



REPLIES OF THE EUROPEAN COMMISSION

TO THE EUROPEAN COURT OF
AUDITORS' SPECIAL REPORT

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

Contents

EXECUTIVE SUMMARY (Paragraphs I-XI)	2
INTRODUCTION (Paragraphs 1-18)	3
AUDIT SCOPE AND APPROACH (Paragraphs 19-23).....	4
OBSERVATIONS (Paragraphs 24-75).....	4
CONCLUSIONS AND RECOMMENDATIONS (Paragraphs 76-84)	7
Recommendation 1 – Comprehensively evaluate the costs and benefits of LEADER	7
Recommendation 2 – Assess the Community-Led Local Development approach.....	8

This document presents the replies of the European Commission to observations of a Special Report of the European Court of Auditors, in line with Article 259 of the [Financial Regulation](#) and to be published together with the Special Report.

EXECUTIVE SUMMARY (Paragraphs I-XI)

Common Commission reply to the executive summary:

The LEADER¹ method has proven relevant over the 30 years since its introduction and remains valid today. The added value of LEADER stems from the full implementation of the method² and manifests itself in demonstrable benefits in terms of local governance, improved social capital and enhanced results *of LEADER projects compared with non-LEADER delivery*.

Today, there is a network of 2800 LEADER local action groups in the European Union and beyond³. This network now engages tens of thousands of local action groups' members: local authorities, social and economic associations, rural businesses and citizens and reaches most parts of rural Europe and communicates a positive image of the EU.

The significant EU investment in human and social capital via the creation and the functioning of the local action groups and its network reflects the Commission's enduring commitment to ever more local empowerment and democratic participation in the EU.

The funding allocated to the functioning of the local actions groups is therefore much wider than "an administrative cost" as it also enables invaluable investment in people, animation and collective learning of rural territories. These intangible benefits also include the valuable public relations work carried out by LEADER through its promotion of Rural Development funding in local rural communities and its outreach to the many rural citizens whose quality of life has been improved by it.

Due to its participative manner, the management process of the strategy also increases social and human capital at the local level. It requires exchange of information, builds trust, strengthens relations, empowers local stakeholders and – via training, negotiations and networking – augments capacities of people.

Since the start, LEADER communities have been encouraged to adapt and learn. The Commission has invested in the national and regional LEADER networks and as well as the networking at the European level. This contributes to building resilience and responding to core priorities of the Commission⁴ such as Covid recovery, social inclusion and digital transformation.

Whereas the events of recent years run fast behind deep analytical work, the Commission will do more to demonstrate the contribution of LEADER to social capital and local governance, including

¹ The acronym 'LEADER' derives from the French phrase "Liaison Entre Actions de Développement de l'Économie Rurale" which means, 'Links between activities for the development of rural economy'. The LEADER method provides for local action groups (LAGs) made up of public and private social and economic actors, to establish and implement their strategies at a local territorial level, facilitate innovation at the local level, engage in cooperation between territories and networking

² The added value of LEADER stems from the full application of the LEADER method (Guidelines: Evaluation of LEADER/CLLD, EU Rural Development Evaluation Network (2017) p. 21. Animation and support to capacity building is also critical to its delivery. This has been confirmed by a recent evaluation support study on the impact of LEADER to balanced territorial development (2022). (https://ec.europa.eu/info/food-farming-fisheries/key-policies/common-agricultural-policy/cmef/rural-areas/evaluation-support-study-impact-leader-balanced-territorial-development_en)

³ The LEADER approach is also implemented in some non EU countries such as for example Turkey, Serbia, North Macedonia, Moldova.

⁴ Communication The European Green Deal (COM (2019) 640 final); Communication A Farm to Fork Strategy (COM (2020) 381 final); Communication EU Biodiversity Strategy for 2030 (COM (2020) 380 final); https://ec.europa.eu/info/strategy/priorities-2019-2024/europe-fit-digital-age/europes-digital-decadigital-targets-2030_en 9 https://ec.europa.eu/info/strategy/priorities-2019-2024/economy-works-people/jobs-growth-andinvestment/european-pillar-social-rights_en

the network effects. The Commission will facilitate the understanding and methodologies for reflecting these intangible assets and encourage the Member States to do so.

