IRISH LOCAL DEVELOPMENT NETWORK
Promoting and supporting the work of Local Development Companies in Ireland

Status of the Current LEADER Programme

ILDN Position Paper

MAY 10TH 2017

Introduction

The member companies of ILDN, whether LEADER Implementing Partners (IPs) or Local Action Groups, are deeply concerned with the blockages to progress in the current programme and the way in which it is being over-administered. To address this, ILDN convened forums of CEOs, LEADER staff, Chairpersons and administrators to analyse the current blockages and to identify possible solutions.

LEADER has changed from a development programme to an overly-bureaucratic fund administration process presenting high barriers to potential applicants.

Local Development Companies (LDCs) with up to a quarter of a century delivering LEADER and who have nationally unique experience with successive programmes, reluctantly conclude that the LEADER programme will fail if process problems are not addressed urgently.

Whilst members are keen to uphold the highest standards of accountability and governance, programme compliance obligations are impacting unduly on potential beneficiaries, particularly given the existence of other rural development funds that do not have similar very high application compliance thresholds. In particular, hard-to-reach communities are much less likely to be able to access the resources in the programme. Larger and better resourced applicants, whether individuals, rural enterprises, or communities, and larger scale projects, are likely to dominate.

There is an excessive focus on the rules and methodology of how to implement the programme, on compliance rather than performance, and a corresponding loss of focus on the outcomes that the programme and projects are intended to provide for rural communities.

It is worth restating that the need for Local Action Groups and programme administrators to show consideration for all of the features of the LEADER approach in operating the programme. These are:

1. Area-based approach,
2. Bottom-up approach,
3. The Local Action Group /partnership approach,
4. Innovation,
5. Multi-sectoral integration,
6. Networking,
7. Co-operation

ILDN and its member companies are keen to offer solutions and work in partnership with all stakeholders to ensure that all of our rural communities, rural enterprises, and the rural environment derive the maximum benefits from the current programme.

LEADER Process Issues

For the past 9 months, ILDN member companies who implement the LEADER programme both as LAGs and as Implementing Partners have experienced serious blockages in the programme. They

have deep concerns about the effects of these blockages on project promoters, including the inevitable curtailment of the potential benefits and impacts of the available funding on projects. Ten months into the current Programme there are very limited project commitments and minimal project payments made which is in striking contrast with the situation over the equivalent initial phase of the previous RDP Programme 2007-2013,

The delays built into the process of bringing a project from initial Expression of Interest to Letter of Offer/Contract stage slows enterprise investment and destroys innovation. These delays are deterring private and community promoters and detrimental to the value of the programme in stimulating rural areas.
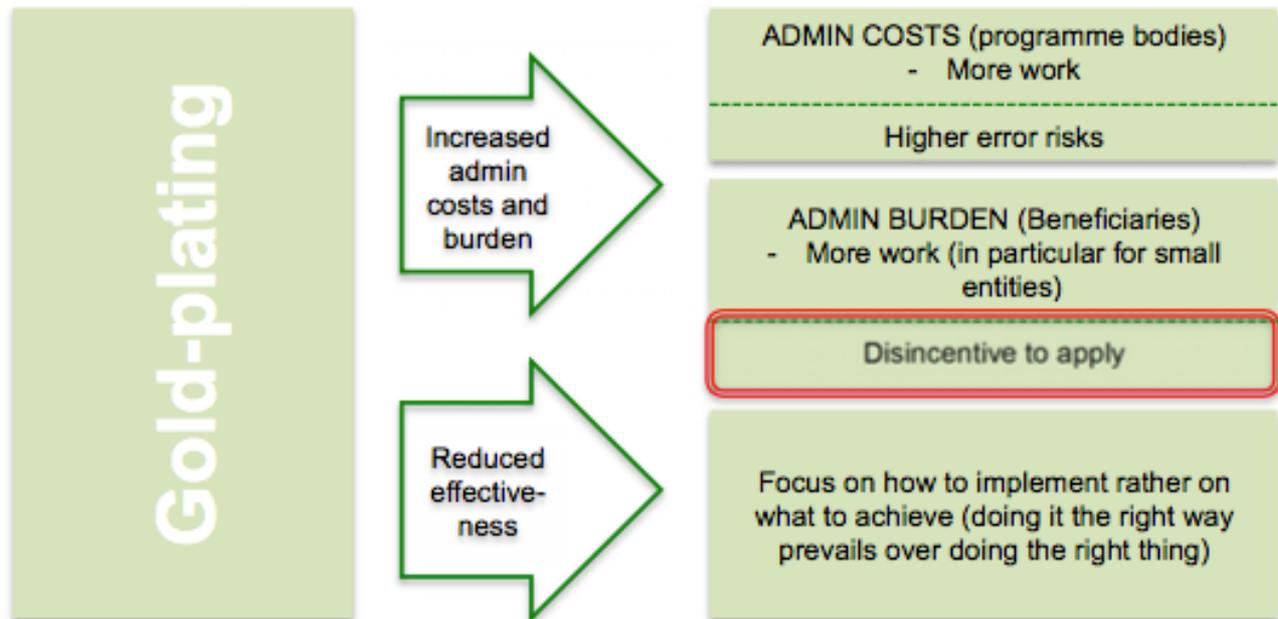
http://www.europarl.europa.eu/thinktank/en/document.html?reference=IPOL_STU(2017)585906

