

## **HIGH LEVEL GROUP REFLECTING ON FUTURE COHESION POLICY**

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**VENUE: EUROPEAN COMMISSION, LORD JENKINS ROOM**

**FUTURE EU SUPPORT TO THE LOCAL DEVELOPMENT APPROACH (LD)<sup>1</sup> UNDER THE EUROPEAN REGIONAL DEVELOPMENT FUND (ERDF)**

*This document has been prepared by DG Regional Policy as the basis for a discussion with experts as part of a general reflection process on the future of cohesion policy. It does not prejudice in any way the final position of DG Regional Policy or the Commission on these questions.*

### **1 INTRODUCTION**

There is widely expressed demand and broad support among experts and stakeholders for mobilising underexploited, endogenous potential at the local level, whether in urban or rural settings. The LD approach gives a possibility for a community led local level to fully take part in and shape the implementation of European policies. Community led LD is an especially relevant method to address areas hit by multiple disadvantage where traditional regional development tools do not work. It can also be used to support active inclusion, fight poverty, foster social innovation, or design initiatives for the regeneration of deprived areas.

This note discusses possibilities of strengthening this approach with ERDF support and widening the use of local development approaches within the mainstream programmes, complementing similar actions financed by other EU funds. Important aspects for reflection are:

- better coherence and coordination of local development approaches supported by ERDF and similar actions supported by other funds (e.g. LEADER and FARNET);
- a clear and solid common local development methodology;
- harmonisation of rules and regulations between EU funds supporting local development approaches;
- delivery mechanisms;
- support and earmarked funding for capacity building of the local action groups as well as for implementation of their strategies.

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<sup>1</sup> This note builds on the results of a recent study on Cohesion Policy support for local development, involving a variety of stakeholders and experts ("Cohesion Policy support for Local Development: Best Practice and Future Policy Options" final report April 2010).

## 2 MAIN CHARACTERISTICS OF LOCAL DEVELOPMENT METHODOLOGY

It should be emphasised that many of the interventions taking place at sub-regional level do not qualify as genuine local development, led by local communities. LD can be defined by some key characteristics:

- First, it is about endogenous development processes, i.e., by external support to stimulate development from within, facilitating innovative local solutions.
- It is area-based, not necessarily confined within administrative borders, but related to the geography of the problem or common interest, as well related to an area corresponding to identity or sense of belonging.
- It is community led, and builds on a participative approach, with strong local stakeholder, or even citizen, engagement, enhancing commitment and shared vision.
- Finally, it is an integrated approach to the challenges and opportunities of the area, between different policy levels, sectors, territorial units and public and private actors.

LD can be considered a dynamic process along three main lines: inputs, outputs and outcomes. The keywords associated to each are:

- *Inputs*: area, sense of belonging, community, bottom-up, partnership, endogenous potential, proximity.
- *Outputs*: local beneficiaries, self-help, increased incomes and revenues, access to services, quality, efficiency, relocation, diversification, new methods, and increased local value.
- *Outcomes*: collective and common goods, development, strategy, regeneration, effectiveness, future, social innovation, empowerment, legitimacy, well-being, amenities, and collective intelligence.

## 3 BACKGROUND

During the 1980-90s, local development approaches were implemented in response to growing unemployment in distressed regions suffering from the collapse of manufacturing or traditional industries. One example of ERDF financed local development approach initiatives was the Urban Pilot Projects and the following URBAN Community Initiative programmes (URBAN I 1994-1999<sup>2</sup> and URBAN II 2000-2006<sup>3</sup>). Local partnerships were encouraged to develop an integrated and innovative approach to tackle the social, economic and environmental challenges of urban areas suffering from multiple deprivation.

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2 URBAN I EU funding EUR 900 million.

3 URBAN II EU funding EUR 728.3 million.

The ex-post evaluation of the URBAN II found evidence of positive impact of the LD approaches in programme areas through improved performance in relation to economic, health, crime, education and other data. The stakeholders saw the main benefits of the URBAN programme in the method itself, the promotion of integration, its flexibility, partnership building and its local agenda. For the 2007-2013 period, the URBAN Community Initiative was mainstreamed, as for LD initiatives of other EU funds, such as LEADER.

