

Special Report

LEADER and community-led local development facilitates local engagement but additional benefits still not sufficiently demonstrated



EUROPEAN
COURT
OF AUDITORS

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Executive summary

I The EU introduced the LEADER programme in 1991 as a bottom-up initiative to support the development of disadvantaged rural regions through projects addressing local needs. Since 2014, the EU has used the LEADER approach (known as community-led local development) for several EU funding streams in rural, urban and coastal areas.

II The main characteristic of the LEADER approach is the application of participatory and bottom-up methods to involve local communities in project development and decision-making processes. Local action groups, made up of partners from the public, private and civil society manage activities. In the 2014-2020 period, the EU planned to provide funding of up to €9.2 billion for LEADER and community-led local development.

III The LEADER approach involves extra costs and risks compared to mainstream (top-down) EU spending programmes. Additional costs arise from setting up and running local action groups' administrative structures. Additional risks are created by the lengthy procedures, extra administrative requirements for project owners, and potential conflicts of interests.

IV Some of these extra costs and risks are justified if local action groups deliver additional benefits compared to mainstream (top-down) EU spending programmes. The Commission's guidance suggests that these benefits manifest themselves in improved social capital, improved local governance and enhanced results from projects.

V Our audit covers the 2014-2020 EU funding period. We examined whether the LEADER approach delivered benefits that justified its additional costs and risks, in particular compared to mainstream (top-down) EU spending programmes. To assess that we examined whether it facilitated local engagement and resulted in projects with demonstrable benefits in terms of local governance, improved social capital and enhanced results. We also checked whether the introduction of the new multi-fund approach resulted in better coordination of local development support.

VI This audit also follows-up on our 2010 special report on LEADER assessing whether the Commission addressed the weaknesses identified. Through this report, we aim to provide insights and timely recommendations for the ongoing Commission's evaluation of the LEADER approach.

VII More than a decade after our 2010 special report on LEADER, our audit shows that improvements have taken place in some areas and that the LEADER approach facilitates local engagement. However, there is little evidence that the benefits of the LEADER approach outweigh the costs and risks it incurs.

VIII While most Member States applied pertinent procedures to select and approve local action groups, some applied less demanding quality standards when selecting local development strategies. We found that one Member State did not include quality criteria in its selection process. The project application and approval process was complicated (involving up to eight steps) and included extra administrative requirements for project owners compared to mainstream spending programmes. Public authorities no longer dominated project selection bodies (as we had found in 2010), but these were frequently not representative of the local community or gender-balanced.

IX We found that local action groups selected projects that were in line with the broad objectives set in their local development strategies. Some Member States and local action groups used LEADER to fund statutory tasks of national, regional or municipal authorities or other activities for which other specific EU and national funding programmes existed.

X While two out of six of our 2010 recommendations had been addressed, we found that the Commission's monitoring and evaluation framework has still not provided evidence of LEADER's additional benefits. In our 2018 opinion on Commission proposals for the new common agricultural policy, we stressed that the Commission should follow the 'evaluate first' principle when revising existing legislation. The Commission is in the process of evaluating the benefits of LEADER.

XI In view of the additional costs and risks compared to other funding models and the continued lack of demonstrable benefits, we recommend that the Commission should evaluate the costs and benefits of LEADER and assess the community-led local development.

Introduction

The evolution of the LEADER approach

01 LEADER, introduced in 1991, is the EU's participatory, bottom-up method for the rural development policy, later extended to coastal and urban areas. It centres around local action groups (LAGs) and fisheries local action groups (FLAGs) made up of private and public sector members of rural or coastal communities. Local action groups motivate communities in contributing to the design of a local development strategy and are responsible for initiating and funding projects to meet local needs.

02 The expectation behind the LEADER approach is that there is an added value compared with traditional top-down management of EU funds. A 2006 Commission Fact Sheet on the LEADER approach describes it as being based on seven key features. LEADER considers that local people are the best experts to drive the development of their territory ("bottom-up approach"), defined as a small cohesive area (10 000 – 150 000 inhabitants) with a local identity ("area-based approach"). In this area, local players gather in a local action group ("local partnership"), which promotes links between local actors ("networking"). Furthermore, local action groups in different regions or Member States undertake joint projects to work on common solutions to similar local challenges ("cooperation"). Bottom-up approaches and interactions between different sectors at local level ("integrated and multi-sectoral strategy") should mobilise local potential. Local groups should be best placed to identify integrated local solutions to local problems and can be more responsive as well as bring new solutions to local development ("innovation"). Participation in local decision-making should generate enthusiasm and increased commitment and can thereby result in better, more sustainable, local rural development¹.

03 As we noted in our 2010 report², the LEADER approach seeks to facilitate local engagement and empowerment through local strategy development, delivery and resource allocation. It takes advantage of the expertise and experience of local communities to define their development needs.

04 Assigning these tasks to local action groups creates additional costs and risks. Extra costs include local action group spending on preparing and managing the

¹ [Commission website on LEADER](#)

² [Special report 5/2010: Implementation of the Leader approach for rural development.](#)

execution of their local development strategies and on supporting beneficiaries in project development. These costs also cover Member State spending on approving local action groups (for example, hiring consultants to support the approval process).

05 LEADER support for local action groups' administrative and running costs is capped at 25 % of the total public funding (EU plus national, regional or local public financing). These costs include facilitating the implementation of the local development strategy and helping potential beneficiaries to develop projects.

06 Additional risks are created by the lengthy procedures, extra requirements for project owners and potential conflicts of interest. Other risks stem from decision-making bodies that are not representative of the local community or not gender-balanced³.

07 Local decision-making has the potential to deliver additional benefits. The Commission's guidance for evaluating the LEADER approach⁴ suggest that these benefits manifest themselves in:

- o improved social capital,
- o improved local governance,
- o enhanced results from projects.

08 The justification of the programme thus does not rest on economic criteria such as market failure or relative deprivation. Indeed it now applies in all rural areas, including those in which economic performance is markedly above the EU average. A recent Commission study found that semi-urban rural areas benefitted more from recent economic and demographic developments than peripheral ones⁵.

09 In 2014-2020, LEADER was a mandatory part of all rural development programmes. From this point, EU legislation required Member States, except Croatia, to spend at least 5 % of their rural development funding on LEADER. The minimum contribution of Croatia during the 2014-2020 programming period was set at half of the percentage of the other Member States, i.e. 2.5 %. According to data provided by

³ [Special report 5/2010: Implementation of the Leader approach for rural development.](#)

⁴ European Network for Rural Development workshop document: [LEADER: 30 years and preparing for the future: delivering LEADER's unique added value.](#)

⁵ European Commission, [Commission Staff Working Document](#) part 2/3 SWD(2021) 166 final.

the Commission, the planned EU funding for LEADER is €7 billion in the 2014-2020 programming period (around 7 % of total rural development funding). The total number of LEADER projects (for the 2014-2020 period) amounted to 143 487 by the end of 2020. The rural development programmes have been extended to cover 2021 and 2022.

10 EU fisheries policy has used the LEADER approach since 2007, and the 2014-2020 period saw the introduction of community-led local development (CLLD). This updated concept applies the LEADER approach in all of the European Structural and Investment Funds (ESIFs) except the Cohesion Fund⁶. The evolution of the LEADER approach, as illustrated in *Figure 1*, led to a significant increase in financial support and the number of local action groups, in particular at the beginning of the 2007-2013 programming period.

11 In the 2014-2020 period, the EU planned to provide funding of up to €9.2 billion for LEADER and community-led local development (see *Table 1*). Total public funding (including national funding) was expected to reach €12.5 billion. Most of this (76 % of the planned amount and 84 % of the amount declared by 2020) related to rural development.

⁶ I.e. the European Agricultural Fund for Rural Development (EAFRD), the European Maritime and Fisheries Fund (EMFF), the European Social Fund (ESF) and the European Regional Development Fund (ERDF).

Table 1 – EU contribution by funding stream (in million euros; 2014-2020)

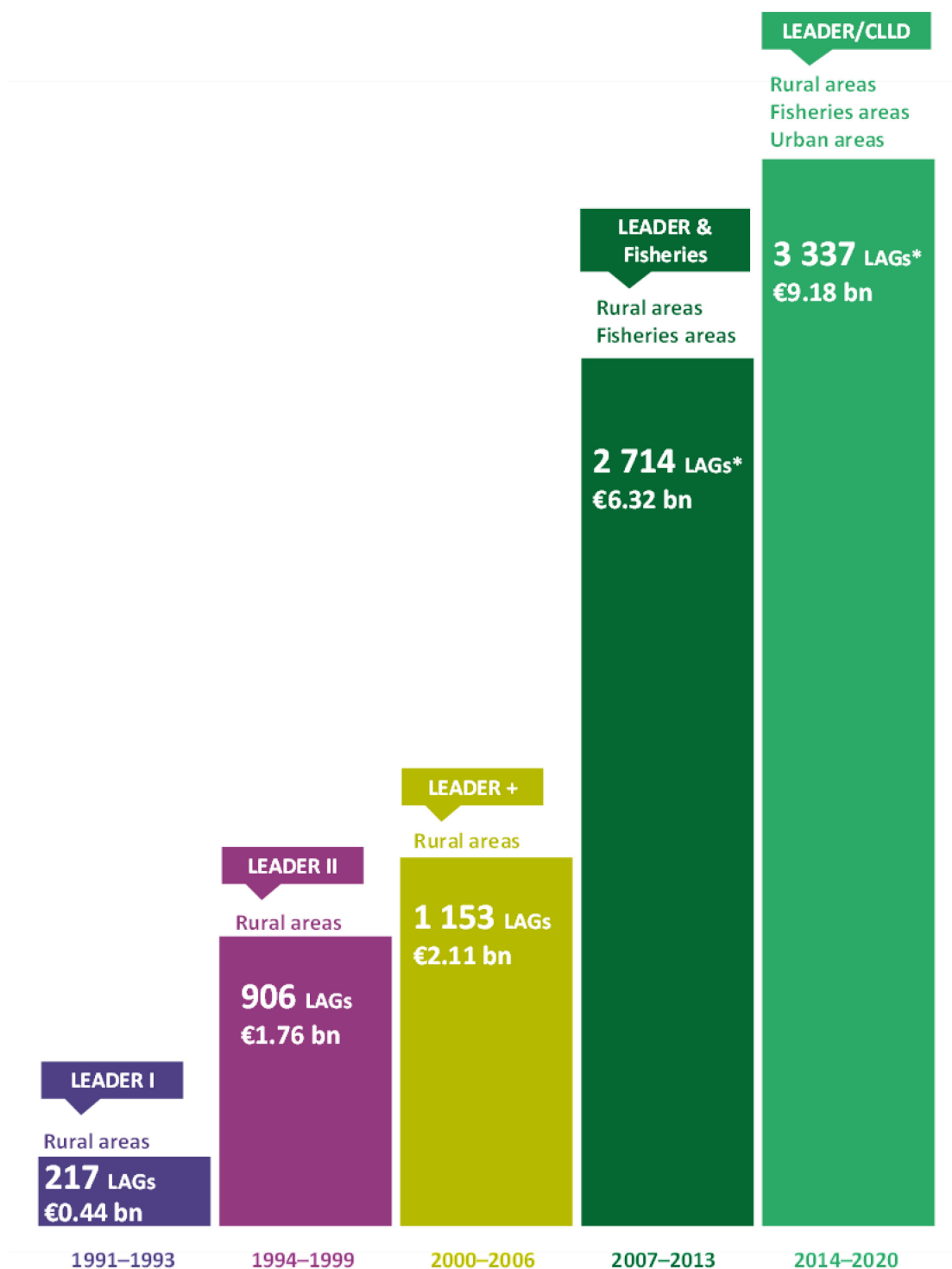
| EU Fund | Planned | Funding for approved projects* | Paid |
|--|--------------|--------------------------------|--------------|
| European Agricultural Fund for Rural Development | 7 010 | Data not available** | 3 026 |
| European Maritime and Fisheries Fund | 548 | 362 | 178 |
| European Regional Development Fund | 1 095 | 848 | 349 |
| European Social Fund | 530 | 278 | 82 |
| Total | 9 183 | | 3 635 |

*Funding of approved project is the amount of EU funding that the Member States reserved (committed) for projects in their projects approval decisions.