The EU invests in the quality of local development strategies by supporting their preparation, training and other actions by prospective Local Action Groups. The Member States organise the quality assessment of the strategies according to clear criteria. Thereby many territories can participate and grow, including those which start from a lower base of social capital.

LEADER covers not only economic but also social and environmental sustainability and is therefore relevant to any rural areas in the EU.

The projects supported by LEADER are based on the local development strategies collectively negotiated by the local stakeholders. The better quality or results of LEADER projects can manifest themselves in a variety of ways directly resulting from the LEADER method such as: innovation at the local level, proximity and active animation to involve participants, who would otherwise not participate, more sustainability, valorisation of unique territorial assets including creative and traditional industries, support to local identity, provision of services to the community, links between projects and participants and other aspects. Some projects cover basic local needs (especially in municipalities with a weak tax base), which are often a pre-requisite for other developments, and which would be delayed or simply go unmet without LEADER. The Commission will encourage the Member States to target the eligibility of LEADER intervention to areas where there would be a greater added value of using the LEADER approach, yet while leaving sufficient scope for bottom-up decisions to fit the local needs and choices.

In addition, the comparison of LEADER delivery with other funding models, would be a complex task with a proper recognition of the intangible contributions of LEADER on one hand and risks and costs of the other funding schemes on the other hand.

Moreover, the Commission also encourages the Member States to review the delivery mechanism, and in particular to avoid duplication of the functions of local action groups and associated institutions, to lower the administrative burden by using simplified costs options and free resources to do more animation and capacity building.

The Commission will continue to engage with the Member States to promote a better application of the LEADER method by all local action groups and demonstrate its added value. The observations of the ECA are a useful step in this direction.

The Commission partially accepts the first recommendation regarding the costs and benefits analysis of LEADER and fully accepts the second recommendation concerning the assessment of the CLLD approach.

INTRODUCTION (Paragraphs 1-18)

Common Commission reply to paragraphs 1 to 16:

Local action groups deliver direct value to local communities. Their tasks include animation of the community-led local development strategy in order to facilitate exchange between stakeholders to provide information and to promote the strategy and to support potential beneficiaries with a view to developing operations and preparing applications. They go well beyond what can be seen as “administrative costs”, which ceiling of 25% as provided for Article 35.1.e of the Regulation (EU) 1303/2013 includes also these activities.

The Member States can provide additional guidance on the inclusiveness of the partnerships and the Commission will encourage them to ensure that the local action groups’ partnerships are

inclusive and in particular that young people, women and less advantaged groups participate in the decision making bodies.

LEADER covers not only economic but also social and environmental sustainability and is therefore relevant to any rural areas in the EU. Needs for social inclusion, environmental and climate change adaptability are not confined to areas with poor economic performance.

That the Member States value the LEADER approach is reflected by the substantial allocation of resources, well above the legal minimum for EAFRD and the voluntary uptake under other ESI funds. LEADER measure for EU-27 rural development programmes 2014-2022 is 6.4%.

Moreover, due to its participative manner, the management process of the strategy also increases social and human capital at the local level. It requires exchange of information, builds trust, strengthens relations, empowers local stakeholders and – via training, negotiations and networking – augments capacities of people.

AUDIT SCOPE AND APPROACH (Paragraphs 19-23)

No Commission replies.

OBSERVATIONS (Paragraphs 24-75)

Common Commission reply to paragraphs 24 to 30:

The Commission considers that local action groups do much more than merely facilitate local engagement and funding of their functioning reflects EU investment in human and social capital in rural areas albeit with slow approval processes.

The ceiling of 25%⁵ for running costs of local action groups explicitly includes animation of the territory, facilitation of the exchanges between stakeholders, information, promotion and support of potential applicants to develop operations as well as the management, monitoring and evaluation of the local development strategies.

Common Commission reply to paragraphs 31 to 37:

The EU provides significant support to the preparation of the local development strategies in order to ensure their quality. Such support covers training, expert support, consultation of stakeholders. Moreover, the Member States guide the process via methodological guidelines and other means.

The Commission considers that all the local development strategies selected for implementation should meet quality standards. The obligation for the Member States to set up the quality selection criteria for the local development strategies is enshrined in the legislation.

