regional Funds - as long as the strategies are designed and carried out in a way that brings to bear the full value of local territorial linkages.

Integration can mean:
- ✓ Starting with one or more issues, themes, problems or target groups that mobilise the community but placing them within a wider context and building linkages outwards to the other sectors and actors that can influence the situation;

- Power point from the LEADER group on the Greek Island of Lesvos on the way in which they involved local stakeholders in identifying local needs.
  http://enrd.ec.europa.eu/app_templates/filedownload.cfm?id=0837032D-9B8F-B26F-0383-CE1E273841DC

- ✓ Building vertical linkages within sectors and supply chains, as well as horizontal linkages between sectors;
- ✓ Connecting deprived areas with areas of opportunity (e.g. rural areas with market towns, and deprived neighbourhoods with centres of employment growth);
- ✓ Building linkages between local, regional and national levels of governance. This is particularly important when dealing with "anchor" sectors and institutions like schools, hospitals and universities;
- ✓ Ensuring that different local support measures are sequenced and pull together to achieve the same strategic objectives. Integration in terms of what is done, who does it, and how it is done.

Box 4: Example of an integrated character of a strategy from "My Generation URBACT"

Although the 12 partner cities in the My Generation URBACT project were facing different challenges, they all arrived at the conclusion that young people must become real co-creators of the solutions that are implemented, so they employed a series of participative techniques designed to put young people at the centre of local strategies.

They argued that, in Europe, policies designed to support young people are too fragmented and short-lasting, and also suffer from being unilaterally directed towards a single target when the diversity of the challenges calls for integrated measures. In other words, although they focused on the specific problems of young people they sought to develop local linkages between all the main policy fields that affect them. For more than two and a half years, the partner cities worked to identify effective local policies in three interrelated areas: giving disadvantaged young people more access to social services already in place in cities; creating bridges between training, education and the business world; and improving coordination among the various players and including young people in the decision-making process. http://urbact.eu/en/results/results/?resultid=19

- • **What does the Commission understand by, "*a description of the innovative features of the strategy"* (Article 33(1)c CPR)** (step 4 and 7 chapter 2)

In the context of CLLD, innovation does not have to mean high level research and development or new technology (although, of course, these are not excluded). The justification for the innovatory character of the strategy is in fact closely connected to the question "what does the community want to change?" CLLD strategies are by definition local and fairly small scale. They do not have the power to transform living conditions for everyone at once. So they have to concentrate on those actions that have a multiplier or snowball effect on local development. Rather than using all the limited resources available to meet basic needs, the idea is to take a fresh look at both problems and opportunities and explore new responses which can lead to longer term and more sustainable solutions.

In this context, the Commission has left the definition of innovation in CLLD deliberately open, rather than trying to define it "up front", which, by definition, limits the scope for local creativity. Innovation can involve new services, new products and new ways of doing things in the local context (Article 32(2)d). Of course, not everything in the strategy has to be innovative, as partnerships will often have to build trust by showing that they can also fulfil certain short term basic needs.

However, by bringing together all the different stakeholders in an area and by creating a dialogue with outside institutions like universities, research centres and higher levels of the administration, CLLD has enormous potential for using existing resources in new and creative ways. At their best, partnerships can become platforms for "social innovations" and can subsequently lever in resources for scaling these up. Successful ideas can then be analysed, documented and transferred by the various EU, national and regional networks of CLLD actors.

Innovation in CLLD:
- ✓ Can involve new products, services or ways of doing things in a local context;
- ✓ Often has a multiplier or snowball effect on the changes that the community wants to bring about;
- ✓ Can involve one or more small scale actions and prototypes or a larger scale flagship project that mobilises the community;
- ✓ Finds new ways of mobilising and using the existing resources and assets of the community;
- ✓ Builds collaboration between different actors and sectors;
- ✓ Can, but does not necessarily involve universities or sophisticated research and development;
- ✓ Can be a platform for social innovations which can then be scaled up and applied more widely through exchange, cooperation and networking.

Box 5: **Innovation Cluster within the West Cork's LEADER strategy plan 2007-13**

Integral to West Cork's LEADER strategy plan for 2007–13 is its Innovation Cluster. The Cluster builds on earlier initiatives, such as, the West Cork Fuchsia Brand, and focuses on supporting key economic sectors with diversification potential (food, tourism, craft etc.), as well as types of development activity and process (marketing, training and education, development agencies, networks and associations, etc.). First launched commercially in 1998, the Cluster is a business network of 160 accredited quality (branded) enterprises in food, tourism, craft and other sectors (agriculture, marine, retail). It also works in partnership on certain programmes with University College Cork.

Types of activity supported by the Cluster in the 2007–13 programming period include: the development of a new 'Energy From Farms' programme including biofuels, wind, solar, hydro and heat; piloting and evaluation of new marketing and promotional activities for the Fuchsia Brand; development support for diversification projects amongst Fuchsia Brand participants in culinary tourism, craft and leisure; and consultancy and training and for enterprises engaged in the creative arts and digital media production.

This is a model which builds on success, creating a culture of support for innovation and building up a critical mass of activity over time. In 2005, Fuchsia Brand and its associated activities generated €106m, of which €69m remained in the region, supporting some 1 131 full-time equivalent jobs locally.

 See the resource material below[21].

---

[21] Some resource material:
- '*Focus Group 2- Extended Report: Preserving the Innovative Character of Leader, November 2010*' http://enrd.ec.europa.eu/app_templates/enrd_assets/pdf/leader-tool-kit/1_focus-group2_extended-report_final.pdf
- EU Rural Review 2: Creativity and Innovation in EU Rural Development. 2009. http://enrd.ec.europa.eu/app_templates/filedownload.cfm?id=B99849C0-00E8-A7DC-1D6A-775E2ED9F89A

- **What does the Commission understand by a** *"hierarchy of objectives, including measurable targets for outputs or results"*? **(Article33(1)c CPR)** (step 4 and 7 chapter 2)

The Court of Auditors report on LEADER mentioned earlier on argued that "local strategies should be at the heart of the LEADER approach, giving the partnerships their *raison d'etre* and promising an added value through local solutions tailored to achieve the local rural development objectives". Unfortunately, this is sometimes not the case. The Court of Auditors reported that many strategies "served as little more than an application to the managing authority for funding" and that their objectives were not "specific, measurable and achievable within a set time frame".

In the past, many strategies have relied excessively on general objectives such as "improving the quality of life" or achieving "sustainable development". This is partly because the designers of the strategy often face a great deal of uncertainty and want to retain the flexibility to respond to changes and unforeseen events. However, we will see later that there are other ways of achieving this flexibility, and the consequence of setting excessively generic objectives can make the strategy almost meaningless, subject to influence by local interest groups and impossible to monitor.

In order to improve the quality of strategies, the Commission believes that they should be based on a clear "intervention logic", agreed by the local community, and based on questions like: "what do we want to change?", "what do we want to achieve by year X?", "what would success look like?", "What kind of evidence will show that we have been successful?".

In the 2014-20 programming period, the evidence base should take the form of clearly measurable targets for "outputs", such as the number of people receiving training, and for "results", such as the number of people who obtained employment as a consequence of the training.

For results, "targets may be expressed in quantitative or qualitative terms" (Article 33 (1) c) and the Commission recommends expressing these in "SMART" terms.

SMART Objectives
1. **S**pecific – clearly stating what the strategy will address and by what means
2. **M**easurable – containing a basis for measurement and a measurable target, whether this is expressed in quantitative or qualitative terms
3. **A**chievable – technically attainable within the scope of the strategy proposed
4. **R**ealistic – given the resources provided, the time allowed, the size of the target groups, etc.
5. **T**ime bound – incorporating a timeline and a date by which the target should be achieved.

In return for fixing more concrete targets for results, the Commission recommends that local partnerships and managing authorities agree methods for allowing strategies to be adapted to meet evolving circumstances and take account of the lessons of past experience. The most obvious way of doing this is by making use of the proposals for evaluation mentioned in article 33(1)f (see below).

The regulation also refers to a "hierarchy of objectives" making it clear that not everything can be achieved at once and that the community needs to decide collectively on its most important objectives and select the actions that will best contribute to achieving these. In this context, the strategies can clearly be used to support citizens' initiatives on the ground and respond to some of the challenges identified in the first section of this chapter.

Box 6: Targeting and monitoring at IRD Duhallow

IRD (Integrated Rural Development) Duhallow has developed an interesting system for improving the links between the broad goals of their local development strategy and the actual projects undertaken in a way that ensures community ownership and improved targeting and monitoring. Basically, the broad goals of the strategy are developed after a long process of consultation with the community around four main fields: improving the quality of life, fostering creativity, economic growth, and a living environment. A needs assessment of the region's social, economic and environmental resources is carried out using the Asset Based Community Development approach, which focuses on the areas assets and potential assets (rather than just its weaknesses and gaps). This then sets the strategic framework, which can be adapted for particular bids.

These broad goals are then divided into smaller, measurable objectives, which are animated and monitored by community-based, local working groups. For example, the Youth and Education Working Group has 20 members consisting of local schools, youth organisation, policy makers and young people themselves. The 27 targets set are measurable: ten new youth clubs, four youth cafés, 20 trained youth leaders, etc.

The defined output indicators noted three youth clubs, no cafes and 30 trained youth leaders achieved by June 2011. The working group meets eight or nine times a year, where it analyses achievements and sets out the steps for improvement. Their actions are subject to the approval of the LAG board.

See ENRD Fact sheet on Duhallow Partnerships approach to defining indicators, which capture the added value of LEADER:
http://enrd.ec.europa.eu/app_templates/enrd_assets/pdf/leader-tool-kit/infosheet/04_infosheet.pdf

See below for further useful resource material[22]

---

[22] Resource material for Article 33(1)c CPR:

- ENRD guidance on the content of the LDS with videos. http://enrd.ec.europa.eu/leader/leader/leader-tool-kit/the-strategy-design-and-implementation/the-strategy-design/minimum-content/en/description-of-the-strategy-and-its-objectives_en.cfm
- *Strategy Design - How to prioritize between different objectives?*' on the LEADER Toolkit: http://enrd.ec.europa.eu/leader/leader/leader-tool-kit/the-strategy-design-and-implementation/the-strategy-design/en/how-to-prioritize-between-different-objectives_en.cfm
- FARNET Start-Up Guide 1 Section 4b
  https://webgate.ec.europa.eu/fpfis/cms/farnet/sites/default/files/documents/FARNET%20Start-up%20Guide%20EN.pdf

- **What does the Commission understand by,** *"the strategy shall be consistent with the relevant programmes of all the European Structural and Investment Funds concerned that are involved"*? **(Article 33(1)c CPR)** (step 4 and 7 chapter 2)

CLLD strategies should not be seen as islands. They are flexible tools for meeting the specific needs of different local areas – *in ways that produce concrete results and benefits for the programmes concerned (see* the example of using LEADER as a tool for integrated territorial planning in Andalusia, Spain – chapter 6)[23]

However, in the guidance document on CLLD produced for managing authorities, the Commission explained that its aim is to allow local communities considerable flexibility in terms of the scope of their strategy, and the eligibility of the actions financed, as long as this consistency with the concerned programmes is respected and there is a full compliance with the regulatory framework and the risk of double funding is duly mitigated. Once again, this allows local communities to be inventive and adapt local strategies to the kinds of emerging challenges identified in the first part of this chapter.

This combination of local flexibility with a clear contribution to higher level goals can be achieved in a number of ways.
- ✓ To make programming easier, CLLD should be programmed under one specific investment priority/focus area or union priority[24]. However, support provided under local development led strategies may contribute to all of the 11 thematic objectives of the Common Provisions Regulation.
- ✓ CLLD strategies should describe how their participative local approach is consistent with and contributes to the goals of the operational programme(s) that fund(s) them.
- ✓ At the same time, if CLLD is used to fully deliver some of the objectives of a programme then the delivery system should be adapted to allow the full benefits of the approach in meeting the specific local needs targeted by the strategy.
- ✓ Where a local development strategy is financed by one Fund only, that Fund should offer its full scope of eligible support, including for actions which could potentially also be covered by other Funds, in order to grant maximum flexibility to local actors to respond to their needs.
- ✓ There is no need to set rigid demarcation lines between Funds, as long as there are sound procedures to ensure that there is no double Funding.
- ✓ In cities, CLLD strategies can be used as a tool to contribute in various ways to the sustainable urban development strategies financed under Article 7 of the ERDF. They can form part of and/or contribute to Integrated Territorial Investments (Article 36 of the CPR), to urban axes or to specific urban programmes.

For example, if a rural LAG wants to submit a training project for LEADER funding, even though its strategy is only supported by the EAFRD, the LAG should check whether the project:
- Is consistent with the objectives of the EAFRD and of the Rural Development Programme;
- is coherent with the local development strategy;
- Complies with relevant legislation.
If these conditions are fulfilled, the EAFRD managing authority should not reject the project for EAFRD support, knowing that the project also falls under the eligibility of the ESF.

---

[23]   Using   LEADER   as   a   tool   for   integrated   territorial   planning   in   Andalusia,   Spain http://enrd.ec.europa.eu/app_templates/enrd_assets/pdf/leader-tool-kit/infosheet/10_infosheet.pdf

[24] Investment priority 9d in the ERDF and ESF, Focus Area 6b in the EAFRD and Union Priority 4 in the EMFF

It is important to ensure that this flexibility in the definition of eligibility is reflected in the wording of the programmes and any national and regional regulations, so that this is also clear to managing authorities, auditors and/or paying agencies. For example, a clause expressed in the following terms could help to avoid confusion later on: "The scope of support and eligibility of actions financed by this Fund under CLLD can include actions also eligible under the other ESI Funds provided that they are compatible with the respective Fund- specific rules, as well as the objectives of this programme and the local development strategy."

- **What does the Commission understand by "*a description of the process of the community involvement process in the development of the strategy*" (Article 33(1) d CPR)?** (step 4 and 7 chapter 2)

Participation has been used to describe processes which vary from pure manipulation, to simple information campaigns and formal consultation exercise, to partnership and full citizen control[25]. The World Bank describes how its Community Driven Development Programmes have evolved from a model based on community consultation to one based on community participation, and finally, the current model based on community empowerment[26]. From the very term the European Commission has chosen to use – community-<u>led </u>local development in English - it is clear that here we are referring to the higher levels of community participation and not simply one sided information or consultation. Local stakeholders should be involved from day 1 of strategy design to the end of the process of implementation.

The strategy, and the projects that flow from it, are meant to emanate from the community. It follows then that participation should not simply be an add-on, conducted at the start of the strategy to justify funding. Consultants, universities and other external experts can all help to provide a broader view and assist with the analysis of the data and writing of the strategy, but there should be <u>evidence</u> of a genuine dialogue with and between local citizens at each of the key stages in the design of the strategy:
- ✓ In the identification of strengths, weaknesses, opportunities and threats;
- ✓ In the translation of these into the main development needs and potential;
- ✓ In the choice of the main objectives, specific objectives, desired results and the priority given to these;
- ✓ In the selection of the types of actions that can lead to these results;
- ✓ And in the allocation of the budget.

There are a large number of participative techniques, such as stakeholder analysis, the use of "problem trees" and scenario building, which can help partnerships identify the issues which really matter to people on the ground and to mobilise the ideas and energy of grass roots initiatives. The strategy document should provide evidence that it is the result of this kind of process.

Box 7: **Example of participative process to prepare the local development strategy by a Spanish LEADER group from the Jerte Valley**

A Spanish LEADER group from the Jerte Valley started a participative process to prepare the local development strategy for the next period just after the summer of 2013 – before the

---

[25] See Sherry R Arnstein "A ladder of Citizen Participation ». 1969
[26] Local and Community Driven Development. The World Bank. 2010

EU Regulations or Programmes had been finalised. The partnership set up a broad "development panel" to coordinate the work of seven thematic working groups involving stakeholders concerned with: young people and community organisations; women and equality; culture and education; agriculture and the environment; entrepreneurship, employment and training; sustainable tourism; and caring and social services. Each working group sent out a simple questionnaire and discussed four main questions: What have we achieved? What remains to be done? What are the priorities for the future? And what new ideas are there for putting these into practice? They also organised a contest to get ideas from all the village schools and several events for older people. The results were then discussed in a Valley wide assembly.

This work provided the basis for the SWOT, needs analysis and identification of priorities for the local strategy. However, once the details of the regulations, the programmes and the budget are known, the community will again be involved in adapting the strategy, preparing the action plan and deciding on the Funds to allocate to different priorities. For example, in previous programming periods the working groups developed scenarios for the kinds of projects that should be funded, with indicative budgets. The stakeholders from the different working groups then negotiated and came to an agreement about the overall distribution of Funds and the priorities of the local development strategy.

For further resource material see below[27]

- **What does the Commission understand by, "*an action plan demonstrating how objectives are translated into actions*" and "*the financial plan…including the planned allocation from each of the ESI Funds concerned*"? (Articles 33(1)e and g CPR)** (step 4 and 7 chapter 2)

One of the best ways of working out whether the objectives of the strategy are realistic is to analyse the actions that are required to achieve them. However, an *action plan* does not mean preselecting projects.

The action plan needs to consider at least the following four points.
- ✓ **What** kinds of action and how many
- ✓ **Who** will be responsible for their implementation
- ✓ **When** they need to take place and in what order (e.g. training before start-up)
- ✓ **How** much they will cost in approximate terms

---

[27] Further resource material:

- *The Strategy Design - How to build up a participatory local development strategy?'* on the LEADER Toolkit. This includes videos and recommendations covering many of the conclusions of the focus group on how to produce better strategies: http://enrd.ec.europa.eu/leader/leader/leader-tool-kit/the-strategy-design-and-implementation/the-strategy-design/en/how-to-build-up-a-participatory-local-development-strategy_en.cfm

- ENRD Fact sheet. Using participative methodologies to design quality strategies. Based on Italian work: http://enrd.ec.europa.eu/app_templates/enrd_assets/pdf/leader-tool-kit/infosheet/12_infosheet.pdf

- FARNET Start-Up Guide 1 Sections 3 and 4
  https://webgate.ec.europa.eu/fpfis/cms/farnet/sites/default/files/documents/FARNET%20Start-up%20Guide%20EN.pdf

The term action plan has been interpreted in slightly different ways across Europe. For example in France, partnerships applying for Axis 4 of the EFF had to present a "development plan" composed of "work-packages" for each type of action envisaged and a financial table. The work-package generally took the form of a fiche covering: the priority objectives under which the action came and the contribution it made to achievement of the objectives, the anticipated results for the area, the target beneficiaries, the eligible expenditure, the aid intensity, the EU funding envisaged, other funding anticipated, monitoring and evaluation indicators and the timetable for implementation. See "Elements of the terms of reference of the call for proposals under axis 4 of the EFF Example of France". (P.11)
https://webgate.ec.europa.eu/fpfis/cms/farnet/sites/default/files/documents/annex3_france_en.pdf

Scottish LEADER groups tend to refer to the "business plan" as all the administrative and financial procedures and systems for implementing the strategy including a plan for LAG activities. The latter would typically include a detailed calendar for the implementation of each action explaining who was responsible for it. See sections 6-7 of a Scottish LEADER group's "business plan"
https://webgate.ec.europa.eu/fpfis/cms/farnet/sites/default/files/documents/UKsc_LEADER-Business_Plan_Moray.pdf

The *financial plan* should provide indicative estimates of how much money will be dedicated to the different types of action. In the case of a strategy supported by several Funds, the financial plan needs to indicate which parts of the strategy will be covered by each Fund and public national co-funding for each year of the programme. It must distinguish between expenditure on the implementation of the strategy itself, cooperation and running costs and animation. However, the degree of detail and categories of expenditure may vary between Member States. Managing Authorities could for example require information of planned expenditure on certain categories of action predefined at national or regional level. Alternatively, the MA could simply ask the partnerships to provide estimates of expenditure on the specific objectives and/or main categories of action defined in the local development strategy.

The size of the budget obviously depends on the needs of the area, the nature of the strategy and the existence of other support programmes. However, the experience of both LEADER and Axis4 of the EFF has shown that the minimum budget size for a local development strategy is around €3 million in public funds for the entire period. Below this level, it becomes difficult to go beyond very small scale, "soft" investments, and to cover the necessary animation of the area. These amounts will probably be much larger in built-up urban areas and in the case of multi-fund CLLD.

Once again, this guidance is not meant to be a rigid corset but a tool for ensuring that investments correspond to the objectives set by the community in the strategy and that these can realistically be achieved with the resources available. There should also be mechanisms in place to ensure that partnerships can adjust the financial plan to meet changing circumstances, in consultation with managing authorities. The new provisions for monitoring and evaluation (see below) can help to provide justification for any changes.

For further resource material see below[28]

- **What does the Commission understand by, "***a description of the management and monitoring arrangements of the strategy, demonstrating the capacity of the local action group to implement the strategy and a description of the specific arrangements for evaluation"? (Article 33(1)f CPR).*** (step 8 chapter 2)

Local partnerships need to demonstrate that they have clear procedures, and staff that are sufficiently experienced and qualified, to ensure the effective management of the strategy. This obviously includes administrative and financial issues. However, if the strategy involves working with unorganised or hard to reach groups then it also means people skilled in outreach, facilitation, community and project development.

The partnerships also need to show that they have transparent and accountable procedures for decision making and project selection. For example, the voting on all decisions needs to be documented and there should be procedures for avoiding conflict of interest. This will be dealt with below in the section on the partnership.

However, a new aspect in the regulation is the requirement to explain "the monitoring arrangements…. and the specific arrangements for evaluation". Both monitoring and evaluation arrangements are necessary to answer the needs of the managing authority. They should not be seen as simply a formal requirement to justify expenditure and should be designed in a way that provides useful information for the management of the local partnership. By incorporating regular monitoring and periodic evaluation procedures into the strategy, the partnership gains a tool for learning about what works and what does not work, and for adjusting the strategy to fit changing circumstances. The combination of "clear and measurable targets for outputs and results" and "specific arrangements for evaluation" allows local partnerships to develop far more concrete and realistic strategies, which are also more robust and flexible.

LAGs should provide information on:
- ✓ The systems and mechanisms they propose for collecting and processing the relevant financial and performance data related to the indicators and targets set. These need to be clearly aligned with the objectives of the strategy.
- ✓ How they intend to assess their own performance in implementing the specificities of CLLD.
- ✓ Their proposals for disseminating and using the results within the area – for example, for amending the local development strategy and its delivery.
- ✓ How they will contribute to the monitoring arrangements and evaluations of CLLD and the programme at regional and national level.

---

[28] Further resource material

- ENRD Toolkit. Section on Strategy Design and Implementation. Recommendations and videos. http://enrd.ec.europa.eu/leader/leader/leader-tool-kit/the-strategy-design-and-implementation/the-strategy-design/minimum-content/en/description-of-the-strategy-and-its-objectives_en.cfm
- FARNET Start-Up Guide 1 Section 4C Preparing an implementation plan
https://webgate.ec.europa.eu/fpfis/cms/farnet/sites/default/files/documents/FARNET%20Start-up%20Guide%20EN.pdf
- Examples of integrated strategies from fisheries areas from around Europe. Summaries and full examples
https://webgate.ec.europa.eu/fpfis/cms/farnet/tools/implementing-axis-4/strategies

LAG Kasvu in Finland set up a peer evaluation system with a neighbouring LAG, whereby each LAG surveyed and interviewed a series of projects in each other's territory. The feedback from a peer facing similar challenges, but without any direct involvement in the strategy implementation, provided valuable information for both participants.
http://enrd.ec.europa.eu/app_templates/filedownload.cfm?id=7DE31F71-C820-630C-F49F-4C0E4D343CBB

The German National Rural Network proposes three different intensity models that can be used 'signal check', 'multi check' and 'focus check'[29].