**The total amount committed (EAFRD and national public) is EUR 7 439 million but a breakdown is not available

Source: ECA, based on data provided by the European Commission.

Figure 1 – Increase in funding for LEADER
(Number of local action groups and planned EU funding)



Note:

1991-2006: Rural development support (EAGGF and EAFRD);

2007-2013: EAFRD and EFF;

2014-2020: EAFRD, EMFF, ERDF and ESF.

* including FLAGs

Source: ECA, based on data provided by the European Commission.

12 Member States' national and (depending on their political structure) regional authorities produced programming documents such as partnership agreements and operational and rural development programmes. These documents set out national or regional funding priorities. The Commission examined and approved these documents. The Commission retains overall responsibility for spending, but Member States approved local action groups and their local development strategies, processed project applications and payment requests, and monitored and evaluated results. *Figure 2* shows the key responsibilities of the LEADER approach actors.

Figure 2 – Key responsibilities of the LEADER approach actors



Source: ECA based on information from Commission documents

13 The Commission set the following indicators⁷ and targets⁸ to monitor the LEADER programme for the 2014-2020 period:

- percentage of rural population covered by local development strategies (target of 53.5 %),
- percentage of rural population benefiting from improved services / infrastructures (target of 16.4 %),
- Jobs created in supported LEADER projects (target of 44 109 jobs).

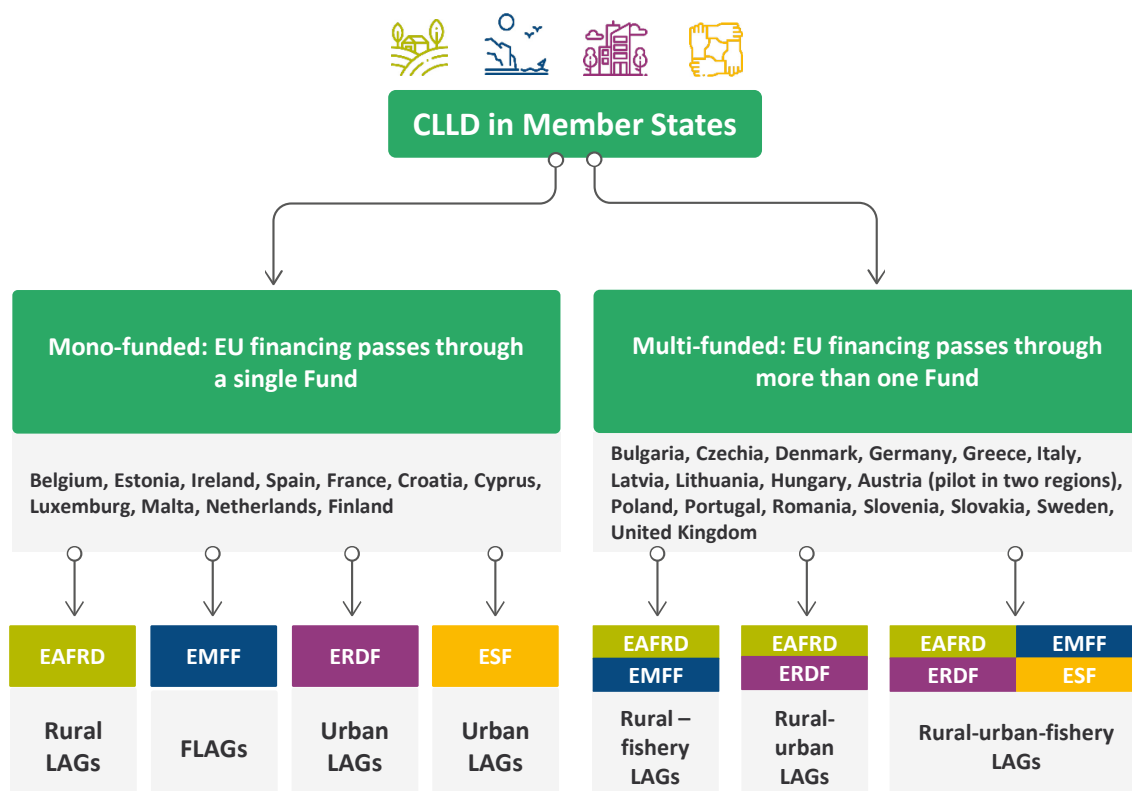
Annex I lists the specific indicators and targets related to LEADER and community led local development set out in the Regulations of the different EU funds.

14 Member States could choose between supporting local action groups from one EU fund ('mono-fund approach') or several ('multi-fund approach'). They could also designate one fund as the 'lead fund', which would cover all administrative costs of the local action groups. In 2014-2020, 17 of the 28 Member States applied the multi-fund approach with different combinations of funds, aiming to better coordinate local development support and to reinforce the links between rural, urban and fisheries areas (see *Figure 3*).

⁷ Annex IV of Commission Delegated Regulation (EU) No 808/2014.

⁸ 2019 Annual Activity Report Directorate-General for Agriculture and Rural Development.

Figure 3 – Funding approaches used by the Member States



Source: ECA, based on European Commission (2017): Guidelines. Evaluation of LEADER/CLLD, p. 10 and Kah, S. (2021), Update: Implementing cohesion policy funds through multi-Fund CLLD (Data correct as of June 2021).

15 In 2021-2027, LEADER and community-led local development are governed by the [Common Provisions Regulation \(EU\) No 2021/1060](#). New rules on the common agricultural policy (CAP), which entered into force in December 2021⁹, apply to LEADER.

16 As set out in paragraph [12](#), Member States need to describe their LEADER and community-led local development approaches in their relevant programmes. Member States have started to submit their new operational programmes to the Commission for approval, and they had to submit their CAP strategic plans, including rural development funding from LEADER, by the end of 2021. The regulatory framework provides for funding of LEADER and community-led local development initiatives starting in 2022¹⁰. In the meantime, spending on LEADER will continue, based on unspent funds from the previous period.

⁹ Regulation (EU) 2021/2115.

¹⁰ Article 86(1) of Regulation (EU) 2021/1060.

Previous audits

17 We observed weaknesses in relation to the management of LEADER in our 2000 annual report¹¹. In a 2010 special report¹², we found that local action groups had implemented many projects that were of benefit to local businesses and communities. We also noted weaknesses concerning:

- **project selection procedures** where decision-making was dominated by public authorities and rules on potential conflicts of interest were unclear;
- **application of the bottom-up approach** where some local action groups failed to promote local engagement;
- **local action groups' ability to develop local solutions** that were distinct from mainstream rural development measures e.g. by funding projects that could have been financed under other spending programmes;
- **monitoring and evaluation**, in particular concerning the benefits achieved through the LEADER approach.

18 In 2013, we published a follow-up assessment¹³ showing certain improvements. These included clearer rules for local action group decision-making committees (see paragraph 17 bullet 1), but most weaknesses remained. We set out our updated assessment of these issues in *Annex II*.

¹¹ Annual report concerning the financial year 2000.

¹² Special report 5/2010: Implementation of the Leader approach for rural development.

¹³ Special report 19/2013: 2012 Report on the follow up of the European Court of Auditors' Special Reports.

Audit scope and approach

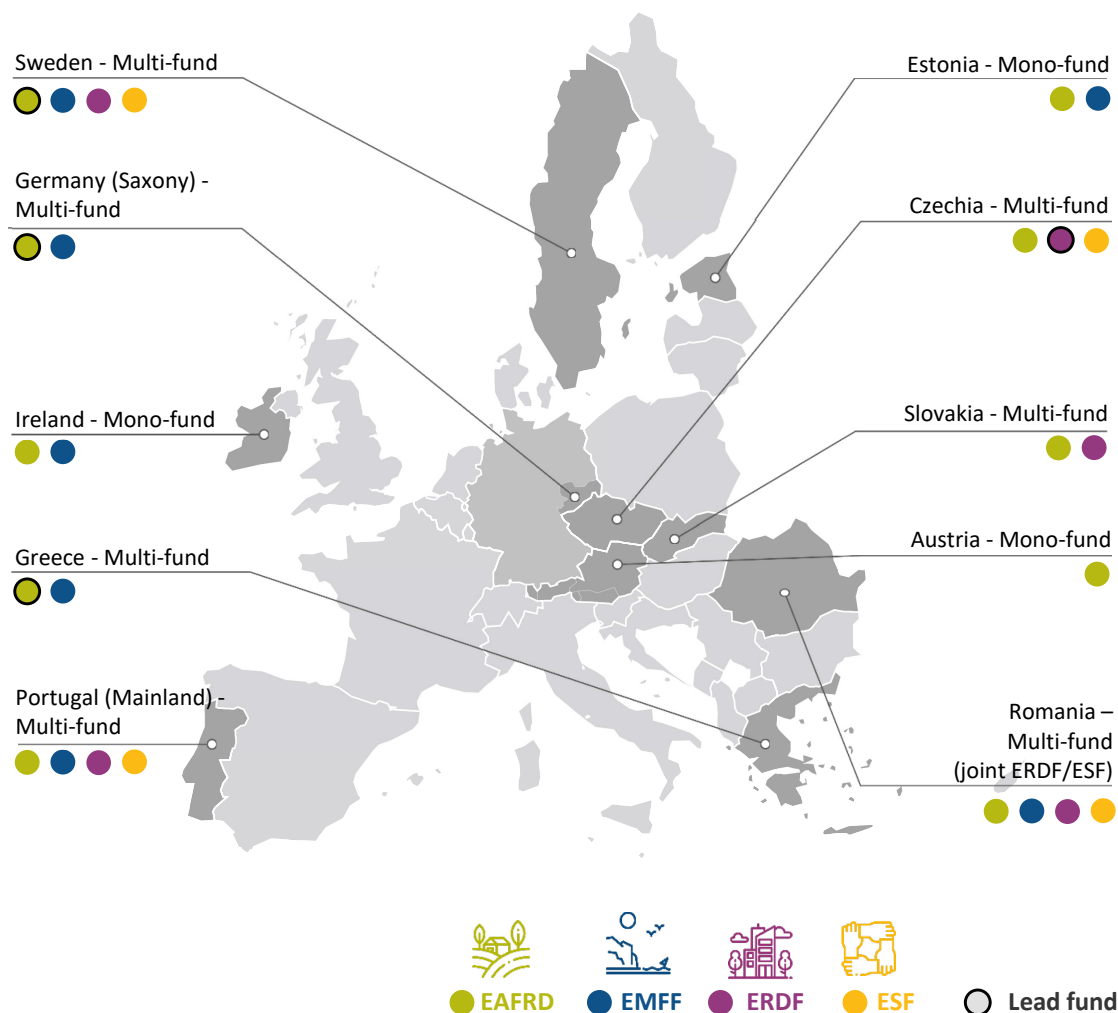
19 The LEADER approach seeks to facilitate local engagement and empowerment (see paragraph **03**), which entails extra costs and risks (see paragraphs **04** and **05**). These extra costs and risks are justified if outweighed by additional benefits compared to mainstream (top-down) EU spending programmes (in particular the EU rural development programme). The main audit question was “**Has LEADER/community-led local development delivered benefits that justify its additional costs and risks?**” To assess that we examined whether:

- (1) LEADER and community-led local development facilitated **local engagement**;
- (2) LEADER and community-led local development resulted in **projects** with demonstrable benefits in terms of local governance, improved social capital and enhanced results;
- (3) the introduction of the **new multi-fund approach** resulted in better coordination of local development support.

20 This audit also follows-up on our previous audit (see paragraphs **17** and **18**) assessing whether, more than a decade later, the Commission addressed the weaknesses identified. Through this report, we aim to provide insights and timely recommendations for the Commission’s ongoing evaluation of the LEADER approach.

21 We covered the 2014-2020 period. We examined ten Member States for this audit, covering two local action groups in each Member State. In Germany, we focused on Saxony, and in Portugal on the mainland (i.e. excluding Madeira and the Azores). Our selection of Member States aimed at geographical balance and coverage of both the mono-fund and multi-fund approach and higher and lower rates of LEADER and community led local development spending (see **Figure 4**).

Figure 4 – Selected Member States and regions, and the selected LAG’s funding approach



Source: ECA based on a map provided by Eurostat.

