



ELARD Position Paper on the Court of
Auditors Special Report No5 on
Implementation of the LEADER Approach
for Rural Development - 2010





European LEADER Association for Rural Development – AISBL

Finnish Presidency January 2011 – December 2012

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About ELARD

The European LEADER Association for Rural Development (ELARD) is an international non-profit making association (aisbl) set up to support the improvement of the quality of life in rural areas and to maintain their population through sustainable, integrated local development strategies, which are implemented under the “bottom up” principle (LEADER approach).

The distinctive feature of ELARD is that it brings together Local Action Groups (LAGs), established under the LEADER method and committed to involving all stakeholders in local rural development.

ELARD was founded in Belgium in 1999 by the following National LEADER Networks of Local Action Groups (LAGs):

- French LEADER Network - LEADER France
- Greek LEADER Network - Ελληνικό Δίκτυο LEADER
- Irish LEADER Network - Comhar LEADER na hEireann
- Italian LEADER Network - AssoLEADER
- Spanish LEADER Network - REDR

At present, more than 620 Local Action Groups (LAGs) that manage LEADER are involved - either through their national or regional networks or as individual members. Today ELARD represents voluntary LEADER networks and individual LAGs from 16 Member States: Belgium, Czech Republic, Finland, France, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Poland, Portugal, Romania, Slovenia, Spain and the United Kingdom.

One of the most important aims of ELARD is to:

"Campaign to spread the philosophy, principles and reach of the LEADER method grounded in the seven specific features in order to achieve sustainable rural development across Europe".

The association aims also to:

*"Represent the interests and needs of its members in front of other international, European, and national institutions to liaise with other stakeholders and institutions working towards an integrated rural development and to influence EU policies in **favour** of rural development".*



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Furthermore ELARD:

- supports its members in their efforts to carry out innovative work in the field of rural development;
- encourages solidarity amongst the citizens of rural areas within the European Union, in particular those areas that receive the support of the LEADER programme;
- encourages initiatives that will lead to cooperation;
- serves as a link with similar networks and institutions that work towards an integrated rural development model;

ELARD has been accepted on September 2008, as the European Association representing Local Action Groups at European level in the European Network for Rural Development (ENRD) set up by the Commission. In this respect representatives of ELARD are participating both:

- In the Coordination Committee of ENRD;
- In the LEADER Subcommittee of ENRD;

ELARD is also active in the various initiatives undertaken by ENRD:

- Co-chairs along with the Italian NRN the Focus Group 1. "Implementation of the bottom-up approach under LEADER Axis";

Furthermore ELARD is participating with two of its member in Thematic Working Groups of ENRD:

- TWG 1. "Targeting territorial specificities and needs in Rural Development Programmes;
- TWG 4. "Delivery Mechanisms of European rural development policy";

ELARD has attended the Rural Development Conference in Cyprus along with other events, and has made submissions on the relevant issues discussed. Through its national partners, ELARD has an excellent understanding of rural issues and policies in the associated Member States.



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Introductory Note:

Following the publication of the Court of Auditors Special Report No5 on the Implementation of LEADER¹, the subsequent study of its contents and the open discussions which took place among the ELARD members during the most recent General Assembly and Council Meetings of the Association, the European LEADER Association for Rural Development (ELARD aisbl) in accordance with its mandate has decided to voice its opinion with regards to the contents of the report in question.

In accordance with decision “12.b (24/11/10)” of the General Assembly of ELARD a consultation process was initiated between the members and the Presidency of the Association, with an aim to assess the results of the Court of Auditors Report on LEADER. The recent completion of this process has brought forward a number of disagreements and points of contention with some of the findings as well as the overall approach of this report towards the LEADER method. The scope of this communication is to provide a solid platform to the local actors and actual LEADER practitioners represented by ELARD, through which they can voice their opinions and disagreements concerning a number of points raised by the Court of Auditors Report on LEADER.