At the same time, there are now several other funding streams in the same space and in some cases arising from the same Department with much less administration. Examples include the Town and Village Renewal Scheme, FLAG, Outdoor Recreation Infrastructure Scheme, and the 2017 Clár Programme Measure 3 Targeted Community Infrastructure Needs.

The rules applied to the current programme require the following:

- Expression of Interest step
- Inclusion of Closed Calls for at least 40% of the programme
- Article 48 checks taking place outside of the environment of the Implementing Partner, Financial Partner (FP) or the LAG
- LEADER-specific Procurement Rules above and beyond National Public Procurement Guidelines
- LEADER status as Funder of Last Resort: as a funder of last resort, LEADER must refer applicants to alternative sources of funding if or when they are available. This is further delaying projects as they must apply to funds where they have little or no chance of success in many cases and wait for a decision.
- Multiplicity of Programme Partners (Animating Partner, Implementing Partner, Financial Partner, Local Action Group, Pobal, the Department).

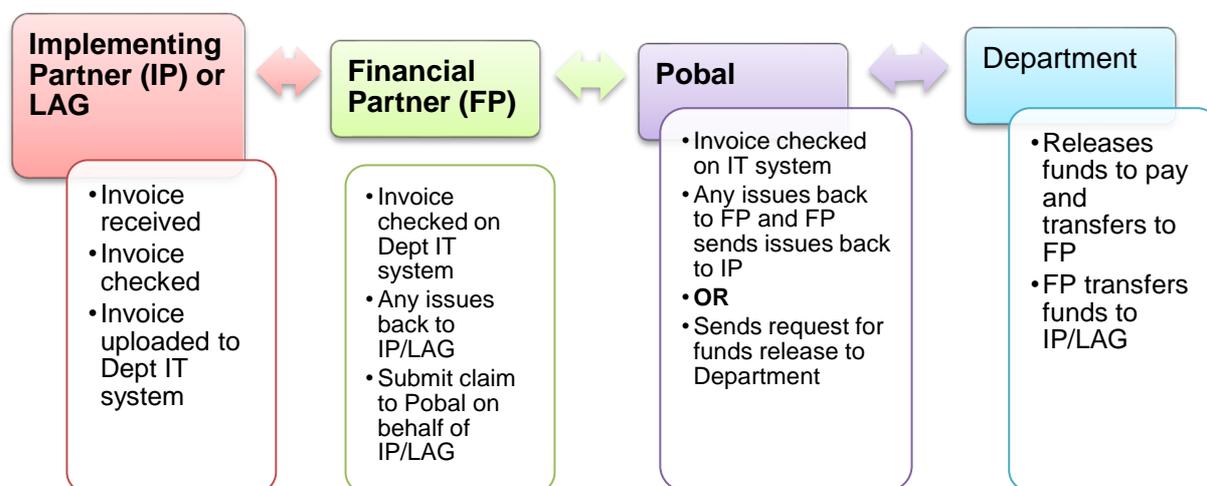**Comparison with RDP 2007 -2013**

A representative sample of LAGs / IPs gives the following stark comparison on programme progress with the last programme.

	2007-2013 LEADER Programme Feb 2009–Dec 2009 (10 Months)				2014-2020 LEADER Programme July 2016-May 2017 (10 Months)			
LAG	Projects Approved	Budget Committed	Projects payments	Payment Amount	Projects Approved	Budget Committed	Projects payments	Payments Amount
A	32	€686,690	12	€210,999	0	€0	0	€0
B	34	€897,705	7	€242,525	0	€0	0	€0
C	51	€1.4m	7	€239,000	1	€6,600	0	€0
D	28	€846,798	14	€371,231	2	€131,810	0	€0
E	78	€969,487	28	€342,833	0	€0	0	€0

Administration Issues

Allied to high-level process issues, there are serious LEADER-specific, less-visible administrative issues that have been identified by administration staff which are impeding progress with the programme. We estimate that there is at least 30% additional administration at IP level in the current programme over the previous programme, without counting the administration at FP level. Every hour spent on Administration is an hour lost to project animation.   In effect, there is a 100% audit on the programme. Delays in approving monthly returns and claims are imposing severe cash flow problems on IPs and FPs.

Individual invoices are now forced on a complex journey with an array of steps between multiple bodies. This process is causing cash flow difficulties for Financial Partners and Implementing Partners.

