



# farnet

**G U I D E # 4**



## *Steps for success*



European Commission  
Maritime Affairs and Fisheries

EN

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# Introduction

This guide has been developed to support Fisheries Local Action Groups (FLAGs) in moving from the planning and development phase of activity to becoming fully operational. It is targeted in particular at the second wave of FLAGs which are expected to come on stream in 2011. The guide focuses on three themes which were identified as priority needs for support by FLAGs at the 'FLAGs on the Move' seminar in Gijon in the spring of 2010. Each theme is presented as a separate chapter and can be read as such however the guide is designed to complement the first FARNET guide, the Start Up Guide for FLAGs.

The three themes are:

- > Managing effective partnerships;
- > Cultivating private sector involvement and investment; and
- > Active project development and selection.

# 1. Managing Effective Partnerships

## 1.1 Introduction

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Local area based partnerships in the form of Fisheries Local Action Groups (FLAGs) are fundamental to the delivery of EFF Axis 4. In implementing Axis 4 through local partnerships there is a clear expectation that local partnerships and community involvement will add value to the development process. The work of these partnerships has a very direct effect on what is achieved in the fisheries area, they combine the strengths and potentials of local actors in identifying and addressing the common issues, opportunities and challenges faced. They form an essential link between the place and the people and institutions involved and affected, they provide a focus for the sense of local identity motivating bottom up involvement and contributing to social capital, they provide the vehicle which translates the vision into the reality that something can and will be done.

The experience from other similar area based initiatives provides evidence that the way in which the partnerships work has a profound effect on what the FLAG achieves and how it contributes to the wellbeing of the area. The effective operation and management of these FLAG partnerships is therefore of great importance to the success of Axis 4 both locally and overall.

This chapter sets out to address some of the more practical aspects of how to operate, manage and maintain a dynamic and balanced working FLAG partnership. The guide provides practical information and advice for FLAGs on issues that need to be considered when establishing and implementing local partnerships, in delivering their development strategies and in managing the involvement of FLAG members and the local community. It takes into account some of the latest recommendations of the European Commission in response to the European Court of Auditors report on LEADER partnerships. This chapter should be read in conjunction with Farnet Guide 1<sup>1</sup> and in particular Chapter 3 of that guide on 'Building Local Partnerships'.

## 1.2 Working in partnership

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### The meaning and value of partnership

Even though in this chapter we are dealing with a very specific type of partnership in the FLAG it is worth mentioning some of the more generic aspects of partnership working to highlight common relevant principles which contribute to successful partnerships. There is a great deal of information available regarding 'the nature of partnership', this can be in guides, in text books or other sources freely available on the internet. Most of it, by its very nature is rather generic but there are useful lessons to be learned regarding the added value of effective partnership working, helping to ensure that the whole is greater than the sum of the parts.

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<sup>1</sup> <https://webgate.ec.europa.eu/fpfis/cms/farnet/sites/default/files/documents/FARNET%20Start-up%20Guide%20EN.pdf>

Partnership can be defined as follows: ‘the partners aim **to achieve something they could not do alone**, by **pooling skills and other resources**. To do this they need a **shared vision of their goals**, and a **way of working together** which **realises this ambition**. This may involve a **long-term formal structure**, or a **shorter-term agreement**.’<sup>2</sup> In practice being a partner may be broken down into four sections which together comprise the whole role<sup>3</sup>:

- > To take part in (involvement)
- > To be a part of (choice)
- > To side with (commitment)
- > To impart (communication)

The partnership of the (F)LAG brings together from all three sectors, public, private and civic and voluntary, a full range of sensitivities, points of view and interests<sup>4</sup>. It also draws together resources for harnessing support, the capacity to engage and know-how. The listening and dialogue that takes place in the (F)LAG gives rise to:

- > A broader view of the area, bringing unexpected opportunities;
- > A new association of ideas, creating the seeds of innovation;
- > More mature projects, fostering social cohesion;
- > More effective implementation, with better risk management; and
- > More sustainable actions, based on the capacity for renewal.

All these definitions highlight common elements of how partnerships work and how they seek to achieve something they could not do alone. Partners choose to participate and to commit. As the Start Up guide highlights the FLAG partnership:

- > Brings together – on an equal footing – entities from the public, private and civic society sectors;
- > Ensures that they work together to identify and pursue the achievement of common goals;
- > Is long-term, i.e. goes beyond a single project or short-term cooperation;
- > Involves the sharing of risks and benefits between all the partners; and
- > Recognises that in working together, building on and complementing each other’s strengths and assets, the partners are stronger.

All these points make it clear that a local partnership cannot simply be seen as another local layer of administration for the decentralised delivery of central or regional measures. Experience shows that if they are mistakenly looked at it this way much of the added value mentioned above can be lost and the costs and bureaucracy involved in the extra layer can outweigh the benefits

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<sup>2</sup> Wilcox D A short guide to partnerships.  
<http://www.partnerships.org.uk/part>

<sup>3</sup> Organising Local Partnerships; Innovation in Rural Areas  
Notebook 2 Leader European Observatory

<sup>4</sup> UK LEADER+ Network. A guide to practical approaches.  
Harnessing Local Knowledge.

### 1.3 The FLAG partnership

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EFF Axis 4 partnerships are normally referred to as a Fisheries Local Action Group (FLAG). A FLAG is not just a partnership; it is a very specific type of partnership with specific requirements and responsibilities.

Under EFF Axis 4<sup>5</sup> there is a requirement that in a given area the available support be implemented by an entity or group (local partnership or FLAG). It further requires that this partnership be balanced and represents a broad range of different sectors of the community including those from the fisheries sector, the public and private sector and representatives of the wider community. It requires that the partnership develops and delivers an integrated local development strategy prepared on a bottom up basis and that the partnership should possess sufficient critical mass of human, financial and economic resources to support that strategy. The partnership must have adequate administrative and financial capacity to administer the assistance and ensure the operations are completed successfully.