For further resource material see below[30]

3.3.2 New or reinforced elements in the tasks of the partnerships (Article 34(3) CPR)

Article 34(3) of the Common Provisions Regulation describes the tasks of the local partnerships as outlined in box 10 below:

Box 10: The tasks of the local action groups

Under Article 34 of the CPR section 3 the tasks of local action groups shall include the following:

a) **building the capacity** of local actors to develop and implement operations including fostering their project management capabilities;
b) drawing up a non-discriminatory and transparent **selection procedure and objective criteria for the selection of operations, which avoid conflicts of interest,** and ensure that **at least 50% of the votes in selection decisions are cast by partners which are not public authorities,** and allow selection by written procedure;
c) **ensuring coherence with the CLLD strategy** when selecting operations, by prioritising those operations according to their contribution to meeting that strategy's objectives and targets;
d) **preparing and publishing calls for proposals** or establishing an ongoing project

---

[29] available in German http://www.netzwerk-laendlicher-raum.de/regionen/leader/selbst-evaluierung/leitfaden-projekt/

[30] Further resource material
- LEADER Toolkit Sections on How to carry out a self-evaluation and who could carry out an external evaluation http://enrd.ec.europa.eu/leader/leader/leader-tool-kit/the-strategy-design-and-implementation/the-strategy-implementation/en/how-to-carry-out-a-self-evaluation_en.cfm
- Finish Self-evaluation workbook for local action groups. http://ec.europa.eu/agriculture/rur/leaderplus/pdf/library/evaluations/Selfevaluation_workbook_for_LAGs.pdf
- FARNET Start-Up Guide 1 Section 4C on monitoring and evaluation. https://webgate.ec.europa.eu/fpfis/cms/farnet/sites/default/files/documents/FARNET%20Start-up%20Guide%20EN.pdf
- FARNET Guide 4 Sections 1.5, 1.6 and 1.7 https://webgate.ec.europa.eu/fpfis/cms/farnet/farnet-guide-4-steps-success

submission procedure, including defining selection criteria;
e) receiving and assessing applications for support;
f) **selecting operations and fixing the amount of support** and, where relevant, presenting the proposals to the body responsible for final **verification of eligibility before approval;**
g) **monitoring the implementation** of the CLLD strategy and the operations supported, and carrying out **specific evaluation activities** linked to that strategy.

The Managing Authority is responsible for selecting the LAGs ensuring a non-discriminatory and transparent selection procedure.

As in the previous section, we now provide a brief explanation of what the Commission understands by some of the key terms (in bold) together with examples.

- **What does the Commission understand by, "building the capacity of local actors to develop and implement operations, including fostering their project management capabilities"? (article 34(3)a CPR)** (steps 3 and 5, chapter 2)

One of the strongest messages to come out of past experience is that CLLD partnerships must not be seen as the last, local link in a long chain for delivering policies decided elsewhere. They are not local one-stop-shops for holding calls and collecting applications for standard grant or training programmes. The real value of the partnership comes from its role in bringing local people together to stimulate ideas and co-produce projects which would not have happened - or would have been much more difficult to develop had it not been there.

However, local communities differ in their experience, level of organisation, their "human and social capital", and in terms of the level of support they already receive from other agencies. One of the first and most important tasks of the local partnerships, therefore, is to assess the capacity building needs of the community and to integrate this into the strategy. Capacity building can take the form of:
  ✓ Information sessions and outreach work in the community;
  ✓ Support for bringing people together and community organisation;
  ✓ One to one or collective advice and support for developing projects;
  ✓ Training.

It is absolutely essential that the partnership either has staff in house that are sufficiently qualified to carry out these functions, or that it can engage them externally. Preparatory support can be used to finance this kind of capacity building during the launch of the programmes. If financial and human resources are not made available for capacity building there is a high probability that the strategy will be "hijacked" by the strongest and most powerful actors in the community, to the detriment of other stakeholders and the wider community.

Box 11: Capacity building by the North Eastern Lapland FLAG

Supporting professional fishermen to diversify into new activities is among the priorities for the North Eastern Lapland FLAG. Fishermen in Sodankylä identified tourism as the activity with most potential to complement their revenue but lacked the skills and licenses to enter this new market. Together with the tourism department of the local municipality, the FLAG engaged fishermen in identifying objectives and support needs before helping to turn ideas

into practice.
Discussions led to the development of a comprehensive training package for local fishermen, tailor-made to equip them with the licenses and skills needed to develop and offer viable tourist products. The first package of courses took place over one year covering safety matters, product development and marketing. These were complemented by trips to trade shows, work placements in established tourism companies and one-on-one product development guidance and resulted in 14 fishermen obtaining the required permits and the development of 7 marketable products. Capacity building being a long term process, a second round of courses was organised the following year to build on the basic skills developed in year one. Courses focused on enhancing the quality of the tourist experience e.g. though classes in customer service, consumer safety legislation, English language… By the end of these two rounds of capacity building, fishermen had developed 11 tourist products and were now operational and recognised by tourism companies in the area.

https://webgate.ec.europa.eu/fpfis/cms/farnet/tourism-training-fishermen-flag-northern-eastern-lapland-fi

- **What does the Commission understand by, "drawing up a non-discriminatory and transparent selection procedure and objective criteria for the selection of operations, which avoid conflict of interest"?(article 34(3)b CPR)**

This article was introduced partly as a result of the Court of Auditors report on LEADER, which found that in some cases, partners with a direct interest in projects had taken part in the decisions on their approval. The control of the decision-making process by existing local elites or dominant sectors or interests is a real risk for all locally based projects. However, at the same time, this poses a dilemma for local partnerships, as the most active and dynamic members of the community are also often the ones with the most ideas and resources for projects and their exclusion can deprive the partnership of energy and leadership.

The general rule, therefore, is that all partners should declare their interest in projects and should not participate in decisions that concern them directly.

LAGs should describe their procedures for avoiding conflicts of interest in a way that is consistent with the Financial Regulation[31]. Project selection procedures should be non-discriminatory, transparent and should set out the decision-making process and the decision-making criteria to be employed. This should clearly identify the sequence of events, the people involved at each stage, and it should ensure an adequate separation of responsibilities between the different elements in the process. It should also include clear and simple procedures for appeal. The use of a flow diagram is a useful way of representing this clearly.

A register of LAG members' interests should also be prepared, documenting the nature of any link between the members of the selection committee and any project or applicant.

LAGs are permitted to fund own projects, where the partnership itself is the project promoter, but there must be a clear, transparent procedure that demonstrates that these projects contribute to the local development strategy and have the general support of the community.

---

[31] Article 57 of European Parliament and Council Regulation 966/2012.

Using principles like these, partnerships can ensure double accountability – externally to auditors, managing authorities and paying agencies, and internally to the local community.

- **What does the Commission understand by, "ensure that at least 50% of the votes in selection decisions are cast by partners which are not public authorities"? (article 34(3)b CPR)** (steps 3 and 5, chapter 2)

This is designed to strengthen article 32(2)b, which states that, "at the decision making level, neither the public sector, as defined in accordance with national rules, nor any single interest group shall represent more than 49% of the voting rights". The 49% rule has been a Fundamental principle of the LEADER methodology for some time and is meant to guarantee that the partnerships are what they claim to be – real partnerships, where every member has a chance to influence decisions, rather than appendices of existing structures and organisations.

In the past, some municipalities and public authorities have been highly suspicious of LEADER on the grounds that this rule could undermine the role of the public sector and of elected officials. However, in reality, the situation has been quite the opposite. The public sector usually gains legitimacy when it shows it can work in real partnership with local people and the procedures for CLLD contain a number of checks and balances that, when properly applied, ensure public accountability.

The Commission believes that the public sector as a whole, and municipalities in particular, are central components of the CLLD approach. However, there is a risk that public institutions could seriously dilute and even undermine the bottom-up principles of CLLD in the following cases:
- ✓ If managing authorities or paying agencies use eligibility checks to assess the opportunity or quality of projects rather than just their legality and eligibility;
- ✓ If public co-funders (often responsibility for a small minority of project finance) use their leverage to take the final decisions on projects;
- ✓ If certain administrative and financial functions are delegated to a local public accountable body (whether formally recognised or not as an intermediary body), which then uses these functions to exert undue influence over the selection of projects by the rest of the partnership.
- ✓ If dominant political parties use their presence in other community organisations to form a blocking majority with the public sector.

The European Commission wants to help local partnerships to avoid <u>all</u> of these pitfalls. The 50% rule is just one step in this direction. If this quorum is not respected, the decision taken is not valid.

Box 12: **Partnership in Finnish LAGs**

In Finland, local authorities have a very strong role in local service provision and even the smallest can have tax raising powers and employ hundreds of staff. In order to prevent LAGs simply becoming an appendage of the municipalities, the Finish managing authority has established a very strong set of conditions for LAGs. They must be independent, non-profit organisations and all local actors must have an opportunity to become members. The average number of members is around one hundred. The members directly elect the board of directors, which must consist of *three equally sized parties*: the public sector, the private

sector and civil society representatives (called the one-third rule). Board members can serve a maximum of six years and must sign a declaration of their interests. http://enrd.ec.europa.eu/app_templates/filedownload.cfm?id=7DE337D2-A34C-38D9-2F31-43335FF82AA2

For more resource material see below[32]

- **What does the Commission understand by, "preparing and publishing calls for proposals or an ongoing selection procedure including defining selection criteria" (Article 34(3)d CPR) and "ensuring coherence with the community-led local development strategy when selecting operations, by prioritising those operations according to their contribution to meeting that strategy's objectives and targets"(article 34(3)c CPR)?**

Once again, these articles are intended to reinforce the bottom-up principles of CLLD and the autonomy of the partnerships. The Commission recognises that, in practice, the margin for manoeuvre that local partnerships have for meeting local needs can be very tightly constrained by rigid calls for proposals, selection procedures and selection criteria determined at national or regional levels. In these situations there is a risk that partnerships simply become conveyor belts for rubber stamping projects that fit the predetermined criteria. Moreover, if the time for presenting and implementing projects is too short or badly planned (e.g. during a period when certain project promoters are very busy), or the conditions are too rigid, this can force entrepreneurs into taking risky decisions.

In order to avoid these problems, the Commission recognises that managing authorities can define certain common elements of calls, procedures and criteria. However, within these limits, local partnerships should be able to decide:

- ✓ The specific features of calls, such as their timing, whether they are for certain types of project (e.g. collective projects, projects from target sectors or groups, etc.) or whether the calls are open.
- ✓ Additional specific selection criteria, which reflect the extent to which projects contribute to the local development strategy and the territory (e.g. the local multiplier in terms of the use of local materials, labour, the provision of services, effect on the image of the territory, etc.)
- ✓ On procedures that are clear and transparent and which normally include an element of qualitative judgement and use the partnerships first-hand knowledge of the area (e.g. individual scoring by members of the decision making panel, based on set questions which are then discussed and pooled).
- ✓ On transparent procedures for flagship or collective projects that are led by the partnership itself.

One of the main advantages of local action groups, compared to the local offices of standard national or regional programmes, is that the LAGs not only design the strategy but that they also organise the project selection process and criteria to "steer" a pipeline of projects in an

---

[32] Resource material:
- FARNET Start Up Guide 1. Section 3 Building Local Partnerships https://webgate.ec.europa.eu/fpfis/cms/farnet/sites/default/files/documents/FARNET%20Start-up%20Guide%20EN.pdf
- LEADER Toolkit. What is a LAGs Structure http://enrd.ec.europa.eu/leader/leader/leader-tool-kit/the-local-action-group/en/what-is-the-lag-s-structure_en.cfm

agreed strategic direction. They are able to complement these tasks with active project promotion activities such as capacity building, community organising and direct project development.

Box 13: Selection of projects by the North Highlands LEADER+ partnership

The North Highlands LEADER + partnership developed a simple two page project summary and score sheet to facilitate transparent decision making. The first section summarises the key characteristics of the project including costs, funding applied for, project outputs and respect for equal opportunities. The next section contains 12 assessment criteria which cover points such as the fit with the strategy, the degree of community involvement, an assessment of viability and sustainability, innovation, links with other projects, beneficial effects for the environment and/or cultural heritage and the leverage effect on private sector investment. There are set of simple instructions for scoring on the same sheet.

Many countries and local partnerships have developed extremely detailed project appraisal and scoring systems which also weight the different criteria in ways which try to take account of local circumstances. However, it is important to ensure that the procedures and criteria used are proportionate to the size of the projects and that they function as an aid to transparent local decision making rather than a mechanical exercise.

For further resource material see below[33]

- **What does the Commission understand by, "selecting operations and fixing the amount of support"? (article 34(3)f CPR)**

As above, this article is intended to clarify the role of the partnership in relation to other levels of administration and to strengthen the principles of CLLD. The simplest way of explaining the article is to say that the local partnership must have responsibility for deciding on the "opportunity" of projects.

The functions of the **local partnership** in relation to project selection include:
- ✓ Analysing the extent to which the project contributes to the local strategy;
- ✓ Applying any standard criteria (for example, job creation, employment of women or vulnerable groups, use of local resources, multiplier effects, etc.) set at national or regional levels;
- ✓ Developing and applying any local criteria (for example, priority to areas or groups with special needs or to sectors and issues which are particularly relevant locally);
- ✓ Ensuring consistency with other strategies;
- ✓ Ensuring the viability of the project (markets, technology, operational and financial viability);

---

[33] Resource material:

- FARNET Guide 4 Steps for success section 2 on cultivating private sector involvement and section 3 on active project development and selection. https://webgate.ec.europa.eu/fpfis/cms/farnet/farnet-guide-4-steps-success
- LEADER toolkit, Strategy Implementation – How to define project selection criteria. http://enrd.ec.europa.eu/leader/leader/leader-tool-kit/the-strategy-design-and-implementation/the-strategy-implementation/en/how-to-define-the-project-selection-criteria_en.cfm

- ✓ Checking for issues such as dead weight and additionality (will the project be carried out in the same way without the support?) and displacement (will the support to one business lead to problems for another?);
- ✓ Checking that the project promoters have the capacity to carry out the project;
- ✓ Ensuring that the project has or can obtain all the necessary permits and licenses;
- ✓ A preliminary check of eligibility before passing the file on to the managing authority.

The regulation also says that partnerships should be able to "fix the amount of public support". Once again, this has to conform to the limits set by the regulation, the operational programme and any national ordinances. *However, this does allow the partnership to assess individual projects and provide further support to those that make a particular contribution to the local strategy, are more innovative or favour particularly disadvantaged groups. It also allows groups the flexibility to discuss the budgets presented by project promoters, to decide whether they fund all or part of a project and/or break the project into stages or parts.*

The **managing authorities** have to carry out under ERDF, ESF and EMFF a series of tasks in relation to LAGs, as set out in Article 125(3) of the Common Provisions Regulation. For example, the managing authority takes all final decisions on the eligibility of the project in the sense of its fit with the regulations, the programme, State aid rules, and any additional national or regional ordinances or regulations. It should also confirm that the checks carried out by LAGs of the capacity of project promoters are adequate. Unless these conditions as set out in Article 125(3) are infringed the managing authority should not interfere with the selection made by the local partnership[34].

After this point, there are alternative models open to CLLD.

- Under a *"decentralised model"* managing authorities delegate the functions of formal project approval (signing the grant agreement) and/or payment to the local partnership. In cases of delegation of formal project approval to the LAGs under EMFF, ERDF and ESF (but not the EAFRD), the LAG must become an intermediate body with all the implications that this has for audit and control. According to EU regulations, LAGs financed by these three Funds (ESF, ERDF, EMFF) *can make payments* to beneficiaries without becoming an intermediate body provided that adequate procedures are in place. In the case of projects financed by the EAFRD, the legal responsibility for making payments has to remain with the Paying Agency.

Box 14: **Selection of operations and payment by LEADER LAGs in the Spanish region of Aragon**

In the region of Aragon, Spain, the 20 LEADER local action groups directly approve local projects (sign the grant agreement) and pay the grant to project promoters on completion. The regional Managing Authority advances 9% of the local action group´s public budget at the beginning of the period on the condition that the group provides a bank guarantee. Initially the partnership would send in four certifications of projects approved and paid by them out of the advance each year and would reimbursed by the regional government within two to three months. This ensured that there were no

---

[34] According to Art. 65(4) EAFRD Reg. (Reg. 1305/2013), Member States shall clearly define the tasks of the Managing Authority, the Paying Agency and the local action groups under LEADER as regards to the application of eligibility and selection criteria and the project selection procedure. Furthermore, according to Art. 42(1) EAFRD Reg. (Reg. 1305/2013), local action groups may also perform additional tasks delegated to them by the Managing Authority and/or the paying agency.

liquidity problems. However, due to the impact of the economic crisis, the number of certifications has been reduced to two and the time required for the groups to receive reimbursement and increased leading to more pressure on cash flow.

The local partnerships insist that this system greatly enhances their status in the eyes of local stakeholders and allows them to respond to the needs of project promoters with far greater flexibility and speed. They have specifically requested to continue with the same method in the future period.

- Under the more *"centralised model"*, the managing authority is responsible for formal project approval and payment. This has the advantage of taking a lot of administrative work away from the local partnership but it only works if the managing authority is able to put in place flexible and speedy approval and payment systems.

Box 15: **Selection of operations and payment by Finnish FLAGs**

The Finnish EFF Axis 4 delivery system offers an example of a centralised model. FLAGs animate and select projects, but the final approval and payments are done through the regional offices of the Intermediate Body (ELY centres) to which responsibilities for programme administration have been delegated. These centres receive funding applications for projects selected by the FLAGs in their region and check eligibility before formally approving projects. Once an ELY centre approves a project, it will control implementation and make payments directly to the beneficiary. They are also responsible for reporting to the MA on projects approved, payments made and evaluation.

FLAGs in Finland use existing organisations, in some cases LEADER groups, as their legal entity. They concentrate on the following tasks: drafting a local development strategy, animation and project development support; informal check of application forms; selecting projects and reporting on FLAG activities. Thanks to close proximity and trust between the ELY centres and the FLAGs, projects can be approved within six weeks of submission to a FLAG, sometimes even less.

Implementation of EFF Axis 4 in Finland:
https://webgate.ec.europa.eu/fpfis/cms/farnet/axis-4-finland

There are also intermediate options, where managing authorities delegate the functions of controlling and certifying that investments have taken place to local partnerships. Again this can speed up delivery, as long as the managing authority has an adequate system of spot checks in place and does not duplicate all the controls.

In all cases, the managing authority remains ultimately responsible for any errors or misuse of funds, so the decision on the level of delegation to LAGs should only be taken after balancing the advantages gained in terms of speed and flexibility to meet local needs against the risk of ineligible or inappropriate expenditure.

Whatever the level of delegation chosen, the risks can be considerably reduced by taking the following steps:

- ✓ By clearly specifying the responsibilities for the management and control tasks in the agreement signed between the managing authority and the LAG (see: Article 33(5) CPR)
- ✓ By clearly specifying the functions of the LAG in relation to all actors in the delivery chain in the Management and Control System;
- ✓ By clearly specifying in the programme the functions of the LAGs and the authorities responsible for the implementation of the relevant programme, for all the tasks relating to the local development strategy (see: Article 34(1) CPR) ;
- ✓ By ensuring that *adequate* and *proportionate* systems are in place to ensure that procedures are being followed by the LAG, and all along the delivery chain affecting CLLD (sampling, spot checks, etc.);
- ✓ By eliminating duplication and unnecessary delays at each level and by monitoring the speed, cost and effectiveness of the delivery system itself.

Although these steps are the responsibility of managing authorities, local partnerships themselves need to check that they are in place and ensure that they take them into account in their daily operations.

For further resource material, see below[35]:

3.4 Tools to support the implementation of CLLD

The Commission has proposed a series of tools in the Common Provisions Regulation that can make the human and financial support provided by the partnerships to its local community more effective and adaptable.

- **What does the Commission understand by "preparatory support"? (Article 35(1)a)**

Experience has shown that the preparatory phase of designing the strategy, building the partnership and defining the most appropriate boundaries for CLLD, is the essential foundation for success. However, it takes time (estimates vary from 6-12 months) and resources to ensure that the strategy is based on solid evidence and to facilitate full community involvement. In order to improve the quality of strategies and partnerships, the Commission recommends that interested local communities should be able to apply for "preparatory support" on the basis of a simplified expression of interest.

The preparatory support can cover actions such as:
- ✓ Training for local stakeholders;
- ✓ Studies of the area concerned;
- ✓ Costs related to the elaboration of the local development strategy, including consultancy costs and costs for actions related to consultations with stakeholders;
- ✓ The administrative costs (operating and personnel costs) of the organisation that is applying for preparatory support, during the preparatory phase;
- ✓ Support for small pilot projects.

---

[35] Resource material:
- Implementation of the bottom up approach of Leader. ENRD Focus Group 1 Report http://enrd.ec.europa.eu/leader/leader/focus-groups/en/focus-group-1_en.cfm
- FARNET Good Practices –Governance and Management. Axis 4 Delivery models in Denmark and Finland https://webgate.ec.europa.eu/fpfis/cms/farnet/governance-management-0

Preparatory support is eligible from the 1st January 2014 regardless of whether the local development strategy finally receives funding for implementation. The aid intensity for preparatory support can be up to 100%.

In order to select projects for preparatory support managing authorities need to organise a simple call for expressions of interest as early as possible (see example).
Existing rural and fisheries partnerships are eligible for this support, as long as they have made no provision for preparatory support in their budget for the current period.

However, it is also possible to fund certain collective preparatory activities (such as capacity-building actions and dissemination of information on CLLD via training sessions, web sites, guidance documents, seminars etc.) using the technical assistance budget of the 2007-13 and the 2014-20 programming periods.

Box 16: **Example of preparatory support for FLAGs in Estonia**

In Estonia, the setting up and selection of the Fisheries Local Action Groups was supported by a one year training programme for the new partnerships and a series of conferences. This was organised by the Ministry of Agriculture, in cooperation with the National Network Support Unit, Pärnu College University of Tartu and Training Centre Tõru.

The training plan was designed around three distinct target groups (fishermen and fisheries-related enterprises; representatives of local government; and non-profit associations) and had four key objectives: supporting the creation of 8 FLAGs; training FLAG leaders that could launch the FLAG work; developing cooperation among FLAG members and the capacity of the FLAGs to function as learning organisations; and instilling FLAG members with the know-how to develop strategies for their areas. The programme included seminars on the legal framework of Axis 4 as well as training on how to form a LAG partnership and how to go about developing a local development strategy and action plan. It also involved capacity building on project management, communication and public procurement, and was supported by a comprehensive handbook.

The programme cost just under €100,000, paid from the national budget and technical assistance from the EFF. The local action groups were preselected using a simplified call for expressions of interest and were awarded around €70,000 to support a local process of building the partnership and developing the area's development strategy which went on in parallel to the national capacity building. This covered the costs of, for example, studies, dissemination of information, meetings and expert assistance. As a result of Estonia's focus on capacity building, the country was among the first in Europe to see (in early 2010) operational FLAGs capable of supporting local projects.

- **What does the Commission understand by support for the "implementation of operations under the community-led local development strategy"? (Article 35(1)b CPR).**

The support for the "implementation of operations" covers all the remaining actions in the strategy except preparatory support, running costs and animation and cooperation. It is worth noting that there are no pre-defined sub-measures or types of action for implementation. In

principle, therefore, LAGs are free to define the types of action in their local development strategies and these can be different for LAGs in the same country or region.

In addition, the Commission has introduced a series of provisions to improve the effectiveness and responsiveness of local development strategies to local needs.

The first type of provision refers to all those articles *designed to improve the quality of the local development strategies*, which have been mentioned earlier, including:

- ✓ A clear focus on what the community wants to change;
- ✓ Measurable targets for outputs and results;
- ✓ Concrete action plans and financial plans;
- ✓ Effective systems for management, monitoring and evaluation.