Implementing Partner (IP) or LAG
- Invoice received
- Invoice checked
- Invoice uploaded to Dept IT system

Financial Partner (FP)
- Invoice checked on Dept IT system
- Any issues back to IP/LAG
- Submit claim to Pobal on behalf of IP/LAG

Pobal
- Invoice checked on IT system
- Any issues back to FP and FP sends issues back to IP
- **OR**
- Sends request for funds release to Department

Department
- Releases funds to pay and transfers to FP
- FP transfers funds to IP/LAG

Administration and Claims issues specific to Pobal

1. There is a lack of consistency with claims each month. We need a designated contact person in Pobal for each LEADER IP.
2. IP to route queries directly to Pobal instead of going through LCDC finance administrator.
3. Pobal should review each entire claim and come back with all queries and close out the month, currently there are several months with several queries open.
4. Do not link Implementing Partners in counties with more than one IP, thus holding all claims from the other IPs.

Issues specific to Projects and the IT System

It is clear from our experience of phase 2 of the IT system that many of the system issues were not sorted out prior to its launch. LEADER Development officers have encountered numerous issues

that have required emails & phone calls to the Pobal IT people. In some instances, this has led to delays in uploading documentation sought by Pobal. It must be said that the Pobal personnel responsible for the IT system have been helpful in coming back and responding to the issues raised, but nevertheless this has led to delays.

- To upload project files there are 66 questions - it takes a minimum of 2 hours per project.
- No ability to delete
- Too many pathways getting into folder
- Training sessions have not been adequate - not interactive where users were working on live relevant examples.
- Uploading:
    - sequencing of documents in which return should be presented e.g. based on the items clearing the bank in that period,
    - need for default Information when uploading i.e. IP, County, Year
    - enable bulk upload – it is very time consuming to do individually having to go in and edit.
- Need for recovery/reimbursement functionality - currently there is no facility to record credits on the system.
- Enable a Direct Debit function; cannot claim for a payment setup as a direct debit payment.
- Materiality level on level of receipts – i.e. below a certain threshold, receipts should not be a requirement.
- Bank Statements should be an acceptable form of receipt.