Partnership involvement starts at the very beginning of the process, without this there is no FLAG and without the FLAG no strategy or means of implementing it. The first two objectives of the FLAG therefore go hand in hand:

- > The development of the area based strategy; and
- > Identifying who is to be represented on the FLAG.

These elements are more comprehensively addressed in the Farnet Guide 1<sup>6</sup> however the following points are worth noting in particular.

Getting the link between these elements right from the start is important. Practitioner experience suggests that it is very important for the partnership to get the strategy right at the outset. In order to do so it is essential to take time to identify the right stakeholders for your FLAG and then to fully involve these stakeholders in establishing the issues and priorities that will be the basis of your local strategy. The strategic work of the FLAG continues throughout the delivery of the strategy monitoring its relevance and performance and making adjustments to priorities and resources as appropriate.

Which bodies and organisations are represented on the FLAG will vary from area to area; this is one of the strengths of the Axis 4 partnership model in that it allows FLAGs to adapt to specific local conditions. Some guidance is available from the EU for bodies to be represented i.e. professional fisheries bodies, public, private, community, young, old, women and employed. This guidance is to help achieve the aim of a balanced partnership. The key point is that the partnership be balanced and representative of the area, it should include the key sectors, interests and stakeholders in the area and its functionality, i.e. how it works should reflect the balance. Farnet guide 1 provides guidance on how to map these stakeholders in setting up the partnership, this balance should be regularly monitored; partnerships are dynamic and subject to change. It is important to remember that it is the body or organisation that is represented on the FLAG; the people involved may well change.

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<sup>5</sup> Council regulation (EC) No 1198/2006 Article 45.

<sup>6</sup> <https://webgate.ec.europa.eu/fpfis/cms/farnet/sites/default/files/documents/FARNET%20Start-up%20Guide%20EN.pdf>

## 1.4 How does the FLAG Partnership work?

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### The involvement of partners in the FLAG

The **FLAG** is comprised of **Members** who represent various local interests but also involves the **Staff** who are responsible for carrying out the management and administration of the programme and the **Lead Partner or Accountable Body** which has overall financial responsibility for the programme.

#### *The Accountable Body*

The lead partner or accountable body role varies considerably between member states and FLAGs and depends on the locally applicable institutional structure and the way in which the FLAG is constituted.

In some Member States the FLAGs are required to have a separate legal entity (e.g. an association or a non-profit company), in others this role is undertaken by a local authority or another public development body which possesses the necessary skills and capacities. In many cases this organisation is a FLAG partner. This dual role as a partner and the accountable body can be challenging both for the organisation concerned and for the FLAG. It is important to ensure that the two roles remain sufficiently separate and distinct and that undue responsibilities or influence are neither placed on nor assumed by the accountable body. Ensuring that the principles of the balance of FLAG membership are adhered to and respected at the decision making level is essential and helps to avoid difficulties here.

Whatever the structure, the accountable body is responsible for ensuring the effective administrative and financial management of the FLAG and the delivery of the local programme. They may also be responsible for the employment and line management of the staff team on behalf of the FLAG.

### *FLAG Members*

In local partnership working the role of the individual FLAG members is seen to be very important and provides vital contacts with community groups and individuals raising their awareness of the programme, the local strategy and the potential for the development of projects. A wide variety of backgrounds, experience and local knowledge are necessary within the FLAG and are vital to sound and informed decision making when selecting projects to be funded. FLAGs will also benefit from motivated FLAG members who are able to 'spread the word' about the work of the FLAG and who can provide good networking channels and opportunities.

Commonly the FLAG members are there to represent their organisation or interest group. There are dangers however to the credibility and effectiveness of the FLAG if such representativeness is narrowly interpreted in terms of the interests of the individual stakeholders rather than the collective or corporate interests of the FLAG and territory. Partners who are solely interested in pursuing their own projects are unlikely to contribute effectively, can demotivate or block the involvement of others and may present challenges in managing conflicts of interest

FLAGs are decision making organisations and those involved must be empowered to do so. It is therefore a great advantage to the FLAG if the members who attend meetings are sufficiently senior within their organisation to hold influence and speak with delegated authority on its behalf.

Those involved in the FLAG will be motivated in different ways, some will be there because it is their job, some because they represent a group in the community, others may represent business or other sectoral interests, because they want to make a difference or have a sense of civic responsibility or pride, some will be interested in securing project funding.



In managing the work of the FLAG and the involvement of members it is essential to take account of the basis on which people are involved if their motivation and contribution are to be maintained. In particular the difficulties and challenges faced by those from outwith the public sector i.e. those who are not being paid to be involved. These challenges need to be given due consideration for example in the location and timing of meetings, their workload, the costs of involvement etc. This is essential if the balance and representativeness of the FLAG is to be reflected in practice.

There are therefore a wide range of factors affecting the sustained involvement of voluntary FLAG members such as time requirements, dominance of public sector interests, lack of clarity on roles and responsibilities, lack of knowledge, conflicts of interest etc.

### **FLAG Staff**

One of the key characteristics of Axis 4 delivery is the ability of FLAG staff to work on the ground to animate involvement and help build projects from the bottom up. The staff also needs to support the work of the FLAG and ensure that the programme is administered efficiently. Key functions that a staff team would be expected to cover include:

- > Liaison and communication with local communities, strategic partners and the Managing Authority;
- > Promotion and publicity relating to the programme;
- > Responding to general and specific enquiries and servicing the project application process;
- > Providing advice and guidance to project promoters including e.g. delivery of briefings or training on eligibility criteria and preparing applications;
- > Project application technical and eligibility appraisals including the additionality, value for money, realism and deliverability of all project proposals;
- > Issuing of letters of offer of grant as instructed by the FLAG;

- > Management of any delegated authority schemes;
- > Checking and processing projects claims and raising payments;
- > Maintaining programme physical and financial management records and project files and associated reporting to the FLAG and Managing Authority;
- > Project monitoring and the collation of data for the evaluation of the programme and projects;
- > Cooperation and networking with other FLAGs and areas; and
- > Providing administrative and secretarial support to the FLAG.