22 We selected the local action groups based on allocated funding, type of EU funds used, as well as area and population covered.

23 We examined:

- organisation and procedures in all selected Member States and local action groups, based on documentation and replies to audit questionnaires;
- information on 95 projects, selected on the basis of their costs (low, medium, high), the sectors concerned and the EU funds used. These projects have total costs of €7.5 million, with EU funding of €4.9 million (see [Annex III](#));

- o Commission activities in relation to LEADER and community-led local development, through documentary reviews and video meetings with:
 - the four responsible directorates-general (Agriculture and Rural Development (DG AGRI), Employment, Social Affairs and Inclusion (DG EMPL), Maritime Affairs and Fisheries (DG MARE) and Regional and Urban Policy (DG REGIO)),
 - Member State authorities,
 - representatives of local action groups,
 - project owners, and
 - stakeholder organisations and international experts.

Observations

Local action groups facilitate local engagement, but involve additional costs and slow approval processes

24 In the following sections, we discuss how Member States and local action groups facilitated local engagement and at what cost. We start by analysing LEADER costs. We then examine how Member States approved local action groups and their strategies and then how local action groups selected LEADER projects.

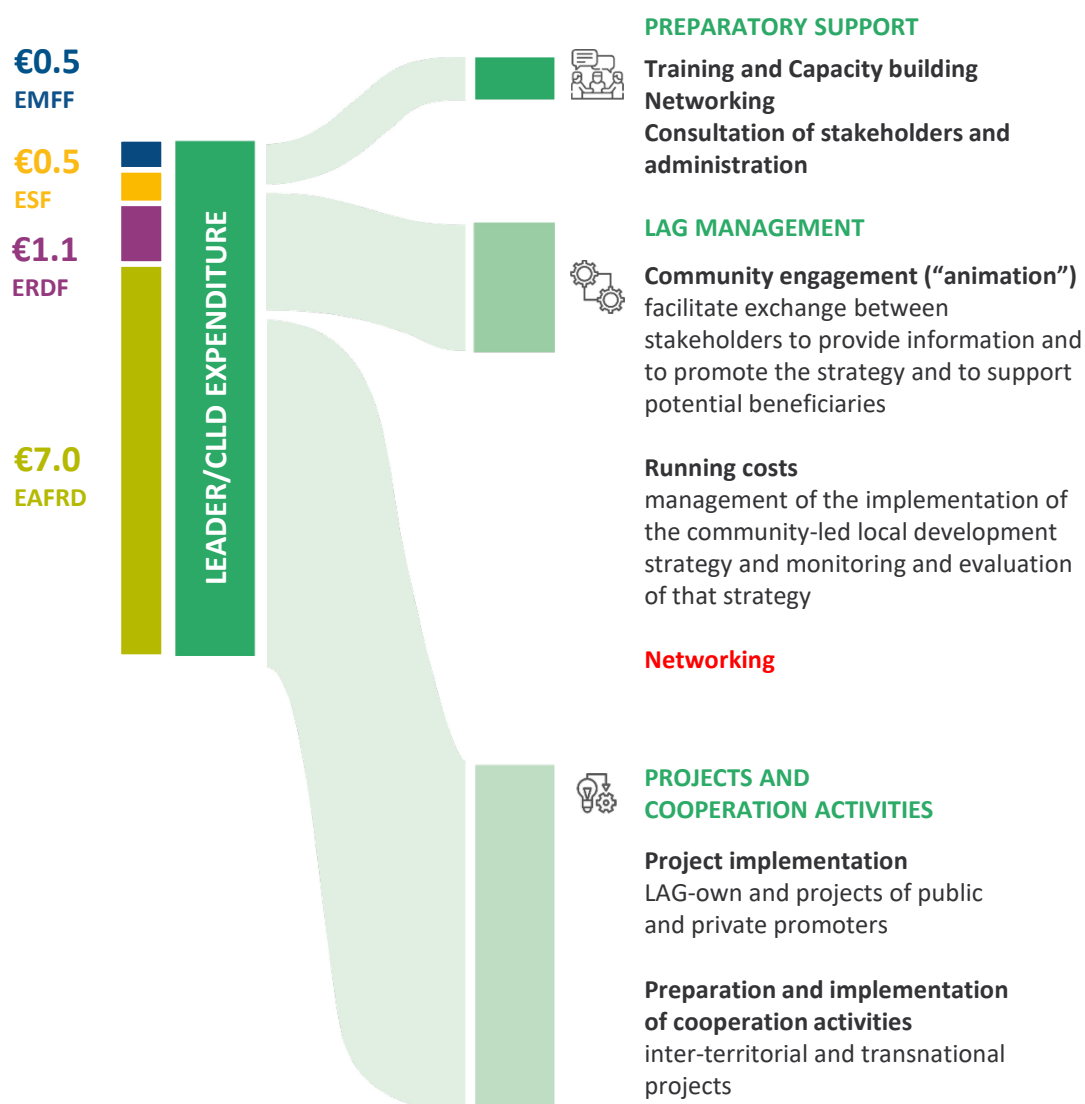
Local action groups involve additional costs

25 As explained in the introduction, local action groups are at the heart of LEADER and community-led local development. They can receive EU funding for different purposes (see [Figure 5](#)). Member States, regions, local action groups and project owners must also provide a share of funding.

26 The Member States should create the right conditions for local action groups to fulfil their tasks, in particular to bring different local stakeholders together and to support them in developing projects that provide benefits for local development. In order to do so, they should give local action groups autonomy and keep their administrative burden to a minimum¹⁴.

¹⁴ Guidance for Member States and programme authorities on CLLD in the ESI Funds

Figure 5 – Planned EU funding for LEADER and community led local development (2014-2020; in billion euros)



Source: ECA; based on data provided by the European Commission.

27 LEADER’s participative approach involves additional management structures and activities in support of the local development strategy, which bring extra costs. The Regulation caps these administrative and running costs at 25 % (see paragraph 05). Some Member States lowered this cap further to 20 %.

28 Table 2 provides an overview of planned and paid LEADER funding (as at end of 2020) for the 2014-2020 programming period. It shows that the Member States planned to spend 17 % on local action groups’ administrative and running costs. This falls well within the limits established in EU legislation.

Table 2 – Total LEADER funding (as at end of 2020)

| Cost type | Planned LEADER funding (2014–2020) | | Reported LEADER spending (by end of 2020) | |
|---|------------------------------------|-----------------------------------|---|--------------------------|
| | Million € | % of planned total LEADER funding | Million € | % of paid LEADER funding |
| Preparatory costs | 81.6 | 1 % | 67.4 | 2 % |
| Administrative and running costs | 1 673.6 | 17 % | 1 038 | 24 % |
| Cooperation activities | 380.9 | 4 % | 98.6 | 2 % |
| Project costs | 7 794.2 | 78 % | 3 054.4 | 72 % |
| Total (all MS plus United Kingdom) | 9 930.2 | 100 % | 4 258.4 | 100 % |

Source: ECA, based on data provided by the European Commission.

29 According to Commission reporting, as at the end of 2020 local community projects accounted for €3.1 billion or 72 % of reported LEADER spending. Overall, the local action groups spent little on cooperation activities (2 %) as well as on preparatory costs (2 %). Local action groups' administrative and running costs amounted to €1.04 billion (24 % of total spending at that stage). In several Member States where reported spending on LEADER projects was low the proportion of these costs was high. For example, in Greece, Portugal and Slovakia, at the end of 2020, they were of the same order, or exceeded the amount spent on projects. Payments for the 2014–2020 period can be made up to the end of 2023 and the share of administrative spending compared to project spending tends to decrease over the programming period cycle.

30 *Table 3* shows the breakdown of reported spending in ten selected Member States and regions. *Figure 6* compares it with total planned funding for LEADER. On average, Member States had reported 39 % of their planned LEADER project funding as paid. Estonia had paid 72 % of its planned project funding, Greece 13 %, and Slovakia had not yet paid for any project.

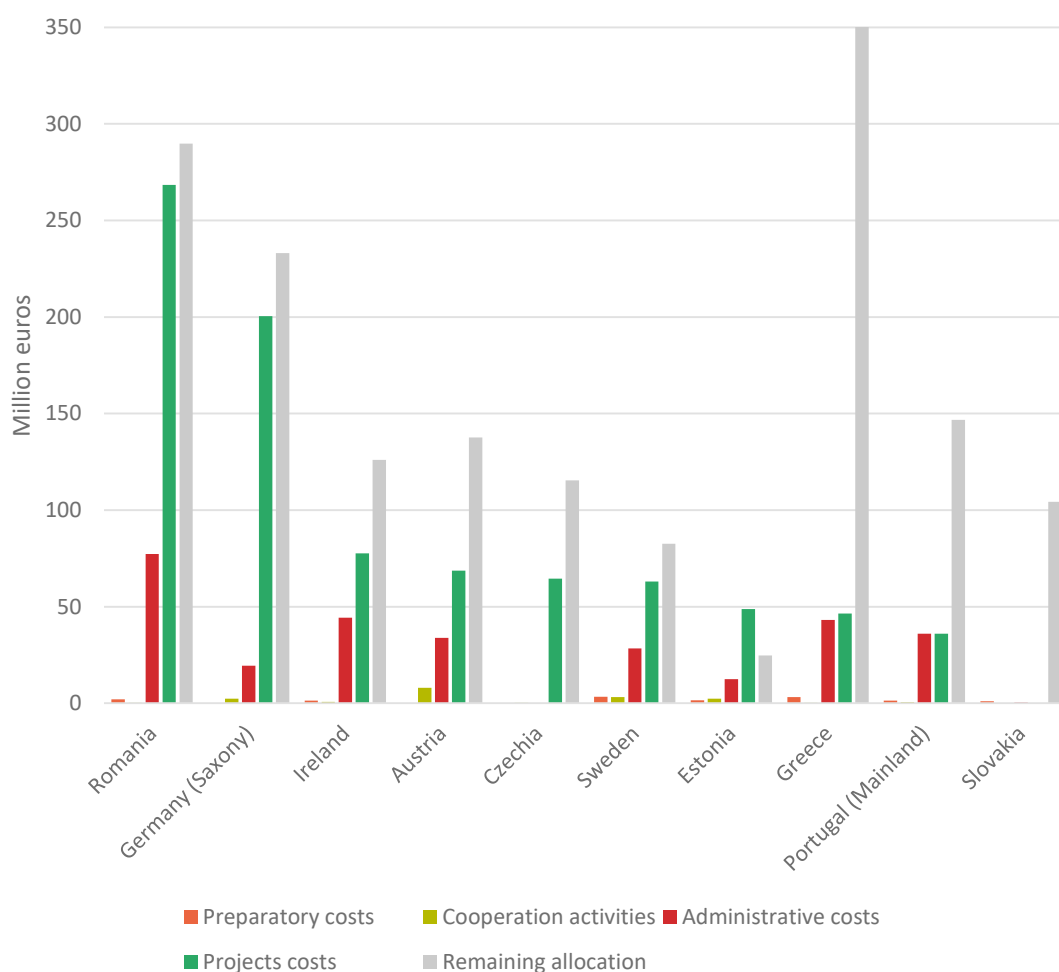
Table 3 – Reported LEADER spending per cost type (million euros; as at end of 2020)

| Member State /region | Preparatory costs | Administrative costs | Cooperation activities | Project cost | Total |
|--|-------------------|----------------------|------------------------|----------------|----------------|
| Czechia | - | -* | 0.2 | 64.5 | 64.7 |
| Germany (Saxony) | - | 19.4 | 2.5 | 200.5 | 222.4 |
| Estonia | 1.6 | 12.5 | 2.3 | 48.8 | 65.2 |
| Ireland | 1.3 | 44.3 | 0.8 | 77.6 | 124.0 |
| Greece | 3.2 | 43.1 | 0.2 | 46.4 | 92.9 |
| Austria | - | 33.8 | 8.0 | 68.7 | 110.5 |
| Portugal (Mainland) | 1.4 | 36.0 | 0.5 | 36.0 | 73.9 |
| Romania | 2.0 | 77.3 | 0.1 | 268.4 | 347.8 |
| Slovakia | 1.1 | 0.4 | 0 | 0 | 1.5 |
| Sweden | 3.4 | 28.3 | 3.2 | 63.0 | 97.9 |
| Selected Member States/regions | 14.0 | 295.1 | 17.8 | 873.9 | 1 200.8 |
| All Member States (plus United Kingdom) | 67.4 | 1 038.0 | 98.6 | 3 054.4 | 4 258.4 |

* The above table includes no figure for Czechia's administrative costs because these are covered by the regional development fund (Czechia's lead fund) rather than the rural development fund.