<u>Other Comments</u>

- Interpretation differences and different information provided to different companies from Pobal. For example, matching & bridging funding: Pobal is looking for the evidence for this when the Operating rules clearly stipulate that this is required prior to the issue of the funding offer – not at application stage.
- Pobal going back retrospectively and implementing a new regulation thus changing the requirements of the return which had previously been submitted and approved.
- Competence issues in understanding the information submitted.
- Requirement for contracts and procurement for long-standing items, e.g. IT contracts,
- Clarity needed on documents in terms of what must be a) original, b) certified original, c) photocopy.
- Information sought which is not required per the programme operating rules and which was not listed as required to be uploaded as per the IT system manual (Example - Project Officers Assessment Report).

Given the current difficulties at the early operational stage, the micro-management of the programme and consequent administrative burden is likely to cause paralysis once the main project flow is established. Serious concerns exist that particularly volunteer led community applicants will be left without payments for extended periods of time and having to deal with bridging finance issues and suppliers seeking payment.

LEADER-specific Procurement Rules

There are procurement rules imposed on the LEADER programme above and beyond National Public Procurement Guidelines.

- LEADER applicant's procurement requirements as outlined in Circular 02/2017 (effective date 10th February 2017) require further clarification. For example, nowhere in the rules does it say how written quotes should be requested.
- Value for money achieved, what are the additional steps if the number of tender responses is very low?
- What position will be taken should the promoter not wish to proceed with the cheapest quote? Will a note to file be enough?
- Lack of clarity MEAT vs lowest price.

Other Issues

Food and Cooperation Projects

The additional funding for these strands must be delivered via LAG/IP arrangements currently in place. Implementing partners, as part of their role, should draw up proposals based on the relevant elements of their Local Development Strategy for LEADER and submit them through the programme processes. Implementing Partners will also guide the implementation of projects, but as these projects are, by definition, networking or collaborative, they require considerable support and animation. IPs therefore must be able to access the accompanying 25% animation/ administration available for the implementation stage of such projects when approved.

Department Appeals Panel

The Appeals Process and particularly the Department Appeals Panel needs to be restructured in order to ensure the independence of the appeals process.

Eligibility Review Group:

There is a need for a process to adjudicate on eligibility of projects as was the case in the last LEADER programme. The purpose of this would be to

- minimise risk to the Department and LAGs
- ensure consistency of approach
- help to prevent eligibility issues arising at audit stage

Solutions Proposed by ILDN

Expression of Interest process

This step is superfluous and has delayed projects from the outset. In previous LEADER programmes, the Project Officer could advise immediately if the project was eligible in principle to proceed to application. It is acknowledged that the recent Circular 07-2017 is a step in the right direction.

Solution: It is proposed that the Expression of Interest stage is removed.

Closed Calls

This is an optional addition to the LEADER programme. By holding projects to a collective timeline, projects that are ready and able to proceed are prevented from doing so immediately giving rise to delays and frustration on the applicant side.

The stated objective of closed calls (*"The purpose of targeted calls for EOIs is to ensure that LEADER funding is targeted where it delivers the most value, is awarded based on a comparative assessment, secures equal opportunities for all potential applicants and ensures that funding is available for the duration of the Programme."* O.R. 6.2) is not served by the present structure. ILDN member LDCs support the targeting of funding to achieve most value but reject closed calls as a mechanism to achieve this.

Solution: It is proposed that all current closed calls are completed, and the remainder of the programme is operated on a rolling/open call basis if the LAG so decides. The 40% minimum programme spend under closed calls to be waived.

Multiple Layers of Responsibility and Article 48 Checks

There are six parties in three different locations involved in bringing each project to Approval stage.