However, setting up the quality selection criteria for the local development strategies does not necessarily mean there would always be strategies to reject. It depends on the context of each Member State. There is a need for “inclusiveness” in order to allow various rural territories to grow in terms of social capital, and the networks.

⁵ Art. 35 of Regulation (EU) 1303/2013 clearly specifies that the ceiling of up to 25% covers: the management of the local development strategy as well as animation, exchanges between the stakeholders, information, and support to potential applicants in preparing their operations.

Whereas all the local development strategies were assessed, some member states like Romania did not set up a system to ensure a minimum level of quality. Slovakia, and Greece used a system of transparent criteria with a minimum pass mark as a way of a common quality standard. Czech Republic defined some transparent criteria obligatory to all strategies and LAGs had an opportunity to improve their submitted strategies before being selected.

Common Commission reply to paragraphs 45 to 53:

The Commission has and will continue to encourage the Member States to target the eligibility of the LEADER intervention on areas with its added value in the CAP Strategic Plans 2023-2027 whilst still maintaining the necessary flexibility to allow for bottom-up approaches to fit the local needs.

To this end, the Commission will reinforce monitoring and improve a methodology to demonstrate the contribution of LEADER to social capital and local governance. A set of relevant monitoring indicators is being proposed to the Member States, which strikes a balance between the relevance and the ease of data collection.

The Commission is mindful of administrative burden of local action groups and is guiding the Member States to carefully tailor its delivery systems to focus on the core functions of local action groups⁶, clarify the responsibilities and avoid any duplication of tasks. The use of simplified cost options is also widely promoted. This should give local action groups a chance to free resources to do more animation and capacity building.

Some of this work is done via the European Network for Rural Development (ENRD).

The Commission through the Evaluation helpdesk has developed guidelines, organized workshops at the EU level and in the Member States and dissemination activities to improve monitoring and evaluation of LEADER and data collection. Therefore, the Commission and the Evaluation Helpdesk have extensively addressed evaluation of LEADER encouraging Member States to improve the evaluation of LEADER.

According to the most recent data from the Annual Implementation Reports several Member States have carried out evaluations on LEADER. There are 85 completed evaluations focusing on LEADER/CLLD.

As regards the upcoming evaluation of the impact of LEADER on balanced territorial development, the Commission highlights that the evaluation will follow better regulation principles and cover the five evaluation criteria⁷. Therefore, the evaluation criteria assessed is the EU added value not the LEADER added value. The EU added value addresses the question of why and if a given policy (LEADER) provides better results if applied at the EU level as opposed to other levels of governance (national, regional) and not if a LEADER method delivers as compared with non LEADER delivery (e.g. comparison of support via a classical, top-down rural development measure).

In addition, the Commission points out that LEADER added value is not compulsory but a recommended approach to assess LEADER in the framework of the evaluation process.

Common Commission reply to paragraphs 54 to 56:

The Commission considers that many projects assessed by the ECA had a potential to bring additional benefits to local communities directly linked with the LEADER method. These could be illustrated for example by innovation at the local level, cooperation of actors, valorisation of unique territorial assets, reinforcement of community identity, support to creative or traditional business or provision of services needed in the area. A sheer diversity of scope and richness of local

⁶ The core exclusive functions of LAGs are listed in Art. 33.1. of the Regulation (EU) 1060/2021.

⁷ The five evaluation criteria are: effectiveness, efficiency, relevance, coherence and EU added value.

engagement in many, mostly smaller projects is also visible in the projects analysed by the ECA in Annex III.

Common Commission reply to paragraphs 57 to 58:

Looking at projects in isolation may miss the big picture. Some strategies include projects which meet more “basic” needs but they are important for the overall strategy and they would not be met or would be met much later without Leader funding.

Common Commission reply to paragraphs 61 to 63:

Whereas aspect of local governance and social capital might be demanding to assess (a resource intensive and largely qualitative process), some methodologies can be adapted and used. The Commission will do more work on this in the framework of EU networking and evaluations.

Even if the assessment of augmentation of social capital could be complex, there is a consensus that social capital is an important growth factor, which contributes to lower transaction costs, better contract reinforcement, risk taking, innovation, collective learning and social adaptation, which explains why many Member States use LEADER to address a number of societal challenges such as social inclusion, and, more recently, Covid recovery.