The second type of provision is designed to ensure that the implementation of local development strategies is *flexible* enough to respond to the diverse and changing needs of different areas in Europe. This has been done by:

- ✓ Broadening the potential scope of local development strategies by allowing them to support measures and actions that are not contemplated in the programme and may even fall within the normal competence of other EU Funds, as long as these a*re compatible with the objectives of the programme*.
- ✓ Encouraging managing authorities to take a more flexible approach to eligibility by indicating what is <u>not</u> eligible rather than trying to define everything that is eligible.[36]

The third type of provision refers to methods for *simplifying* the ways in which grants and other forms of financial support are provided (for example, by using simplified cost options). These will be dealt with in chapter 7.

- **What does the Commission understand by, "support for the preparation and implementation of the local action group's cooperation activities"? (Article 35(1)c CPR)**

Cooperation between CLLD partnerships at both national and European level has been shown to be a vital channel for exchanging and transferring good practice, and for helping to "scale up" successful project ideas. However, transnational cooperation has been slowed down considerably by the existence of incompatible selection procedures, scheduling and eligibility conditions in different countries.

In the system of shared management through which the programmes of the ESI Funds are implemented, the Commission cannot run a central selection procedure itself. In the absence of this it proposes three steps to streamline the procedures cooperation between CLLD partnerships.

- ✓ The first approach recommended by the Commission is for cooperation activities to be integrated into the local development strategy, with the partnerships having exactly the same autonomy to select who they cooperate with and how, as they do for any other action.

---

[36] Including the items mentioned in Article 69(3) CPR: a) debt interest of beneficiaries, although the financial cost of the partnership is allowed; b) the purchase of the land above 10% of the total eligible expenditure, with exceptions; c) VAT except where it is non-recoverable under national VAT legislation.

✓ Alternatively, the Member State can establish an open selection procedure and set a time limit for selection (4 months in the case of the EAFRD and EMFF)[37].

✓ Finally, if the Member State decides to organise calls for cooperation projects there should be at least 3-4 per year to improve the chance that they coincide with calls in other Member States.

The suggested procedure should ensure the respect of the principle of segregation of function, mitigate the risk of possible conflict of interest and ultimately ensure compliance with the legal applicable framework.

Within the EAFRD and EMFF, an information exchange system will also be established, to which Member States will be required to communicate the projects they have approved and coordinate procedures.

Box 17: Rules for cooperation activities of LAGs in Sweden and Poland

In Sweden, the cooperation budget has been distributed to the 63 LAGs, and the LAGs can select cooperation projects according to the same procedure as other projects within their strategy. Up to 25% of cooperation budget can be used for preparatory steps for cooperation. www.reseaurural.fr/files/**sweden**.ppt

In Poland, the cooperating LAGs submit their application to the regional Intermediary Body, under an on-going call (open until 30 June 2013 for preparatory activities and until 31 December 2013 for full projects), and the IB should approve them within approximately 2 months from submission. The Managing Authority has published a manual in English explaining the rules and procedures of cooperation, available on its website: http://www.minrol.gov.pl/pol/content/download/39116/217085/file/Guide%20to%20Cooper ation%20Projects%20of%20Axis%204%20Leader%20of%20Rural%20Development%20Program me%20for%202007-2013.pdf

• **What does the Commission understand by, "support for running costs linked to the management of the implementation of the CLLD strategy" (Article 35(1)d CPR) and "animation of the community-led local development strategy"? (Article 35(1)e CPR)?**

The Commission and the European Court of Auditors recognise that one of the main values of CLLD is the ability of the partnerships to get out into the community and encourage and support individuals and groups to present projects that contribute to the strategy. This community outreach activity is generally called "animation". However, it is sometimes overlooked. If local partnerships do not do it there is a major risk that the funds are simply absorbed by the stronger local actors, who may well already be able to access other sources of funding. In the end, the local partnership can simply become a local office of a higher level administration and another link in an excessively long chain.

---

[37] See: the Draft "Guidance for implementation of the LEADER cooperation activities in rural development programmes 2014-2020", issued by DG AGRI in October 2013.

In order to prevent this and to ensure that local partnerships have the resources to "get out on the street" to encourage innovative projects, collective projects and projects from harder to reach groups, the Commission has increased the resources the partnerships can dedicate to "running costs and animation". In the previous period, LEADER groups could spend a maximum 20% on running costs, while Fisheries Local Action Groups (FLAGs) could spend a maximum of 10% on these types of costs. Although this was not specified, animation was often included in this amount.

Now groups will be allowed to spend up to 25% on running costs and animation, with up to 100% aid intensity.

Running costs can involve:
- ✓ The personnel costs and operating costs of the selected partnership;
- ✓ Training for partnership staff (not project promoters);
- ✓ Costs linked to public relations (including networking costs, such as participation in national and European network meetings);
- ✓ Financial costs;
- ✓ The costs of monitoring and evaluation;

Animation can involve:
- ✓ Information campaigns – events, meetings, leaflets, websites, social media, press…
- ✓ Exchanges with stakeholders, community groups and potential project promoters to generate ideas and build trust and confidence;
- ✓ Support for community organisations and the creation or strengthening of community structures
- ✓ Promotion and support for the preparation of projects and applications;
- ✓ Post-start-up project support.

These animation functions can be carried out directly by the staff employed by the partnership or contracted out to external personnel. Experience has shown that most partnerships require at least two members of staff to carry out these functions – a qualified manager and a person to deal with administration. However, this depends on the existing level of territorial organisation and whether CLLD partnerships can team up with or draw on the resources of other agencies and partnerships. LEADER groups in countries where rural areas have few other organisations need to give more attention to animation and capacity-building and often require teams of 4-5 experienced people.

The balance between the running costs and animation is not specified in the regulation and will depend on the number of administrative tasks that are delegated to the local partnership. In general, however, partnership should allocate as much resources as possible to animation and to mobilising community initiative.

Chapter 4. Why and how to carry out CLLD in cities?

4.1 Introduction to urban CLLD

Urban CLLD opens up enormous potential for addressing specific challenges in cities and for exploiting the untapped potential of citizens, enterprises and civil society to make a contribution to development. In the past many bottom-up approaches in urban areas had a strong focus on economic development and social inclusion. This is a relevant focus which is likely to continue but new approaches to community management of open space, housing, sustainable food and local energy production and distribution are also likely to emerge. These are illustrated for example by the rapid spread of the low carbon 'Transition Towns[38]' movement across Europe.

CLLD type approaches have been developed in a range of urban contexts. In the 1990s the main focus was on disadvantaged neighbourhoods in inner city locations. In the 2014-2020 period urban CLLD is expected to take a wider variety of forms addressing different urban areas be it declining industrial and artisan areas, cultural and creative districts, the neighbourhood or the entire city.

Urban CLLD is part of a worldwide movement

Urban CLLD has its origins in various forms of community organising. These range from community development approaches to using social economy. There are many different philosophies underpinning urban CLLD coming from different national and international traditions.

- The 19th century University settlements movement through which University students intervened in poor neighbourhoods (USA and UK).
- Community development approaches[39] including those most affected by the problem in its solution; building up a community view of the problem; identifying and mobilising community assets) and adopting an inclusive approach to representation.
- Social economy models (e.g. the social cooperatives in Italy) extended into community transport, housing cooperatives, and all aspects of social life – providing work opportunities for specific target groups.
- Neighbourhood organising based on Saul Alinsky's approach developed in Chicago (as practiced by London Citizens in their "campaign for a living wage").
- Asset based development - building up institutions such as local development companies, and development trusts that have a solid balance sheet and provide workspace, incubation and other services (e.g. Berlin Social Impact lab[40] and Creggan enterprises in Derry/Londonderry see Figure 3: below)

European cities have much to learn on providing affordable housing, improving public health, and tackling gang violence from these experiences and more exchange between European cities and those in other parts of the world:

---

[38] http://www.transitionnetwork.org/ Link to Transition towns website
[39] See for example the description of the five stage New Oregon Model http://sogpubs.unc.edu/electronicversions/pg/pgspsm04/article2.pdf
[40] http://socialimpactlab.eu/

- The Mayor of Seoul is backing community building in urban neighbourhoods linked to his policy of the 'Sharing Economy[41]' in which an alternative model of economic development based on sharing resources is promoted through the Seoul social innovation park.

- Japan has developed a community business model at neighbourhood level with a strong focus on environmental issues[42].

- In developing countries such as Thailand and India community led local development has often been the only mainstream pro-poor policy working in urban area. In Bangkok, complex problems of land ownership in informal settlements have been resolved through the concept of 'shared space', long term leases held in common by the community[43] allowing successful relocations of shanty towns.

- Medellin in Colombia[44] won "City of the Year" in 2013 and has deployed community based approaches to tackle social problems around violence, urban transport, service provision and living conditions in Favelas.

- The World Bank has brought together all of its approaches to Local and Community Driven Development[45] with a particular emphasis on scaling up solutions.

Figure 3: Business units with Rathmor shopping centre behind owned by social enterprise Creggan Enterprises Derry/Londonderry[46] UK

Previous urban local development initiatives in the EU

---

[41] http://www.shareable.net/blog/is-seoul-the-next-great-sharing-city
[42] http://ishes.org/en/aboutus/biography/writings/2007/writings_id000823.html
[43] http://www.codi.or.th/housing/frontpage.html
[44] http://online.wsj.com/ad/cityoftheyear
[45] H. Binswanger Mkhize, J. de Regt and S. Spector, Local and Community Driven Development, moving to scale in theory and practice, 2012
http://www-wds.worldbank.org/external/default/WDSContentServer/IW3P/IB/2010/03/05/000333037_20100305000306/Rendered/PDF/533000PUB0comm1B1Official0Use0Only1.pdf

[46] See 'Urban development in the EU: 50 projects supported by ERDF during the 2007-2013 period' – case study Derry Londonderry.

There have been many community initiatives, actions and innovations in mainstream programmes which contained elements of urban CLLD. Local development has featured in the ERDF regulation since 1989:

- The Urban Pilot Projects (1989-2006) supported small scale experimental actions mostly focused on disadvantaged neighbourhoods

- The Urban Community Initiative Programmes (1994-1999, 2000-2006) consisted of area-based approaches run by stakeholder groups led by city authorities. EU funding of approximately €10m was a typical allocation for packages of projects. The Urban programmes focused on disadvantaged neighbourhoods of around 10,000 inhabitants with weak civil society and business participation[47]. A few programmes such as Arhus, Le Havre and Halifax had a more proactive approach to building capacity in community based organisations so that they could manage projects effectively and in Halifax parts of the programme were delivered by these bodies under local commissioning arrangements.

- The mainstreaming of the urban dimension in the 2007-2013 programme period, during which ERDF has been used in integrated urban development in about half of the regions[48]. In a few cities there has been considerable experimentation with delivery chains.

- The URBACT programme has also brought together stakeholders across a range of themes in its 500 local support groups, however, it should be noted that URBACT is more city-led compared to CLLD[49]. Each group works using the URBACT method[50] - essentially a participative multi stakeholder approach to produce local action plans. A high proportion of these local action plans address challenges in local areas that make them useful examples of what urban CLLD[51] could look like for a variety of topics in a range of different contexts.

Building on these previous forays, the notion of CLLD is presented in the Common Provisions regulation for 2014-2020. Regarding ERDF, CLLD should be programmed in operational programmes through the specific CLLD investment priority 9d, set out under thematic objective 9 for 'tackling poverty and social inclusion'. However, the scope of activity can cover the full range of all thematic objectives, targeting smart, sustainable and inclusive growth.

4.2 Strategies for Urban CLLD

In any area there can be a combination of sectoral policies, territorial policies and community led approaches. Figure 4: below illustrates this relationship diagrammatically.

CLLD could be used as a tool for bottom-up actions contributing to integrated urban development, in line with ERDF Art. 7(1): '…..integrated actions to tackle the economic, environmental, climate, demographic and social challenges affecting urban areas, taking into

---

[47] Urban 2 final evaluation by Ecotec 2006 (now Ecorys) Urban 2 final evaluation http://ec.europa.eu/regional_policy/sources/docgener/evaluation/pdf/expost2006/urbanii/final_report.pdf (now Ecorys) for DG Regio

[48] http://ec.europa.eu/regional_policy/sources/docgener/guides/urban/index_en.htm

[49] An URBACT local support group is a multi-stakeholder group led by the city council charged with developing a local action plan. However, the group has no guarantee of resources for the action plan and projects have to find funding from national and EU sources

[50] Link to version 2 of URBACT toolkit http://urbact.eu/en/news-and-events/view-one/news/?entryId=5288

[51] P.Soto with M. Houk and P. Ramsden, 2012 - *Implementing CLLD in cities: lessons from URBACT* http://www.ville.gouv.fr/IMG/pdf/implementing_clld_lessons_from_urbact.pdf

account the need to promote urban-rural linkages.' These integrated urban development strategies are required to draw at least 5% from each Member State's ERDF allocation, and urban authorities implementing those strategies are responsible for at least the selection of projects. These can be programmed as a specific multi-thematic priority axis for urban development, as Integrated Territorial Investment (ITI) or as a specific urban development programme.

Urban CLLD can complement any of these integrated urban development approaches for example through working at the neighbourhood level as part of a wider urban strategy and it can enhance the reach of sectoral approaches.

Furthermore, urban CLLD can be used to bring together actions funded under ERDF and ESF in a more integrated way, for example in supporting the regeneration of urban neighbourhoods through investments in infrastructure combined with education and employment measures, or childcare infrastructure and access to training and work for young parents in a neighbourhood.

Figure 4: Relationship between sectoral policies, integrated urban development strategies and CLLD.
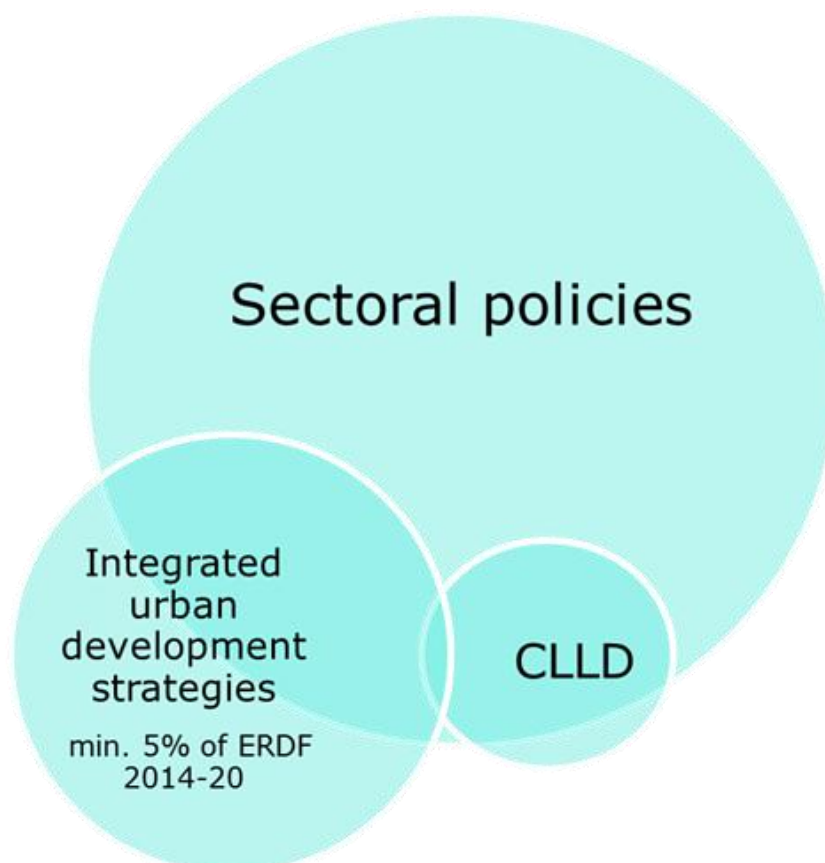
Choosing a strategic focus for Urban CLLD

In the 2014-2020 period urban CLLD is likely to be used across a wide range of thematic objectives. It may be used to reduce CO_2 in neighbourhoods, to generate energy, to develop a sharing and more circular economy, to integrate migrants and build social cohesion, to create

local jobs, to tackle homelessness, to tackle drug dealing and street crime, to improve health and wellbeing, to create and manage parks and allotments and to grow food. These are just some of the possible strategic focus that local groups may take. Often after starting with a focus on one aspect the local group will expand its ambition and take on new challenges.

Low carbon communities

Urban CLLD can play a role in helping communities to reduce their carbon production and thereby contribute to the EU 2020 goals. Many of the approaches that are most effective rely on local forms of cooperation. This can include new ways of sharing cars, moving from individual efforts to improve energy conservation to street or neighbourhood level approaches to retrofitting, community renewable power generation (wind, water, biomass). The example of Monteveglio in the Bologna area illustrates what is possible (see Box 18 below).

Box 18: Monteveglio, a transition movement backed by the city administration

Monteveglio is a small town 20km from Bologna intent on transitioning out of carbon. Here the municipality signed a partnership agreement with a local transition group in 2009 and together they are working on a wide range of innovative strategies. This small city and its territory has become a laboratory for experiment based on the strong partnership between the local transition group and the municipality. Since 2009 a strategic agreement was signed between the two entities leading to a 4 years of work on many different issues including energy, agriculture, education and social innovation. Figure 5: illustrates in a circular diagram the principles of their approach.

Energy: Development of Photo voltaic purchasing groups based on green energy and emission cut needs awareness and not on pure economic incentives. The city led an EII ENESCOM project involving six other local municipalities and 12 international partners. The local municipalities joined the Conference of Mayors and tested a range of new awareness raising tools for citizens, officials and politicians. The approach has been diffused across Emilia Romagna.

Agriculture: Development of the "Streccapogn" project, an association and an organic farming company that produces wheat and cereals of old varieties, vegetables and fruit, from local fields. Also connect other local farmers, provides social work, and is part of the wider "Sustainable Food" program.
Education: Development of an Experimental Educational Program on Energy to support teachers and experts in environmental education to a new approach with the energy issues. New concepts were provided to the educators along with a teaching strategy to transfer these concepts to students.

Development of a "Sustainable Food Decalogue"[52] to inform citizens about food production, its impact on greenhouse emissions end more generally economy and ecology, relationship between food and health.

Social innovation: five municipalities, including Monteveglio, used a technique called a Citizen Initiative Review[53] in advance of a vote about amalgamation to help citizens achieve a better understanding of the measure to the population before the vote.

---

[52] http://www.transitionnetwork.org/projects/sustainable-food-project

[53] http://www.healthydemocracyoregon.org/citizens-initiative-review
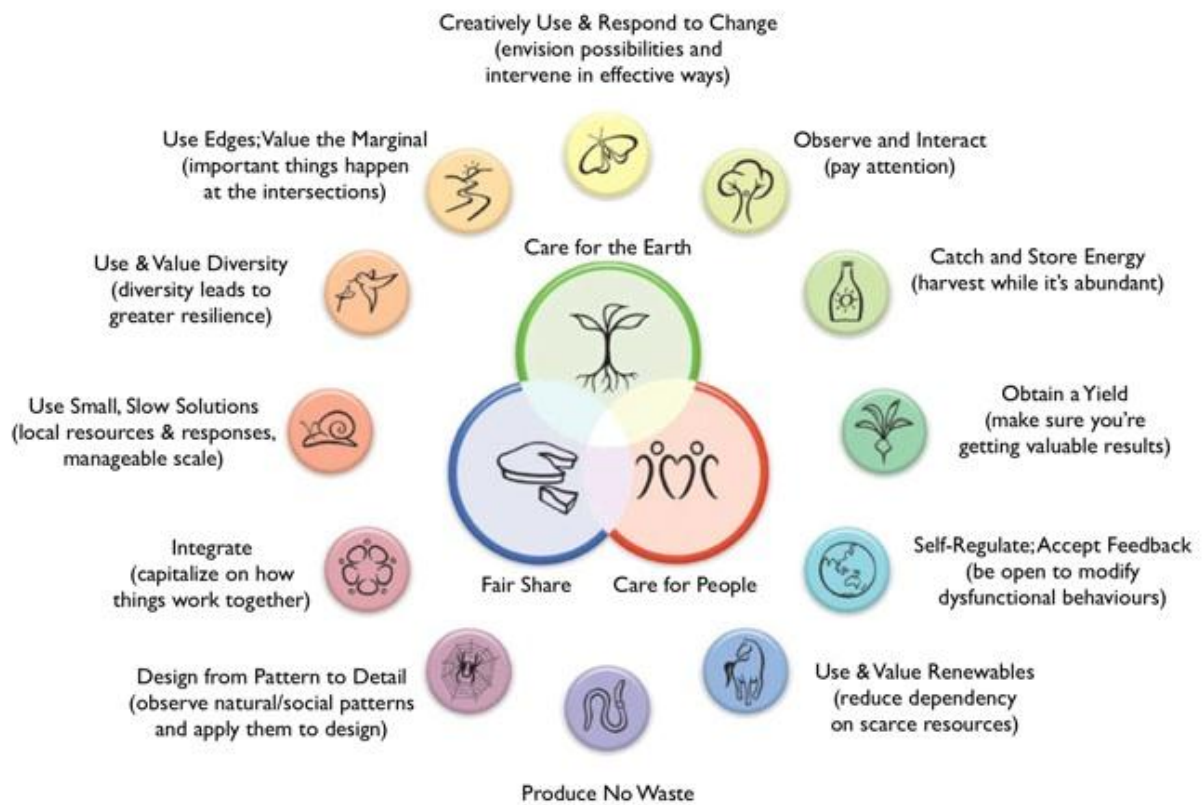
CLLD for urban regeneration

Urban regeneration has been ERDF territory since the first Urban Pilot Projects in 1989, which were complemented by the two URBAN Community Initiative programmes.

The most common focus of urban regeneration has been on older inner city areas, often with significant migrant populations. Outer peripheral housing estates have also been targeted including system-built housing estates in Eastern Europe. A very wide range of interventions are possible ranging from physical interventions and environmental improvements of common areas to softer measures focusing on training, cultural activities, childcare etc. The best regeneration programmes succeed in combining hard and soft measures as in Duisburg, illustrated by Box 19 below.

Box 19: Duisburg Marxloh (DE) – a participative approach to integrated urban development

Duisburg-Marxloh in North Rhine-Westphalia, is an example of a participative and integrated approach to urban renewal at neighbourhood level combining more top-down urban development elements initiated by the city administration with bottom-up involvement of the neighbourhoods and citizens. Work started in the middle of the 1980s, linking different funding programmes to pursue a common strategy.

The approach consists of investments to improve physical and environmental living conditions by creating a green belt. This was delivered through a strategy based on participation, networking and capacity building among the residents and actors involved. The physical intervention was accompanied by an intense and continuous dialogue process on the future of the whole neighbourhood.

The whole of Marxloh has benefited from the regeneration activities, which have delivered improved environmental quality and a better connected open space system. For the residents of the target area, who are affected by demolition and displacement, tailor-made solutions were developed in order to minimise the negative impact. The active neighbourhood networks (e.g. round table, local business associations) are closely involved in the long-term discussion on the stabilisation of the area, and were increasingly involved as partners in the co-production of sustainable strategies. Local economic actors such as migrant start-up entrepreneurs and other small businesses also benefited from the improved image of the neighbourhood.

The neighbourhood was linked vertically through a governance chain to the city and to the government of North Rhine Westphalia which co-financed the scheme with the ERDF. As part of the Soziale Stadt[54] programme, it also benefited from policy learning from 80 other neighbourhoods in cities across the region which were going through a similar process. Duisburg has shared its experience with other EU cities through the URBACT REGGOV[55] network and is one of the EU Urban 50 case studies[56].

Working with marginalised communities.

Urban CLLD offers a real opportunity to work with marginalised communities but it is necessary to ensure sufficient management capacity of the local action groups.

As part of an URBACT network NODUS Alba Iulia developed a local strategy using comprehensive approaches to participation of its Roma community in the planning of development in deprived housing blocks in a neighbourhood of the town. External facilitation was used due to a lack of trust between Roma and non-Roma communities. Significant micro scale improvements were made including transformation of a derelict back yard into a children's playground (see Figure 6: below).