The relative balance between these elements will vary depending on the model of FLAG employed in the member state or region, for example the more centralised the approach adopted the less the financial and administrative functions the FLAG will have to undertake. Animation and project development support is an essential function in all cases.

Evaluation evidence from the three generations of LEADER makes it very clear that good quality staff are a key contributor to the success of area based development initiatives such as Axis 4. It therefore follows that recruiting, managing and developing the FLAG team is an important FLAG partnership role.

Where the FLAG has a small budget the total staff resource may be a single post or even a part time role, where the budget is larger a team covering the different roles may be employed. In either case finding the right person to be the FLAG manager is critical.

Where a single individual is employed they will need to be able to undertake an effective animation role and to ensure effective programme administration; not an easy combination of skills to find. If it is possible to recruit additional staff to carry out the more administrative functions this allows the manager to focus on animation and capacity development, both essential

in the early stages of FLAG development. Where such a team can be employed the manager will however need to possess or develop team management skills.

When recruiting for the FLAG manager some of the following attributes will prove invaluable: enthusiasm, energy, commitment, flexibility, pro-active and with good organisational skills. An ideal candidate will also possess strategic vision, good communication and networking skills, project development and business skills and a knowledge of the local area and/or fisheries sector to add credibility to the role.

How the FLAG and staff team interact and the respective roles undertaken will depend very much on the scale of the available resource. Where the staff team is small FLAG members and the manager are likely to need to work very closely together. The FLAG will therefore need to think about how they support their staff team; this may include training, mentoring or basing them in an organisation where there is some peer support.

## 1.5 Managing involvement

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### Setting the ground rules

In the early stages of the partnership's work it is essential to establish the ground rules for how it will operate, these will normally be set out in the operational or business plan. These processes are covered in greater detail in Chapter 4c of Farnet guide 1 and in the associated business plan example<sup>7</sup>.

The partnership dynamic and the way the FLAG works together can be affected by inconsistent attendance, insufficient meetings or dominance of a few members or sectors. This can be exacerbated if there is not a clear definition of roles within the FLAG. It may take time for cultural differences across industry sectors to co-exist. The complexity of dealing with new rules and regulations and the difficulties in dealing with bureaucracy may also cause challenges within the FLAG.

### *Outlining the parameters of the new relationship*

It is very important to establish at the outset a common understanding amongst FLAG members of what the aims and objectives are, what the FLAG is there to do and how it is going to be done. It is also important that all members of the FLAG understand that they have an obligation to act in the best interests of the local programme. Informed and transparent participation in decision making reinforces local credibility for the FLAG and when the right people are involved this adds great value to the local programme.

It is quite possible, particularly in the early stages of the FLAG, that local factors associated with different geographies, local loyalties and cultural differences may present some barriers. This is more likely in areas where new links have been formed across administrative areas where members have to learn to look at the whole FLAG area rather than their very local interests. The ability to look at the big picture may also be challenging for some FLAG members; for others the challenge will be

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<sup>7</sup> [https://webgate.ec.europa.eu/fpfis/cms/farnet/sites/default/files/documents/UKsc\\_LEADER-Business\\_Plan\\_Moray.pdf](https://webgate.ec.europa.eu/fpfis/cms/farnet/sites/default/files/documents/UKsc_LEADER-Business_Plan_Moray.pdf)

to encourage the public sector to work on an equal basis with the community and private sector. Awareness of these factors and finding ways of addressing them will contribute to the effectiveness of the partnership's work, the partnership section of Farnet guide 1 provides some guidance here.

### ***FLAG Capacity and capacity building***

When a new group comes together it is often necessary to initiate a process to start to build the group into a functioning team. External facilitation can be very beneficial in the team building process as it allows the FLAG members to gain greater insight into each other and identify what each Member can contribute to the group in a neutral way. This can encourage better working relationships which can develop into proactive project development through better understanding and the essential trust between the partners. This could be combined with a regular FLAG working meeting or can be undertaken as a separate activity.

However to develop capacity further it is important to involve all the stakeholders within the FLAG and one of the ways to do this is ensure good communication. This can be done through press releases, hosting your own web site, attending or running funding workshops or attending awareness raising events. Keeping an up to date contact list for stakeholders allows dissemination of written information such as newsletters or inviting them to community events.

It will take time to build up the shared knowledge and skills required for effective working as a FLAG partnership. Structured or formal training and team building are a worthwhile investment of time and money as they can help to build trust and respect within the FLAG team. This can cover topics such as information and knowledge about Axis 4 or local development, skills specific to the work of the FLAG e.g. project appraisal, local area knowledge or team working.

### ***Governance***

The FLAG has a strategic as well as administrative role and depending on the size of the FLAG decisions will need to be made as to how to manage the day to day running of the programme. One of the first issues to decide on is whether the whole FLAG will be involved in the project assessment process, or will this be delegated to a smaller, but still representative team? If a smaller group is decided upon care must be taken to ensure that decisions made are quorate i.e. that the balance of the overall partnership between the various sectors is reflected. The whole FLAG should meet at least bi-annually and may choose to focus more on strategic priorities.

The wider use of working groups is an important tool for FLAGs in managing the work of the partnership spreading the workload and providing opportunities for people to be involved. These groups can undertake a large part of the work of the FLAG and normally report back to the full FLAG on their activities. They can provide a means for making best use of partners' specialist skills or of targeting the specific interests of members or strategic priorities for the FLAG. There are examples of thematic groups targeting innovation or the environment; groups may also be set up to monitor and update the strategy or to oversee particular aspects of the FLAG's work such as publicity or community engagement.

### ***Conflicts of Interest***

A very important part of maintaining trust and ensuring effective partnership working is the way in which conflicts of interest are managed and ensuring that these are avoided. It is important to realise that the perception of a conflict of interests may be as damaging to the FLAG as an actual conflict of interest. Conflicts of interest may arise when an individual's business, organisational, personal or family interest and or loyalties conflicts with the FLAG or Programme. This can relate to FLAG Members and FLAG staff. Such conflicts may create problems as they can inhibit free discussion; result in decisions or actions that are not in the interest of the Programme; risk the impression that the FLAG has acted inappropriately or result in a decision which is perceived to lack impartiality.