The Commission is also supporting H2020 projects to develop methodologies to better assess social aspects. Projects like SIMRA, IMAJINE or MATILDE are aimed to develop solutions that can be applied for monitoring and evaluation of social aspects and local development in rural areas that can be used when assessing LEADER added value. Those resources have been also included in the Evaluation Helpdesk knowledge bank to help the Member States and the experts to find useful tools to assess LEADER.

To provide Member States and evaluators with information about the potential of such projects for evaluation, the Commission through the Evaluation helpdesk has developed a “knowledge bank” where those projects have been analysed to explain how their outputs can be useful to evaluate the CAP, including socio-economic aspects and local development.

Based on the lessons learned from the Annual Implementation Report (AIR) synthesis, the Commission through the Evaluation Helpdesk has also worked on improving the quantification of LEADER contribution in view of the ex-post evaluation of the current Rural Development Programmes.

Common Commission reply to paragraphs 64 to 75:

In accordance with Article 10 of Regulation (EU) 1303/2013 (2014-2020 Common Provisions Regulation, CPR), the Common Strategic Framework provides for strategic guiding principles. Nevertheless, it may not impose further obligations on Member States but should facilitate the programming exercise.

As regards the coordination between the responsible Member State authorities, the structured cooperation in a multi-funded CLLD strategy can make a positive difference (in terms of access to funding, expertise of another sector, resources) compared to situation without a joint strategy, e.g., access to supporting programmes if at different levels of administration, can be challenging.

CONCLUSIONS AND RECOMMENDATIONS

(Paragraphs 76-84)

Commission replies:

78. The ceiling of 25% covers management of the strategies, animation, exchanges between stakeholders and assistance to potential applicants in developing their operations. Moreover, the participative nature of management of the strategy coupled with emphasis on learning and networking empowers the local people and can be considered as an investment in local communities.

79. The quality of local development strategies is assured via a number of mechanisms such as: support to their preparation and selection criteria (evaluation of quality). The EU supports the preparation of Local Development Strategies financially in view of its quality. Each strategy is assessed prior to its selection. Also there is a case for involving territories whose starting level (in terms of social capital) is lower so they are not left behind.

80. The Commission recognises that there could be a trade-off between project qualities and administrative ease. Project quality manifests itself in a variety of features both on the part of project promotor to demonstrate and administrative system to verify, monitor and evaluate.

81. The Commission will continue to encourage the Member States to ensure that local action groups' partnerships are inclusive and in particular that young people, women and less advantaged groups participate in the decision making bodies. This will also be monitored.

82. The Commission will work with the Member States towards better assessment and demonstration of added value of LEADER approach to social capital and local governance. This will be done via monitoring, evaluation methodologies and networking at the EU level.

83. Many projects were underpinned by animation, cooperation between local partners, or innovation at the local level or use of endogenous local resources, which could be seen as added value of LEADER approach.

84. The structured cooperation in a multi-funded CLLD strategy can make a positive difference (in terms of access to funding, expertise of another sector, resources) compared to situation without a joint strategy, e.g., access to supporting programmes if at different levels of administration, can be challenging.

Recommendation 1 – Comprehensively evaluate the costs and benefits of LEADER

The Commission partially accepts the recommendation.

1.A The Commission accepts recommendation 1a.

1.B The Commission accepts recommendation 1b.

1.C. The Commission partially accepts recommendation 1c.

As regards LEADER under the CAP, eager to develop its capacity to assess the inclusiveness of decision-making bodies, the Commission is preparing an implementing act requesting Member States to report the age and gender of the members.

Nevertheless, the Commission does not accept the reference to other target groups because this analysis may pose a critical problem of personal data protection and data collection.

In addition, the Commission does not accept the timeframe as set to 2023. Provided this legal act is adopted, the data will be available in 2026.

1.D The Commission accepts recommendation 1d.

1.E The Commission partially accepts recommendation 1e.

It will carry out this recommendation to the extent possible, taking into account data collection constraints and the variation between Member States in what is defined as a statutory task.

Recommendation 2 – Assess the Community-Led Local Development approach

The Commission accepts the recommendation.