The European LEADER Association for Rural Development with its vast membership network including more than 620 LAGs from 16 Member States, wishes to communicate that following its consultation process on the content of the Court of Auditors Report on LEADER, finds that the following three issues have been poorly interpreted or analyzed by the Court of Auditors and hence wishes to share its opinion on them, namely:

- 1) The report does not appear to grasp the spirit of LEADER in its entirety;
- 2) The report fails to avoid the trap of generalizations;
- 3) The report seems to misjudge the transparency issue in the operation of LAGs;

¹ See Annex I : Executive Summary



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ELARD's Arguments

1) The Report does not appear to grasp the spirit of LEADER in its entirety

The members of the European LEADER Association for Rural Development find that the Court of Auditors special report on LEADER fails to grasp the true spirit of the LEADER method. This in turn has resulted in a number of ill based assumptions. It is our view that the failure of the Court of Auditors Special Report to grasp the true essence of LEADER lies in the fact that LEADER appears to produce mostly qualitative results that are difficult to measure but that contribute towards creating more favourable conditions for local development through effective involvement of actors and stakeholders in joint actions and projects. This intangible character cannot be better expressed than by the term “LEADER spirit”.

Arguably the above may appear as a shortcoming but on the other hand it is documented by many facts and statements, showing that this spirit has become a driving force behind the LEADER methodology itself.

It is our view that the objectives of LEADER activity include, besides the creation of jobs and enterprises, various kinds of qualitative aspects such as enhancing social capital in the rural areas and improving the quality of life and well-being of the people. It is our belief that these qualitative objectives are equally relevant and valuable.

On the added value

Failing to grasp the abovementioned spirit of LEADER has in turn led the Court of Auditors to the conclusion that there is an alleged lack of added value in the implementation of the LEADER Method. ELARD maintains that another reason behind this ill based conclusion is the absence of instruments for measuring the results of the animation and development work that is done by the LAGs. The lack of such tools may very often depict LEADER as a mere financing instrument and not as a unique method of development work. Moreover the LAG risks being viewed solely as a part of the administration system of that financing instrument and not as an integrated developer of its own area. Having said this, ELARD maintains that there is a need to formulate instruments that measure and make visible the work and results of LAG activities which are often neglected.



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On innovation

The issue of innovation (lack of) may as well be a result of the Court of Auditors lack of understanding of the LEADER spirit. The report mentions there is little or no innovation in a large number of projects, but does not specify what is understood by innovation, and what is the criteria used to consider what is innovative for one territory but not for another. ELARD believes innovation is subjective, with a project being absolutely innovative for one territory but not at all for another one.

The European LEADER Association for Rural Development supports the Commission's response found in the Court of Auditors Special Report concerning this particular issue. Innovation is indeed one LAG selection criterion among others, while it is also equally important to mention that a local development strategy cannot deal solely with innovative approaches.

2) The report fails to avoid the traps of generalisations;

ELARD finds that the Court of Auditors Special report on LEADER fails to avoid the trap of generalisations. The problems that the Court of Auditors underlines are seen as the general norm characterising the overall application of LEADER. Possible individual cases of lack of transparency, "dead weight" and lack of cost effectiveness reported in the Court of Auditors report seem to be magnified and turned into the general rule despite the fact that the report itself mentions good practices as well. Moreover, it is important to mention that not all Member States were audited which is especially important considering that the practices vary from country to country.

3) The report seems to misjudge the transparency issue in the operation of LAGs;

The European LEADER Association for Rural Development knows of a multitude of cases where the implementation of LEADER at LAG level is exemplary. It has been proven in fact that the tripartite division of powers is highly efficient in assuring that the LEADER method and funds cannot be misused for the purposes of local administration or a single association alone. ELARD does agree with the Court of Auditors point that there is a general need for a high degree of transparency and the need for LAGs to be



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able to demonstrate that they have consistently followed proper procedures. However, as the Commission also mentions in its response, the vast majority of Member States have adopted rules on internal procedures for decision transparency, avoiding conflicts of interest or appeal.

Another significant issue that stems from the Court of Auditors report in relation to the lack of transparency is the fact that in some areas most of the projects that were promoted happened to correspond to LAG members. With regards to this point, ELARD feels the need to clarify that given the nature of LAG members, who are representative and active actors of the rural territory, it is expected that a number of projects will be originating from them. Moreover ELARD agrees with the Commission's reaction stating that the exclusion of these projects would constitute a major obstacle for the successful implementation of the local development strategy.