Source: ECA, based on data provided by the European Commission.

Figure 6 – Reported LEADER spending in rural development for the selected Member States and regions (as at end of 2020)



Source: ECA, based on data provided by the European Commission.

Most Member States applied pertinent procedures to approve local action groups but some did not apply a minimum quality requirement when selecting local development strategies

31 Member States should support local action groups in setting up their local development strategies, both financially (preparatory support) and through clear quality requirements and guidance. They should then assess local action groups in a fair and transparent manner, within the set timeframe, approving only those that provide strategies satisfying the quality standards.

32 Local action groups should involve their local communities in the process of developing their strategies through a combination of methods, such as training events, workshops or seminars, using their knowledge of the local area. In our previous

LEADER special report, we noted weaknesses in the way local action groups promoted local engagement. This time we found that all local action groups selected had undertaken such activities and developed their local development strategies through a bottom-up process.

33 Member States had to define criteria for approving local action groups, and assess proposed strategies against them. The process involved an expression of interest or several calls for proposals; preparation of draft strategies; Member States' assessment of the strategies, and, where necessary, revision. Member States had to select strategies and approve local action groups by the end of 2017 (two years after spending began in other areas of the common agricultural policy)¹⁵. Most Member States achieved this in 2016, Ireland and Czechia took more time and Slovakia completed approval in March 2018 (see [Figure 7](#) and [Box 1](#)).

34 Overall, we found that Member States had supported and supervised the approval process well through workshops, training events and capacity-building exercises for local action groups. A number of managing authorities provided guidance for local communities in the form of information material, a handbook or set up contact points for questions.

¹⁵ Article 33(4) of [Regulation \(EU\) No 1303/2013](#).

Figure 7 – Duration of process of approving local action groups in the ten Member States selected



Source: ECA, based on information provided by the Member States. ‘Relative deadline’: the first round of strategy and LAG selection should be finished 2 years after approval of their partnership agreement; ‘Absolute deadline’ (red line): Local development strategy approval should be finished by 31/12/2017 (Article 33(4) of Regulation (EU) 1303/2013).

Box 1

Lengthy development of local strategies in Slovakia

The development of local development strategies in Slovakia lasted two and a half years, and ended three months after the December 2017 deadline.

At the time of our audit, three years later, no projects had been financed.

The Commission was aware of the lengthy process and requested action in order to speed it up.

35 The Commission had recommended that Member States should have local development strategies assessed based on quality standards and compete against each

other¹⁶. Through this approach, the Commission aimed to ensure that the local action groups selected were those presenting strategies which met minimum quality requirements.

36 Member States needed to define assessment criteria for selecting the local development strategies. These included the definition of quality standards, which all strategies had to fulfil¹⁷. We found that nine Member States defined quality standards but in Czechia, Greece and Slovakia they were less demanding. Romania did not define these quality standards.

37 *Table 4* provides an overview of the number of strategies submitted and selected for each Member State covered by our audit. Six Member States selected all local action groups that submitted their strategies. Romania doubled the number of initially planned local action groups (from 120 to 239).

Table 4 – Selection of local action groups / local development strategies

| Member State | N° of submitted strategies | N° of selected strategies |
|------------------|----------------------------|---------------------------|
| Czechia | 179 | 178 |
| Germany (Saxony) | 350 | 350 |
| Estonia | 34 | 34 |
| Ireland | 30 | 30 |
| Greece | 50 | 50 |
| Austria | 77 | 77 |
| Portugal | 175 | 92 |
| Romania | 239 | 239 |
| Slovakia | 121 | 110 |
| Sweden | 53 | 48 |

Source: ECA based on data provided by the selected Member States.

¹⁶ Guidance for Member States and programme authorities on CLLD in the ESI Funds, Section 7.3, pp. 42-43.

¹⁷ Guidance for Member States and programme authorities on CLLD in the ESI Funds, Section 7.3, pp. 42.

Local action groups have approved projects more slowly than anticipated

38 To select projects that provide benefits for local development, local action groups should establish criteria that are appropriate for their local area, and apply fair and transparent procedures. LEADER and community-led local development support is available for:

- local community projects;
- cooperation activities between two or more local action groups from the same Member State or different countries (EU and non-EU).

39 Seven out of ten Member States used online applications, simplified cost options or other tools to ease the selection process. In four Member States (Greece, Portugal, Czechia and Slovakia), the project application and approval process was particularly complicated and time-consuming.

40 The process involved up to eight steps and took on average about one year, with extreme cases exceeding two years. Applicants first needed to apply to the local action group, which checked eligibility and whether the project fitted with the local development strategy. They then submitted their application to the responsible authorities. In Greece, applicants had to submit both an electronic and a paper application. These extra administrative requirements contributed to a situation where at the time of our audit, Member States had completed and paid for relatively few projects (39 % of planned LEADER project spending).

41 According to the Commission's guidance, local development strategies should serve local purposes and the projects selected should contribute to the strategies' objectives¹⁸. The local action groups set quite general objectives and project selection criteria in their local development strategies. This allowed the local action groups to select a broad range of projects.

¹⁸ [Guidance for Member States and programme authorities on CLLD in the ESI Funds](#), pp. 24-25.

The LEADER approach facilitates local engagement but women and young people are underrepresented on local action groups

42 Local action groups provide a forum for communication within local communities for designing and delivering the local development strategies, through initiating, developing and funding local projects. They play a role in bringing local communities together and engaging them in local development. The LEADER approach takes advantage of the expertise and experience of local communities to define their development needs. In addition, this approach was created to provide a platform for communication between different layers of government, from local communities to regional and national government and to incentivize such closer cooperation.

43 Local action groups should be representative of their local communities and involve all relevant local stakeholders. According to the legislation, no specific stakeholder group should represent more than 49 % of a local action group's voting rights and the proportion of votes from public authorities in the project selection process must be less than 50 %¹⁹. According to the Commission's guidance, decision-making bodies should also be gender-balanced and have a fair representation of specific target groups, such as young people, ethnic minorities and disadvantaged people²⁰.

44 We found that local action groups we examined provided a forum for local communication, and complied with the legal requirements concerning the composition of the groups' decision-making bodies. This meant that public authorities no longer dominated the process (as we had found in 2010). Our analysis showed that men occupied 60 % or more of the positions in ten out of eighteen local action groups from which we received data. Young people were underrepresented. Sixteen out of twenty local action groups we examined had no one under the age of thirty on their decision-making bodies²¹. This creates the risk of decision-making bodies not considering their views and interests in the decision-making process.

¹⁹ Articles 32(2)(b) and 34(3)(b) of [Regulation \(EU\) No 1303/2013](#).

²⁰ [Guidance for Member States and programme authorities on CLLD in the ESI Funds](#), p. 27.

²¹ Young people are aged 18 to 30; see Council of Europe and European Commission (2019): [Youth Policy essentials](#), p. 6.

Additional benefits of LEADER and community-led local development still not demonstrated

45 In our previous LEADER special report, we concluded that there was insufficient evidence of the added value of the LEADER approach, and we recommended that the Commission take urgent steps to ensure that it could account for the added value and sound financial management of LEADER. As mentioned in paragraph **07**, the Commission expects LEADER to manifest itself in enhanced project results, and improved social capital and local governance.

46 In the following sections, we consider each of these aspects in turn, first examining whether the Commission has, over the past decade, made progress in holding account for the benefits of LEADER. We then examine whether the LEADER local development projects delivered enhanced results, and finally whether there is evidence that the LEADER approach leads to improved social capital and governance in local communities.

The Commission started evaluating the benefits of LEADER

47 Our review of the relevant monitoring and evaluation system showed that one of the key recommendations from the **2010 LEADER special report** on accounting for LEADER benefits had not been fully implemented (see paragraph **17** and **Annex II**).

48 As explained in paragraph **13**, the Commission monitors and reports on the achievements of the LEADER programme using three indicators set out in the Regulation. **Table 5** shows data reported on LEADER in the 2019 Annual Activity Report of the Directorate-General for Agriculture and Rural Development:

Table 5 – LEADER indicators

| Indicator | Target (for 2023) | Reported data |
|---|-------------------|---------------|
| % of rural population covered by local development strategies | 53.5 % | 60.6 % |
| % of rural population benefiting from improved services / infrastructures | 16.4 % | 13.54 % |
| The number of jobs created through supported projects | 44 109 | 13 337 |

Source: ECA based on 2019 Annual Activity Report of the Directorate-General for Agriculture and Rural Development

49 These indicators do not support meaningful assessment of the costs and benefits of the LEADER approach. Indeed, in our previous reports, including the 2019 Report on Performance²², we noted that the indicators used are mainly input and output indicators and do not measure results or added - value of the spending programmes. In our 2010 report on LEADER, we recommended that the Commission should take urgent steps to ensure that it can account for benefits of the LEADER approach and that monitoring should be directed towards indicators of such benefits, efficiency and effectiveness, rather than implementation.

50 The legislation requires the Commission to provide guidance to the Member States on how to carry out evaluations of their rural development and operational programmes. The programme evaluations at the end of the period, the *ex post* evaluations, shall be carried out by the Commission, or by the Member States in close cooperation with the Commission²³.

51 The Commission issued two guidance documents to support the Member States' evaluation of LEADER and community-led local development in the 2014-2020

²² Report of the European Court of Auditors on the performance of the EU budget – Status at the end of 2019.

²³ Articles 54-57 of Regulation (EU) 1303/2013.

programming period: evaluation guidelines²⁴ and an evaluation handbook²⁵. The Commission is also required to provide a synthesis report of the Member States' *ex post* evaluations by 31 December 2025 for the operational programmes and by 31 December 2027 for rural development programmes²⁶.

52 In the 2007-2013 programming period, the Commission had to submit the synthesis report for rural development by 31 December 2016²⁷. This report was finalised in April 2018 and published in July 2020²⁸. It included a brief section on LEADER, but did not provide an assessment of the LEADER benefits.

53 The Commission has not yet issued its own evaluation of the LEADER approach. In our 2018 opinion on Commission proposals for the new common agricultural policy we recommended that the Commission should follow the 'evaluate first' principle when revising legislation²⁹. The Commission is currently carrying out an evaluation of the impact on balanced territorial development of the part of the LEADER approach funded by the rural development fund. This evaluation aims to examine the relevance, effectiveness, efficiency, coherence and the added value³⁰. The Commission plans to publish this evaluation in 2023.

Member States used LEADER to fund projects deriving from the local strategies, but for some other specific spending programmes existed

54 In the absence of a Commission evaluation or of relevant monitoring data to account for the benefits of the LEADER projects, we assessed whether LEADER and community-led local development projects had the potential to contribute to local

²⁴ Guidelines, Evaluation of LEADER/CLLD.

²⁵ European Commission (2018): FARNET Guide #15 - Evaluating CLLD. Handbook for LAGs and FLAGs.

²⁶ Article 57(4) of Regulation (EU) 1303/2013 and Article 2(4) of Regulation (EU) 2020/2220.

²⁷ Article 87(2) of Regulation (EC) No 1698/2005.

²⁸ European Commission (2020): Synthesis of Rural Development Programmes (RDPs) *ex-post* evaluations of period 2007-2013, Luxembourg, pp. 222-234.

²⁹ 2018 ECA opinion concerning Commission proposals for regulations relating to the common agricultural policy for the post-2020 period.

³⁰ Evaluation Roadmap: Evaluation of the impact of LEADER on balanced territorial development.

development and delivered enhanced results. We did so by analysing whether they derived from the local development strategies (see paragraph 41) prepared by the local action groups, and thus had the potential to respond to local needs. We also used the Commission's evaluation guidelines that define enhanced results in terms of the type of projects "as compared to implementation without the LEADER method"³¹.