It is vital that FLAGs develop a specific detailed policy on ensuring the avoidance of conflicts of interest. Key principles to be considered in this policy are objectivity, transparency and accountability, above all else honesty is essential and there is a duty on members to declare any private interests and act in the interests of the FLAG rather than any personal, organisational or business interest.

The policy should specifically ask that any member with an interest in a project should declare it at the outset of a meeting and that they should not take any part in voting on that project. Any member who has been approached in an attempt to influence a decision should declare this. The Member should make clear what the link is between themselves and the applicant and this should be documented in the minutes of project selection meetings which can be published, for example, on the FLAGs web site. Some FLAGs may choose to ask the interested party to leave the room for the whole period of the discussion of the project in question; others think that their knowledge makes a valuable contribution to the discussion.

### **FLAG meetings**

Where, when and how often the FLAG meet has a direct impact on the members' ability to participate and contribute to the work of the FLAG. One of the most common difficulties for FLAG members is the demand placed on their time, both to attend meetings and for preparatory work prior to the meetings. This can be particularly problematic for voluntary members where FLAG membership is not part of their daily job. Optimising members' ability to contribute is therefore the key consideration.

This can be alleviated a little by advance planning of meetings and ensuring that papers for the meeting are distributed in a timely manner. The timing and location of meetings will also have an effect on the time required for meetings.

#### ***Where will FLAG meetings be held?***

You will need to consider what the best option is for your FLAG, the key considerations include what suits your partners best, the transport provision and the geography of your area. Some FLAGs choose to hold meetings in central locations that have good public transport links; others choose to hold the meetings in more remote locations to help maintain the links to the territory. Some FLAGs may rotate the meeting venue so that the burden of travel is shared more evenly between the partners.

It is sometimes worth considering combining FLAG meetings with visits to projects which have been supported or potential projects as this helps FLAG members experience projects at a ground level and hear first-hand of any issues that may be arising.

### *When will the FLAG meet?*

Experience suggests that producing a calendar of FLAG meetings well in advance helps to ensure good attendance at meetings as it is often difficult to arrange meetings at short notice for a large number of busy people. Consideration should be given to the time of the meetings to ensure that they are convenient for as many FLAG members as possible. Some volunteer and business members may find it easier to attend evening meetings for example. Particular attention should be paid to any seasonal variations in work patterns and in particular those that will affect those from the fisheries sector specifically.

There may be facilities which help make participation easier e.g. a kids club or the ability to provide food. To help in the process of team building meetings in the morning followed by lunch may provide an opportunity for FLAG members to meet informally, get to know one another better and build relationships.

### *How often will FLAG meetings be held?*

The FLAG needs to decide how often it wants to meet and how often it will assess projects, there may be different cycles of meetings for the full FLAG and any decision making groups. This will differ from FLAG to FLAG and will depend on the decision making process implemented. For project assessment purposes experience suggests that between four and five meetings a year are necessary, depending on the number of projects coming forward for assessment. If the FLAG is using working groups they may also meet more frequently and this may reduce the necessary frequency of full FLAG meetings.

### *Conducting the meeting*

Remember to ensure that the FLAG members' involvement is rewarding, make sure the meetings are interesting, that they make things happen and that they are fun. This can be encouraged by using Power Point presentations, providing statistical data in an easy to read format with graphs and charts to convey the key information and through the use of interactive approaches to ensure participation and inclusion. Materials for the meeting are normally prepared by the FLAG staff. Local partnership working may be new to the FLAG area and will have broadened the number of organisations who have decision making roles and responsibility, for example to voluntary and community organisations. Finding effective ways of helping them contribute to the process can lead to enhanced motivation and ownership within the community.

### 1.6 Making the programme work

It will take the whole partnership team to make the FLAG work well and the day to day procedures are the skeleton around which the body of project development work is constructed. Below are some key points to consider which cover the whole process of administering project development.

#### **FLAG needs to be strategic as well as perform administrative tasks**

Underpinning the work of strategy development and delivery is the vital administrative function the FLAG will fulfil. It is of the utmost importance to have a clear and robust administrative and financial framework in place at an early stage in the FLAG development. It is easier to make the effort to get this right at the outset than to have to make changes in retrospect. The Farnet guidance on business planning<sup>8</sup> provides some suggestions here.

One simple approach to avoid increasing the work load is to make use of existing materials, all FLAGs have to perform these functions and there is ample opportunity to learn from others. FLAG partners may have their own materials or systems which can be relatively easily adapted or adopted. Templates of documentation that other FLAGs or LEADER LAGs have used in the past may also be available. These materials are likely to need to be adapted to fit your own specific FLAG, but they will provide an idea of what information is necessary to be captured and may also provide an insight into what additional information your FLAG may find useful.

#### ***Project animation***

Project animation is an essential element of the work of Axis 4 in contributing to the initiation and development of successful projects helping to deliver the FLAG strategy. Animation has been proved to be a key differentiating element and very successful aspect of LEADER and will be of high value in introducing this

type of development in areas which are new to the whole approach (project animation is addressed in more detail in the guide to Project Development and Selection).

Project animation is normally undertaken by the FLAG manager and staff, however involvement of FLAG members (or their organisations) who have specialist knowledge in the applicant's field will provide added value. Awareness raising and publicity are an integral part of animation. This is an excellent opportunity for FLAG staff to broaden the range of people involved in project activity and the work of the FLAG. Awareness should be raised throughout the community, not just the easy targets or 'usual suspects'. Having said this not all projects that approach the FLAG for funding are going to be appropriate for funding though EFF Axis 4. FLAG staff and members should be aware of other relevant funding streams in the area and be able to point applicants in the right direction for more appropriate support.