The URBACT project ROMANET had a specific Roma focus and developed local support groups and local action plans in the nine partner cities. Mayor of Udine, Furio Honsell, wrote:

'We have now an integrated strategy for addressing the needs of the most seriously disadvantaged citizens in Udine that is the members of the Roma community. Romanet has made "the vulnerable visible" and has made it possible to target better our health strategies for promoting healthy lifestyles. ……We still have to recover illegal situations, especially as far as settlements, but now we can rely on an integrated strategy. We have become aware of the diversity of situations and have affirmative actions for promoting better role models for ROMA youths.'

---

[54] The German Federal Soziale Stadt (social city) programme operates across the whole of Germany and is administered and co-financed by the Lander governments as well as by both ERDF and ESF. It supports neighbourhood regeneration initiatives with a bottom-up methodology. The socially integrative city in NRW getting deprived areas back on track http://www.soziale-stadt.nrw.de/downloads/en/1009_socially_integrative_city_klein.pdf

[55] http://urbact.eu/en/projects/disadvantaged-neighbourhoods/reg-gov/our-outputs/

[56] DG Regio and Urban policy carried out a major study of EU urban practices financed by the ERDF http://ec.europa.eu/regional_policy/projects/practices/details.cfm?sto=2656&pay=ALL&region=ALL&obj=ALL&lan=7&defL=EN&the=

Figure 6: Alba Iulia, block 2 before and after (source: EU 50 cases report)

ROMANET produced a number of guides [57] about working with Roma in an urban context on specific policy fields drawing on the experience of the partner cities.

Box 20: Terrassa, Cataluña Spain

In Cataluña the resources for investment in disadvantaged neighbourhoods are coordinated through the Junta de Cataluña at regional level but the planning and implementation takes place at local level.

The plan for Terrassa's District 2 has boosted social inclusion in a local neighbourhood which faced a high risk of conflict and civil disorder given the rapid influx of immigrants it had experienced. The plan, supported by the regional urban regeneration programme, integrated social actions and urban renewal in a single transformation process, reducing the district's segregation from the rest of the city and improving its reputation for tension and conflict. The plan was carried out with a high level of citizen participation and adopted a transversal approach among different municipal services. It included the transformation of shared urban spaces such as squares and parks (see Figure 7 below).

---

[57] http://urbact.eu/en/projects/active-inclusion/roma-net/our-outputs/

Figure 7: Rehabilitated social space in a park in Terrassa

Creative clusters

Many cities have cultural and creative quarters that have grown up organically with patchy support for individual projects over the years. Urban CLLD opens up an opportunity to work in a more coherent way with a wide range of stakeholders and in particular with the creative entrepreneurs themselves. These neighbourhoods need careful planning and engagement to protect against over-rapid gentrification and residential property development which can have an inhibiting impact on economic development. Locally based strategies can secure workspaces, explore the potential of community land trusts, enhance the public realm and engage with knowledge centres. This involved increased linkages with web design, mobile phone applications, and social innovation.

There are many examples in European cities of areas in which this type of approach could work. However, most are still characterised by top down planning.

Box 21: Shoreditch Trust and creative quarter London

The Shoreditch Trust[58] grew out of the ten year long New Deal for Communities programme for the area and was the successor organisation for the neighbourhood management board. It delivers a wide range of services and projects including restaurants, workspace and incubation as well as organising local festivals and street activities. The area hosts one of Europe's largest creative clusters and was supported by ERDF in successive Objective 2 programming periods from 1994 to 2006.

The area now boasts a dense mix of artists, designers, web video and new media professionals. The streetscape is based on old converted workshops such as the Tea factory, 60s and 70s offices and loft living complemented by clubs, bars and cafes. Anchor buildings were converted in the 1990s including the White Cube gallery and the Circus Space. ERDF also supported the new Shoreditch campus of Hackney Community College which has a strong media focus. The so-called 'Silicon roundabout' at Old Street, is on the edge of the area, site of a recent ERDF funded incubator IDEA London and recently rebranded by the government as Tech City[59]. The whole neighbourhood has become one of Europe's foremost start-up zones for new media businesses.

---

[58] http://www.shoreditchtrust.org.uk/
[59] http://www.techcityuk.com/

Figure 8: Aerial view of Silicon Roundabout in Shoreditch, East London

The Tallinn Creative Cauldron developed on a former power station site near to the city centre. The project was put together by the 'Creative Council', a social enterprise. This brought together experts and representatives from a wide range of organisations and fields, including universities, several associations of artists, the business community and architects. The project is delivering 10,000 sq metres of workspace, gallery space and public open space in a unique setting and with the strong involvement of the local art and design community. It acts as a combined performance and incubator space.

Figure 9: Part of the creative Cauldron in Tallinn, Estonia

Rural Urban CLLD

Often problem areas exist at the joins between urban municipalities or, in the case of rural urban areas on the edge of the built-up area, combining urban and rural municipalities. These peri-urban areas can be neglected and difficult for just one municipality to address because of edge effects, spill over effects or free rider behaviour by citizens or institutions.

There are three main types of rural-urban partnerships:

- Small urban service centres surrounded by rural areas, Alston Cybermoor (UK) is an example of a creative approach in this setting.

- Peri-urban areas on the fringes of large cities. These areas are often threatened by poor quality development.

- Rural urban partnerships focusing on single issues such as waste, water supply and treatment, transport. These tend to be organised through inter-municipal cooperations and have fewer opportunities for a CLLD type approach.

Rural urban partnerships offer opportunities to develop new forms of partnership around renewable energy supply using solar, waste, wind and water power resources. Rural urban partnerships may open up opportunities for new types of CLLD. These could include new renewable energy projects, projects for recycling waste and developing new approaches to resource productivity and food production involving short circuits and leisure and tourism. Partnerships between urban consumers and rural producers are a feature of the sustainable food movement as illustrated by the Monteveglio case (see box 18 above).

Box 22: Alston Cybermoor - a digital town in a rural setting

Alston Cybermoor[60] is a series of community led projects based in an isolated hill and moorland town in Northern England. The local partners have established a dynamic cyber community to build rural urban links and to overcome the isolation of the town and its surrounding moorland area. The town has been designated as a social enterprise cluster and has won numerous awards as well as being featured in national and European press.

Faced with lack of broadband service by mainstream telecom operators, the local community responded by creating Alston Cybermoor to provide access to high speed broad band. This initiative has spun out numerous other enterprises with some of the more recent ones focusing on electric bicycles, community hydro power and local community transport. A wide range of local community activity is either community owned or delivered by social enterprises.

Alston has the highest broadband penetration of any community in the UK. It has supplied computers to 88% of 670 homes and provided training in their use. Double the national average (30%) use internet banking, 40% have used computers for learning. Their website is the most active community website in England[61].

The activities of the community partnership have encouraged local creative and productive industries and demonstrate that a small town can have a future in the globalised world when it gets its act together. Funding has come from a range of sources including national, regional and EU (both LEADER and ESF).

---

[60] http://www.cybermoor.org/

[61] http://www.networkforeurope.eu/files/File/CCT/Alston%20Cybermoor.pdf

In some rural areas there has also been a problem where rural CLLD based on the LEADER approach has not been able to intervene in key urban service centres above a certain size. Rural urban CLLD using a combination of Funds can open up the potential for these types of collaborations.

Figure 10: Amersfoot NL Substainable food partnerships

Amersfoort is part of an URBACT network Sustainable Food[62] led by the city of Brussels. It focuses on production, distribution and enjoyment of food. Amersfoort have developed a range of local initiatives including: farmers markets, bicycle delivery, awareness raising through food fairs and festivals, growing food and how to reduce waste. Amersfoort is working in a partnership with ten cities across Europe in the URBACT project.

Coordinating CLLD approaches at city region level

Interventions in neighbourhoods may benefit from strategic coordination at city regional level or metropolitan level rather than the lower spatial levels of the neighbourhood or municipality. This higher level coordination is needed to bring extra resources and to mitigate externalities. The focus on small disadvantaged areas that characterised the past URBAN programmes sometimes improve the areas but may do so at the expense of neighbouring localities. A typical example in an urban context would be efforts by police and other agencies to clean up streets known for drug dealing and prostitution by aggressive policing. Instead of solving the problem the prostitution and drug dealing moves to a nearby neighbourhood.

Typically, governance is also fragmented and it is often only at the city regional level that sufficient resources can be mobilised so that several neighbourhoods can be tackled at once to ensure that other nearby neighbourhoods do not deteriorate when one is improved.

The URBACT NODUS network has argued that in order to avoid these problems the designation of CLLD areas should be made at the city regional or functional urban area level. This allows monitoring and research to check that negative externalities do not outweigh the positive

---

[62] http://urbact.eu/en/projects/low-carbon-urban-environments/sustainable-food-in-urban-communities/partner/?partnerid=645

gains and that solutions link into the wider city's economy and labour market. The actions themselves are still organised locally in neighbourhoods.

4.3 Partnership. How to use CLLD to build effective alliances in an urban context?

CLLD partnerships can be adapted to the vast array of partnerships that are more common in urban areas. They can either be grafted on or work in complementary ways to existing partnerships.

It is possible to use existing public sector organisations as the accountable body with CLLD partnerships operating as a sort of task force to deal with a particular set of challenges as long as the minimum tasks of the local action group regarding among others the strategy design and project selection are respected. Hence, the importance of mapping of other networks to help urban CLLD initiatives to position themselves in relation to what already exists.

The 49% rule on partnerships (Article 32(2)b CPR), i.e. at the decision-making level neither public authorities nor any single interest group should represent more than 49% of the voting rights, does not undermine the role of the local authorities. If used properly it can strengthen them. At the same time CLLD allows municipality to mobilise resources, skills and energy of private stakeholders and civil society.

Urban CLLD partnerships can push the frontiers of multi-level governance through the involvement of representatives of health, education, leisure, sport, and utility companies.

Mapping networks and building capacity in neighbourhoods

Cities, because of their population size and density are more complex human environments than other types of areas. They have more diverse populations, as well as more businesses and civil society organisations. It is important for new local action groups to build up a picture of what is already happening in the area. A starting point is for the new local action group, when it is in its early embryonic stage, is to use participative approaches for mapping to identify active community based organisations, to list their capacities and resources (staff, projects) and document their assets (turnover, community owned buildings, workspaces etc.). This helps to develop a good picture to ensure that no duplication takes place. This type of work can be carried out by researchers working with the local community organisations.

The Common Provisions Regulation requires that no single group should have majority control of a CLLD partnership. In urban areas it means that civil society and private sector organisations will have to play a stronger role in designing and implementing local strategies than was the case e.g. in the Urban Community Imitative programmes.

All CLLD local action groups use some form of facilitation, animation or activation. Valuable participative mapping techniques have been developed in community planning. An example is Planning For Real[63] in which a large scale base map of the area is copied and put on a table. The map can then be enhanced, either with simple models of key buildings or with photographs of the locality. Figure 11 shows children and adults working in a planning for real exercise. The map is used as a discussion tool for participants allowing them to explore issues in the existing built environment and also how the area might develop and change in the future. The value of Planning for Real is not in the map itself but in the discussions that take

---

[63] http://www.communityplanning.net/methods/planning_for_real.php

place around it. The technique can be used as a framework for finding out what people in the community want to change.

Figure 11: Local people working on a base map for a 'Planning for Real exercise' (source: communityplanning.net)

There are now digital methods for mapping assets in a local community. The Alston Cybermoor project lists all local services and local businesses on its website[64]. Social media applications are being developed that help communities to crowd source this type of information. Smart phones with cameras and GPS allow instant uploads of data, photos, interviews and other media to create a genuine community map.

Building capacity using the local action group coordinator
Local coordinators need to combine the skills of empathy and diplomacy while being organiser, realist and dreamer. It is perhaps the hardest role in development. In larger partnerships these tasks might be shared between several people in the team or with volunteer members. The typical coordinator needs to combine personal skills with project management skills. The ideal candidate has an open engaging personality and is at the same time efficient at getting through their to-do list.

The coordinator of the small team in the Körnerpark area of Neukölln in Berlin has been working in the area for over a decade. He knows the area intimately and has built relationships with a wide range of groups. He leads a small team of five staff.

Their tasks have included building up

The coordinator (on left) of the Kornerpark area in Berlin listening to a project presentation by local women

relationships with local individuals and groups. They also convene and facilitate the meetings of the neighbourhood council. Their role places them between the city and the neighbourhood council so they act as a communication between the two. They help the neighbourhood actors to draw up their action plan and to operate the process of neighbourhood budgeting using the five local funds. They also produce newsletters and other communications aimed at the local community so that people know what is being funded and what events are taking place. Finally, they deal with the back office activity of monitoring progress of projects and reporting to funding bodies.

Local action groups in neighbourhoods vary from highly structured, formal and incorporated organisations to more informal loose partnership arrangements.

In the Berlin example cited above the task of managing the neighbourhood office is contracted out to private companies or to social enterprises for a three year period. The winning organisation sets up a small locally based team and works closely with the neighbourhood council. This neighbourhood council is non-statutory although the majority of members are appointed from the local community through elections. The neighbourhood council can co-opt other people who may not live in the area such as school head teachers and owners or managers of local companies. The neighbourhood council normally meets once a month and makes decisions about implementing the local action plan through the system of neighbourhood funds.

4.4 Area: How to define effective boundaries for action within cities?

CLLD can be adapted to meet the complex and evolving geography of urban challenges in a number of ways. In general the size of areas should be sufficiently large to support a strategy (over 10,000) but sufficiently small to allow local interaction (less than 150,000) but if the principles of community led is respected then these limits can be varied if the strategy requires it. In duly justified cases e.g. to take into account the specificities of densely populated areas, and on the basis of a proposal by Member State, these population limits may be amended.[65]

A wide range of urban areas can be tackled by CLLD. Up to now community approaches have been applied mainly to problem areas with the risk of ghettoization. The new approach opens the possibility of developing new ways of linking the problem areas with growth and opportunities areas. This could take the form of city wide approaches linking various types of

---

[65] Article 33(6) CPR

areas, or be organised through rural-urban linkages. In future, the rural-urban partnerships may become important crossover zones with great potential because they are less constrained by land shortages that are apparent in the cities.

Urban authorities have in the past tended to target inner city neighbourhoods. The good approach is to identify where there are areas of need in a city that might be tackled using a CLLD approach.

Defining meaningful boundaries in urban areas is sometimes more difficult than in rural and other types of areas. There are fewer natural features to demarcate areas. Moreover, local identities of neighbourhoods are sometimes at odds with statistical, voting and administrative units. Many areas in the past have been designated using combined rankings based on baskets of indicators. This method has the advantage of appearing to be fair. However, it can work against creating viable neighbourhoods which are recognised by their citizens. A sensible compromise involves starting with statistics to identify the core of areas, then being flexible to a certain extent in the exact definition of the territory. Figure 13 below shows the map of areas identified for intervention in the Berlin Neighbourhood management programme using an indicator based framework

Figure 13: Berlin's 34 areas selected for neighbourhood management
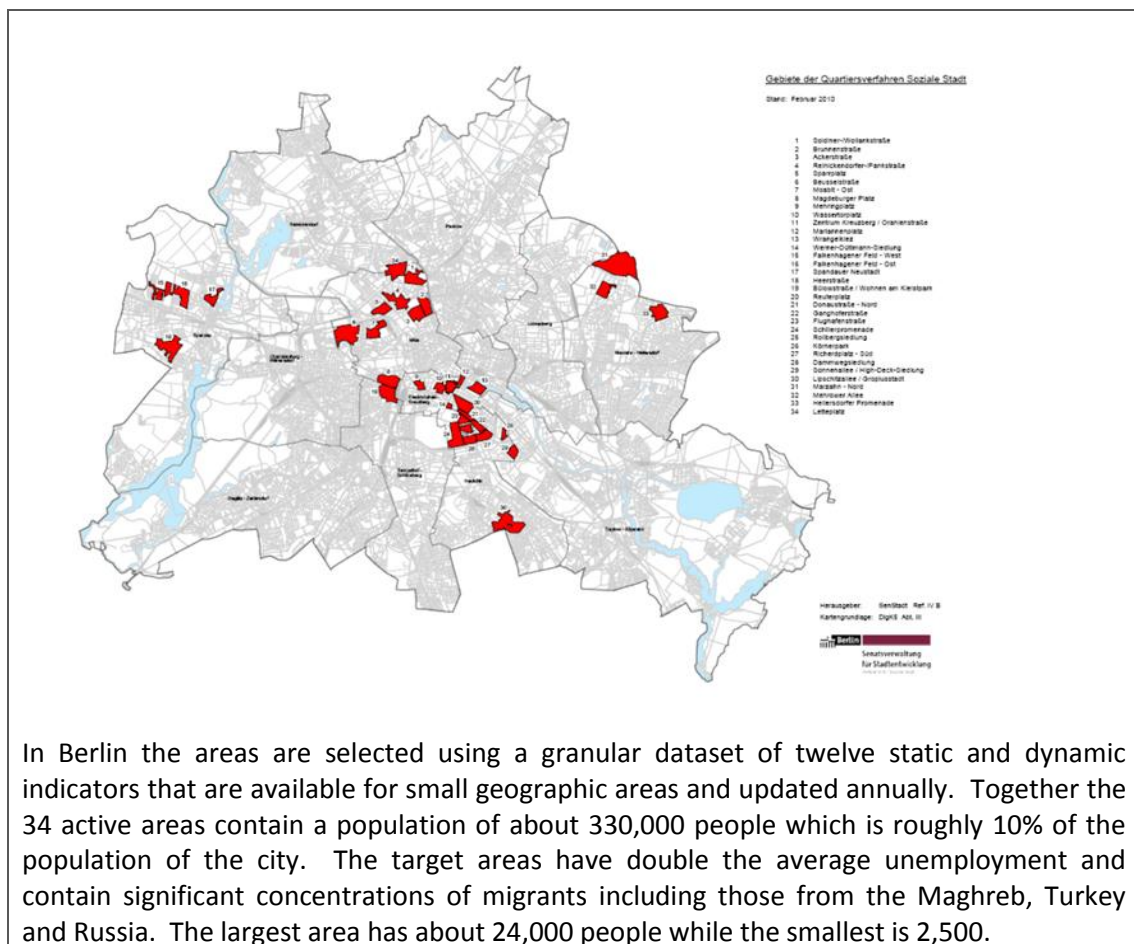
In Berlin the areas are selected using a granular dataset of twelve static and dynamic indicators that are available for small geographic areas and updated annually. Together the 34 active areas contain a population of about 330,000 people which is roughly 10% of the population of the city. The target areas have double the average unemployment and contain significant concentrations of migrants including those from the Maghreb, Turkey and Russia. The largest area has about 24,000 people while the smallest is 2,500.

Figure 14 below sets out a range of spatial forms that urban CLLD might take. In large urban areas there are likely to be many candidates for CLLD. Areas are usually targeted based on their deprivation indices, although this can create unviable areas and usually it is best to take

this as a starting position and then to allow local communities to adjust the boundaries to create an area that makes sense on the ground.

In smaller cities, for example shrinking cities[66], it is possible that the whole city might be designated as a CLLD area. Similarly if the focus is on a particular target group such as youth or around active ageing, then again the whole city might be designated while observing the 150,000 ceiling. Rural-urban areas are likely to be complicated by passing across the boundaries of two or more municipalities.

Figure 14: Spatial configurations of CLLD in an urban and rural- urban setting
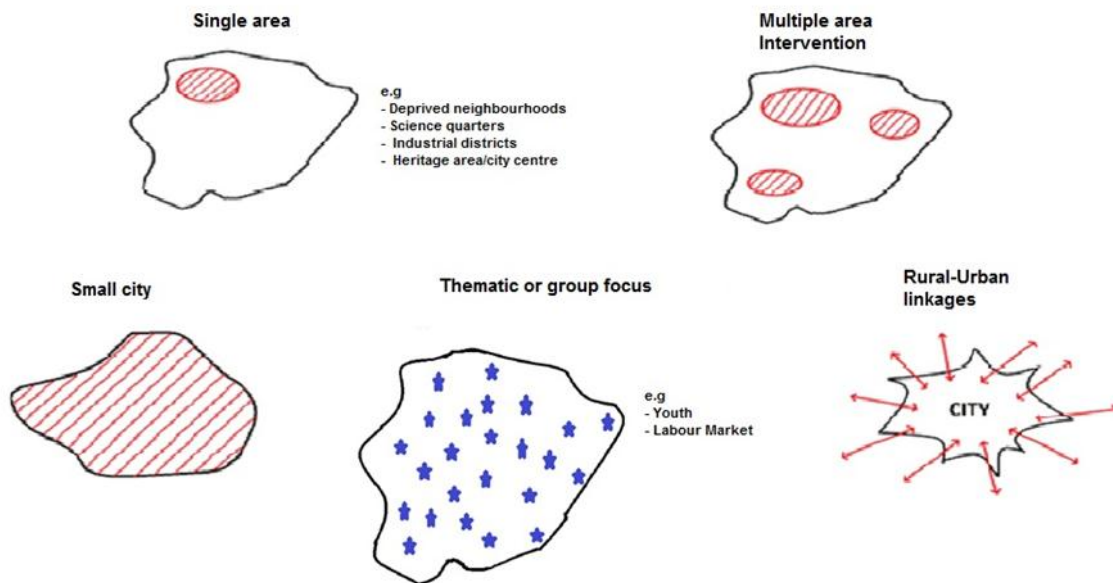
Size of areas and how to draw the boundaries

The size of areas is also important. Here the key concept is critical mass. The regulation specifies that areas must normally be between 10,000 and 150,000 people. However, both very large and very small areas can be hard to manage. Small areas often contain just one housing estate with few shops, economic opportunities or civil society organisations.   Large areas with population over 50,000 have also proved to be difficult to manage, as they often contain a collection of locally recognised neighbourhoods with distinct identities and partnerships can become fractious and unwieldy.

Area designation often has to deal with the tension of whether to start from needs or opportunities. Ideally areas are defined to contain both. Even in areas with a lot of potential it is rarely possible to address all the problems locally. Most opportunities are in the wider city. In areas with few opportunities these have to be sought outside the area itself and it is important for projects to link the area and its population to wider economic opportunities in the wider city district or city region. These links might be physical through improved transport, or cultural by breaking down barriers in people's mind-sets about working or travelling to another part of the city.   Areas need to be coherent and seen not as enclaves but as dynamic

---

[66] http://en.wikipedia.org/wiki/Shrinking_cities

parts of the total city. One reason for the failure of past interventions in disadvantaged neighbourhoods has been that too much effort went into creating self-contained economies[67].

[67] See for example Jan Vrancken, 2005 'Changing Forms of Solidarity: Urban Development Programs in Europe', in Y. KAZEPOV (ed), Cities of Europe. London, Blackwell, p. 255 - 276

Chapter 5. Why and how to carry out CLLD for social inclusion?

5.1 Introduction

CLLD for Social Inclusion and employment has enormous potential to reach people whom mainstream labour market and inclusion policies cannot reach. CLLD for social inclusion may focus on a specific target group such as the homeless, but reaches them through a territorial approach that focuses on their local and social context.

Compared to rural areas (EARDF), where CLLD is implemented through the LEADER approach, and fisheries areas (EMFF), where a specific Union priority is dedicated to CLLD strategies (FLAGs: Fisheries Local Action Groups), CLLD for social inclusion is only being included in a smaller number of the Members States' partnership agreements with the European Commission. Nevertheless, social inclusion can also play an important role as a horizontal approach built into rural, coastal or urban CLLD. It can also play a continued role where organisations and associations in CLLD areas apply directly for ESF funding under the priorities of the main ESF programmes.

There is a strong argument that social inclusion should be a horizontal objective in all types of CLLD areas. Existing CLLD partnerships in rural and coastal areas, which in the past have mostly focused on opportunities could do more to address social inclusion in their areas. CLLD local action groups are often led by active members of the local community and may at times ignores the less visible parts of the community. Building social inclusion into local strategies can improve the balance of these strategies and enable them to respond better to local needs.