There is a need to shorten the length of time for project progression – from application to approval and from claim to payment. This is related to the timeframe and number of Article 48 checks. Pobal currently takes approximately two working weeks to process the 2nd check but it is feared that this will extend to four working weeks as the project work load increases. This is not workable or reasonable.

Examples of general comments from IPs arising from the first round of Article 48 Project checks

Pobal insists that all queries must be answered through the IT system. To answer what are sometimes very simple queries requires Pobal, the LAG and the IP and 3 individuals through the IT system. This is both operationally & administratively hugely cumbersome.
Because of the number of POBAL offices looking at the files there are inconsistencies in the interpretation and understanding of the requirements.
General lack of understanding of the operating rules and interpretations of the operating rules are very varied.
Documentation requested which is not part of the operating rules Template e.g. Eligibility Declaration Checklist.
Some questions are either Yes or No on the IT system and documentation cannot be provided but is still being requested as proof.
Queries requesting documentation that is already on the system
Requesting quotations to be signed when it is clear that they have been emailed.

Solution: It is proposed that Article 48 checks are carried out in-house (LAG/IP/FP) as previously. In the meantime, for 1st Article 48 check (post Evaluation) a time-limit should to be applied for the process. We propose 10 working days for 1st check. For the 2nd check (post LAG approval), given that the only additional information added between the post Evaluation and post LAG is minutes of the LAG meeting, we propose removing the 2nd check and incorporate into the first grant claim check. Alternatively, allow 5 working days.

Procurement Issues

National Public Procurement Guidelines were designed for the public sector (contracting authorities), with a note that these guidelines may be suitable for 'low-value' contracts **below EU thresholds or part-funded by public funds**. National Public Procurement Guidelines (3.3) state that *'most works and related services contracts awarded by a private entity, which are subsidised 50% or more by a public body, must be awarded in accordance with the EU Directives, if they exceed EU thresholds.'* Projects of this size are the exception for LEADER as the current EU thresholds for services and works contracts are €209,000 and €5,225,000 respectively.

These rules are more demanding on LEADER applicants than the National Procurement Guidelines, and other funding programmes such as FLAG and LEO. A Works Declaration LEADER document has also been specially developed for the LEADER 2014 – 2020 programme. This is in addition to extensive documents, which have been developed for public procurement in the public sector (contracting authorities).

The 2014-2020 regulatory framework for European Structural and Investment Funds includes options for calculating eligible expenditure on the basis of Simplified Cost Options (SCO). The application of the 'real cost' method for reimbursement of expenditures forces beneficiaries to submit a significant number of documents and requires complex and error-prone calculations. In contrast, if SCO are used the tracing of every euro of expenditure is no longer required.

IP experience to date is that the main issue concerning promoters is the procurement process. Queries from promoters have been very project specific and are based around
- Establishing whether or not they are a contracting authority
- defining the contracts i.e. supplies/service/works
- confirming the best strategy i.e. quotes or e-tenders
- Spec writing – in a compliant way!

- Artificial splitting - avoidance of same
- Defining and scoring MEAT criteria (supplies and services)

There is a serious capacity issue with regard to promoter's knowledge of what needs to be done. IPs have prepared documentation but the myriad of options can be confusing. Promoters also need additional guidance on how to write specifications and conduct MEAT processes. One to one support is best but we need to ensure promoters contact us before proceeding with pricing / procurement. LDC staff need support in this regard.

Development Officers are in a difficult position in that they have to inform and advise promoters of the processes and importance of compliance but also then act in a compliance role when documentation is submitted.

There is is a real risk of non-compliance should promoters not have sufficient expertise engaged to help them. IP experience of the last programme was that the expertise was not always sufficient and the procurement process had to be repeated. This would be easier to deal with should the promoter have grant aid secured and the IP was working closely with them.

Training / advice on procurement is required for all promoters from the outset to ensure the correct process is being followed. Some LDCs ran such training under the last programme and in addition bought in expertise to carry out checks on all e-tendered projects. While effective this carried a cost. This could not be done under the current system of undertaking procurement prior to approval as it would prove too costly.