#### ***Funds, schemes, umbrella projects***

Experience gained under LEADER suggests that the use of separate funds, schemes or 'umbrella projects' represent a potentially a useful mechanism for FLAGs to target support at priority themes or areas that have been identified in the FLAG strategy and business plan. These are also particularly useful ways of managing large numbers of small scale applications efficiently. Here a project promoter makes an application to the FLAG to establish a small grants scheme which targets a particular priority. The project (scheme) is approved in line with all the standard criteria and conditions of the FLAG including the methods and procedures which will be applied to applications under the scheme. The scheme is then operated on the basis of delegated authority within this approval, the project (scheme) holder is accountable to the FLAG for ensuring diligence in the application of the conditions and criteria.

At the time of writing the eligibility of this type approach has not been formally approved by the EC, this will be subject to the development of an FAQ which will be posted on the FARNET website.

<sup>8</sup> <https://webgate.ec.europa.eu/fpfis/cms/farnet/sites/default/files/documents/FARNET%20Start-up%20Guide%20EN.pdf>



### Application and decision making processes

This section should be read in conjunction with the accompanying chapter on Active Project Development and Selection which covers much of this in more detail. Here we are mainly concerned with the role of the FLAG partnership and staff, who does what and how does it fit in the process?

#### *Applications*

In a two stage process each applicant will be asked to complete an initial enquiry form which will be assessed for technical eligibility and compatibility with the FLAG strategy. This would normally be undertaken by the FLAG staff. If the project is successful at this stage the applicant should then be asked to complete a full application form with help and guidance from the FLAG staff supporting them through the process if required.

Completed applications are considered by the FLAG members at regular meetings. As discussed before FLAG meetings should be scheduled well in advance to ensure high levels of attendance. It is also important that the FLAG staff prepare and provide FLAG members with the relevant papers for the meeting well in advance to allow them to prepare effectively, two weeks in advance would be ideal. It will be for each FLAG to decide what papers are appropriate to circulate but this would normally include, at a minimum, information on each project application being assessed and a summary of the financial and physical progress of the FLAG since the last meeting.

#### *Technical assessment*

All projects will need to be technically assessed for Axis 4 and Member State eligibility criteria. This is normally done by a member of the FLAG staff and is likely to involve close liaison with the accountable body. This assessment should be made available to those involved in project selection.

#### *Project assessment*

All project assessment by the FLAG should be undertaken in a systematic manner and clearly documented; this ensures consistency and transparent decision making. Assessment is not a precise art and there are no 'right' or 'wrong' answers. Different FLAG members may have very different opinions on projects and this is where the shared knowledge and experience of individual FLAG members is very important. It is from the differences of opinion that full and open discussions can take place during FLAG meetings.

#### *Applying selection criteria*

As a tool to aid the decision making process the FLAG may want to 'score' each project against a pre-determined set of criteria, regardless of the decision making approach adopted these criteria are essential. In addition to core criteria set at Member State or regional level each FLAG should decide upon their own criteria in line with their strategy and by using the same criteria for each application ensure the objectivity of the process (NB a FLAG may choose to adjust these criteria or their weighting in the light of experience or to reflect changes in the strategy or priorities). Scores should be used as a 'guide' and will often highlight variations in opinion between FLAG members. Ideally they should be used as a basis for discussion during the meeting rather than setting thresholds below which projects are rejected.

The application must be assessed from a strategic point of view: does it fit with the FLAG strategy, is it consistent with the business plan and does it target any of the FLAG's identified priority groups?

If the FLAG are not able to come to a unanimous decision about a project then it may be necessary to vote on whether a project is funded or not.

It is of the utmost importance to **ensure that all such decisions are properly recorded** and that all the ground rules have been met e.g. re the proportions of public and community/ private sector representatives, the conflict of interest procedures etc. Consideration should therefore be given to how these decisions are recorded, one option is for each FLAG member to record their appraisal electronically and these can then all be held on file.

### *Audit control*

Specifying and maintaining clear audit trail for the FLAGs decision making is very important. The easiest way to ensure the transparency of decision making is to document each step throughout the process. This can be done by noting all correspondence with an applicant both verbal and written in the project file. Detailed minutes of decisions should be taken, particularly the reasons for rejection of any application. If a project applicant is unhappy with a decision not to fund a project and where the local or national rules permit they may challenge or seek to appeal the decision. It will then be necessary to be able to explain to them how the decision was reached and provide the reasons justifying their project being unsuccessful.

It is important for the integrity of the process that there is a clear separation of duties within the FLAG staff. Those involved in project development and appraisal should not be approving claims and paying out grants. The audit trail on administration procedures should be clearly set out and transparently applied with each step documented, there should be no gaps or omissions. For example if a form is not completed then there should be a written explanation provided for this.

## 1.7 Claims for payment, reports and monitoring

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After the projects have been approved and their activity has started claims for payments will start to come in and supporting reports on physical and financial progress will become required. The main involvement of the FLAG partners here will be in considering the reports which are generated and using these to help manage their programme better using the management information collected. All FLAGs are likely to be required to produce an annual report for their programme and partners would be expected to review and approve this for submission to the Managing Authority.

Partner involvement in claims will be limited as this is mainly the responsibility of the FLAG staff and the accountable body. There are two main approaches commonly adopted for this, either claims are submitted to and processed by the FLAGs and locally accountable body then forwarded to the payment agency or claims are submitted to the payment agency (in some countries they may be referred to the FLAG or accountable body for verification). Payments may then be made either by the paying agency directly or through the FLAG. In either case project promoters will require clear guidance and support with the claims process, particularly in the early stages of their project to avoid wasted effort, this can be a very time consuming process. Most of this support would normally be provided by the FLAG staff.

The fundamental requirements underpinning all claims are the elements of supporting evidence of process (e.g. any tendering etc.) and expenditure and a robust audit trail. It is important that project promoters know what information they are required to collect, what they will be required to pass on and what form this should be in. This may for example include original invoices, bank statements and proof of payment. No cash payments are allowed.



Projects will also be required to provide information on how they are progressing in the achievement of their targets, their outputs and results. This reporting of physical performance will involve the use of performance indicators; these will vary between member states and FLAGs. Some of these may require to be benchmarked at the outset of the project so that changes can be measured. Here partner involvement may be more significant, it is common for FLAG members to be involved in the monitoring of projects' performance, supporting the work of the staff team.