Encouraging local social innovation

Both ESF and ERDF regulations make specific mention of social innovation as a means of redesigning local services and addressing local challenges. Social innovations are innovations that are social in both their ends and their means. Specifically, they are new products, services and models that simultaneously meet social needs and create new social relationships or collaborations. They are closely linked to CLLD because 'they are innovations that are not only good for society but also enhance society's capacity to act.' A wide range of approaches to social innovation is highlighted in the recent guide to social innovation in cohesion policy[68], which highlights a number of ERDF and ESF supported examples. The guide also explains how Social Innovation Camps, Living Labs and design thinking can improve the client's 'service journey'. This is highly relevant to CLLD for social inclusion which often addresses the failures and gaps in mainstream policy delivery. Social Innovation approaches could play a key role in reinventing CLLD for the 21st Century.

Social Innovation thinking is already influencing local partnerships. The URBACT learning network 'My Generation at Work', which focuses on youth, is using locally rooted social innovation techniques to help its city partners to improve their support systems for the transition from education to work. This network is led by the city of Rotterdam, a former Youth Capital. The city partners have used the innovation spiral to explore what stage they have reached and whether their innovations are about prototypes or scaling up (see figure 14 below).

---

[68] *Guide to Social Innovation in cohesion policy*:
http://s3platform.jrc.ec.europa.eu/documents/10157/47822/Guide%20to%20Social%20Innovation.pdf
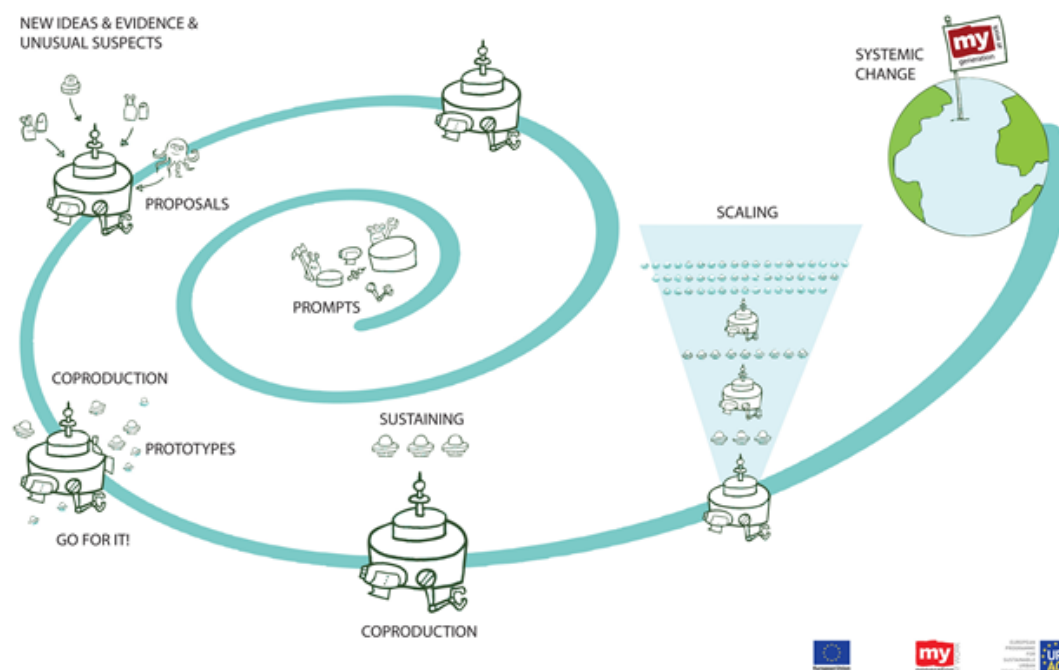
The spiral shows how ideas develop as prompts. These prompts can come from a variety of directions, such as dialogue with user groups, or an idea from a conference or field visit. Prototypes are co-produced by the local support group (a stakeholder group similar to a local action group) to develop small scale pilots which can be tested with minimal budget and on a short time scale. Those that succeed go to the next stage of sustaining and from there on to scaling up and ultimately (but rarely) to systemic change. The field of social innovation offers a number of methodologies and approaches that can be used at local level for radically redesigning policies that are failing.[69] There is new interest in service design as an approach, borrowing many techniques from product design but applied in a service delivery setting.

Social inclusion CLLD in previous programmes
There are many examples of local strategy development and of local employment initiatives from previous mainstream programmes, Community Initiatives and innovative actions. Some examples include:

- Poverty III which ran from 1989 to 1994. The programme included 29 Model projects concentrating on disadvantaged areas. Many organisations that were to become staples of local development received their first EU funding under Poverty III;
- Community economic development priorities in the UK Objective 1 and 2 programmes from 1994-2006 had a strong focus on bottom-up local strategies for labour market activation. This was most fully realised in the Merseyside 'Pathways to Integration' measures in the Objective 1 programmes and in Strathclyde's Objective 2 programme;

---

[69] Eddy Adams and Bob Arnkil (2012), Workstream report on social innovation and youth, URBACT http://urbact.eu/fileadmin/general_library/19765_Urbact_WS3_YOUTH_low_Final.pdf

- The ESF Community Initiatives (NOW, YOUTHSTART and HORIZON 1994-99) had a strong local component, as did several themes within EQUAL (2000-2006) including those for social economy and business creation. The innovation principle of EQUAL fostered an exploratory locally rooted social innovation approach across Europe and led to the slogan at the final EQUAL conference 'Free movement of good ideas';
- Local Social Capital and New Sources of Jobs, both financed under Article 6 Innovative Actions, led to experiments on service vouchers, micro-projects and new financial instruments;
- 89 Territorial Employment Pacts which were financed with technical assistance under ESF, ERDF and EAGGF (rural development) from the late 1990s. While most pacts were about policy alignment at higher spatial levels, about a third took a specifically local approach (see for example the four Irish pacts in Limerick, Westmeath, Dundalk and Drogheda and Dublin) and developed new approaches to local job matching and demand side activity including through work inclusion social enterprises. Pacts continue in parts of Germany (e.g. Berlin) and Austria (co-financed by ESF) and were also mainstreamed in ESF programmes in Hungary, Italy and Spain;
- The Progress programme (2007-2013) has financed local action plans for social inclusion. Some of the social experiments under Progress have produced interesting results relevant for local development.

In the current period the absence of Community Initiatives combined with mixed results in the mainstreaming of EQUAL have led to a decrease in evidence of organised local development approaches within the ESF. However, at local level there is still a vibrant and opportunity focused culture of funding applications for ESF support. Many of the project promoters can trace their lineage back to earlier local development experiments.

CLLD in the regulations

Under the 2014-2020 ESF regulation, CLLD for social inclusion is supported under Thematic Objective 9 for promoting social inclusion and combating poverty. The focus is on support for preparing, running and animating local strategies; it supports activities designed and implemented under the local strategy in areas falling within the scope of ESF in the fields of employment, education, social inclusion and institutional capacity building. However, as with the ERDF CLLD can support any of the Thematic Objectives and Investment Priorities even though it is programmed under a single thematic objective.

The ESF regulation is explicit in supporting the idea of bringing together local stakeholders to achieve the Europe 2020 targets.

'The mobilisation of regional and local stakeholders is necessary to deliver the Europe 2020 strategy and its headline targets. Territorial pacts, local initiatives for employment and social inclusion, community-led local development strategies and sustainable urban development strategies may be used and supported to involve more actively regional and local authorities, cities, social partners and non-governmental organisations in the implementation of programmes'. (ESF regulation, recital 23).

5.2 CLLD strategies for social inclusion

Social inclusion can be included in CLLD strategies in a range of different ways. At the start of programmes, preparatory support is available for those newly-established partnerships. The set-up phase needs extensive capacity building and outreach in order to establish local action groups that are relevant to the local challenges and to build the ability of local organisations to deliver projects and manage the funds.

Because the 'local' is where people live and work, it is the make-or-break location for labour market policies. CLLD offers the possibility to knit together the strands of policy that arrive from different levels of government. Inevitably in any complex public service system there are gaps in provision, and CLLD groups can analyse these and propose solutions (for example around how to integrate childcare so that parents can attend training courses). Local analysis can also highlight the non-virtuous funding circles which mean that those organisations that do most to help someone to go into work are rarely rewarded in proportion.

The focus of social inclusion CLLD
The classic focus for social inclusion CLLD has been to address some aspect of a local employment problem – usually framed around high long-term unemployment. However, there have been examples in the past of a more target group approach. For instance one of the Poverty 3 projects in Ireland focused on building better relations between the traveller and settled communities in the city of Dublin.

For the next programme period it is likely that local strategies will have a wider range than in the past. While some will start with target groups it is anticipated that this will be within a more integrated framework for the area. The sections below cover a range of topics.

- Tackling social exclusion and unemployment
- Combatting homelessness
- Marginalised communities
- Migrant integration
- Enterprising communities: social enterprise and business creation
- Financial inclusion and microcredit
- Youth initiatives
- Healthy communities
- Active ageing

Tackling social exclusion and unemployment
Unemployment and social exclusion has been a focus for many local inclusion strategies in the past. It was the focus of the Merseyside Pathways approach and was also the focus of many of the Territorial Employment Pacts.

In Ireland, since the crisis the Northside and Southside districts of Limerick have displayed extreme social segregation (see box 23 below).

Box 23: Social inclusion CLLD approaches in Limerick, Ireland.

Limerick has a long history of local development approaches that go back to the Poverty 3 programme. The Paul partnership lead the city's work on a territorial employment pact in the 1990s.

Throughout the Celtic Tiger period the city experienced a boom that was also reflected in a growing social divide. Social housing estates were becoming poorer and suffering from drugs and crime as the rest of Limerick cashed in on the property boom. When the bust came unemployment levels soared. Across the city the unemployment rate was 29% in 2012 but for young people aged 15-19 the rate is more than double this, at 68%, and is 45% for 20-24 year olds.

The disadvantaged neighbourhoods are social housing estates on the North and South sides of the city with about 6,200 inhabitants. These estates have an unemployment rate of 52%, and

while 80% of households depend on social welfare with 50% only having first level education. The original €3 billion regeneration programme has been scrapped because of the cuts. In its place a more modest integrated regeneration programme is planned.

Despite the deep problems, there has been real progress. In the Northside area a Learning Hub was set up in 2007 using a donated building and a mix of public, private and philanthropic funds. It has extended the provision of learning to try to reduce early school leaving and provide second chances. It operates through fun methods of learning: a music hub, science hub and a 'digi hub' for digital technologies. In 2012 it logged visits from 9,700 children and 1,300 adults. Over 12,000 volunteer hours were contributed. All of this was achieved with a budget of only €288, 000.

In Southside the Southill Development Cooperative is a long-standing development trust type organisation set up in 1984 and owned by the community through a share issue. It runs a childcare facility, organises retrofitting insulation and energy conservation, provides estate management and community services, works with young people through outreach, does car maintenance and runs an incubator and workspace for local enterprises. In 2012 it had 103 employees and 3,700 users. They installed insulation for 720 houses, had 1,000 members in a credit union and helped 400 with training. Its turnover was €1.5 million which included revenue from sales.

Greater Narbonne's local employment and integration plan operates across a wide territory covering 38 municipalities and funds projects to promote social inclusion and employment (see box 24 below).

Box 24: Local employment and integration plan in Greater Narbonne, France

The local employment and integration plan (PLIE) in Greater Narbonne has been operating since 1995. It is one of 182 PLIEs operating across France. It covers an area with a population of 122,000 people and 38 municipalities. The area has above average unemployment. It aims to provide 800 integration pathways each year with a positive integration rate of 42% defined as those who go into work for a minimum of six months, or become self-employed for at least a year. A further 8% go into training leading to a qualification of diploma.

Among the many possible steps within an integration pathway, the 'Ateliers et Chantiers d'Insertion' (ACI) propose activities similar to work situations, allowing participants to acquire know-how, to benefit from qualified training and to participate in territorial development.

The main access point for clients is provided by the Maison de l'emploi which is a single contact point bringing together the Public Employment Services with other partners. It provides support to unemployed people, an observatory on employment and training in the locality and support to the enterprises. In its 2013 call for projects, the PLIE of Grand Narbonne guides the applicant towards jobs with a growth potential: agriculture/vine growing, building sector, care services, green spaces and tourism.

Combatting homelessness

Homelessness is an urban challenge which can be a threat to social cohesion in the city. People experiencing homelessness are at the extreme edge of exclusion preventing them from full

participation in society. Their life chances are often permanently reduced through ill health, and access to services is hard or impossible. Most traditional remedies focus on temporary hostel placements, often in institutionalised settings which make it hard to build lasting links with local communities. Temporary hostels may include support and treatment for substance abuse and other problems, but the unstable housing conditions of the individuals concerned means they cannot fully benefit from this support and often drop out or return to their addiction soon after the programme finishes.

Homeless people often resist the institutional setting of a hostel for a variety of reasons (difficult environment, concentration of social problems, separation from families, no links with the wider community, no access to public transport, etc.) and go back to living on the street or staying in other forms of insecure housing. Housing First attempts to break this circle by dealing with the housing problem as a first priority, finding housing solutions directly in the community (scattered across an urban area and not all concentrated in temporary hostels). From that point onwards, access to other services can be organised. Housing first does not mean housing only. By its very nature such housing is located in communities, and the opportunity exists to develop a CLLD approach to combating homelessness where communities either provide forms of housing (e.g. private landlords, social housing) or support (building social networks, providing starter packs for people moving into accommodation). The Lisbon example below illustrates how a Housing First approach can reintegrate homeless people into communities and bring other long-term benefits for both the individuals and society.

Box 25: Casas Primeiro (Housing First), Lisbon, Portugal

Casas Primeiro is a project to rehouse homeless people with mental health and substance abuse problems living on the streets in Lisbon. It has used a Housing First approach to address street homelessness in areas of Lisbon and has been judged a success across a wide range of criteria as well as being evaluated. It won a best project award from the Calouste Gulbenkian Foundation.
The project has translated the essential principles of Housing First in the Lisbon context:

- Local action groups as drivers : civil society, religious charities, local councils, private landlords; as well as residents themselves
- Permanent and integrated housing: the programme promotes access to a stable housing situations that are not transitional. The Housing First programme pays for the rent and household expenses such as water and electricity. Residents pay 30% of their monthly income towards their housing costs;
- Community-based: The programme does not rent more than one unit in any one apartment building or street, in order to promote community integration, shifting away from institutionalised settings to community-based settings
- Individualised support: participants can share their home with someone else from their personal network or family, but this is up to them;
- Scattered housing: Apartments are rented from private landlords, hence encouraging members of the local community to make apartments available. The apartments are spread across normal neighbourhoods in different areas of Lisbon to avoid concentration in particular streets;
- Separation of housing and treatment: the programme provides immediate access to a house or flat. People are not required to participate in psychiatric treatment or be sober in order to obtain housing; but support services are flexible, tailored to each individual's needs and available 24 hours/7 days a week;
- Links with the community: Programme users may benefit from other services

provided by community and neighbourhood services (local action groups) such as the Food Bank, since users' income is very low and does not allow them to meet all their expenses. There are many local organizations that provide cultural, leisure and sports activities to help build social networks which prevent isolation.

Evaluation results show great success in reintegrating clients into society. The participants have a regular income, better access to services and can sleep safely and securely.
'Living on the street stressed me a lot. When I was in the street I thought it was the end of the world. Now with the stability of the house I feel much calmer' (Casas Primeiro participant)

Marginalised Communities

There are many marginalised communities in Europe. However, Europe's estimated 11 million Roma are its poorest and most marginalised community. A territorial approach to involving these communities can have advantages as individuals do not need to be ethnically defined. Most Roma live in mixed communities and a focus on improving relations with non-Roma can also be fostered.

Experience has shown that not all of the resources for working with the community are already present in these areas. There are advantages to bringing in external facilitation and dealing with capacity building and conflict resolution. The UNDP developed an empowerment model for its work in the Cserehát micro-region on the Hungarian border with Slovakia (see Box 26 below).

Box 26: Roma integration in Cserehát, Hungary

Cserehát is a small rural region in Hungary, bordering Slovakia. The area has 116 settlements and about 100,000 people. The Cserehát Model developed by the UNDP has focused on empowering local communities through a coaching model. The model works through self-help groups, the local Resource Centre for Social Development and the related territorial development networks which are not exclusively made up of Roma. One result is that cooperation between the Roma and non-Roma populations improved, the voice of disadvantaged Roma communities living in the area has become significantly stronger, and sustainable conditions for social innovation have been created in the local communities. The empowerment process focused on reinforcing the communication between the majority and minority populations through the mediation of conflicts, the establishment of development-oriented majority-minority partnerships and the improvement of the development skills of the local Roma and majority leaders.

The first Cserehát programme was mainly funded by the UNDP with some support from LEADER. This led to the national programme of the Hungarian government (LHH), funded by the ESF and implemented by the Hungarian government to alleviate area-based poverty and social exclusion during the 2007-2013 programing period. The objective of both programmes was to improve the living and working conditions of the predominately Roma population in disadvantaged regions.

Integrating migrants

Migrant integration is a fertile theme for CLLD approaches for social inclusion. It is particularly important in cities because this is where most EU migrants live, but can also be relevant in smaller communities in rural areas (see Box 27 below). Increasing social cohesion between migrants and host communities can improve community relations and also tackle long-term problems of poverty and social exclusion and increase employment rates in both communities.

Box 27: Positive integration in Riace, Calabria, Italy

Riace in Calabria, Italy, has made itself into a host town for migrants.[70] Instead of being met with hostility, migrants have been welcomed to the town by the Mayor Domenico Luciano. Before the migrants arrived the village was shrinking and dying with a growing lack of basic services. Now the town is growing and quality of life is improving as the town is re-dynamised by in migration.

A non-profit organisation finds empty homes and refurbishes them to accommodate refugees. While they wait for the welfare payments given to asylum-seekers, which are subject to lengthy delays, the migrants can use a local currency set up in the town, with vouchers bearing portraits of Gandhi, Martin Luther King or Che Guevara. When funds arrive, the shops send the vouchers to the local council for payment. The migrants are gainfully employed in workshops for dressmaking, joinery, and pottery set up with funds from the regional government.
Over the years more than 6,000 migrants have moved through the town. Some have chosen to stay and contribute towards long-term revitalisation.

Examples of community-based approaches to migrant integration and community cohesion include:

- Riace in Calabria has revitalised itself by becoming a 'host town' for migrants (Box 27 above);
- 'Choices ('Programa Escolhas') addresses the problems of immigrant communities in Portugal, particularly through working with women, youth and children. It works through a bottom-up approach to gain the trust of the target beneficiaries, by including them in the definition and implementation of local actions. It works on early school leaving, youth unemployment, non-formal education, digital exclusion and youth delinquency. Over a hundred municipalities have developed local plans with this programme.
- STEP: The South Tyrone Empowerment Programme (see Box 287 below) takes a rights-based and empowerment approach to migrant integration and uses community development methods to generalise from individual cases.

Box 28: South Tyrone Empowerment Programme integrating migrants with an empowerment and rights based approach

The South Tyrone Empowerment Programme (STEP) operates in Dungannon, a small town of 10,000 people in Northern Ireland. It started out in the 1990s working on a wide range of community issues in deprived neighbourhoods. In the early 2000s following the Good Friday

---

[70] http://mashariazgitonga.blogspot.fr/2013/10/the-tiny-italian-village-that-opened_13.html

Agreement and the reduction in violence, EU migrants started to arrive in Dungannon to work in meat processing and other local industries. The biggest groups came from Poland, Lithuania and Portugal, including people whose origins were in East Timor. The problems migrants faced in accessing housing, employment and health put great pressure on local services which were not geared up to help the newcomers. STEP responded to this need and worked through a human-rights-based approach to change policies on tied housing, to guarantee employment rights and to improve access to housing. It also deals with neighbour disputes and conflict resolution in neighbourhoods.

STEP is now one of the largest NGOs providing migrant rights services in Northern Ireland. It has been able to set up a legal advice service which is used by migrants from across the province. What distinguishes its approach is the empowerment of users and its willingness to take up collective issues with employers, landlords and service providers. It cross-funds its model through operating a number of social enterprises including a large-scale interpretation service drawing on 200 interpreters that provides contract services to public agencies in a wide range of languages. It also owns and manages a local workspace and is diversifying into other services such as childcare in response to local demand.

Enterprising communities: social enterprise and business creation

Enterprise is a route out of exclusion for a significant proportion of the unemployed. In addition more and more people are becoming interested in social enterprise and social entrepreneurship as a way of addressing tackling social needs.

To 'make a job not take a job' is becoming a mantra for today's unemployed. However, most support services not well designed for the female or young entrepreneur. There is enormous potential for start-ups by women, people with disabilities, young people, the elderly, ex-offenders and other groups that are under-represented in enterprise. To give one example, in most EU Member States women have half the start-up rates of men. CLLD approaches can support enterprising communities at local level to address this potential by providing inclusive models of business support that are better linked and integrated:

- The Community of Practice on Inclusive Entrepreneurship (COPIE) has been working on this challenge over the past six years as an ESF learning network. Its toolkit[71] includes a diagnostic tool that can assess whether local enterprise services are inclusive.
- Andalusia has promoted entrepreneurship through its local development ATIPE approach which comprises active inclusion measures and promotion of self-employment through grants. These grants were expanded in 2009 with the intention of consolidating micro-businesses with less than five employees in sustainable economic sectors such as care services for dependent people, activities to promote the environment and renewable energies and restoration of public buildings. It also made direct loans of up to €11,000.
- Basta Arbetskooperativ, south of Stockholm, is a client-run social enterprise which provides a fresh start for long-term drug addicts by creating local work opportunities. Users work in a range of businesses for up to four years.
- The Barka Foundation, based in Poland but also operating in UK and the Netherlands, has created a range of local community-based social enterprises aimed at reintegrating people who have become homeless and who suffer other related problems including

---

[71] Link to COPIE toolkit http://www.cop-ie.eu/copie-tools

substance abuse and poor mental health. Barka succeeded in changing the national law on social enterprise in Poland.

- The EQUAL-funded EVU project provided business support for ethnic shopkeepers and restaurants in Copenhagen using a community-based outreach model to help businesses become sustainable and upgrade their services.[72] EVU collaborated with the Association of Community Based Business Advisers working on entrepreneurship in refugee and migrant communities in North London by training business advisers from within local associations;

Financial inclusion and micro-credit

The poor and socially excluded do not have access to high-quality financial services at a fair price. This applies to self-employed entrepreneurs and to people borrowing for personal needs. One of the fastest-growing industries during the crisis has been the voracious payday and doorstep lenders, which prey on people on low incomes who are struggling to make ends meet. In countries without usury laws the interest rates for these loans can be as high as 5,000% annual percentage rate.

Community financial institutions seek to counter this trend and to help poor and excluded people, encouraging savings and other forms of personal asset building. For example micro-savings can help to promote financial resilience for poor families. In Govan, (Glasgow, UK) a concerted local attempt has been made to drive out payday lenders by encouraging residents to open savings accounts with credit unions, and by 2013 a quarter of residents had accounts.[73]

There is a range of inclusive financial products: savings, loans for personal use, loans for business start-up, guarantees and insurance as well as money advice services and a focus on improving financial literacy and financial competence. They are delivered by a wide range of community development finance institutions, microfinance institutions and local money advice centres. These have strong community outreach:

- PerMicro in Turin has specialised in lending for business start-up and growth by the self-employed. Nearly half of its clients have a migrant background and it is already operating in a dozen Italian cities. Its lending model works with local associations to provide a guarantee of trust.
- NEEM in Sweden is lending to migrant women who have aspirations for start-up but a low conversion rate. They provide wraparound support to help women take the first steps.
- Fair Finance in London provides personal loans and financial advice in an attempt to take away the market of the payday lenders. It now operates nine offices across East London, and works closely with local associations which refer clients to it.