Solutions: It is recommended the National Public Procurement Guidelines are applied to the LEADER programme as per Section 5 of the National Public Procurement Guidelines document, with no additions, amendments or adjustments. Further clarification is required in relation to what constitutes *Contracting* and *Non-Contracting* Authorities.
The use of Simplfied Cost Options should be introduced for smaller projects.
Change requirement to obtain 3/5 quotes to seek a minimum 3/5
Technical support required for project promoters – this is something that could be developed nationally as we all have the same rules and issues
Allow provisional approval based on QS costings. In the case of competitive calls should the e-tenders process indicate a higher cost the promoter would have to bear this additional cost
Allow for compliance checks to be done on the process as above so that potential issues could be addressed early.

Delays caused by funding issues and RD funds outside LDCs

The seemingly constant flow of other funding opportunities from a variety of sources, including from the same Department, is causing much confusion for applicants and LEADER project staff. These funds slow down progress for LEADER because LEADER is a fund of last resort.

Case Study:

An angling club submits an EOI to the LAG and Development Officer begins animation work with the group on the project.	October 2016.
National Strategy for Angling Development – Capital Works Fund 2016 launched. Group advised it had to apply to this fund as LEADER is funder of last resort	Launched October 2016
Groups successful for one element of its project under Angling Development.	December 2016
Applies to LEADER for remainder of project	December 2016
Sports Capital Programme opens. Group advised it had to apply to this fund as LEADER is funder of last resort	January 2017
Outdoor Recreation Infrastructure Scheme for 2017…	Launched 28 April 2017

Solution: In keeping with LEADER approach no. 5 (p.1), multi- sectoral integration, these funds should be channelled through LEADER structures where there is extensive expertise of project animation and supporting projects on a transparent and equitable basis.

The Expression of Interest process has yielded EoIs valued at 3-4 times the LEADER funding available[1] - routing additional funding through the LEADER programme, rather than smaller funds with varying compliance thresholds, would provide a seamless evaluation framework that will promote an integrated approach to rural development.

Conclusion

LEADER has been one of the most visible and obvious markers of the success of the EU in rural Ireland. LEADER projects have been used over and over again to demonstrate the benefits of EU funding and programmes to rural Ireland. The present situation threatens to undo all of the goodwill created by the previous programmes.

There must be a collective national approach to address these national LEADER issues, involving the Department, Pobal, Local Action Groups, Financial Partners and Implementing Partners. We welcome the opportunity being provided by the Minister to explore the challenges and opportunities facing LEADER and we are offering suggestions to improve the ongoing delivery of the programme.

ENDS

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10th May 2017

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[1] ILDN member survey, April/May 2017

The table below is adapted from the Project Stages table produced by Pobal to illustrate the process, the actions and the responsible party. **Note that there are six parties in three locations involved in bringing a project to Approval stage.**

Additional columns are inserted to give comments and a timeline. In some cases the stages have several parts, for example the procurement stage. Where this is the case, sub-stages are listed. This table only brings projects to contract/letter of offer stage **(estimated minimum 37 weeks or nine months, up to ten months for closed calls**).

Allowing for project implementation and drawdown of grants in either one payment or phase payments, would add an estimated nine to twelve months to this process. **Almost 2 years minimum from Expression of Interest to payment.**

Stage	Sub stages and comments	Estimated Timeline Rolling calls	Estimated Timeline Closed calls	1. IP Project User	2. IP User	3. IP Manager	4. LAG Manager	5. Article 48 User	6. Article 48 Manager
Create New Project Enter basic details including Promoter, Indicative Budget, Project Name and Description. Save as "01 EOI Submitted"	Closed Call Launch – Time needed to publish, promote, and invite EOIs.	Week 1	Week 1 – Week 4 (at least)	IP Project User	IP User				
01 EOI Submitted Enter the Local Objective Statement. The project is then progressed to "02 EOI Eligible".		Week 1	Week 5	IP Project User	IP User				
02 EOI Eligible Enter further details including Sector or Initiative, Project Type, Sub-Type, Financials and progress to "03 Application Submitted".	Preparation of Application: Planning permission, procurement, finance, special permissions etc.	Week 2 – Week 18 (at at least)	Week 6 – Week 22 (at least)	IP Project User	IP User				