55 We assessed 95 projects in terms of these criteria introduced in paragraph 54. We based this on self-assessments by the local action groups. We examined the plausibility of these self-assessments and discussed our appraisal with the authorities and a number of project owners.

56 We found that these projects addressed the broad general objectives set in the local development strategies (see paragraph 41). A number of projects had the potential to contribute to local development. We also identified projects that are additional to statutory duties and not covered by specific schemes.

57 However, we found that some Member States covered by our audit used LEADER or community-led local development funding to finance projects that typically are statutory tasks of national, regional or municipal authorities (such as financing for village roads or street lighting). In addition, we found projects that are specifically addressed by non-LEADER rural development measures, and through other EU spending programmes (see *Box 2*).

58 For example, Germany (Saxony) used LEADER to finance a broad range of basic rural services. It allocated €364.3 million, 41.5 % of its planned rural development funding, to LEADER – the highest share among all Member States and regions in the EU. Mainstream local government activities in Germany (Saxony) therefore had to pass through local action groups. This included financing for village roads, street lighting and maintenance and projects to extend kindergartens. According to the rural development mid-term evaluation report, by 30 June 2019 Saxony had used LEADER funds to finance 112 streetlight projects (worth €5.5 million in public expenditure), 84 village roads (€13 million) and 62 kindergarten projects (€6.3 million)³².

³¹ Guidelines, Evaluation of LEADER/CLLD.

³² Zentralbewertung des Entwicklungsprogramms für den ländlichen Raum 2014 – 2020 im Freistaat Sachsen. Endbericht, p. 257.

Box 2

LEADER funded projects for which other specific measures and spending programmes existed

Czechia and Romania: Support for farm modernisation and young farmers



EAFRD

One local action group in Romania selected ten farm investment projects with total costs of €1.7 million. They accounted for almost half of the total costs of all selected projects. The second Romanian group paid young farmer support in eight cases as a lump sum for a total of €240 000. All Member States have specific measures to support young farmers under Pillar I of the CAP and Romania provides specific support under Pillar II.

The two local action groups in Czechia selected 47 farm investment projects with costs of about €2 million, almost half of the total costs of all selected projects. One of these local action groups spent about 80 % of its total project costs on agricultural projects.

These projects granted farmers EU funding mostly for investments in new stables and equipment or supported the start-up of young farmers.

Interested farmers can apply for rural development funding outside LEADER and thus the use of LEADER funding in such instances duplicates existing arrangements.

59 This situation was of a kind we identified in 2010. At that time, the Commission agreed that in principle LEADER should not support normal local government activities. In our 2015 special report on EU support for rural infrastructure³³, we made similar observations on the financing of rural roads in Germany (Saxony) and recommended that Member States ensure that EU rural development funds do not replace other public funds dedicated to the same policy area.

60 In Ireland and Sweden, we found that this was largely avoided due to these countries' eligibility rules:

- o The Irish authorities excluded from LEADER funding a number of sectors and activities for which other funding options existed, including agriculture,

³³ Special report 25/2015: EU support for rural infrastructure.

refurbishments of private residential property and general maintenance work by public bodies, as well as projects already receiving other EU or national funding.

- o Sweden had rules against funding costs for carrying out statutory tasks or meeting EU or national legal requirements (e.g. compliance with an EU directive). It also required LEADER and community-led local development projects to benefit the broader local community, not just individual project owners.

While the circumstances of individual Member States differ, in our view, these rules are good practices that could contribute to sound financial management of the LEADER programme.

While experts consider it difficult to evaluate some potential benefits of the LEADER approach, we also found evidence that it could be done

61 As well as better project results, the Commission defines the benefits of LEADER in terms of improved social capital and governance. The Commission’s evaluation guidelines provide the following definitions:

- o **Social capital** is a multidimensional concept, which includes features of social organisations such as networks, norms, and social trust that facilitate coordination and cooperation for mutual benefit.
- o **Governance** comprises the institutions, processes and mechanisms, through which public, economic and civil society stakeholders articulate their interests, exercise their legal rights, meet their obligations and mediate their differences.

62 Specialist literature shows that a range of challenges exist in trying to measure improvements in social capital and local governance including commonly accepted definition of these concepts³⁴. Experts thus acknowledge that it is difficult to evaluate these potential benefits of LEADER.

³⁴ Nardone, G., Sisto, R., Lopolito, A., [Social Capital in the LEADER Initiative: a methodological approach](#), *Journal of Rural Studies*, Vol. 26, Issue 1, 2010, pp. 63-72.

Pisani, E., Franceschetti, G.; Secco, L. and Asimina C. (ed., 2017), *Social Capital and Local Development: From Theory to Empirics*. Cham (Switzerland).

Claridge, T. (2020), [Current definitions of social capital - Academic definitions in 2019](#), including link to presentation “[Social capital - is there an accepted definition in 2020?](#)”

63 In addition to the Commission’s synthesis report (see paragraph 52), we analysed *ex post* evaluation reports of the Member States covered by our audit, mainly from the 2007-2013 period, for evidence of improved social capital and local governance. Most Member States’ *ex-post* reports did not cover these concepts. The Swedish 2007-2013 *ex post* evaluation provided explicit findings in relation to local governance. In the evaluators’ view, LEADER had not contributed positively to ‘vertical governance’, i.e. to the local action groups’ standing in relation to other authorities and institutions. In terms of ‘horizontal governance’, i.e. cooperation with other regional stakeholders, the evaluators emphasized that LEADER had led to the engagement in local public affairs of representatives from both local businesses and civil society.

The multi-fund approach increases complexity for funding local development projects

64 The European Structural and Investment Funds (ESIFs) comprise five different funding streams, each with its own specific rules (see paragraph 10). This requires coordination between the responsible Member State authorities to ensure synergies and avoid overlaps at programme and project levels. The legislation for the 2014-2020 programming period explicitly addresses the need for such coordination³⁵.

65 According to the Commission establishing joint monitoring committees for the different programmes is useful and practical. We found that only four out of ten Member States covered by our audit had done so.

66 However, the Member States found other solutions to facilitate the flow of information. The managing authorities for each of the individual funds in Austria and Germany (Saxony) were represented on the monitoring committees of all the other funds. Estonia had established a joint managing authority for the rural development and fisheries funds.

Shucksmith, M. (2002), [Endogenous Development, Social Capital and Social Inclusion: perspectives from leader in the UK](#), *Sociologia Ruralis*, 40(2), pp. 208-218.

Thuesen, A. A. (2010), [Is LEADER elitist or inclusive? Composition of Danish LAG boards in the 2007-2013 rural development and fisheries programmes](#), *Sociologia ruralis*, 50(1), pp. 31-45.

³⁵ Regulation (EU) No 1303/2013, including Annex I (common strategic framework).

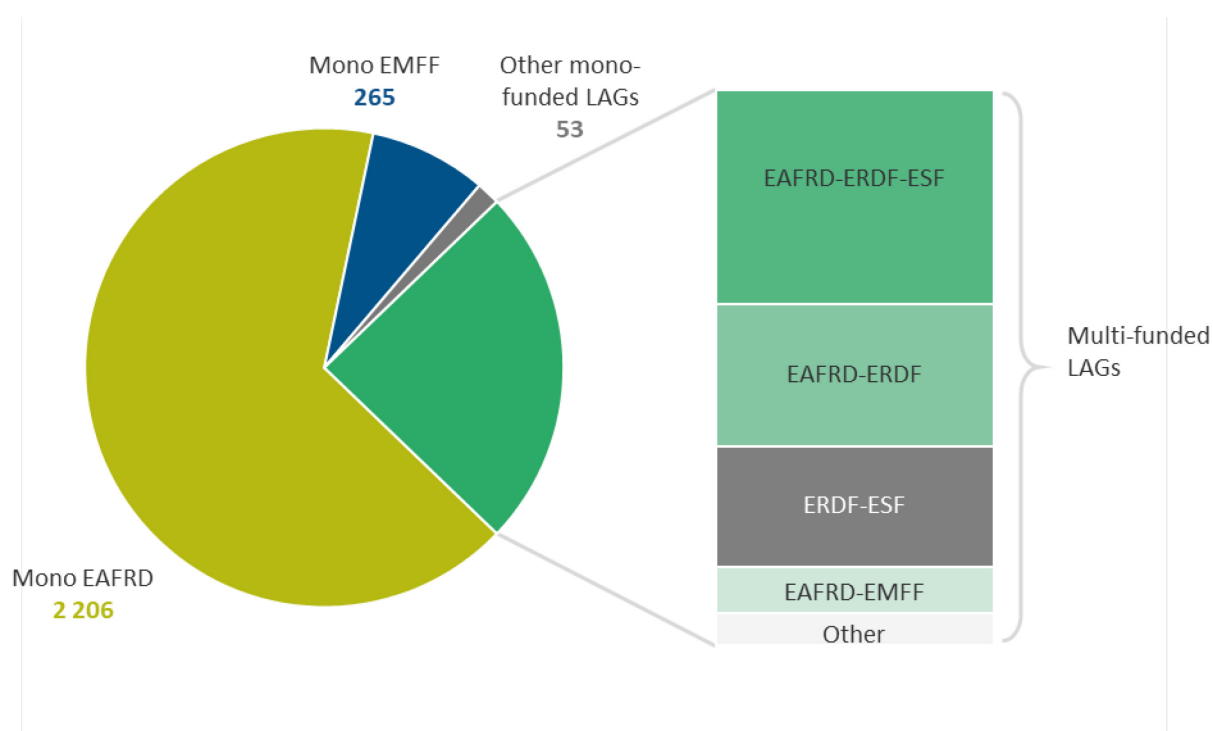
67 The two funding streams (European Agricultural Guarantee Fund and European Agricultural Fund for Rural Development) of the common agricultural policy will be planned through CAP Strategic Plans, as part of the post-2020 reform. As a result, rural development may have a looser link to the other three funding streams (European Regional Development Fund, the European Social Fund Plus and European Maritime, Fisheries and Aquaculture Fund).

68 The Commission expected the multi-fund approach to broaden the range of local sectors, stakeholders and project owners involved in local action groups, thus enhancing local cooperation. They further expected that the inclusion of four EU funds would enable local action groups to address complex local needs more comprehensively and with more money.

69 The Commission has not provided comprehensive figures on the number of local action groups using the multi-fund approach. According to the latest available compiled data³⁶, 3 337 groups were approved in all Member States (including the United Kingdom) for the 2014-2020 programming period. Of these, 813 (24 %) used more than one EU fund (see [Figure 8](#)). Most of these multi-funded local action groups used a combination of funding from the rural development fund, regional development fund and social fund, and nine in the whole EU used all four funds available (eight in Sweden and one in Poland).

³⁶ Kah, S. (2021), [Update: Implementing cohesion policy funds through multi-Fund CLLD](#) (Data correct as of June 2021).

Figure 8 – Mono- and multi-funded local action groups in the 2014-2020 period



Source: ECA, based on Kah, S. (2021), [Update: Implementing cohesion policy funds through multi-Fund CLLD](#) (Data correct as of June 2021).