The EU's Progress Microfinance Facility was launched in 2009 and offers wholesale financing to microfinance institutions and banks which are lending to key target groups such as long-term unemployed people, women and migrants.

Many financial instruments such as micro credit funds are likely to be operating at a higher spatial level than a typical CLLD partnership. Nevertheless there are

---

[72] The Copenhagen EVU practical outreach manual.
http://www.wikipreneurship.eu/images/5/52/EVU_Method_Catalogue_for_Outreach.pdf?PHPSESSID=de07f3721c1c77d58a10dbcf53d783f5
[73] http://www.theguardian.com/money/2013/sep/22/glasgow-credit-unions-payday-lenders

opportunities for using the CLLD partnership to link to these and to provide complementary support such as advice services and referrals. CLLD partnerships are most likely to be able to work with regional or local community finance operators which may include credit unions, as well as lenders for microcredit and personal loans. Most credit unions are locally rooted through the geographic common bond.[74]

Alternative currencies can also have a profound inclusive effect at local level. Time banks enable people to trade hours of time in skills that they have acquired. This can build social capital and be a step towards the labour market. Local exchange trading systems (LETS) have become a core part of the Transition Towns approach to reducing carbon emissions. Towns like Totnes (UK) are using local currencies to promote local purchasing, while Riace (Reggio-Calabria, Italy) has used a local currency to assist with the integration of refugees who face long delays in receiving social benefit payments (see Box 27 above).

Youth initiatives

Youth are often demonised in public debate and on occasion treated as an out-group. Images of riots in London, Stockholm, Athens and Madrid show European youth in open rebellion and illustrate growing levels of alienation. There are 14 million young people who are not in education, employment or training while several Member States have reached levels of youth unemployment in excess of 50%.

CLLD with a youth focus can try to address this challenge by linking the generations within a community and developing new pathways into work. A recent Eurofound report[75] emphasised the need for innovation in outreach and bringing all the stakeholders together, especially linking with employers and avoiding a provider-driven approach.

Figure 16: Job Point Berlin

---

[74] Some credit unions are based on an employment bond rather than a geographic bond.
[75] http://www.eurofound.europa.eu/pubdocs/2012/541/en/1/EF12541EN.pdf

Young people are one of the main foci of the Berlin Territorial Pacts in Berlin. The pacts work through local stakeholder groups and use a form of participatory decision-making to identify projects to address policy gaps. An example of a new initiative in the pacts is the Job Points[76] which are user-friendly job shops located in two disadvantaged neighbourhoods of Neukölln and Mitte and working to place the unemployed into jobs. They exist in parallel to the official job centre system but have the advantage that trust is easier to establish because the Job Point does not sanction and makes no judgements on the individual. It is more informal and was designed following extensive consultation with young people about their needs for such a service.

The cities in the 'My Generation at Work' URBACT network are working on radical solutions to the education-to-work transition. These include the 'Go For Its' (GFIs) which are social innovation experiments that the cities are coproducing and running with young people. These GFIs focus in three areas: curriculum, brokerage and spaces. Some example GFIs include: day in company, job cafés, dynamic duos, cooperatives in education, on career track, entrepreneurs in school. Each of these will be tested in a prototype in one participating city and successful ones will be scaled up (see Figure 17 below).

Figure 17: My generation at work 'Go For It' graphic
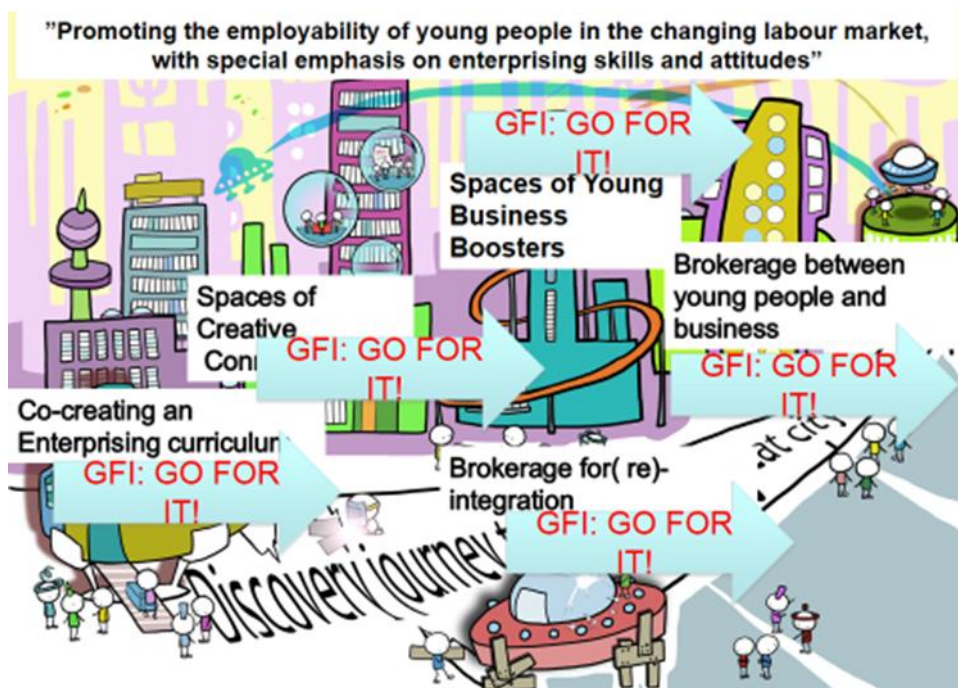
Active ageing

Our societies are ageing but the number of healthy additional years is not increasing as fast as life expectancy. More inactive older people also puts a growing burden on pension systems and local services. Part of the solution lies in helping the elderly to remain active longer whether through working part time or through volunteering and other forms of civic action. Time banks in which local people share and trade their expertise and time have shown that they can mobilise all the generations. There is also considerable potential to improve

---

wellbeing for these groups by promoting community cohesion through small scale community based projects that build solidarity between the generations.

An example of a CLLD approach to ageing comes from Beacon Hill[77] in Boston USA. Beacon Hill is part of the growing Village Movement which is helping older adults to age gracefully by facilitating better social and services support connections while allowing people to remain in their own home. Instead of retirement ghettoes, the idea is that there are collections of individuals living across neighbourhoods or even entire cities, all connected through a network.

In Europe, Finland has been leading the way with community based active ageing strategies. In Helsinki the Living Lab has worked with elderly to help develop new health services. Finalspurt illustrates a new model of supported housing co-designed with users. The city of Espoo has pioneered senior citizen CaringTV. Across Europe a host of digital services are being developed that link elderly people to their local social networks to help combat loneliness and isolation. In Spain the citylab of Cornella is working on new learning solutions, in the UK the University of the Third Age delivers local classes. All of these are locally rooted approaches which illustrate that active ageing CLLD could be a significant force.

5.3 Social Inclusion Partnerships

Local partnerships are critical for the social inclusion CLLD approach. These partnerships bring together all the stakeholders who are involved in defining and then addressing the problem. CLLD opens up the potential to directly involve users and civil society organisations. The regulation requires that no sector should dominate the partnership, which means in practice that public sector, civil society and private sector representation must each be below 50% of voting members.

Partnerships need to be dynamic and lively and run using participative approaches so that all those present can contribute. Experience has shown that groups that are larger than twenty become unwieldy to manage. It may be possible to organise sub groups in order to make the main meetings more manageable. Lively facilitation and moderation techniques are needed to keep all partners active and engaged.

Gender equality and non-discrimination
Giving priority to the integration of gender equality and non-discrimination into local development policies recognises that women and men, migrants and ethnic minorities, older people, youth and people with disabilities have unequal access to resources and opportunities in society. Moreover, the needs of some groups often tend to differ from those of 'mainstream' service users.

The CLLD approach can make progress on the integration of gender equality and non-discrimination by taking practical steps. Local Action Groups could be an important driver for change, by giving voice and visibility to groups which would otherwise stay hidden and unacknowledged. For example in Zaragoza local community associations consulted newly-arrived groups of migrants on the Immigration Integration Plan. CLLD recognises that often the people themselves are the experts on their own condition. However, this does not mean that they have all the answers: experts and professionals can help to explore options while

---

[77] http://www.beaconhillvillage.org/content.aspx?page_id=22&club_id=332658&module_id=75811

examples from successful implementations elsewhere can be very useful to help groups to think out of the box.

Innovations in partnership and project decision-making

The involvement of NGOs and local associations in running projects has led to considerable innovation in delivery chains for EU-funded projects. These have included ways of delivering micro-projects, the use of simplified cost accounting which has been pioneered by the ESF, and approaches towards participatory budgeting. Simplified costs, umbrella projects and micro-projects are dealt with in more detail in Chapter 5.

Participatory budgeting has been used in some European cities to deepen and widen the partnership and involve a wide range of citizens. The concept of participatory budgeting was originally developed in Porto Alegre in Brazil where it has been running for 20 years. At its high point up to 10% of the municipal budget was allocated in this way. The approach has been copied and developed by a wide range of organisations across the world and is now backed by the World Bank. The basic principle is to hold open calls to bring forward a range of project options. These are normally explored to see which ones are feasible. Then, in the third stage, the citizens' vote on which projects should be supported in their local area. In its original form citizens vote directly for projects. In some European cities the decisions are taken by a locally-elected neighbourhood council (e.g. *Quartiersmanagement* in Berlin).

In Cascais, (Portugal,) the NGO *In Loco* has developed a participative budgeting technique which the municipality now uses to decide budget priorities at local level. In the first year over 6,000 people voted on 30 projects. In the second year over 30,000 people voted on 32 projects making it by far the largest level of participation that the municipality had ever achieved.

The projects are proposed through nine public sessions in localities at which project ideas are debated. Proposals contain details of the budget, the methodology, the team, the use of

participation tools, which institutions will be involved and how results will be disseminated. From this process a selection is made of projects that go forward for technical analysis. In the technical analysis the eligibility of the project is reviewed and its feasibility is analysed by internal departments of the municipality using a standard form. The eligible projects are then passed on to the next stage which is public

Figure 18: Participatory budgeting in Cascais, voting.
Portugal

5.4 Defining the areas of CLLD for social inclusion

The regulation requires that the area should have a minimum population of 10,000 and a maximum of 150,000 although exceptions are allowed with appropriate justification. These figures refer to the total population of the area not the size of the target groups.

A number of ways has been used to determine areas for social inclusion CLLD:
- Some areas such as housing estates have a natural boundary, although few individual housing estates are as large as 10,000;

- Sometimes administrative boundaries are used for convenience, but there is a risk that these areas do not correspond to any local labour market reality on the ground. However, travel to work areas (also described as functional urban areas) may be too large to make a community-based approach possible;
- Areas have often been defined using a basket of deprivation indicators. These dimensions typically focus on unemployment, income, access to services, housing, and environment. This was the method used to identify 38 Pathways areas in Merseyside, although the exact boundaries were amended considerably in the light of local conditions. Berlin uses a basket of 12 static and dynamic indicators to select and monitor its 34 *Quartiersmanagement* areas. Its employment pacts focus on the administrative boundaries of the 12 districts;
- Areas have been defined because of the preponderance of a particular target group. Areas with high proportions of Roma have been defined in this way.

Defining areas is a delicate activity. Every time a line is drawn on a map it includes some people but excludes others. There is a risk of a 'postcode lottery' whereby access to training or other project resources is determined by where you live rather than who you are. Social inclusion CLLD approaches are by definition geographically targeted. However these definitions need to be interpreted flexibly.

Chapter 6. How to coordinate with other Funds?

6.1 Introduction. Why coordinate between EU Funds?

Coordination between Funds is a means to an end not an end in itself. All levels need to be clear about what they are trying to achieve by coordination and adapt the methods they use accordingly. Better coordination can have the following advantages:

Firstly, a process of collective community stocktaking of the ways in which the existing mosaic of Funds and initiatives are being used can help to ensure that local development strategies are better placed to respond to the new emerging challenges and focus on those things that the community really wants to, and can change at local level.

Secondly, it can ensure that different initiatives pull in the same direction and reinforce each other rather than competing for projects, duplicating or even contradicting each other. This kind of policy coherence is important for improving the overall results achieved by different local initiatives, as well as for strengthening the contribution that local development makes to regional and national programmes.

Finally, better coordination can help to rationalise the use of existing material and human resources. Buildings and administrative capacity can be shared, transport costs reduced and any duplication eliminated. This can lead to overall cost savings and/or resources can be redeployed to meet more important local priorities.

On the other hand, a poorly planned integration of Funds can increase complexity and distract LAGs from their main goals in addressing local needs and opportunities. Therefore, stakeholders should avoid setting up complicated coordination mechanisms for their own sake, unless there are clear advantages in terms of delivering results on the ground.

6.2. At what level should coordination between Funds take place?

To work well, coordination between Funds ultimately has to take place at all levels - European, national, regional <u>and</u> local. However, it is possible for one level to compensate for the lack of coordination at other levels. For example, local agencies often try to operate as a one-stop-shop for beneficiaries by internalising the complexity of managing different national programmes and funding sources. However, unless coordination also improves up-stream, there is a risk that the local level will drown in administrative procedures. In fact, the conditions and opportunities for coordination between Funds at local level are set at the EU, national and regional levels.

An improved EU framework for coordination

The European Commission facilitated coordination by producing one unified regulation covering CLLD initiatives financed by the rural, fisheries, regional and social Funds (Articles 32-35 of the Common Provisions Regulation) for the period 2014-2020.

The Common Provisions Regulation (Article 32(4)) creates the opportunity for the same local development strategy to be funded by more than one Fund (multi-funding) or one Fund only (mono-funding). Both options have advantages and disadvantages, which are explained in the first common guidance document on CLLD, which was produced by the Commission for managing authorities.

If Member States choose the multi-funding option for some or all local development strategies they also have the option of indicating a "lead Fund" (usually the largest Fund) in the framework of a selected strategy, which can cover all of the running and animation costs of the local action group (LAG). This can simplify matters by avoiding the need to justify the allocation of running and animation costs according to the projects financed by each Fund.

However, even if Member State chose mono-funding, they <u>must</u> still ensure coordination in various ways: *"Support from the ESI Funds concerned to community-led local development shall be consistent and coordinated between the ESI Funds concerned. This shall be insured inter alia through coordinated capacity building, selection, approval and funding of community-led local development strategies and local action groups"* (Article 32(3) CPR).

The regulation does not say how this should be done. The detailed procedures that create the conditions for coordination at local level depend on the institutional context in each Member States *and are set at national or regional level.*

Opportunities for coordination at national and regional level

In their Partnership Agreement, Member States have to indicate which Funds they will use for CLLD, why they are using these Funds, in what types of areas they will be applied, and *how the Funds will work together.*

At least 5% of the EAFRD must be dedicated to CLLD in rural areas (LEADER). This is likely to result in the continued operation of a significant proportion of the 2300 existing LEADER LAGs (although, possibly with changes to partnerships and boundaries). Some of the LAGs (particularly those in the ex-Convergence regions) may face a reduction in the level of funding received from the EAFRD and are, therefore, likely to be interested in accessing other Funds.

The use of CLLD is completely voluntary in all the other three Funds. However, the 300 or so partnerships (fisheries local actions groups, or FLAGs) in fisheries areas funded by the EFF between 2007-2013 have achieved a high level of acceptance and it is expected that at least two-thirds of Member States will support their continuation.

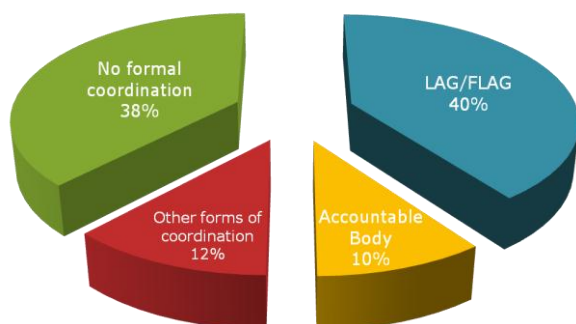**Figure 19: LAG and FLAG coordination**

Figure 19 on left (based on an earlier preliminary survey of FLAGs by FARNET) shows that nearly 40% of FLAGs and LAGs formed part of the same partnership and a further 10% shared a common local accountable body. A further 10% of FLAGs practiced some other form of coordination with LEADER LAGs.

In addition to the opportunity for multi-funding and other forms of coordination between LAGs in rural areas and FLAGs in fisheries areas, there is a high potential for improved coordination between the Funds involved in CLLD in the following cases

✓ Using the ERDF and ESF to complement rural development strategies. This can take place at the level of one LAG or jointly over several LAG areas, when this is more appropriate for the challenges being dealt with by the ERDF and ESF (for example, for strategies dealing with the problems faced by a larger labour market or travel to work area covering several LAG areas);

✓ The coordination of ERDF, ESF and EAFRD for urban-rural partnerships. These could cover small market towns, metropolitan and peri-urban areas and/or urban-rural partnerships on specific themes (food, water, energy, transport, etc.);

✓ The use of the ERDF and ESF to complement strategies funded by the EMFF in fisheries areas. This could be particularly important in the larger ports or where FLAGs decide to take on roles concerned with broader coastal development or blue growth;

✓ Coordination between the ERDF and the ESF to deal with the complex problems of deprived urban neighbourhoods and other economic, social or environmental challenges in cities.

Some regionalised Member States may leave the options for the coordination of the Funds concerned with CLLD fairly open in their Partnership Agreements in order to allow regions and cities more flexibility to design their programmes and procedures in a way that best suits their specific needs. Nevertheless, there are two broad options available:

Under a **multi-funding option,** there needs to be a high level of coordination between different ministries and managing authorities in all the fields mentioned in the regulations, including: capacity building, the selection and approval of strategies and areas, funding, management and control systems, and monitoring and evaluation. Several Member States are exploring interesting arrangements for achieving this, including the creation of joint intermediate bodies, single managing authorities for certain Funds (ERDF and ESF), joint monitoring committees and joint selection committees, common criteria and joint or synchronised calls. One method is for the Funds to come to an agreement over the recognition of the partnerships which can then access the different Funds - either in one common package - or in phases.

However, as mentioned, if the coordination mechanisms mentioned above are not in place and functioning effectively then there is a risk that obliging partnerships to use multi-Funding could "multiply" complexity and pull local partnerships in different directions, thus distorting their original purpose.

Under a **mono-fund option**, the national or regional framework for coordination between Funds will be weaker and more ad hoc. Nevertheless, as we have seen, the Common Provisions Regulation states that Member States should improve coordination in the same fields as in the multi-funding option: capacity building (e.g. coordinating preparatory support and technical assistance), selection and approval of strategies and areas (at least providing clear information and where possible bringing together the calendars, procedures for calls and selection criteria) and management and control systems. However, the degree and scope of the coordination is likely to be much more variable.

Table 3 below provides an overview of the main actions that need to be taken to ensure coordination of Funds under the multi-fund and mono-fund options.

Table 3: Actions for coordination under the multi funding and mono funding options

	Coordination with multi-funding	**Coordination with mono-funding**
Scope of intervention	• Agree between Funds on the types of areas and types of projects • Agree criteria for the lead Fund, if this option is to be used	• From the start of the programmes, ensure the dissemination of information on what funding is available, for what, where and when
Capacity building, selection and approval of strategies and areas	• Common calls for preparatory support • Joint capacity building • Common calls for strategies and areas • Agreed selection criteria • Common selection procedures • Joint selection committees	• Allow preparatory support to be used to prepare strategies which cover also the scope of support of other Funds • Unify calls as much as possible and at least provide a calendar • Working parties to coordinate selection criteria and procedures • Coordinate information flows between selection committees
Funding management and control	• Agreed eligibility criteria for project selection. Common functions for LAG in project selection • Common functions for managing authorities in delivery • Joint MA for some Funds? • Common intermediate bodies • Joint monitoring committees or subcommittees • Common management verifications procedures	• Ensure broad eligibility criteria for each Fund are reflected in relevant documents • Inter-fund CLLD working groups for unifying and clarifying complementarity, eligibility issues and the role of the LAG • Joint platforms, technical working groups and networks for sharing good practice between Funds (joint or coordinated national networks) • Management verification procedures
Monitoring and evaluation	• Synchronised plans that distinguish between each Fund	• As for multi-funding

Box 29: Coordination at regional level in Poland

In Poland the coordination of CLLD lies with regional (Voivodship) authorities which has a dual role: it is the Managing Authority for regional Operational Programme financed from ESF and ERDF, and it has been delegated certain Intermediate Body functions by the MA

responsible for EAFRD and EMFF. However, to ensure common approach, rules concerning selection process including selection criteria will be established at national level and will be common for all regions. The regional authorities will be in a position to coordinate preparatory support and possibly a joint selection process, with one selection committee at the regional level. After selection, this committee will also play a role of coordinating implementation of CLLD in the region.

Several regions are planning to use this option; in particular, the Kujawsko-Pomorskie voivodship has announced plans to design a separate priority axis – the CLLD Axis – in its regional OP. In case these plans go through, this Axis will integrate funding from ESF, ERDF, EAFRD and EMFF, and LAGs will indicate in their applications which activities in their strategy will be financed from which Fund."

6.3 Two scenarios for coordination between Funds at local level.

Local partnerships need to clarify four issues before they can decide how to improve coordination between Funds at local level.

Figure 20 below shows that firstly, they need to know which of the four possible Funds will be supporting CLLD and in what kinds of areas. Secondly, they need to know if these areas will be allowed to overlap or whether they will be kept completely separate

1. Which Funds + areas?

2. Separate or overlapping areas?
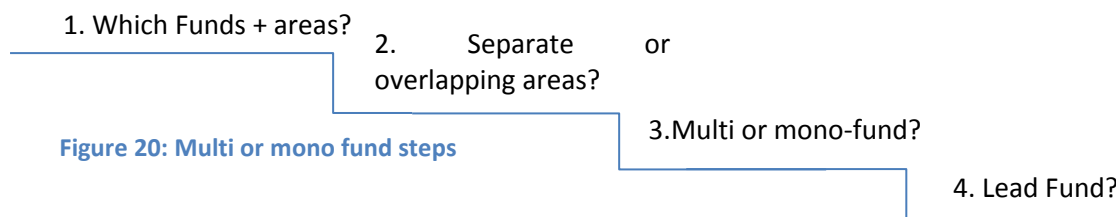
Figure 20: Multi or mono fund steps

3.Multi or mono-fund?

4. Lead Fund?

Thirdly, they need to know if multi-funding is envisaged - and if not - what are the improved procedures for coordination between the Funds? And finally, they need to know if the lead Fund option is allowed.

If only one Fund supports CLLD and/or the Funds concerned with CLLD operate in distinct areas then there will be no scope for coordination between Funds at local level (only cooperation between different areas). If, on the other hand, two or more Funds are used to support CLLD and the areas in which they operate overlap then there will be scope for improving the coordination of Funds at local level, *even in the mono-funding scenario*.

Box 30 below shows that in the case of **multi-funding**, local partnerships will be able to design a broad development strategy covering the scope of all the Funds from the very start. The process is simplified by the fact that there should be only one call for preparatory support and for the main strategies, with the same criteria and procedures, one selection committee, and joint managing authorities or intermediate bodies. There should also be unified criteria for project selection and clarity on the role played by each Fund. However, the strategy, action plan and financial plan must indicate which parts are funded by which Fund, and monitoring and reporting has to remain separate. The process will generally be simpler at local level, as long as these coordination mechanisms have been adequately put in place at national or regional level. If not, it could be more complex.

In the case of **mono-funding**, local partnerships may still be able to access several Funds to finance their local development strategies but the burden of coordinating different funding packages will be greater at local level. Local partnerships have always looked for ways of complementing their core funding by taking on additional functions, financed by other funds. For example, the Irish rural development partnerships manage substantial programmes for social inclusion, which receive ESF funding, and many Spanish partnerships managed or formed part of EQUAL partnerships and managed INTERREG projects. Around 40% of Fisheries Local Action Groups were also originally LEADER groups and now manage both LEADER and Axis 4 of the EFF.