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Conclusions

The European LEADER Association for Rural Development finds that the overall work of the Court of Auditors with regards to the report in question is generally satisfactory from a technical point of view. Many important issues which constitute obstacles to the ideal LEADER implementation have been rightfully detected and underlined. Despite this, ELARD maintains that the report lacks the necessary understanding of the true spirit of LEADER which in turn has led to a number of ill based conclusions and assumptions about its implementation especially at LAG level.

ELARD finds that the report's tendency to generalize its specific and limited findings, in combination with its purely "technocratic" approach to the notion of LEADER, depicts an unrealistically gloomy picture of the implementation of this method.

ELARD recognizes that there are indeed problems and that LEADER has not yet reached its full potential, however it also believes that such issues stem from the systemic structure surrounding LEADER rather than from the mismanagement on behalf of the local action groups and LEADER actors on the ground. In particular the mainstreaming of LEADER has resulted in the reinforcement of regional powers which in turn occasionally discredit local agents, and place political power over civil power thus causing a significant delay in the development of rural areas whilst threatening the "bottom up approach" principle.

Finally, ELARD believes that further focus on the real issues of LEADER is required by both LAGs, the national managing authorities and the European Commission on a collective basis in order to take on board all points arising, as such dialogue may have a bearing on the discussions around the development of LEADER Post 2013.



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I.
Leader is a method to achieve the objectives of the EU's rural development policy through bottom-up implementation rather than the traditional top-down approach. Compared with traditional methods of funding, the Leader approach involves higher costs and risks, owing to an additional layer of implementation, and giving the control of the EU budget to a multitude of local partnerships (LAGs: local action groups).

II.
The justification for Leader's additional costs and risks is the added value that should flow from the bottom-up and partnership approach — such as better identification of local needs and local solutions, more engagement on the part

of local stakeholders and greater scope for innovation.

III.
The Court examined whether the Leader approach has been implemented in ways that add value, while minimising the risks to sound financial management. The Court assessed the LAGs' performance in implementing the 2000–06 Leader+ programmes, for which the final expenditure was in 2009. The Court also assessed the LAGs' Axis 4 strategies, which set out their plans for implementing the Leader approach in the 2007–13 period.

IV.
LAGs implemented the Leader approach



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in ways that limited the potential for added value in terms of the 'Leader features' although the Court found some examples of good practice. The bottom-up approach was limited in the LAGs that gave the majority of the grants to their own member organisations; the potential added value of a partnership was not achieved in LAGs where the decision-making was dominated by the local authorities; few LAGs could demonstrate innovation or interaction between different sectors in their strategies or projects. LAGs did not focus on achieving the objectives of their local strategies.

V.

The Court also found weaknesses in the soundness of the financial management by the LAGs. In particular, LAGs gave grants to projects without regard to efficiency. Procedures were not always transparent and did not sufficiently demonstrate that the LAGs took decisions on

an objective basis, free from conflicts of interest. These weaknesses echo those observed by the Court in the Annual Report of 2000.

VI.

The Commission and Member States have not been sufficiently demanding and share some responsibility with the LAGs for limiting the potential added value of the Leader approach. They have not taken sufficient action to limit the costs and risks. Ten years on from the Court's previous audit of Leader, the same weaknesses persist.

VII.

The Commission has not yet demonstrated the effectiveness or efficiency of the expenditure the added value achieved through following the Leader approach, the extent to which the known risks have materialised or the real costs of implementation.



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VIII.

In view of the persistent weaknesses, the Court recommends that the Commission and Member States clarify and enforce requirements to reduce the risk of deadweight, ensure objective and properly documented project selection procedures, and that the partnership principle operates in practice. Robust procedures to avoid all risk of conflicts of interest are needed to comply with the financial regulation. This requires declarations of interest, non-participation in project assessment and selection, and referral of cases of potential conflict of interest to the managing authority.

IX.

For the remainder of the 2007–13 period, the Commission should ensure that Member States require the LAGs to set measurable objectives, specific to their local area, that can be achieved by the Leader programme. The Member States should require LAGs to account for achieving

their local strategy objectives, for achieving added value through the Leader approach, and for the efficiency of the grant expenditure and the operating costs.

X.

Monitoring should be refocused on the added value of the Leader approach, efficiency and effectiveness, and be complemented by data from supervisory and control systems such that the Commission has sufficient, reliable and relevant data to account for the added value and sound financial management of the Leader programmes.