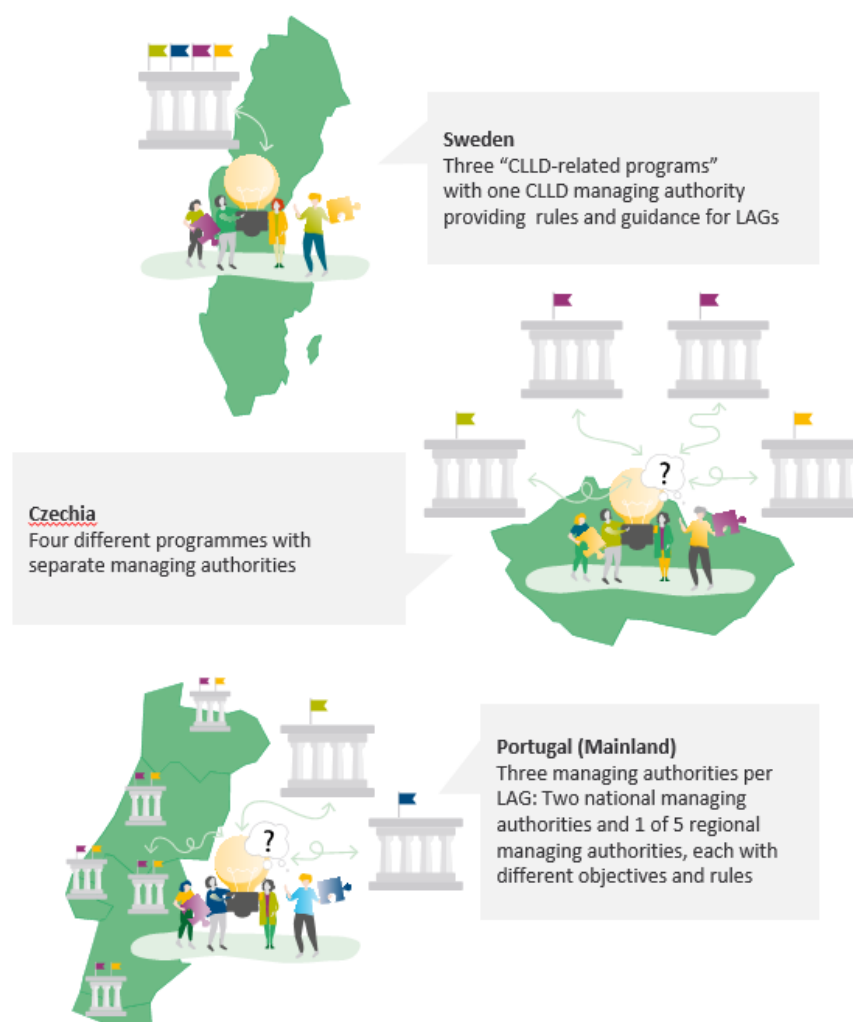
70 The multi-fund approach was new for the local action groups and the Member State authorities, and local action groups were dealing with the social and regional funds for the first time. The Commission’s guidance document³⁷ therefore emphasised the need for “clear lines of responsibility and decision-making”. This required coordination between the responsible Member State authorities, not least in order to provide local action groups with clear rules and guidance, ideally from a single contact point.

71 Of the Member States covered by our audit, Sweden had the most streamlined arrangements for managing the multi-fund approach. It had appointed a single managing authority and a fund coordination group, and had only three related programmes: a national rural development programme, a national fisheries programme and a national programme for financing community-led local development from the regional and social funds.

³⁷ European Commission (2016), [FARNET Guide #10: Starting CLLD implementation in practice](#).

72 In Czechia and Portugal, by contrast, the combination of different funds with different objectives and rules, and different managing authorities applying differing rules and guidance, made the multi-fund approach more difficult to manage according to the managing authorities. (Figure 9 shows different arrangements for managing the multi-fund approach in Sweden, Czechia and Portugal). We found no evidence in the Commission’s observations on Member States’ annual implementation reports or in minutes of their annual meetings that the Commission had intervened, e.g. by giving written feedback on managing the multi-fund approach to the Member States or by requiring action plans where necessary.

Figure 9 – Arrangements for managing the multi-fund approach



Source: ECA based on maps provided by Eurostat.

73 In order to simplify the multi-fund approach, the Commission has introduced some new features for the 2021-2027 programming period:

- Member States must organise a joint call (involving all funds concerned) to select local development strategies and local action groups and establish a joint committee to monitor the implementation of these strategies³⁸.
- If a Member State opts for a lead fund, the local development strategy as a whole (i.e. the management and control of all projects) is subject to that fund's rules, whereas implementation, monitoring and payments for individual projects are still governed by the rules of the fund financing the project in question³⁹.

We found that as of the end of December 2021, joint calls were not yet possible. The Commission informed us that this was due to the extension of the transition period for the new Common Agricultural Policy (including the EU rural development fund) until 2022, which meant that previous 2014-2020 rules would continue to apply.

74 In Sweden, despite the streamlining introduced, authorities considered the multi-fund ineffective and costly to manage, in particular as the fisheries, regional and social funds together accounted only for 20 % of funding for community-led local development in the 2014-2020 period. They commissioned a study assessing the financing of all initiatives in community-led local development from the Agriculture Fund⁴⁰ which found that, in 2014-2020, local action groups had supported similar projects under different funds (e.g. in the fields of tourism and integration), and that more than 90 % of all projects supported under the three other EU funds could have been financed from rural development money.

75 As a result, Sweden is likely to discontinue the multi-fund approach. From the other Member States authorities interviewed, we received mixed response indicating that most of them are not in favour of using the multi-fund approach in the current and future programming period.

³⁸ Article 31(3) of [Regulation \(EU\) 2021/1060](#).

³⁹ Article 31(4)-(6) of [Regulation \(EU\) 2021/1060](#).

⁴⁰ [Är det möjligt att finansiera alla insatser inom lokalt ledd utveckling genom jordbruksfonden? Uppföljningsrapport 2019:11](#)
(Is it possible to finance all initiatives in CLLD from the Agriculture Fund [EAFRD]? Follow-up report 2019: 11).

Conclusions and recommendations

76 Our audit examined whether the LEADER approach delivered benefits that justified its additional costs and risks, in particular compared to mainstream (top-down) EU spending programmes.

77 More than a decade after our last special report on LEADER, we found that improvements have taken place in some areas and that LEADER creates structures that facilitate local engagement. However, the LEADER approach involves higher administrative and running costs, slow approval processes and did not result in projects with demonstrable additional benefits. Overall, we conclude that there is little evidence that the benefits of the LEADER approach outweigh the costs and risks it incurs.

78 LEADER, because of its participative approach, incurs high administrative and running costs. The EU Regulation caps these costs at 25 %. In the 2014-2020 programming period, Member States planned to spend 17 % on administrative and running costs. These costs include facilitating the implementation of the local development strategy and helping potential beneficiaries to develop projects. According to Commission reporting, as at the end of 2020, these costs amounted to €1.04 billion (24 % of total spending at that stage, which is within the limits of the Regulation). The share of such costs compared to project spending tends to decrease over the programming period cycle (paragraphs [25-30](#)).

79 We found that local action groups succeeded in promoting local engagement when developing their local development strategies, which constitutes an improvement on the situation we found more than a decade ago. Most Member States covered by our audit applied pertinent procedures to select and approve local action groups based on these strategies, but some applied less demanding quality standards when selecting local development strategies. We found that one Member State did not include quality criteria in its selection process. This would have allowed focusing on the best local development strategies (paragraphs [31-37](#)).

80 We found that the project application and approval process was complicated and included extra administrative requirements for project owners compared to mainstream spending programmes. This contributed to a situation where at the time of the audit, Member States had completed and paid for relatively few projects (39 %). We also found that LEADER project selection criteria were, in most cases, quite

general, which allowed local action groups to select a broad range of projects (paragraphs [38-41](#)).

81 The project selection process was no longer formally dominated by public authorities (as we had found in 2010) and local action groups succeeded in facilitating local engagement. We found in 2021, however, that most of the local action groups were not gender-balanced and young people were under-represented. This creates the risk of decision-making bodies not considering their views and interests in the decision-making process (paragraphs [42-44](#)).

82 While some of our 2010 recommendations had been addressed, we found that the Commission's monitoring and evaluation framework has still not provided evidence of LEADER's additional benefits compared to mainstream funding. Experts consider that some parts of these benefits - i.e. social capital and local governance - are difficult to demonstrate. In our 2018 opinion on Commission proposals for the new common agricultural policy, we stressed that the Commission should follow the 'evaluate first' principle when revising existing legislation. The Commission started evaluating the benefits of LEADER (paragraphs [47-53](#) and [61-63](#)).

83 Our analysis of LEADER projects showed that they addressed the broad general objectives set in the local development strategies (see paragraph [80](#)). However, we found projects that are specifically addressed by non-LEADER rural development measures, and through other EU spending programmes. Some Member States and local action groups used LEADER to fund projects that typically are statutory tasks of national, regional or municipal authorities (paragraphs [54-60](#)).

84 The multi-fund approach was a new feature for the 2014-2020 programming period, introduced to better coordinate local development support and to reinforce the links between rural, urban and fisheries areas. Overall, we found that the multi-fund approach, in its current form, increases complexity for funding local development projects (paragraphs [64-75](#)).

Recommendation 1 – Comprehensively evaluate the costs and benefits of LEADER

The Commission should comprehensively evaluate both the costs and benefits. This evaluation for LEADER should cover (points a-e):

- (a) The application of a selection process of local action groups that allocates money on quality local development strategies;
- (b) Actions to reduce costs and administrative complexities (e.g. extra administrative burden for project owners, long selection procedures);
- (c) The extent to which decision-making bodies are representative, including by age, gender and other target groups;
- (d) The extent to which LEADER funded projects bring additional benefits compared to non-LEADER projects and
- (e) the extent to which LEADER funds are used to fund the statutory tasks of EU, national, regional or local bodies.

Target implementation date: 2023

Recommendation 2 – assess the Community-Led Local Development approach

When assessing the effectiveness and efficiency of the Community-Led Local Development, the Commission should cover to the extent possible the elements outlined in points (a) to (e) of recommendation 1.

Target implementation date: 2025 (for the 2014-2020 *ex post* evaluations)





This Report was adopted by Chamber I, headed by Mrs Joëlle ELVINGER, Member of the Court of Auditors, in Luxembourg on 4 May 2022.

For the Court of Auditors

Klaus-Heiner Lehne
President





Annexes



Annex I – Specific indicators related to LEADER and community-led local development



| Table 6 – EAFRD | EMFF | ERDF | ESF |
|--|---|-----------------------------|-----------------------------|
|  Output indicators |  Output indicators | No CLLD-specific indicators | No CLLD-specific indicators |
| O.18: Population covered by LAG O.19: Number of LAGs selected O.20: Number of LEADER projects supported O.21: Number of cooperation projects supported O.22: Number and type of project promoters O.23: Unique identification number of LAG involved in cooperation project | 1. Number of local development strategies selected 2. Preparatory support 3. Cooperation | | |
|  Target and result indicators |  Result indicators | No CLLD-specific indicators | No CLLD-specific indicators |
| T21/R22: percentage of rural population covered by local development strategies T22/R23: percentage of rural population benefiting from improved services/infrastructures T23/R24: Jobs created in supported projects (LEADER) | 1. Employment created (FTE) 2. Employment maintained (FTE) | | |


Sources: EAFRD: Annex IV of Commission Delegated Regulation (EU) No 808/2014; EMFF: Annex of Commission Delegated Regulation (EU) No 1014/2014