But the opportunities for doing this very much depend on being in the right place at the right time. In this situation, local partnerships have to secure their core funding from one Fund and try to add on other funding streams as the opportunities arise.

Because local partnerships may or may not be able to access other Funds, the Commission suggests a certain flexibility within the given legal framework between Funds allowing local development strategies to fund operations that are also the competence of other ESI Funds, as long as these are consistent with the respective Fund-specific rules as well as the objectives of the local development strategy and the supporting programme. If most operations can already be financed by one Fund - then the motivation for accessing other Funds becomes more about additional resources (which may in itself be very important in times of austerity).

Box 30 below summarises the implications of the two main scenarios for the coordination of EU Funds for local partnerships.

Box 30: Implications of multi- and mono-funding on coordination of funds on local level

	Local implications of multi-Funding	Local implications of mono-Funding
Scope of intervention	• Local strategies can cover the full scope of the Funds involved in CLLD	• Local strategies focus on one specific Fund and then try to add on or coordinate with partnerships dealing with other Funds. Alternatively, they may be able to develop a broad strategy and try to attract funding from different sources
Capacity building, selection and approval of strategies and areas	• Joint preparatory support for all Funds • Joint capacity building • Single calls for all Funds together • Common selection criteria • Common selection procedures • Joint selection committees • Strategy, action plan and financial plan must indicate which parts are funded by which Fund	• Separate calls, selection criteria and selection committees • Different parts of the strategy may be financed by different Funds on an ad-hoc basis • And/or different partnerships and sub areas may coexist on the same territory. • There are many alternatives for local coordination (see below)
Funding, management and control	• One set of eligibility criteria for project selection • Clear criteria and procedures for	• Different eligibility criteria and procedures for project selection • Ideally, the eligibility conditions

	deciding which projects are funded by which Fund • Common functions of the LAG for all Funds • Common provisions for management verifications	for each Fund should be defined in broad and flexible terms • Management verifications procedures for each Fund
Monitoring and Evaluation	• Synchronised plans that distinguish between each Fund	• Reporting, monitoring and evaluation must be in place for each Fund

Box 31: **Coordination of EU Funds in Tyrol, Austria**

During the 2007-13 period, the eight LEADER local action groups in the Austrian region of Tyrol already benefited from an integrated model for the coordination of EU Funds which combined both top-down and bottom up features. Local areas were expected to design and deliver strategies that were coherent with regional goals, while respecting certain common principles (youth, gender mainstreaming, concern for energy projects, ICT, etc.) and using the same quality management system. In their turn, LAGs were able to deploy all the Leader principles to promote innovative local initiatives.

In March 2013 the Tyrolean government approved the proposals for "regional management 2020" which builds on past experience. The aim is to fund CLLD partnerships from three separate programmes: 5% of the EAFRD, 16% of the ERDF regional programme and up to 15% of the European Territorial Cooperation programme (cross-border) between Austria and Italy (also ERDF). In the case of the ERDF regional programme, the priorities will be smaller towns and local centres, SMEs and innovation, climate change and social inclusion.

The regional government is already the MA for both LEADER and the ERDF and one unit will act as a one stop shop ensuring coordination at both strategic and project levels between the different departments of the administration. There will be a common monitoring system for all LAG projects and a major effort to simplify the application and control system through common rules and check lists.

6.4. What steps can be taken at local level to improve the coordination between Funds?

Whilst local development strategies and partnerships will inevitably be shaped by the architecture of EU funding opportunities, the key message for local actors is that strategies must be driven by local needs. Strategies should not simply degenerate into wish lists of projects that can be funded under the prevailing financial arrangements. They must be based on "what the local community wants to change" and "where it would like to be in year X". Rather than simply moulding themselves to fit top-down formulas, local partnerships must develop forms of coordination that are most suited to their circumstances and the aims of their strategies

Coordination between Funds at local level can take place in the context of strategy development, partnership organisation, area definition and management verifications.

In Hungary the National Rural Network has produced a CLLD Planning Map, which provides a template to help local partnerships to tackle themes as diverse as climate change and poverty in a single local development strategy. The template is available as a tool to help local partnership make the best use of CLLD and the multi-funding approach.

http://enrd.ec.europa.eu/app_templates/filedownload.cfm?id=7DE332A5-E5D8-DAE8-40CB-16AB62C0D672

How to use the coordination between Funds to strengthen local development strategies?

Coordination between Funds can allow local development strategies to take a more integrated, holistic approach and to broaden their scope to deal with different types of problems. Even if there is great flexibility for CLLD in each individual Fund, the main stakeholders involved in the Fund will most likely pull it in a certain direction. For example, rural stakeholders are unlikely to want the city to absorb the bulk of EAFRD funding in an urban-rural partnership, and fishing organisations are unlikely to want a high proportion of EMFF funding to be spent on general development infrastructure. So in general, accessing different Funds (individually or through multi-funding) not only allows local partnerships to broaden their scope – but also to give more attention to certain fields or issues that they would find it harder to cover otherwise.

In addition, when local partnerships become responsible for actions normally financed by several different Funds, they have a greater ability to ensure coherence between the main policies affecting local development. For example, they can ensure that decisions about small scale infrastructure (financed say by the ERDF) are consistent with efforts to create jobs in the food sector (financed say by the EAFRD).

Taking these point into account, there are two main approaches to cooperation between Funds in strategy development:

1. Starting big and focussing down.

The first approach involves taking a holistic approach to all the main needs and challenges facing a particular area and then focussing down on the ones where there is the greatest chance of achieving results at local level with the different Funds available.

The advantage of this approach is that it provides a more integrated, systemic overview of all the issues and the linkages between them, which can then be prioritised in the local development strategy. These priorities can be drawn on to develop funding packages which conform to the different EU Funds but still fit within a coherent overall framework. If there is no multi-funding the partnerships can still use the same overall umbrella strategy to apply for different Funds as the opportunities arise.

In Andalusia, Spain, the managing authority for Axis 4 of the EAFRD (LEADER) has put in place a practice of wider territorial planning, in order to ensure policy coherence and to improve the mechanism of designing and monitoring comprehensive multi-sector local development strategies implemented through different funds. Many local partnerships in Andalusia have access to many different EU, national, regional and local funds, as well as the EAFRD. The managing authority provides support for a multi-sectoral analysis (MSA) of each LEADER territory and, based on this, it also prepares a Global Action Plan (GAP), which specifies all the possible interventions that can be subsidised through LEADER. Using the MSA and GAP, local partnerships then prepare broad-based local development strategies, which reflect the wider needs of the area and identified the various funding sources. http://enrd.ec.europa.eu/app_templates/enrd_assets/pdf/leader-tool-kit/infosheet/10_infosheet.pdf

SECAD's (South East Cork) multi-fund platform

South East Cork Area Development (SECAD), a local partnership operating in the south east of Ireland, draws on many different funding sources in order to implement different aspects of its local development strategy. The strategy focuses on four main pillars: rural development, which is funded by the EAFRD with national co-financing; social inclusion, which is funded by the ESF and a national initiative; transport, which is funded from EU (IEE programme) and national sources; and labour market activation, which is funded from national sources. Some of the actions in the strategy, such as a youth film making initiative, rely on a combination of these funding sources to cover different aspects, such as transport, the purchase of equipment, and to ensure the overall management.

http://enrd.ec.europa.eu/app_templates/filedownload.cfm?id=7DE324DD-9F8F-AA72-C975-2373D5D36F76

However, care must be taken to avoid certain risks. The first is the pressure to increase the geographical scale of intervention in order to adequately cover all the problems. Because economic, social and environmental problems impact at different levels, the tendency is increase the size of the area in order to address as many as possible. The second is the risk of diluting the concerns of weaker stakeholders within the big picture.

One way of avoiding this is to include certain themes, target groups or sectoral axes within the strategy, driven by the local stakeholders concerned by them. These clusters of activity can evolve into "communities of interest", which lead on certain parts of the strategy and work up projects. It can also be useful to create specific selection committees or "sub partnerships" for different parts of the strategy, which ensures a voice for certain groups. Examples of such approaches include the existing partnerships which deal with both rural development and fisheries and the integrated strategies of the Irish LEADER partnerships (see the example above and that of IRD Duhallow in chapter 5). The Welsh LEADER group Menter Mon also set up a multi-stakeholder community of interest to deal with an opportunity identified in its local development strategy of "turning walking into an industry".

2. Bottom-up integration

The alternative approach is to start from the existing focal points of energy and activity within the community and build the broader strategy from the bottom up. For example, one community may be particularly concerned and active around youth employment. The strategy

would start by bringing together young people themselves with schools, careers services, employment offices, sports and social clubs, social services, employers, development agencies and so on. Projects might cover different fields of intervention such as entrepreneurship, training, social and cultural infrastructure, housing and so on. This would bring the local people active on youth into contact with people concerned with other related issues, which could in turn become further hubs of community activity and projects (see for example, the URBACT project My Generation on Youth mentioned in chapter 5 and the local projects on Roma integration mentioned in chapter 3 (Alba Iulia, Romania – from the Nodus URBACT network and Udine, Italy - Romanet Urbact Network).

In the 2007-13 EU funding period one manifestation of this kind of approach is the situation where existing LEADER groups in rural areas applied for funding from the EFF to cover activities targeting coastal and fisheries communities in or adjacent to their areas (see the example below of the East Almeria LEADER LAG from Andalusia, Spain which developed the strategy and successfully applied to manage Axis 4 of the EFF)

In the 2014-2020 funding period, there is the opportunity to take these concerns into consideration from the very start and carry out a much more systematic mapping of the existing policies and organisations operating at local level. The French authorities, for example, have mapped out the mosaic of EU Funds interventions in different areas. This should allow local organisations to form more coherent alliances and come to agreements on how to use the different Funds in a far more effective way than before.

How to use the coordination between Funds to strengthen local development partnerships?

One of the greatest obstacles to better coordination between Funds occurs because existing stakeholders are opposed and afraid of losing power, influence, resources and ultimately their jobs as a result of reorganisation. Consequently, they resist any change or interference in their "domains". Such defensive self-interest is often mixed with genuine concern that the core values and priorities of their organisation will be diluted through their integration with other (more powerful) bodies. These concerns operate at every level, from the EU to national and regional bodies and, of course, they are present at local level.

Overcoming the defensive self-interest of established stakeholders and their legitimate fears about the dilution of their main objectives is an extremely delicate task which needs to be handled with sensitivity in order to avoid dividing the community. It is important to recognise, therefore, that better coordination does not always have to mean mergers or cuts in material and human resources. There are a range of alternative approaches that can lead to broad "win-win" arrangements among local organisations and stakeholders for a more effective division of responsibilities and tasks. Some of the main organisational possibilities for improving the coordination of Funds are as follows:

- *Integration into a common legal structure.*

Many local partnerships funded by LEADER or Axis 4 of the EFF have adopted the form of an independent legal entity. The most common form is that of a non-profit making association, but there are also examples of foundations and public companies or other forms of non-profit distributing companies. Whatever the legal form, the principle of this approach is that one entity – usually the first one to be established – assumes the responsibility for designing and implementing a strategy financed by another Fund.

As already mentioned, around 40% of the local strategies financed by Axis 4 of the EMFF were designed and are now managed by partnerships that started off originally as LEADER local action groups. However, it is now equally possible for Fisheries Local Action Groups to take the lead on actions financed by the ESF, ERDF or EAFRD.

Existing partnerships other than LAGs or FLAGs financed by the ESF or ERDF can also do the same, as long as they comply with the principles of CLLD local action groups. In all these cases the best way of ensuring that the core values and goals of each Fund are respected is by having separate subcommittees responsible for the different parts of the strategy and project selection.

Box 34: Coordination between FLAGs and LAGs in East Almeria, Spain

In 2009, the East Almeria LEADER LAG, responded to Andalusia's call for Fisheries Local Action Groups. Bringing together the relevant stakeholders, it prepared a local development strategy for the fishing communities of Carboneras and Garrucha. This was approved, along with the newly formed partnership, by the region's department of fisheries and aquaculture. The LEADER LAG was then recognised as a "rural and fisheries development group" which continues to act as legal entity and whose manager oversees both programmes. However, the FLAG has a dedicated animator, separate accounting and a separate board with stakeholders relevant for its EFF Axis 4 strategy. The FLAG board selects EFF Axis 4 projects and the LAG board selects LEADER projects.

- *Integration into a common accountable body*

Some countries and regions already have a 'crowded playing field', with large numbers of existing organisations and agencies operating at local level. In these cases it can be counterproductive and conflictive to create yet another legal entity. In other countries, civil society organisations do not have the experience or capacity to manage a local development strategy on their own. In both cases, one solution is to use an existing experienced local organisation – usually a municipality or public entity – as the 'accountable body'. The accountable body assumes all the responsibility for the administration, management and financial control of the strategy but delegates its design and implementation (e.g. project selection) to a partnership or selection committee that conforms to the CLLD rules.

In both cases of integration into a common legal structure and the use of an accountable body, the important point is to ensure that the people driving each component of the strategy and selecting the projects really reflect the interests of the local community and prevent the dilution of that specific part of the strategy. As mentioned, this can be done by having separate sub partnerships or project selection Committees.

Figure 21: A single accountable body coordinating four Funds

When a public accountable body is used, care must be taken to ensure that financial administration and oversight does not lead to a situation where public sector interests come to dominate the strategy or the partnership.

Box 35: Management of LAGs and FLAGs through a single body - Pays, France, Local Development Agencies in Greece

The *Pays* in France are inter-municipal bodies which, in a number of cases, act as legal entity for both a LAG and a FLAG. This is the case with the Pyrénées Méditerranée *Pays* which manages a LAG partnership and a FLAG partnership, each with its own project selection committee. Almost 50% of members from the FLAG's selection committee are from the fisheries sector, for example, which therefore plays a strong role in guiding the FLAG's work. As legal entity, the *Pays* guarantees the sound management of the two programmes and ensures coordination between their strategies. The president of the *Pays* signs all legal documents on behalf of the FLAG and the LAG.

In Greece, LAGs and FLAGs are managed by Local Development Agencies (LDAs) which are private companies composed of shareholders. The LDAs are legally responsible for the administration and delivery of the local development strategies. Shareholders of the LDA and other stakeholders make up the general assemblies of the LAG and FLAG, whose boards act as the decision making body for their respective programmes and report to the LDA.

- *Other forms of organisational coordination*

The management of different EU Funds by a single umbrella organisation, whether this be a separate legal entity or a common accountable body is the most complete and surest form of coordination. However, there are many other forms of coordination that do not involve this kind of organisational merger. In principle, it is possible for different local organisations to agree an overall strategy with different thematic or target group specific axes supported by different Funds and then delegate the day to day management and decision making of each axis to separate partnerships. However, even in this case, the partnerships should not only demonstrate that there is no duplication but also that the different components complement each other. This can be achieved by one of the following methods

✓ Representatives of each organisation can formally sit on each other's boards and decision making bodies
✓ They can have regular strategic and technical coordination meetings
✓ They can agree criteria, procedures and referral systems for projects
✓ They can share outreach staff and project support
✓ They can share administrative and financial staff and systems
✓ They can share premises

Figure 22: Potential relationships between boards of LAGs supported by different Funds
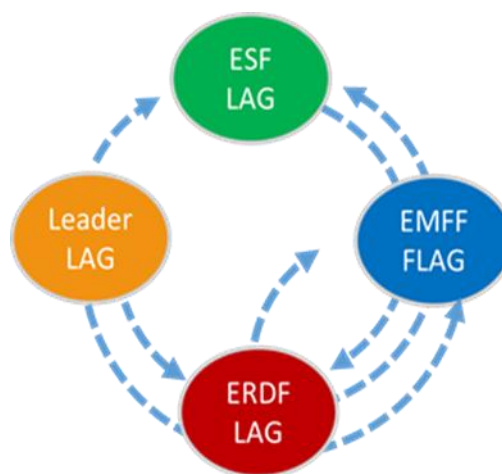
Box 36: Technical coordination committees in the Jerte valley, Spain

The Spanish LEADER group from the Jerte Valley has set up a "technical coordination committee" which brings together the staff of the partnership itself with the staff of all the other local projects dealing with social integration, schools, health, environmental protection and spatial planning. The Polish LEADER group "the Valley of the Carp" operates in the same area and shares the same premises and website with the FLAG. To ensure coordination, both Finish and Irish LEADER groups often sit on the boards of the FLAGs which overlap with their areas.

How to use the coordination between Funds to ensure a better definition of local areas

As has been mentioned earlier, there are two reasons why efforts to improve cooperation between Funds could lead to bigger operational areas. The first is that economic, social and environmental processes operate over different geographical scales and the easiest way to encompass them all is to choose the highest common denominator (i.e. an area that encompasses all aspects). This can coincide with the pressure to reduce the costs of implementation in the face of tighter public budgets. However, there is a serious danger that getting too big can put in jeopardize the central advantage of CLLD – namely, the sense of common interest, identity and proximity that is required for the community to genuinely lead the process.

It is important, therefore, for local actors and regional and national administrations to be aware that there are a range of alternatives available for defining boundaries, which do not necessarily involve endless expansion. These alternatives can be used by the different forms of partnership mentioned above.

- *Identical or similar boundaries between Funds.*

Where the problems being dealt with by two or more Funds are distributed over a similar area then the boundaries for CLLD strategies can also be roughly similar. For example, some of the Leader local action groups in Poland and all of them in Latvia have identical boundaries to the Fisheries local action groups

This is obviously the clearest and simplest option. But it is important to realize that the boundaries do not have to be exactly the same. For example, it does not make sense to leave out an important pocket of deprivation or of economic activity from one Fund purely for the sake of homogeneity.

Figure 23: LAGs and FLAGs with same boundary

The principle should always be to ensure that the boundaries are appropriate for the implementation of the strategy

- *Demarcation*

This is another relatively simple option, which can apply, for example, when the projects on or near the coast are financed by the EMFF, while those in the rural hinterland are financed by the EARDF. The strategy could be implemented by two selection committees of the same partnership or two partnerships working in close cooperation.

Figure 24: Territorial demarcation

Box 37: Demarcation approach to complementary strategies used by Italian LAGs and FLAGs

In the 2007-13 period, demarcation in certain Italian regions meant that municipalities covered by a LEADER group were not eligible to receive EFF Axis 4 funding. In Abruzzo, for example, the Costa dei Trabocchi FLAG operates in the coastal municipalities of Chieti province, while the Maiella Verde LEADER LAG covers the neighbouring municipalities inland of the FLAG. The two organisations take care to ensure their strategies are coordinated and complementary. For example, the LAG focuses on reaching the more remote parts of the area and the very small, artisanal producers, while the FLAG aims to integrate the fisheries communities into the broader territorial development process.

More information on page 9 of the FARNET Magazine, Fisheries Communities at the Heart of Local Development.

- *Shared geographical boundaries or challenges*

This situation occurs when different areas share a common boundary. For example, when a series of rural areas share a common coastline, estuary, river or mountain range – or where they border an urban centre.

In these cases, it can be useful to have separate strategies or axes for each rural area, financed say by the EARDF, together with a commonly agreed strategy covering the shared boundary financed by another Fund or Funds (for example, the EMFF in the case of the coast or the ERDF and ESF in the case of a city.
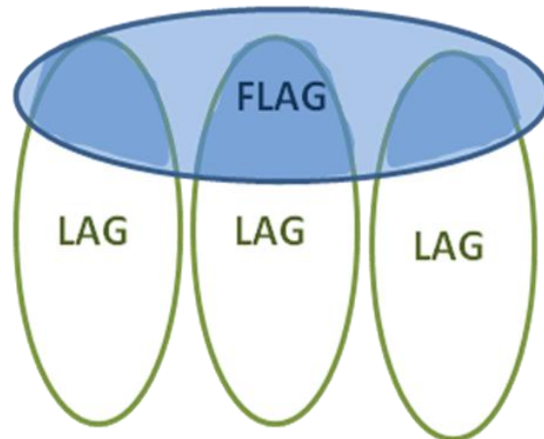
Figure 25: Shared geographical boundaries

For example, each of the six Irish Fisheries Local Action Groups follows the coast and crosses over the areas of several Irish LEADER LAGs. As mentioned, to ensure coordination LAG board members also sit on the board of the FLAG

- *Cooperation on common issues*

Figure 26: FLAGs and LAGs cooperating on common issues

This can be a useful way of keeping areas which are small enough to encourage community involvement while at the same time, allowing CLLD strategies to achieve the scale required to tackle common issues which affect a larger area.

The approach was originally developed in Finland to deal with the problems faced by dispersed fishing communities spread over a number of rural areas covered by LEADER.

Basically, one of the rural local action groups acts as the lead for a joint strategy for fisheries areas, with the participation of the other areas. This kind of approach could be used, for example, by several rural or fisheries groups financed by the EARDF or the EMFF for developing a common strategy for dealing with a cluster of economic activity or a labour market area financed by the ERDF and or ESF. It could also be used by several neighbourhoods for dealing with certain common city wide problems.

Box 38: **Cooperation between FLAGs and LAGs in East Finland**

East Finland FLAG covers 11 LEADER areas, partly because the FLAG area's identity is based on the water system of lakes (Saimaa Lake area) present in the area which was considered necessary to include in its entirety and partly in order to ensure a critical mass of fishermen covered by the strategy. All 11 LEADER LAGs are members of the FLAG partnership and therefore follow the work supported by the fisheries strategy. One of the LAGs, Rajupusu LEADER LAG, also acts at the legal entity for the East Finland FLAG.

Chapter 7. How to make CLLD safer, faster and easier for local action groups?

7.1 Introduction

Although the present Guide is primarily intended for the Local Action Groups and other local actors, this chapter can also be particularly useful for Managing Authorities[78] in their task of designing delivery systems appropriate for CLLD.

Within the delivery systems defined by the Common Provisions Regulation applicable to the ESI Funds, one of the most distinctive features of CLLD is that, in addition to drawing up the strategy and developing projects, the local community is actually involved in delivery, i.e. in the process by which projects are selected, approved and funded. In mainstream delivery systems the full responsibility for project evaluation, selection and approval of funding normally rests with the Managing Authority or Paying Agency. CLLD is fundamentally different; the LAG's role is not only advisory. LAGs actually select operations and fix the amount of support for the operations. They might even take formal decisions on the operations to be supported.

Figure 27: CLLD delivery system
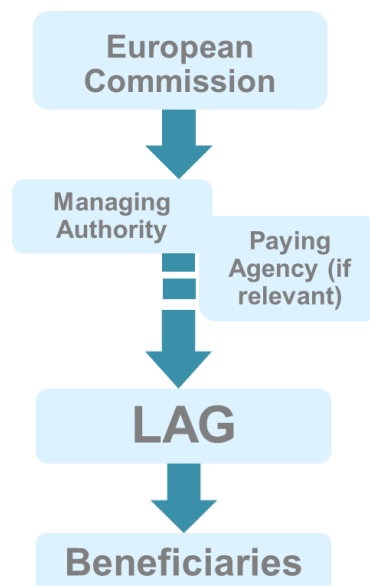
In the basic CLLD delivery system the flow is as follows: the European institutions establish common objectives and principles of each Fund; the national or regional Managing Authority designs the basic rules for implementing the programme; the Managing Authority launches a call to select the LAGs; the LAG publishes a call for proposals and receives, assesses and selects operations which will be supported to meet the objectives of the local strategy; the beneficiaries implement the projects and receive the funding.

---

[78] See also Common Guidance of the European Commission Directorates General (AGRI,EMPL,MARE and REGIO) on CLLD in ESIF - April 2013

Each of the European Structural and Investment Funds has its own structure, culture and practice for managing the Funds. The Common Provisions Regulation sets out the basic framework, but many different systems are used in the Member States. Managing Authorities may be at national or regional level depending on the size of the country, the Fund concerned and on other factors such as the level of decentralisation or federalism. The Managing Authority designs the delivery system and defines who does what. The minimum roles of the LAG as set out in the regulations are described in section 3.3.2.