**Box 1: ERDF Legal framework provision for local development 2007-2013**

- Community Strategic guidelines emphasize development of high-quality partnerships involving all levels – national, regional, urban, rural and local.
- ERDF Regulation 1080/2006 Art. 4.3 outline the focus of the Convergence objective also on local development initiatives and aid for structures providing neighbourhood services to create new jobs, where such actions are outside the scope of Regulation 1081/2006 (ESF).
- ERDF Regulation Art 8 on sustainable urban development covers "development of participative, integrated and sustainable strategies to tackle the high concentration of economic, environmental and social problems affecting urban areas."
- General Regulation 1083/2006 Art.11 provides the scope for partnership with authorities and bodies at local and urban level, and appropriate partners representing civil society.
- General Regulation 1083/2006 Art 37.6 (a) allows sub-delegation to urban authorities, "possibly by means of a global grant."

**4 RATIONALE TO PROMOTE THE LOCAL DEVELOPMENT METHODOLOGY**

The adoption of the Lisbon Treaty and Europe 2020 Strategy provide a reinforced rationale for a more integrated and inclusive approach to tackling local problems. In particular, the focus on the quality of growth – and the need to ensure that it is inclusive and sustainable – means that the action of the ERDF must address not just overall regional growth, but also pockets of deprivation, particularly in urban areas.

Active participation, empowerment and ownership at all levels is needed to achieve these objectives. The local development methodology encourages partnerships between public, private and voluntary organisations, providing a powerful tool to mobilise and involve local communities and organisations, as well as citizens, to fully contribute to national and European wide objectives.

## 5 ISSUES CONCERNING FUTURE ERDF SUPPORT TO LOCAL DEVELOPMENT

DG REGIO has undertaken a study and organized expert workshops to examine and discuss the scope for reinforcing ERDF support to local development methodology. The collective analysis and reflection process has resulted in a series of considerations and questions concerning organisational models, provisions, technical arrangements, as well as their internal coherence. Several shortcomings have become apparent:

- **Lack of incentives for LD under the ERDF**

The LD take-up in the current ERDF programming period seems to be modest and at best varying<sup>4</sup>. One reason is its low visibility. There are no detailed provisions for the local development method, capacity building, funding, administration or delivery mechanisms in the current ERDF regulation (LD is only very lightly referred to in the context of sustainable urban development, see box 1).

Another important reason for the low take-up is the absence of dedicated funding (contrary to the EAFRD in which LEADER has a ring-fenced minimum allocation).

### Guiding principles:

Ø LD should be visible within the Cohesion Policy framework, in the guidelines and in the regulation;

Ø LD method should be made sufficiently attractive (“pull approach”) for the “users” (beneficiaries), i.e., local and regional authorities, third sector and private partners;

Ø there should be incentives for the managing authorities to implement LD (“push approach”).

**Q1: *Should funds be earmarked or minimum amount agreed for local development?***

**Q2: *How should funding of the implementation of the approved local action plans/strategies be ensured (e.g., as a global grant to the LAG)?***

- **No clearly defined methodology**

The ERDF has no clear rules or guidelines on the LD methodology, area selection and coverage or on the composition of Local Action Groups. Without any clear definition of the methodology itself, there is a risk of ineffective actions, for which the time scale, the participants, the objectives, the area coverage, etc, depend on arbitrary interpretations and decisions. Furthermore, without a clear methodology to work from, learning and transfer of experience become very difficult, both within and in between different EU funds.

The EAFRD clearly defines the objectives, the (LEADER) approach, the type of eligible measures, the composition of the Local Actions Groups, etc. A similarly well defined and recognised approach could ease the implementation of LD under ERDF and also allow the development of a common EU approach.

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<sup>4</sup> DG REGIO is launching the study which would analyse in depth to what extent ERDF is supporting local development approaches in current programming period.

## ***Box 2: Composition of Local Action Groups and area coverage***

Translating the EAFRD regulation into the ERDF setting would mean that the *Local Action Groups* should be partnerships (at least 50 % share of local civil society partners and one single actor not exceeding 50 % of the decision-making power) such as neighbourhood or rural associations, groups of citizens (minorities, senior citizens, women, young, entrepreneurs), community and voluntary organisations, business associations, social partners, educational institutes, local authorities, etc.<sup>5 6</sup>

The *area and population coverage* by a given local strategy needs to be coherent, targeted and offer sufficient critical mass for the implementation. For ERDF, a typical target area would be the community in a multiple deprivation urban area, but other types of areas and communities would not be excluded. For reference, the 2007-2013 provisions concerning the population coverage under the LEADER strategies are minimum 5.000 and maximum 150.000. The average population concerned per URBAN II programme in the 2000-2006 period was 32.100 inhabitants.