Annex II – ECA follow-up of special report 5/2010 performed for this audit report



| Recommendations | Commission's reply | ECA follow-up |
|--|---|---|
| Recommendation 1 | | |
| <p>In view of the persistent weaknesses, the Commission should ensure that the legislation provides sufficient clarity on the standards required in the specific case of Leader. A few simple requirements at EU level may replace the need for divergent operating rules at programme level, simplify procedures, improve consistency and provide clear control standards in the following areas:</p> | | |
| <p>(a) exclusion of projects started before a grant decision has been made, to eliminate a major risk of inefficiency (deadweight);</p> | <p>(a) The Commission will examine in depth the question of the start of eligibility of projects taking into account the need for a harmonised approach across Community funding under shared management.</p> | <div style="display: flex; align-items: center;">   <div style="margin-left: 5px;"> <p style="color: red; font-weight: bold;">not implemented</p> </div> </div> <p>Article 65(6) of Regulation 1303/2013 excludes projects from funding that have been physically completed or fully implemented before application is submitted. This does not prohibit projects to start before the grant decision has been made, i.e. the deadweight risk persists.</p> |
| <p>(b) LAGs' selection of projects to be based on documented assessments that demonstrate the soundness and fairness</p> | <p>(b) The Commission will give additional guidance in this respect in an update of the 'Guide on the application of the</p> | <div style="display: flex; align-items: center;">   </div> <p>Article 34(3)(b) of Regulation 1303/2013 sets the legal standard. We found that selection criteria were often subjective and interpreted in different ways by the LAGs.</p> |



| Recommendations | Commission's reply | ECA follow-up |
|--|--|--|
| of the decision in terms of consistent and relevant criteria; | Leader axis' still for the current programming period. | Implemented in some respects |
| (c) rules to ensure that the partnerships are not dominated by the local authorities at project selection meetings. | <p>(c) Rules do already exist in the current legal framework. Article 62(1)(b) of Regulation (EC) No 1698/2005 stipulates that at the decision-making level representatives of the civil society must make up at least 50 % of the local partnership.</p> <p>However, the Commission acknowledges that the enumeration of the principles could be more specific. The Commission will consider revising existing guidance to further clarify the compulsory application of the 'double quorum' rule that shall apply to the LAG composition and at decision-making level.</p> |  <p>Implemented</p> <p>Article 34(3) of Regulation 1303/2013 sets the legal standard.</p> |
| In addition, Member States should ensure that effective procedures are in place concerning the weaknesses identified in this report, and that the correct operation of these procedures is supervised. | |  <p>Implemented in some respects</p> <p>The Member States have procedures in place to guide and supervise LAGs. This does not prevent the weaknesses identified in this report.</p> |

| Recommendations | Commission's reply | ECA follow-up |
|--|---|---|
| Recommendation 2 | | |
| <p>The financial regulation prohibits any action that may result in a conflict of interests. In view of this, the Commission and Member states should ensure that effective safeguards are in place, and check that they operate correctly. Members of the LAG's project assessment or decision-making committees with any personal, political, professional or business interest in a project proposal should make a written declaration of the interest. They should be absent from any discussion, assessment or decision on the project and the matter should be referred to the managing authority in accordance with the financial regulation.</p> | <p>The Commission agrees with the Court that, as regards the decision-taking process, there should be clear rules on conflict of interests, which should be strictly followed.</p> <p>Article 61(1)(b) of Regulation (EC) No 1698/2005 foresees that at the decision-making level the economic and social partners, as well as other representatives of the civil society must make up at least 50 % of the partnership.</p> <p>The Commission will also promote good practices through the 'Guide on the application of the Leader axis' and will ask Member States to ensure and check effective safeguards.</p> | <div style="display: flex; align-items: center;">  <p>Article 34(3) of Regulation 1303/2013 sets the legal standard.</p> </div> <p style="color: green; margin-top: 10px;">Implemented</p> |
| Recommendation 3 | | |
| <p>The Commission should review with the Member states whether the existing measures constrain the LAGs' ability to design and implement innovative, multisectoral, local strategies to achieve the objectives of Axes 1–3 of the rural development policy. Member states should amend their rules as necessary</p> | <p>Modifications of rural development programmes (RDPs) in order to improve the implementation of local strategies are always possible.</p> <p>Furthermore, the 'Guide on the application of the Leader axis' can be reviewed to improve</p> | <div style="display: flex; align-items: center;">  <p>LEADER/CLLD projects are no longer linked to mainstream measures.</p> </div> <p style="margin-top: 10px;">We found certain weaknesses:</p> <ul style="list-style-type: none"> — PT: projects have to fit six defined measures; <p style="color: orange; margin-top: 10px;">Implemented in some respects</p> |

| Recommendations | Commission's reply | ECA follow-up |
|---|---|--|
| <p>to allow LAGs to develop local solutions that do not correspond to the rural development programme measures.</p> | <p>guidance to the Member States as regards funding of (innovative) projects outside the measure catalogue.</p> <p>Since late 2009 several Member States seek to amend their programmes to improve the effective implementation of the Leader method by allowing more flexibility mainly through the introduction of integrated or special measures. To a considerable extent, this is a consequence of the discussions animated by the Commission in the framework of the Leader sub- committee of the European Network for Rural Development.</p> | <p>— Overall: LEADER/CLLD projects are often mainstream projects or similar, instead of providing tailor-made local solutions.</p> |
| Recommendation 4 | | |
| <p>The Commission should ensure that Member states review the LAGs' 2007–13 strategies and require the LAGs to set measurable objectives, specific to their local area, that can be achieved by the Leader programme in the remainder of the period. The Member states should then 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.</p> | <p>The mid-term evaluation reports due at the end of 2010 will include recommendations for rural development programme modifications to align programme content with objectives. The Commission will take this opportunity to discuss Axis 4 implementation with the Member States and in particular the possibility to improve the quality of local development strategies and their implementation through inter alia better LAG level monitoring and evaluation.</p> | <div style="display: flex; align-items: center;">  <div style="margin-left: 10px;"> <p>Implemented in some respects</p> </div> </div> <p>The Member States reviewed the local development strategies also in terms of setting measurable objectives. We found that these strategies are generally broad, to allow the adoption of a huge variety of projects.</p> <p>The objectives are limited to output targets, indicating, e.g., how many projects of one kind should be implemented. Other mandatory (EU) indicators concern the</p> |

| Recommendations | Commission's reply | ECA follow-up |
|--|---|---|
| | <p>The collection and dissemination of good practice on monitoring at LAG level through the European Network for Rural Development (ENRD) and on evaluation in the context of the European Evaluation Network for Rural Development is envisaged in particular.</p> | <p>number of jobs created and the number of inhabitants covered by LAG.</p> <p>The Commission performs a collective reporting of these indicators but our review showed inconsistencies on data reported (e.g. >100 % coverage of population in rural areas).</p> <p>Article 34(3) of Regulation 1303/2013 defines the tasks of LAGs, including monitoring and evaluation activities. Member States set relevant minimum requirements for LAGs. We found mixed results, i.e. some good practices, but also LAGs that do not see the usefulness in such monitoring.</p> |
| <p>Member states should further consider whether this increased accountability for sound financial management would allow the existing management, supervision and control systems to be streamlined, with less need for checking compliance with eligibility conditions for measures.</p> | | <p> Implemented in some respects</p> <p>Article 34(3) of Regulation 1303/2013 requires Member States to conduct the relevant checks, including eligibility checks, or to delegate them to LAGs by designate them as intermediate bodies. We found examples of delegating responsibilities to LAGs without designating them as intermediate bodies.</p> |

| Recommendations | Commission's reply | ECA follow-up |
|---|--|---|
| Recommendation 5 | | |
| <p>In view of its responsibility to ensure the sound financial management of the EU budget, the Commission should check future programmes in sufficient detail for the specific elements that are fundamental to the added value, effectiveness and efficiency of Leader.</p> | <p>In the context of the programme approval for the current programming period under shared management, the Commission has examined the key elements foreseen in Annex 2 of Regulation (EC) No 1974/2006. However, other additional management elements of Leader have to be defined by the managing authorities after the programme approval in line with the subsidiarity principle.</p> | <p> Implemented in some respects</p> <p>The Commission checked the OPs and RDPs, but with an inconsistent level of detail across Member States.</p> <p>The Commission did not require Member States to focus on projects that provided added value or on other aspects of LEADER/CLLD added value.</p> |
| <p>Member states should ensure in future that LAGs correct any weaknesses identified in the selection process such that LAGs have strategies and implementation plans of the highest standard.</p> | | <p> Implemented in some respects</p> <p>The Member States checked the local development strategies, provided training and advice and gave LAG the opportunity to improve/amend their strategies after first reviews.</p> <p>On the other hand, this did not prevent them from adopting local development strategies with broad objectives and fields of action that would allow the selection of all kind of projects.</p> |

| Recommendations | Commission's reply | ECA follow-up |
|---|--|---|
| Recommendation 6 | | |
| <p>The Commission should take urgent steps to ensure that it can account for the added value and sound financial management of Leader. Monitoring should be directed towards indicators of the added value of the Leader approach, efficiency and effectiveness, rather than implementation. The data should be verified at source, at least on a sample basis. Given the scale and nature of Leader and the difficulties encountered thus far in obtaining relevant, comparable and reliable data, the Commission should consider more efficient and effective approaches, such as monitoring statistically- valid samples of LAGs in detail, through indicators, inspections and structured case studies with proper data verification by an independent evaluator.</p> | <p>There is a permanent dialogue with Member States to improve the implementation of the Leader approach through the Leader sub-committee of the European Network for Rural Development (ENRD). The Commission is also in dialogue with the Member States as regards the improvement of the Common Monitoring and Evaluation Framework, including the monitoring indicators for Leader. The Commission has recently finalised a final draft working paper on assessing the impacts of Leader in rural areas.</p> <p>The differences between strategies do not allow the collection of the same information in all LAGs as the implementation of a local strategy is process-driven. Individual evaluation has to be limited in order to respect the relation between costs and efficiency of the evaluation process itself</p> | <p> not implemented</p> <p>The Commission collects data, but the four DGs involved have different approaches.</p> <p>The data collected is mostly business-related and provides no information in relation to LEADER/CLLD added value. The newly introduced concept is quite theoretical and difficult to apply in practice.</p> |
| <p>The Commission should coordinate the Member states to ensure that the supervisory and control systems provide assurance on the fairness and transparency of procedures; comparable data on the costs; and complement the monitoring of effectiveness and efficiency.</p> | | <p> Implemented in some respects</p> <p>LEADER/CLLD is rarely subject to Commission inspections.</p> <p>The Commission requires and receives annual implementation reports and annual review meetings.</p> |

Annex III – List of projects audited (Expenditure as of May 2021)

| Project description | Type of project promoter | Total expenditure (in euros) | EU contribution (in euros) | ESIF |
|---|---------------------------------|------------------------------|----------------------------|-------|
| Czechia | | | | |
| Reconstruction of a municipality's central part (pavement and bus stop bay) | Public body | 98 069.98 | 93 166.48 | ERDF |
| Barrier-free primary school | Public body | 77 822.80 | 73 931.73 | ERDF |
| Purchase of farm machinery (multifunctional loader) | SME | 29 420.99 | 11 297.66 | EAFRD |
| Purchase of equipment for reconstructing historic train wagons | SME | 6 268.63 | 1 805.35 | EAFRD |
| Day camps for children | LAG | 100 389.34 | 85 330.94 | ESF |
| Farm investments, in stables and machinery for animal production | Private agricultural enterprise | 194 224.11 | 74 582.03 | EAFRD |
| Purchase of farm machinery (tractor) | SME | 77 867.57 | 22 269.18 | EAFRD |
| Purchase of farm machinery (loader and conveyor) | SME | 62 725.56 | 24 086.62 | EAFRD |
| Purchase of a heat pump for a tourist guesthouse | SME | 7 061.04 | 2 033.58 | EAFRD |
| Acquisition of equipment for a blacksmith shop (artistic forging) | SME | 3 510.91 | 1 011.14 | EAFRD |

| Project description | Type of project promoter | Total expenditure (in euros) | EU contribution (in euros) | ESIF |
|--|--------------------------|------------------------------|----------------------------|-------|
| Germany (Saxony) | | | | |
| Conversion to an integrative day-care facility for children | Public body | 375 000.00 | 300 000.00 | EAFRD |
| Demolition of a decrepit single family house | Private person | 9 196.32 | 7 357.06 | EAFRD |
| Refurbishment of a former parsonage for private use | Private person | 160 000.00 | 128 000.00 | EAFRD |
| Construction of a fishing jetty for disabled persons | NGO | 70 753.80 | 47 688.23 | EMFF |
| Integrative adventure playground with geological background | NGO | 41 003.44 | 32 802.75 | EAFRD |
| Reconstruction and refurbishment of a former polyclinic for resettling new doctors | SME | 200 000.00 | 160 000.00 | EAFRD |
| Barrier-free refurbishment of a bathroom in a private apartment | Private person | 5 463.87 | 4 371.10 | EAFRD |
| Demolition of a former apprenticeship home | Agricultural cooperative | 15 000.00 | 12 000.00 | EAFRD |
| Renovation of street lights | Public body | 2 981.16 | 2 384.93 | EAFRD |
| Reconstruction of freight containers for holiday homes | SME | 29 152.85 | 23 322.28 | EAFRD |