The way the delivery system is designed has a strong impact on the functioning of the LAG and the types of projects which are ultimately financed.

If the delivery system is not adapted to the CLLD approach, then many of the benefits which the approach delivers may be eroded or lost. For example the benefits of the quick turnaround from the LAG's local decision-making, the application of local knowledge in project selection and the motivation and commitment arising from the sense of ownership and responsibility of the local partnership may be reduced if the Managing Authority or Paying Agency duplicates these decision-making functions. However, adequate measures should be in place to mitigate possible situations of conflict interest and to ensure the segregation of function between the actors involved in the local decision making process.

The most valuable work which LAGs do is in animating community initiatives. This is particularly so in the case of the more complex projects involving different partners – often those projects that are most innovative and have the greatest potential for change. It is important therefore to ensure that the LAG does not have to focus primarily on administrative work, as this reduces its capacity to animate. The specificity of CLLD delivery means also that the financing mechanisms might have to be adapted (including national contribution, advance payments etc.), to enable the LAGs and their beneficiaries, often NGOs, SMEs or informal bodies, to implement their projects.

In the following sections we indicate some ways in which the benefits of CLLD can be enhanced and these types of problems can be avoided. The chapter discusses:
- financial solutions adapted to the needs of LAGs and their beneficiaries, including advance and interim payments and public co-financing mechanisms (section 7.2),
- reducing administrative burden by using mechanisms such as small project schemes and umbrella schemes (section 7.3),
- simplifying the assessment and control of projects (section 7.4),
- simplifying the reporting and reducing paperwork by applying simplified cost options (section 7.5).

7.2. Improving access to finance at the local level

LAGs are often private bodies (in the form of associations, non-profit companies, or without any legal entity), charged with a responsibility to deliver a public service. The relevant mechanisms for public funding of CLLD should be adapted to take this into account. This should also take account of the specific characteristics of many of the local beneficiaries whose projects are supported by the LAG. Several options to facilitate access to funding for local actors are possible.

Co-financing:

Making **national public co-financing available** up-front: It is advisable to ensure that in CLLD the national public co-financing is provided by the responsible ministry or regional authority at the same time as the EU grant. Such solutions contribute to the simplicity and transparency of the delivery system and put all the LAG partners on the same footing.

An important principle of CLLD is that the partnership should know in advance its total budget including the national public co-financing in order to animate and select projects of highest priority from the strategic point of view.

In several Member States the national public co-financing required to complement EU funding is provided by the regional or local authority, very often on a project-by-project basis. Whilst this can be justified for instance for large infrastructural projects or significant business investments it may not be appropriate for CLLD. Further issues may arise where a local administration is responsible for allocating the national public co-finance on a project-by-project basis as this gives it additional leverage in the decision-making process and creates asymmetric power relationships in the LAG partnership.

Many beneficiaries have limited finance and cash flow. They can therefore have difficulties waiting until the project is completed and accounted for to receive the grant. This can also be true for some LAGs in the case of running and animation costs. Such problems can be addressed by interim or advance payments which should be covered by guarantees if required.

Interim payments:

Interim or staged payments. Larger projects can be broken into stages, with the possibility to request a certain part of payment at the completion and reporting of each stage. In this way the beneficiary does not have to wait for the payment until the whole project is finished and accounted for, which helps to reduce cash flow problems. This solution has been used in many MS in the 2007-13 period.

Pre-financing mechanisms:

Pre-financing mechanisms such as advance payments. This is a way to enable LAGs and other beneficiaries to obtain funding as soon as the project has been approved in order to start implementation. In Funds covered by the CPR each programme receives pre-financing from the Commission, followed by interim payments based on declarations of expenditure and completed by a final payment. Member States may choose to use the flexibility that these pre-financing payments offer e.g. to make advance payments with national funds for running costs to Local Action Groups delivering CLLD strategies. In particular, advances of up to 50% of the public support related to running costs and animation are explicitly envisaged in the Rural Development Regulation[79] and in the draft EMFF regulation[80]. The Rural Development Regulation also foresees the possibility for such advance payment to beneficiaries of investment related support[81]. To apply for advance payments LAGs and beneficiaries may have to provide an adequate form of guarantee.

Where advance payments are not available beneficiaries may seek bridging finance from financial institutions in order to cover the costs of their project before they can be reimbursed with EU funding; loans can also be needed for the beneficiary's own contribution to the

---

[79] Art. 42 (2) Regulation (EU) 1305/2013 (EAFRD)
[80] Art. 63(2) of the draft EMFF Regulation
[81] Art. 45 (4) Regulation (EU) 1305/2013 (EAFRD)

project. It is therefore important for the LAG to establish good relationships with the financial sector in their area (for instance local banks or credit unions) in order to help facilitate access to loans and guarantees for CLLD projects.

Box 39: financial solutions adapted to CLLD in Poland

In Poland the national co-financing is packaged together with the EU funding. Once a project has gone through the approval process, it is sure to get both the EU and the national part of the funding at the same time. Securing co-financing for EU money is one of the key priorities of the state budget, which is understandable since Poland is one of the largest beneficiaries of cohesion funds and in the period 2007-2013 all of its territory was a convergence region.

In the Polish fisheries areas applying Axis 4 of the EFF both FLAGs and beneficiaries have access to advance payments which can reach up to 100% of the total project amount. These advances are financed from the national budget.

One of the Polish FLAGs (Obra-Warta) has established an arrangement with the local cooperative bank to provide loans to NGOs applying for fisheries related projects. The terms of the loan and the timing of decisions is adapted to the needs of Axis 4 beneficiaries, and the FLAG has also managed to find additional funding to support beneficiaries to reimburse half of the interest payments.

A **speedy decision making process** can get finance to the local action groups and projects as quickly as possible, which is of high importance in improving cash flow for local development. The Managing Authorities that demonstrate best practice make payments within three days of receiving payment requests, and some even achieve a same day service. In the worst cases payments take over 12 months, which can put considerable strain on the cash flow of organisations that have to make salary and other regular payments every month. Sound and speedy administration together with clear definition of roles is the best solution. The Finnish example below sets the benchmark at 3 months – something every Member State should aim for.

Box 40: ELY Centres in Finland – efficient administration and a separation of powers with the fisheries local action group (FLAG)

The Finnish delivery chain for fisheries CLLD is remarkably efficient. A typical project can be approved within six weeks of submission. The key to this efficiency is in two types of organisations. The 12 ELY Centres, intermediate bodies of the national government, handle issues of eligibility, approvals, contract and payments while the FLAG selects eligible projects and deals with the development of a pipeline of projects to make up the action plan.

Projects formally apply to the ELY Centre, although most will have had informal contact with the FLAG coordinator. The application is forwarded by the ELY Centre to the FLAG working group. The FLAG subcommittee meets 2 weeks before the main board meeting. The decision is made either in a physical meeting or by email written procedure. The decision is ratified in the main board of the FLAG and sent back to the ELY Centre. Provided that the paperwork is complete, the offer letter is sent to the applicant within six weeks of original reception by the ELY Centre.

Projects selected by the FLAG are rarely refused by the ELY Centre, not only because the FLAG staff proof-checks eligibility of project ideas from the start, but also because the ELY Centre knows which projects are under preparation by the FLAGs, so any eligibility issues tend to be

identified before a lot of work has gone into developing a non-eligible project.

The project is allowed to start from the date of sending the application but at the beneficiary's own risk. Payments are made within three months of receipt of a claim.

7. 3. Reducing administrative burden through small project and umbrella schemes

The CPR makes it clear that it is the LAG that decides which projects will be financed and how much funding they are to receive (article 34 specifies that the LAG assesses applications for support, selects the operations and fixes the amount of support). The Managing Authority (or its appointed Intermediate Body) is responsible for ensuring a transparent selection of LAGs and verifying that the LAG and beneficiary have fulfilled all the mandatory requirements. Under certain conditions described in chapter 5, within the provisions set out by the national and EU legislation, Managing Authorities can also delegate to LAGs other tasks, such as for instance final approval of projects, including signing of grant agreement, or transfer of funding to the beneficiaries.

This two-stage process of project approval does not necessarily mean that it must take longer: if all the actors are clear about their tasks and there are procedures and tools (checklists etc.) to facilitate decisions, the process can be streamlined. However, there are ways to simplify it even further, if certain mechanisms such as "small project schemes" and "umbrella schemes" are used.

In **small project schemes set up by the MAs**, projects below a certain size (e.g. EUR 5000), and sometimes with limits on the purposes the project funding can be used for, go through a simplified application and approval system (shorter application form and fewer documents required). This has the advantage of easing access to funding by less experienced beneficiaries (small NGOs or individuals), while reducing the risk by limitation on amount and purpose. Small project schemes were used in the period 2007-2013 in several Member States.

Umbrella schemes are used as a means for the LAG to disburse small grants (for instance below €3,000) to a specific type of beneficiaries (e.g. small NGOs or enterprises, a particular sector or enterprise type). In such cases the LAG acts as the project promoter, applying for a certain package of funding, and then allocates it in the form of small grants to beneficiaries from its area. They differ from small project schemes in that it is normally the LAG that plays the role of applicant and the recipient of the grant as far as Managing Authorities are concerned for the purpose of payments, audit and control.[82]

Whilst there are advantages with this approach, it is important to take care in the design. Umbrella projects can open up access to the programmes for small organisations, businesses and individuals and make it simpler, faster and easier for them, while traditional delivery chains are designed for small numbers of large projects and tend to entail significant administrative burden. The task of reporting is the responsibility of an organization (normally the LAG) which is experienced in keeping records of public expenditure. The LAG is responsible to keep a detailed list of the bodies which received the assistance for audit trail purposes.

In designing umbrella projects LAGs must ensure that they closely monitor the activities of umbrella project beneficiaries to avoid the risk of ineligible expenditure. Secondly, to avoid

---

[82] The projects under umbrella schemes would in most cases fall under *"the minimis"* aid.

umbrella projects acting as something of a black box, i.e. containing a range of activities which may not all be closely related to the overall objective, projects should be focused around very specific and similar types of activity to achieve the CLLD strategic objectives. In the Scottish case below (see box 41), this was the accreditation for tourism.

Box 41: Examples of umbrella-type schemes from Scotland UK, Finland and Sweden

In Angus, under the Rural Tayside LAG in Scotland the umbrella approach has been used for tourism projects. One type covers the cost of accreditation for bed and breakfast establishments with a range of relevant tourism organisations. 40% of the cost of accreditation is paid by the LEADER grant, 50% by national funds from the local authority and 10% of the cost is paid by the bed and breakfast establishment itself. A typical accreditation costs approximately 800 € and about 30 were carried out at a total eligible cost of €23,000.

Another second Scottish example under LEADER used an umbrella scheme for making small grants of up to €5,750 to start up social enterprises. A follow-on development funding grant was also available for the same amount. The total cost of the scheme was €100,000 with EU funding set at 40%. Eligible costs covered business development advice and funding (e.g. business planning, marketing tools, finance, IT, legal, products and service development), training courses, awareness raising, signposting, building partnerships, sharing good practice.

In Sweden umbrella schemes are used for youth projects in rural areas. The beneficiaries are mainly groups of young people, small community groups and cultural organisations. The eligible actions include feasibility studies, youth festivals, study visits and even small investments. Normally, the upper level of grant is about €3,000.

In Finland the mechanism of "coordination projects" is used to finance a wide range of small-scale projects by bringing them together in a single project. These coordination projects can include hard and soft measures. The LAG board selects from an open call for proposals. For instance in the Joutentsen Reitti LAG, 13 out of 23 applications were selected for implementation. A total budget of €50,000 supported these 13 micro projects that included painting the village hall. The LAG signed assignments with each of the 13 beneficiaries and monitored them on costs and outputs.

For many local projects speed is the crucial factor in achieving the project objectives, so small projects and umbrella schemes can be important. However, when considering the level of delegation, speed is not the only consideration. Another issue to keep in mind is that the CLLD delivery system must encourage local responsibility and promote a sense of ownership and local motivation.

7.4. Clarifying issues around eligibility

The EU regulations specify that certain types of costs cannot be financed from a given Fund, and Managing Authorities very often add their own restrictions. Their intention is to provide guidance to LAGs and beneficiaries and exclude expenses which, according to the MA, do not constitute a priority for support or could be problematic from the point of view of accounting, audit and control. Experience shows that attempts to define all eligible costs too precisely (e.g. publishing detailed lists of acceptable expenditure items) inevitably leads to endless questions and problems with interpretation of whether a given expenditure is in fact eligible or not. This in turn may extend the project approval process, especially if the decision involves administrative levels above the LAG.

Within the limits described by the regulations, it is therefore advisable to make sure that the definition of what is eligible is sufficiently well informed to accommodate a variety of local situations without leading to unnecessary disputes on individual expenses. The MA can also steer the LAGs away from supporting things that are not appropriate by producing a list of expenses which are **not eligible**.

The reasons for declaring a project or part of it ineligible should be **fully transparent and well publicised**, so that all the interested parties are aware of them in advance and can take them into account in preparing projects. LAGs should take particular care to find out about these rules and inform their project promoters, they should also maintain regular contact with programme administration staff responsible for eligibility checks (if these checks are not delegated to the LAG itself) to ensure a **common understanding** of the rules.

Specific eligibility issues that require particular attention include VAT, bank guarantees and in-kind contributions.

VAT: Problems over the interpretation of rules concerning VAT have caused delays in making payments in the past, it is therefore important for LAGs and MAs to clarify rules early on. As VAT is a national competence the interpretation of which organisations can recover VAT varies widely across the Member States. Where recovery of VAT is possible, the VAT the LAG or beneficiary pays may not form part of the expenditure claim. Where LAGs or beneficiaries are not able to recover VAT according to national legislation, it may constitute eligible expenditure[83]. Where it is eligible the VAT has to be included in the project budget as well as in the expenditure claim.

Bank guarantees: In some cases advance payments made possible under the regulations must be secured by a bank guarantee. This can be a particular problem for LAGs and beneficiaries that are NGOs or social enterprises. For instance in Poland the typical cost of obtaining a guarantee was estimated to be around €1,000. Some LAGs were able to work around this problem by getting the municipality to provide a guarantee. Early clarification is essential as well as exploring other cheaper solutions.

In-kind contribution: the contribution of unpaid work or free access to some assets is a typical feature of CLLD and can constitute substantial added value. In many cases this shows the commitment of members of the LAG partnership and other local people towards common goals. In previous periods some MAs did not consider this as an eligible cost (i.e. did not allow it to reduce the amount of financial contribution to a project that a LAG or beneficiary would have to provide), thus potentially excluding many valuable initiatives and contributions. According to article 69 (1) of the CPR, in-kind contribution is considered eligible, if the criteria provided by the above mentioned article are fulfilled and as long as specific rules of the Fund and programme allow this. LAGs should check whether this option is possible in their case. In-kind contributions can be an important method of broadening the range of potential beneficiaries, and can also increase the LAG's capacity for financing its own operations.

---

[83] Art. 69 (3) Regulation (EU) 1303/2013 (CPR)

7.5. Using simplified costs

Background

In the 2007-2013 programming period simplified cost options (SCO) were used mainly under ESF, where by 2011 approximately half of the EU Member States had implemented simplified cost options[84]. Under ERDF, the uptake of especially flat rates for indirect costs has increased since 2010. Some 45 programmes have a flat rate in place.

The 2012 Annual Report of the European Court of Auditors states that no errors have been found related to the use of simplified cost options in the ESF sample, which indicates that projects whose costs are declared using SCOs are less error prone. Thus a more extensive use of SCOs would normally have a positive impact on the level of error[85].

Drawing on the above experience, the possibility for simplified costs has been developed across all of the ESI Funds and is set out in the Common Provision Regulation (art. 67 and 68). In the CPR there is provision for three types of simplified costs options: the standard scale of unit costs, the lump sum and the flat rate financing (see Box 42 below).

Types of simplified cost options

In brief, simplified costs are a way to focus payments more on the outputs and results an activity achieves rather than on inputs.

Box 42: The three type of simplified cost options

Type of simplified cost option	How it is defined in the regulation	Illustrative examples in a local development context
Standard scales of unit costs	All or part of the eligible expenditure is calculated on the basis of quantified activities, outputs or results multiplied by a unitary cost **defined in advance.**	Standard scales of unit costs have for example been used to fix the cost of training for one trainee, or the cost of delivering a coaching scheme, or the cost of a business adviser per hour. Standard scales of unit costs could also cover contributions in – kind. For example, in Austria €30 per hour was set as the value of self-employed persons contributing to an ERDF funded project in the field of R&I.
Lump sums	All or part of eligible expenditure is reimbursed on the basis of **a single pre-established amount** (must be less than €100 000 of public contribution) in accordance with pre-defined terms of agreement on activities and/or outputs).	Support for a meeting could be set at a specific amount to cover the cost of hiring meeting rooms, meals and refreshments, and audio visual support. The amount could be based on an assessment of previous costs for similar projects. Payment is made based on achievement, i.e. evidence that the

---

[84] Metis and Wiiw 2012 Evaluation of the reaction of the ESF to the economic and financial crisis
[85] 2012 annual report ECA, paragraph 6.23, OJEU, 14.11.2013, C 331/175

	Warning: the lump sums are a binary system: if the agreed activities and/or outputs are delivered, the pre-established amount is paid. If not, there is no payment. This system works better in case of projects with only one deliverable (e.g. "one conference organised").	meeting was held. Some types of costs of providing the coordination function for a LAG, could be based on lump sums based on an agreed set of tasks.
Flat rate financing	Specific category of eligible cost is calculated in advance by applying a percentage to one or several categories of eligible costs. This can be used to calculate indirect costs or other types of costs. The most used form of flat rate financing will be for the calculation of indirect costs.	Flat rate financing is used often to determine costs that may be hard to justify and are generated by other categories of costs. For example the indirect costs for running a local neighborhood unit (rental, phones, stationary, heat) where it is in a shared office. In Germany, indirect costs of the projects were fixed at 7% of direct costs for most ESF programmes in the 2007-13 period. Flat rate financing reduces the administrative burden on beneficiaries greatly but the method is still focused more on inputs (direct costs need to be documented) than in comparison with standard scale of unit costs and lump sums)

Why to use SCO in the CLLD context?

- Less administrative burden for LAGs: allowing the LAG to use simplified cost options for example for all or part of its running and animation costs could result in a significant reduction of administrative burden by reducing the number of documents to be archived.

- Less administrative burden for the Authorities: the time spent on checking invoices is reduced and control can shift to on-the-spot checks allowing concentrating more on the quality of the projects funded instead of on the expenditure incurred.

- Less error risk: see the European Court of Auditors conclusion of 2012 above.

What to pay attention to when designing the SCO for CLLD?

In a CLLD context care must be taken to avoid any risk of financial stress on small organisations by placing them in a more difficult funding environment. Any simplified cost option used must therefore be carefully selected and applied.

Standard scales of unit costs

While designing the simplified cost option, one should carefully think how to justify it. Indeed, if a unit cost is defined as a training cost per hour per trainee, the unit cost will require attendance sheets signed for each hour by each trainee. On the other hand, if the unit cost is designed as a training cost per trainee passing the training certification, it means that the unit cost will be justified thanks to initial registration of the trainee and the final successful certification.

Lump sums

Situations can arise where LAGs or projects may risk losing a grant by narrowly failing to achieve a target result (e.g. under the 'lump sum' approach placing nine trainees into work when the target was ten). Lump sum payments follow a binary logic, yes or no; if the output or result is achieved the payment is made, if not achieved no payment is made. This binary nature of lump sum payments can be especially risky for beneficiaries, so should only be used in well-defined and targeted circumstances where the outputs and results can be well predicted (such as completing a study). In other cases a different, more flexible or progressive option of simplified costs can be used, for instance standard unit costs.

'Staerken vor Ort' was an ESF empowerment programme delivered through 280 local offices across Germany. Lump sums were used to calculate the amounts paid to the local offices for administration (see Box 43 below).

Box 43: Staerken Vor Ort: Using lump sums to pay for running costs

Staerken Vor Ort was an empowerment programme in Germany with a localised target group approach focusing on youth and women running from 2009-2012. The programme had a total value of over €71 million was financed by the ESF across the Federal Republic and administered by an intermediate body acting on behalf of the Federal Ministry of Families, Senior Citizens, Women and Youth. The programme was delivered through 280 local government administrations. Over the three years of activity, the programme supported 9000 micro-projects with a value up to €10 000 and reached 235,000 young people and women.

Funding: The programme provided up to €100,000 for micro-projects in single neighbourhoods or up to €150,000 in selected bigger districts. The micro-projects themselves were 100% ESF financed, but the local authority had to contribute an additional 15% of costs through staff costs of the local co-ordination office (defined as an intermediate beneficiary of the federal ESF-funds).

Lump sum: In order to simplify administration and reduce the error rate, a lump sum was provided for the non-staff operational expenditures of the local co-ordination offices. These expenditures covered publicity campaigns, administrative costs, small equipment, and maintenance.

This lump sum was calculated on the basis of historical data and as a percentage of the total ESF-value being delivered set at 14% of the total ESF-grant. For those in receipt of up to € 100,000, the lump sum could be up to €14,000 (neighbourhoods) and for those districts with up to €150,000, the lump sum would be up to €21,000. In return for receiving this lump sum, the local co-ordination offices had to satisfy a number of conditions:
- The local committees accompanying the programme on local level had been established;
- A minimum of one public campaign had been launched locally;

- A minimum of one participation of the local co-ordination office in the federal networking groups or events;
- Minimum number of planned micro-projects had been conducted and the funds for the micro-projects had been administered properly.

The method of calculation was based on the ESF-Regulation No 396/ 2009 and on the Working document of DG EMPL and DG REGIO[86]. The programme finished at the end of 2011 and was evaluated in 2012. An alternative would have been to use a flat rate system. (http://www.staerken-vor-ort.de/)

The Commission recommends that the work on the methodologies for calculating simplified costs options should be done with all the stakeholders, such the LAG-s and including the Audit Authorities, with a view that all actors of the Management and Control Systems understand and agree on the new system.

7.6 Audit and controls

CLLD operations are subject to audit and controls performed by the competent Authorities within their powers and responsibilities as required by the EU regulatory provisions related to the management and control systems for the co-financed ESI Funds projects

It is of outmost importance[87] that from the very beginning fair and transparent procedures are set up defining clear responsibilities and accountability of all actors of involved. Beneficiaries should be aware of all the obligations that they must comply with at the earliest moment possible in the project cycle.

In order to achieve the sound management of CLLD effective and efficient controls should be embedded in the procedures aiming at mitigating, among others, the inherent risks of possible conflict of interest, duplication of functions, unclear eligibility criteria.

The implementation of the CLLD operations should take into account risks that might lead to errors, in particular ensuring that the costs incurred are reasonable, and that public procurement procedures are respected if applicable.

7.7. Closing remarks

As has been said, many of the recommendations above are primarily addressed to Managing Authorities who have the responsibility for designing efficient delivery mechanisms. However, LAGs should be aware of the potential benefits and consequences of various delivery options and should play an active role in discussions with the Managing Authorities in order to develop delivery mechanisms suitable to CLLD. Networking between LAGs as well as exchange of experience with LAGs operating in other regions and/or using other Funds can be an important source of knowledge and inspiration and it can help LAGs in their discussions with Managing Authorities on delivery issues.

The implementation of CLLD can be made simpler, faster and easier for all concerned, but it requires good advance planning by Managing Authorities, as well as much preparatory work,

---

[86] COCOF 09/0025/04-EN of 28/1/2010 (an up-date of this note is under preparation by the European Commission)
[87] as detailed in the Common guidance of the European Commission on CLLD in ESI Funds (of April 2013) addressed mainly to Managing Authorities

including training and awareness raising of all actors in the delivery chain. Particular attention should be paid right from the start to establishing good channels of communication between the LAGs and the Managing Authorities.