In addition to the contribution to progress monitoring this provides a useful mechanism for engaging the partners directly in the work of the FLAG and with the beneficiaries. This feeds in to the FLAGs monitoring of the effectiveness and on-going relevance of the territorial strategy and informs any adjustments which are required. Once again getting these systems and the associated guidance right at the start will be a great help particularly when it comes to the external evaluation of the EFF programmes.

## 1.8 Conclusion

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A strong and effective partnership is fundamental to the local development approach and provides a very substantial component of the added value of the approach. This will not happen of its own accord. Effective partnership needs cultivation and maintenance through hard work, careful management and constant monitoring. Each partnership is different and will have its own characteristics and needs; the guidance in this note is designed to provide some core principles drawing on past experience which should help you develop your own local approach.

## 2. Cultivating private sector involvement and investment

### 2.1 Introduction

Growing the private sector is essential to secure and increase employment and opportunity in fishing communities that have lost or may lose jobs. This is more than ever true in the post-economic crisis period where retrenchment in public services is occurring to reduce fiscal deficits. The vital role the private sector plays in Axis 4 of the EFF is recognised in Article 45 of the EFF Regulation<sup>9</sup> which anticipates extensive private sector involvement in Fisheries Local Action Groups (FLAGs) stating that ‘the majority of operations shall be led by the private sector’. Working effectively with the private sector is therefore vital to both the success of the FLAG and the economic wellbeing of the territory.

The purpose of this chapter is to help FLAGs and their staffs to understand how they can engage with their areas’ private sector enterprise base, support its growth and sustainability and encourage investment<sup>10</sup> into private sector business in their communities. Growing the private sector can happen in a range of different ways through either those enterprises that are already in the place or new businesses that either have set up from scratch (the start-ups) or have come to the area as a result of inward investment.

This chapter explores how FLAGs can use public resources to grow the private sector and to increase the level of private sector investment into Small and Medium Enterprises (SMEs) increasing turnover and employment in local firms. It focuses on how business growth and start up may be supported.

Investment can come from public or private sources. For this guide, we are assuming that FLAGs seek to maximise the impact of each Euro of public expenditure and wish to stimulate more private sector investment in the productive sector.

It is possible to stimulate investment in private sector businesses with relatively modest resources. It can be directed close to the productive sector, for example by directly investing in enterprises themselves through either grants, loans or (rarely) by taking an equity stake in businesses. It can also be used in more indirect ways to create a better investment environment – for example, village improvements, better services and territorial marketing can increase the attractiveness for businesses, improvements to harbours can lower costs and increase capacity for shipping or fisheries. In-between are forms of support that increase the strength of the business sector and its ability to absorb capital from investors. The amount of investment that flows into the productive sector in a particular place is the result of a range of factors, but underlying all of these is the need for successful and growth oriented enterprises and this is the main focus for the FLAG.

<sup>9</sup> Council (EC) regulation (No 1198/2006

<sup>10</sup> Investment is defined here as any use of resources intended to increase future production output or income.

## 2.2 Preparing to work with business

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### Fisheries focused or area focused?

In developing and delivering their integrated local development strategies FLAG partnerships all involve the fisheries sector; a key focus of these partnerships and their strategies is innovation at the local level to stimulate the development of the local economy.

The first key decision for a FLAG is to decide whether their business growth and investment strategy is to be based mainly on exploiting value within the fishing value chain or the pursuit of business growth under a wider 'local development' approach. A twin track strategy which tries to do both is a further possibility. This decision will depend on the local economy and the role that fisheries still play in that economy. Where fishing has declined to the extent that it has become a residual activity there is likely to be little potential to explore the value chain and it is more realistic to adopt a wider local development approach. However, if there is still significant activity within fisheries then it may be realistic to concentrate on how new projects can be brought forward from within the fisheries value chain (e.g. fisheries markets) and from related marine activities such as ecotourism and environmental management. Two companion Farnet Guides, *Adding Value to Fisheries Products and diversification* (2010)<sup>11</sup> cover aspects of fisheries chain focused activity.

The question that flows from this is essentially who to target, both in the project generation stage and for subsequent investment. A wider local development approach is likely to benefit those not directly linked to fishing as well as some from within the fishing communities. A more narrowly targeted strategy is more likely to benefit those directly involved as well as ancillary activity in preparation, logistics, and marketing.

### Business demographics

Before intervening in the business sector it is important to understand it, this will help you to target your interventions and resources effectively. Business demographics look at the change in the population of businesses and associated employment over a specified length of time.

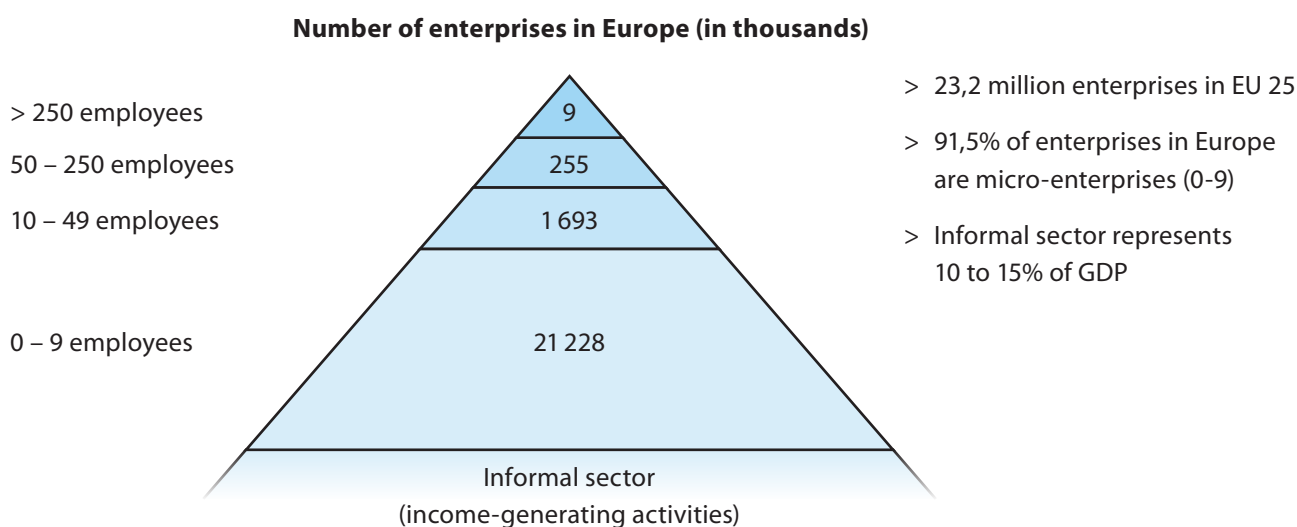
The first step is to document the business population in some form of baseline study. This baselining may have already been done in preparing the original strategy; there is an extensive range of common sources of relevant data collected by various agencies of government. Such a study may be done by the FLAG, a relevant FLAG partner or group of partners; alternatively it is something that a local university or research centre might be able to do for a reasonable fee.