| Project description | Type of project promoter | Total expenditure (in euros) | EU contribution (in euros) | ESIF |
|--|--------------------------|------------------------------|----------------------------|-------|
| Estonia | | | | |
| Modernisation of a swimming pool - construction of a health and children's pool | Public body | 80 000.00 | 64 000.00 | EAFRD |
| Development of wool processing workshop - acquisition of a carding machine and the adaptation of production facilities | SME | 25 706.24 | 23 135.61 | EAFRD |
| Purchase of an transport trailer for cattle and sheep (shared use by three farms) | SME | 4 043.60 | 3 234.88 | EAFRD |
| Audio-visual projection solutions for a history education centre | NGO | 10 000.00 | 8 000.00 | EAFRD |
| Reconstruction of a former railway station building into a public transport waiting hall and a museum | NGO | 72 911.64 | 58 329.28 | EAFRD |
| Purchase of a rock cutting machine for field stone processing | SME | 65 040.00 | 52 032.00 | EAFRD |
| Training in nature tourism for school students | Public body | 3 233.16 | 2 586.52 | EAFRD |
| Construction of a skate park | NGO | 17 836.94 | 14 269.54 | EAFRD |
| Purchase of equipment for church's community work | NGO | 4 943.13 | 3 954.47 | EAFRD |
| Installation of artificial turf for a sports ground | NGO | 139 999.80 | 111 999.84 | EAFRD |

| Project description | Type of project promoter | Total expenditure (in euros) | EU contribution (in euros) | ESIF |
|--|--------------------------|------------------------------|----------------------------|-------|
| Ireland | | | | |
| Development and Construction of a Building | NGO | 500 000.00 | 314 000.00 | EAFRD |
| Community Skate Park | NGO | 127 671.00 | 80 177.39 | EAFRD |
| Expansion of Riding School | SME | 56 062.97 | 35 207.55 | EAFRD |
| Marketing Campaign of a private company | SME | 19 374.37 | 12 167.10 | EAFRD |
| Community Socio Economic Planning | LAG | 26 442.90 | 16 606.14 | EAFRD |
| Purchase of computer equipment in a rural tourism business | Private | 5 008.25 | 3 145.18 | EAFRD |
| Building Capacity on a Visitor Centre | NGO | 52 170.10 | 32 762.82 | EAFRD |
| Improvement works on a heritage site | NGO | 200 000.00 | 125 600.00 | EAFRD |
| Improvement to Business Facilities | SME | 117 567.47 | 73 832.37 | EAFRD |
| Biodiversity & Ecological Study | NGO | 8 966.70 | 5 631.09 | EAFRD |

| Project description | Type of project promoter | Total expenditure (in euros) | EU contribution (in euros) | ESIF |
|---|---|------------------------------|----------------------------|-------|
| Greece | | | | |
| Music festival | NGO | 31 520.00 | 28 112.69 | EAFRD |
| Improvement of road infrastructure | Public Entity | 580 000.00 | 517 302.00 | EAFRD |
| Cultural NGO project | Cultural Association | 13 633.42 | 12 159.65 | EAFRD |
| Improvement works on a special needs school | Association of parents and friends of children with special needs | 182 329.93 | 162 620.06 | EAFRD |
| Cultural NGO project | Cultural Association | 10 515.20 | 9 378.50 | EAFRD |
| Tourist accommodation project | Private | 265 803.55 | 239 223.20 | EAFRD |
| Creation of a new production line | Private | 125 040.00 | 112 048.34 | EAFRD |
| Business modernization | Private | 11 113.00 | 9 958.36 | EAFRD |
| Funding of a new business unit | Private | 57 220.60 | 51 275.38 | EAFRD |
| Funding of a dairy production unit | Private | 61 017.48 | 54 677.76 | EAFRD |

| Project description | Type of project promoter | Total expenditure (in euros) | EU contribution (in euros) | ESIF |
|--|--------------------------|------------------------------|----------------------------|-------|
| Austria | | | | |
| Exploring local Pop-up-Shop concepts | Tourism association | 102 398.29 | 32 767.46 | EAFRD |
| Developing production and processing of high quality herbs and spices | Cooperative | 341 956.33 | 109 426.02 | EAFRD |
| Support for establishing the first Montessori school in the region | Cooperative | 57 126.95 | 27 177.60 | EAFRD |
| Developing a 'Smart Village' concept through "Design Thinking" | Public body | 7 560.00 | 3 628.80 | EAFRD |
| Exploring new ways towards innovative projects <i>(Cooperation project of three Austrian LAGs, incl. the two audited)</i> | NGO | 376 305.71 | 240 000.00 | EAFRD |
| Small-scale observatory for amateur astronomers, schools and interested public | NGO | 55 929.40 | 26 145.60 | EAFRD |
| Start-up support for sustainable entrepreneurship across different business sectors | NGO | 85 608.00 | 41 091.84 | EAFRD |
| Production and marketing of kindling | Cooperative | 15 000.00 | 4 800.00 | EAFRD |
| Traditional management of steep mountain pastures | NGO | 23 850.00 | 11 448.00 | EAFRD |

| Project description | Type of project promoter | Total expenditure (in euros) | EU contribution (in euros) | ESIF |
|--|---|------------------------------|----------------------------|-------|
| Portugal (Mainland) | | | | |
| Conversion of old windmills into tourist accommodation | Sole proprietorship <i>(Empresário em Nome Individual)</i> | 181 561.09 | 72 624.47 | EAFRD |
| Purchase of industrial kitchen equipment for the production of jams, chutneys, sauces etc. | SME | 47 378.22 | 12 507.59 | EAFRD |
| Conservation and restauration of windmills and the surrounding area (open air museum) | Public body | 149 000.00 | 89 400.00 | EAFRD |
| Refurbishment of a community's firewood oven | Public body | 8 285.90 | 3 597.44 | EAFRD |
| Purchase of equipment for cheese production of a dairy | SME | 171 066.39 | 68 551.57 | EAFRD |
| Support for job creation in a crafts beer brewery | SME | 10 458.24 | 5 229.12 | ESF |
| Purchase of equipment for a crafts beer brewery | SME | 31 571.56 | 12 628.63 | ERDF |
| Support for job creation at a roadside assistance service company | SME | 6 052.62 | 5 144.73 | ESF |
| Modernisation and purchase of equipment for a gym | SME | 99 195.60 | 39 678.23 | ERDF |
| Modernisation of a local accommodation unit | SME | 31 013.41 | 12 405.36 | ERDF |

| Project description | Type of project promoter | Total expenditure (in euros) | EU contribution (in euros) | ESIF |
|---|--------------------------|------------------------------|----------------------------|-------|
| Romania | | | | |
| Construction of a cycling path in a village | Public authority | 81 624.00 | 72 906.56 | EAFRD |
| Purchase of agricultural machinery | SME | 160 226.27 | 143 114.11 | EAFRD |
| Purchase of equipment for a semi-subsistence beekeeping holding | SME | 13 975.50 | 12 482.92 | EAFRD |
| Purchase of equipment for a taxidermist | SME | 1 047.31 | 935.46 | EAFRD |
| Purchase of agricultural machinery (young farmer) | SME | 84 574.13 | 75 541.62 | EAFRD |
| Purchase of agricultural machinery (young farmer) | SME | 27 951.00 | 24 965.83 | EAFRD |
| Establishing a beauty salon in a village | SME | 23 292.50 | 20 804.86 | EAFRD |
| Integrated social services centre in a village | NGO | 5 820.00 | 5 198.42 | EAFRD |
| Construction an artificial turf | Public authority | 3 979.20 | 3 554.22 | EAFRD |
| Establishing a kinesiotherapy practice in a small town | SME | 23 292.50 | 20 804.86 | EAFRD |

| Project description | Type of project promoter | Total expenditure (in euros) | EU contribution (in euros) | ESIF |
|--|----------------------------|------------------------------|----------------------------|-------|
| Slovakia | | | | |
| Reconstruction and renovation of a building for the production of composite networks | SME | 177 424.76 | 97 583.62 | ERDF |
| Equipment for the production of semi-finished artificial wreaths | SME | 103 524.20 | 56 938.31 | ERDF |
| Purchase of an eight-seater for local transport (e.g. children, elderly persons) | Public body (municipality) | 34 210.53 | 32 500.00 | ERDF |
| Public sewage system | Public body | 25 000.00 | 18 750.00 | EAFRD |
| Design and construction of an educational trail | Public body | 24 936.70 | 18 702.53 | EAFRD |
| Reconstruction of village roads | Public body | 22 233.18 | 16 674.89 | EAFRD |

| Project description | Type of project promoter | Total expenditure (in euros) | EU contribution (in euros) | ESIF |
|--|--------------------------|------------------------------|----------------------------|-------|
| Sweden | | | | |
| Innovative public transport solutions for tourists and local people (Feasibility study) | NGO | 29 930.67 | 14 965.34 | EAFRD |
| Dog day care - Vocational reintegration of disabled persons | SME | 108 894.76 | 54 447.38 | ESF |
| Swimming school for local people in a sparsely populated region | SME | 15 585.82 | 7 792.91 | ERDF |
| LAG-own project to assist local start-ups | LAG | 26 852.69 | 13 426.34 | EAFRD |
| IT-based fair direct-marketing of local food products | NGO | 54 600.31 | 27 300.15 | EAFRD |
| Sports project to promote integration of local inhabitants and migrants | NGO | 106 785.60 | 53 392.80 | EAFRD |
| New ways of preserving local commercial fisheries (Feasibility study) | NGO | 6 736.32 | 3 368.16 | EMFF |
| LAG-own project to support young people in design and implementation of own projects (EAFRD) | LAG | 153 930.76 | 76 965.38 | EAFRD |
| LAG-own project to support young people in design and implementation of own projects (ERDF) | LAG | 38 519.59 | 19 259.79 | ERDF |
| Theatre project and catering of local food specialities | NGO | 66 640.00 | 33 320.00 | EAFRD |

Acronyms and abbreviations

CAP: Common Agricultural Policy

CLLD: Community-led local development

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

EAGGF: European Agricultural Guidance and Guarantee Fund

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

ESIFs: European Structural and Investment Funds

EU: European Union

FARNET: Fisheries Areas Network

FLAG: Fisheries Local Action Group

LAG: Local Action Group

LEADER: Liaison entre actions de développement de l'économie rurale – Links between actions for the development of the rural economy

OP: Operational Programme

RDP: Rural Development Programme

Glossary

Deadweight is an effect occurring when funding is provided to support a beneficiary who would have made the same choice in the absence of aid. In such cases, the outcome cannot be attributed to the policy, and the aid paid to the beneficiary has had no impact. Thus, the share of expenditure which generates deadweight is ineffective by definition, because it does not contribute to the achievement of objectives. In the context of this audit, it is a situation where a subsidised project would have been wholly or partly undertaken without the grant aid.

European Structural and Investment Funds (ESIFs): Five main EU funds, working together to support economic development across all EU Member States, in line with the objectives of the Europe 2020 strategy: European Regional Development Fund (ERDF); European Social Fund (ESF); Cohesion Fund (CF); European Agricultural Fund for Rural Development (EAFRD); European Maritime and Fisheries Fund (EMFF).

Governance and **Social capital** are both confused and contested terms. In this report we refer to the Commission's definitions (see paragraph [61](#))

Local development strategy (CLLD): A coherent set of operations aimed at meeting local objectives and needs, which contributes to achieving the Europe 2020 strategy, and which is designed and implemented by a LAG.

Market failure: Market failure refers to the inefficient distribution of goods and services in the free market. Market failure may occur in the market for several reasons, including for example externalities, so called public goods, imperfect information in the market or market control (monopoly/oligopoly).

Replies of the Commission

<https://www.eca.europa.eu/en/Pages/DocItem.aspx?did=61355>

Timeline

<https://www.eca.europa.eu/en/Pages/DocItem.aspx?did=61355>

Audit team

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This performance audit was carried out by Audit Chamber I Sustainable use of natural resources headed by ECA Member Joëlle Elvinger. The audit was initially led by ECA Member João Figueiredo(†), supported by Paula Betencourt, Head of Private Office and Quirino Mealha, Private Office Attaché.

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LEADER is the EU's participatory and bottom-up approach to involve local communities in project development and decision-making processes. It involves extra costs and risks compared to mainstream (top-down) EU spending programmes. We examined whether the LEADER approach delivered benefits that justified its additional costs and risks and followed up on our 2010 special report on this subject. We found that more than a decade later, improvements have taken place in some areas and that the LEADER approach facilitates local engagement. However, there is still little evidence that the benefits outweigh the costs and risks incurred. We recommend that the Commission should comprehensively evaluate the costs and benefits of LEADER and assess the community-led local development approach.

ECA special report pursuant to Article 287(4), second subparagraph, TFEU.



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