### Guiding principles:

- Ø there should be a directive and clear definition of the method itself, as well as the type of area and the sort of issues to be tackled;
- Ø support should be targeted at sub-regional areas, with a minimum and a maximum number of inhabitants in order to secure a critical mass in terms of human, financial and economic resources to support a viable strategy but at the same time target place-based communities including grass-root participation;
- Ø support by URBACT, LEADER or similar networks is needed in order to create an open space for disseminating good practices and to give more visibility to integrated and bottom-up strategies.

***Q3: Should the LEADER approach be adopted by the ERDF?***

***Q4: Should there be minimum/maximum areas or population to be covered by the local development method?***

### **• Lack of coherence with other programmes and funds**

Incompatible eligibility and financial rules between the different funds and programmes are complicating integrated implementation on the ground; lack of common methodology, overlapping areas, inconsistent or overlapping stakeholder involvement between different funds, different national frameworks for implementation, etc, which could lead to the development of overlapping strategies for overlapping areas, possible also with overlapping funding.

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<sup>5</sup> Ex-post evaluation of the URBAN CI 2001-2006: "Partnership size was not seen as an issue (10-15 core partners was common place) as long as partners were active and were geared up to playing a full role (including sub-committees and having a responsibility for specific elements of the programme).

<sup>6</sup> According to Art. 62 of the current EAFRD regulation, the local action groups shall represent partners from various locally based socio-economic sectors in the territory concerned, and that at the decision-making level the economic and social partners, as well as other representatives of the civil society, such as farmers, rural women, young people and their associations, must make up at least 50 % of the local partnership.

Guiding principles:

- Ø LD supported by ERDF should be coherent with other programmes or funds;
- Ø Simplification, harmonisation of the financial rules and eligibility across the LD initiatives supported by the different EU funds should be pursued.

***Q5: How should the delivery mechanism for local development be coordinated and organised to achieve coherence with other EU initiatives (e.g., LEADER and FARNET) and simplification for the beneficiaries?***

***Q6: Would a single local development framework with other funds be a feasible way to organise local development, or should the multi-fund approach be maintained but organised under joint structures with other funds, whenever possible?***

- **Need for coherence with overarching regional, national and European strategies**

Bottom-up strategies and actions are not always coherent, either between themselves or with larger scale objectives, with the risk of inconsistencies and missed synergies. This may be truer in some specific areas that are more dependent on collective coherent action, such as energy, environment or transport<sup>7</sup>.

Guiding principles:

- Ø Strategies defined by local partnership groups should be coherent with the wider strategic focus of programme level and/or functional area level;
- Ø LD strategies should be aligned with Europe 2020 Strategy and coordinated within the Commission.

***Q7: How can LD be best exploited from an EU2020 perspective?***

***Q8: How can coordination best be achieved between the regional/national and the European level?***

- **Need for capacity building at local level**

The ex-post evaluation of cohesion policy programmes 2000-2006 financed by ERDF in Objective 1 and 2 regions found that "local authorities, SMEs and NGOs were relevant players for local development plans to regenerate deprived areas and provided social services, especially in rural and disadvantaged areas. *These actors, however, were usually able to implement only small, often scattered, projects, difficult to sustain in the long run. They were successful only when relying on individual management capacity and the commitment of the project holders and their social networks.*" The need for capacity building at the local level is even stronger in the new Member States, which have less experience from related EU initiatives as well as less local resources.

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<sup>7</sup> The ex-post evaluation of cohesion policy programmes 2000-2006 financed by ERDF in Objective 1 and 2 regions indicates some lack of coherence in the local strategies (developed by local authorities) related to environment and climate change.

Guiding principle:

- Ø Adequate support is needed to allow for the development of sustainable local groups and strategies (via for example URBACT type networks).

***Q9: Should funds be earmarked for capacity building?***