Once a database of the population of local businesses has been compiled the data can be analysed in a number of ways. For example the enterprise population can be grouped according to various size categories. The normal size categories are illustrated in Figure 1 which illustrates the hierarchy of businesses by number of employees across Europe showing that micro enterprises (0-9 employees) are by far the largest group (over 90%) in terms of numbers of businesses. The vast majority of those employing one person will be self-employed individuals.

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<sup>11</sup> For further information see <https://webgate.ec.europa.eu/fpfis/cms/farnet/category/themes/adding-value-fisheries-products>

**Figure 1** – The enterprise pyramid for Europe 25 in 2005



Source: Communication of the Commission dated 10/11/2006 on SME policy as regards the total number of enterprises. Breakdown according to Eurostat 2006 (2003 data)

### Business population trends

Compiling the basic numbers is an important first step providing a baseline position at a given time, what is more important however are the trends in business formation, survival and failure and understanding what has been happening to the population over time. As with the basic data some of these trend data are available from public sources. Where trend data are not directly available these may be calculated where population data sets are available for at least two different years. Depending on the nature of the data or survey, the change can be broken into four main components which will help develop your understanding of what is happening in the local business sector.

- > Births – what proportion of employment and total business numbers comes from newly started up businesses?
- > Deaths – what proportion is a result of closures?
- > Expansions and contractions – what proportion of recorded change came from expansions and what from contractions?
- > In moves and out moves – what proportion of change came from moves in to and out of the area?

Simply looking at numbers of firms will give a valuable picture of where change is happening and whether the change is driven by one of the four processes above. Most small local economies are more driven by births and deaths, expansions and contractions than by relocations from elsewhere. But expansions and contractions are hard to measure without employment data. The relative weight of these different components has implications for the FLAG strategy towards business.

For example in many local economies, sustaining businesses is a critical element to keeping the economy alive. The longevity of start ups and the proportion that survive 12 months, 3 years and 5 years is a key indicator here which will help inform targeting. Where there are high failure rates, it may be better to concentrate support on helping start-ups to survive rather than promoting more start-ups. The proportion of businesses that survive beyond three years is the key statistic to look at enterprise survival.

Within the overall figures, there are likely to be significant differences according to the size of firm, the economies of FLAG areas are likely to be even more dominated by micro business. Some policy makers emphasise actions to safeguard businesses and jobs which are often critical to the viability of micro-businesses where sustainability rather than growth is the key contribution sought.

Finally, it is very important to look at sectoral change. Which sectors in the local economy are growing or declining, which sectors have driven the change, what is happening to their markets, are local firms competitive in terms of quality and cost? Even a basic division between primary, manufacturing and services can help to suggest where the future growth might come from.

### Who are the entrepreneurs?

Looking at existing business and enterprise units is one important step. However, many of the potential entrepreneurs are not yet running businesses and so it is important to find out more about the entrepreneurship characteristics of the population as a whole. For example, historically, there has been under representation of entrepreneurs among both women and young people. Strategies to increase the enterprise rate in these two groups are often a good starting point at local level.

This data is often available at national level and for some regions from a range of sources e.g. from the labour force survey<sup>12</sup> gives information about the proportion of the population of an area that are self-employed.

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<sup>12</sup> EU labour market statistics including the labour force survey can be seen at: [http://epp.eurostat.ec.europa.eu/portal/page/portal/labour\\_market/introduction](http://epp.eurostat.ec.europa.eu/portal/page/portal/labour_market/introduction)

### Mapping existing Business Support

The third important step is to understand what existing support is being deployed to assist local business and to encourage entrepreneurship before any new initiatives are considered. Such activity should be mapped so that gaps and overlaps can be identified and analysed, this may include activity organised and funded at national, regional or local level and may involve EU regional and social fund programme support. Often the local Chamber of Commerce will be in a good position to know what projects and programmes are active in the area and where the gaps are most evident. Key considerations include;

- > Which agencies are providing advice to businesses?
- > How many clients do they reach?
- > What do their clients look like (e.g. are they men or women, young or old, higher education or less educated, where are they located etc.)?
- > Are they working with established businesses or with start ups (or pre starts)?
- > What sectors are supported businesses in (e.g. hi tech, engineering, services)?
- > Where are the gaps in the current support provision in terms of groups, sectors, sizes of business and geography?
- > What staff capacity and skills are available within the FLAG itself or within the parent organisation that houses it?

From this analysis you can build a good picture of how support relates to the underlying business structure that has been identified when looking at the business demography. This provides important material for discussions about what gaps might need to be filled directly by the FLAG, or with its support, in the fields of enterprise culture, start up support, access to financial initiatives and support for consolidation and growth.