03 Application Submitted Progress the project to "04 Application Public Procurement Checklist"		Week 19	Week 23	IP Project User	IP User				
04 Application Public Procurement Checklist Answer the Public Procurement checklist questions and progress to "05 Application IP Manager".	Evidence of procurement includes: project specifications, opening records, selection criteria and award criteria scoring, notification to award, letters to successful and unsuccessful tenderers, standstill period and contract to winning tenderer.	Week 19	Week 23	IP Project User	IP User				
05 Application IP Manager Sign Off The project information entered and the Public Procurement questions are signed off by the IP Manager. Progress to "06 Application LAG Manager Approval"		Week 20	Week 24			IP Manager			
06 Application LAG Manager Approval The project is approved by the LAG Manager in the associated Local Action Group. Progress to "07 Application Evaluation Eligibility Checklist"	The Evaluation Committee needs some notice prior to meetings – often one month.	Week 20 – Week 23	Week 24 – Week 27				LAG Manager		

07 Application Evaluation Eligibility Checklist : The Application Evaluation Eligibility Assessment Checklist questions are completed. Progress to "08 Application Article 48 User Check".		Week 23	Week 27	IP Project User	IP User				
08 Application Article 48 User Check: The Pobal Article 48 User fills in responses to all the checklist questions and progresses to "09 Application Article 48 Manager Verification".	Estimated turnaround time for Article 28 check is 3 weeks (but may be much longer if Pobal has queries)	Week 24 - 27	Week 28 - 31					Article 48 User	
09 Application Article 48 Manager Verification: The Article 48 Verification by the Pobal Article 48 Manager before the Application decision. Progress to "09 Application Article 48 Manager Verification".		Week 28 (at least)	Week 32 (at least)						Article 48 Manager
10 Application Decision: The decision on the application is made and the Board Approval Date is entered. The project is then progressed to "11 Final LAG or IP User Check".	The LAG meets once a month on a set date – this can delay assessment by up to three weeks.	Week 28 - 31	Week 32 - 35	IP Project User	IP User				
11 Final LAG or IP User Check: The Final Approval Checklist is completed by the IP Project User or IP User. The project is then progressed to "12 Final LAG Manager Approval".		Week 31	Week 35	IP Project User	IP User				
12 Final LAG Manager Approval: The Final Approval Checklist responses are approved by the LAG Manager. The project is then progressed to "13 Final Article 48 User Check".		Week 32	Week 36				LAG Manager		
13 Final Article 48 User Check: The Final Approval Checklist responses are checked by the Pobal Article 48 User. Progress to "14 Final Article 48 Manager Verification".		Week 32	Week 36					Article 48 User	

14 Final Article 48 Manager Verification: The Final Approval Checklist responses are verified by the Pobal Article 48 Manager. The project is progressed to "15 Final Project Approved".	Minimum Article 48 Checklist turnaround is 3 weeks, with potential for delays as a result of queries.	Week 33 – Week 36	Week 37 – Week 40						Article 48 Manager
15 Final Project Approved: The project is now approved by the LAG. The Letter of Offer and Contract dates are populated.		Week 37	Week 41	IP Project User	IP User				
16 EOI or Project Withdrawn: A status for the Withdrawal of the Expression of Interest or the Project.		n/a	n/a	IP Project User	IP User				
17 Project Rejected: A status for the Rejection of the Application at Decision stage.		n/a	n/a	IP Project User	IP User				
18 EOI Ineligible: A status for ineligible Expressions of Interest.		n/a	n/a	IP Project User	IP User				