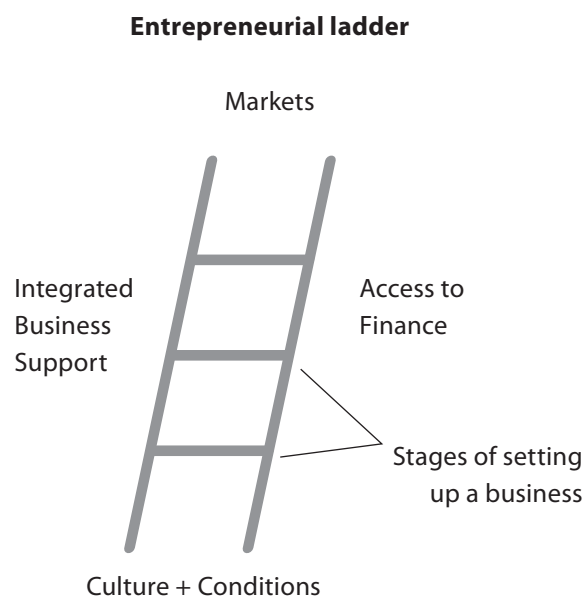
### Working with a stakeholder group to understand business needs

Ideally, the FLAG will set up a sub group to address the issue of working with business. This group should involve key actors, both individuals and organisations from the private sector, from agencies that work with business and from the municipalities and other key public agencies. It is important to identify which existing FLAG actors are from the private sector and also to supplement these with more local entrepreneurs and organisations. It is very important that discussions about business do not end up being among public agencies. Many LEADER local action groups set up sectoral working groups with businesses. When working with individual businesses you also have to be careful to ensure transparency and ensure procedures are in place to address any actual or perceived conflict of interest.

Once you have a handle on the business demographics of the local area and the available business support, it is essential to consult local businesses regarding their own difficulties and perspectives. This will help the FLAG to identify the real problems and opportunities that local businesses are facing, the existing provision of business support and any gaps. From this the FLAG can prepare a local action plan for business support which addresses needs and opportunities, complements existing provision and which is appropriate to the FLAG, its strategy and the available resources.

## 2.3 Potential actions

Enterprise support may be conceptualised as a ladder up which businesses may climb. Its feet are grounded in the local enterprise culture and conditions.



Start up support and access to finance are important steps in climbing up the ladder but to survive at the top enterprises need to be able to consolidate and grow and for this they need access to markets. One of the main functions of the FLAGs in many countries is to provide finance to business through grants. This section of the guide shows that this is only one of the ways to support business and that FLAGs can do this by using a combination of the four headings in the diagram above, blending the types of support at each level to the needs of local businesses.

In each case the FLAG should consider the previous analysis and what the appropriate nature and extent of FLAG and other development body involvement might be.

### **Enterprise culture and conditions**

Changing the local enterprise culture and conditions is a long-term project of considerable scope. The FLAG may contribute to this and may even play a leading role but is unlikely to address this alone.

Some contribution can be made regarding the enterprise culture e.g. by introducing enterprise education into schools, working with role models and by using enterprise promotion events to open up the idea of becoming an entrepreneur to the wider public.

Enterprise conditions are often dependent on national regulation and systems. A lot of attention has been paid to the ease of setting up a business and the tax regime in recent years. Whilst the FLAG cannot influence these you should be aware of these factors which condition your involvement. These results are summarised for all EU Member States in the World Bank's 'Doing Business' reports<sup>13</sup>.

### ***Enterprise education***

Entrepreneurship education is a critical factor in changing enterprise cultures and mindsets and many areas have taken a proactive approach to introducing enterprise into the school and college curriculum. This is a medium to long term strategy and two distinct approaches can be identified. The Dutch approach has been to make the whole curriculum more entrepreneurial by focusing on teamwork, creativity, risk and a more project based approach to learning. These active learner approaches develop skills that are useful to future entrepreneurs and in other fields of endeavour.

The second approach is to bring an element of enterprise into the school for example by allowing students to set up mini companies. This approach developed in Asturias<sup>14</sup> and in Norway has been shown to have demonstrable effects on the business start up rate over a medium term period. Smaller scale initiatives such as enterprise weeks in schools in which a project-based approach is adopted could be a useful starting point.

Although curriculum change will be beyond the direct scope of a FLAG they can nonetheless play an active role in supporting or complementing these approaches e.g. providing mentors, materials or placement opportunities.

### ***Media, role models, awards and events***

Entrepreneurial behaviour has a strong nurture element, people born into families that have members who are entrepreneurs are more likely to go into business themselves. This is illustrated in certain migrant communities – for example, East African Asians in the UK have been very successful at creating a thriving business community after being expelled as refugees with little more than a suitcase of possessions.

In less entrepreneurial communities, role models can be important in showing young people that enterprise is a possibility for them. Often the only role models are too distant e.g. highly successful entrepreneurs like Bill Gates. What is needed is to have a wide range of role models that are from within the community and include young and old, women and men and different ethnic origins or language groups.

Award ceremonies and events can also play a part in celebrating entrepreneurship and changing the image of entrepreneurs in society. These can be organised with the help of local newspapers and chambers of commerce.

Here again there are clear opportunities for FLAGs to become involved either in leading or supporting such projects or in a complementary role. For example, FLAGs can mobilise the businesses in their decision-making boards or sectoral working groups to give talks at schools and get involved with courses for start-ups.

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<sup>13</sup> <http://www.doingbusiness.org/reports>

<sup>14</sup> [http://www.valnalon.com/valnalon\\_educa/](http://www.valnalon.com/valnalon_educa/)



### Start up support

#### *Outreach*

Outreach is where business support organisations leave their offices and operate in the community. It is the most important step that business support can take to widen the range of people and businesses that receive support. Many potential entrepreneurs in any community do not come forward where proactive measures are not taken. Eurobarometer<sup>15</sup> suggests that as many as 44% of the population see enterprise as a positive option though in most European economies the self-employed only make up about 10% of employees.

In most economies, women are the largest single group who are under-represented in enterprise. Women may have unexplored potential as entrepreneurs in fishing communities as they often have experience of running the business side of fishing enterprises. Young people are also under-represented as entrepreneurs.

Two techniques are essential to good outreach; both involve making good use of what's already there. First, go to where the group meets, for women this can involve contact at the school or playgroup gate. For young people, enterprise education in colleges and schools may be a good entry point. Local business fairs can be used; links can be made with existing conferences and events. Second, piggy back on existing capacity in the community – by using voluntary and other groups that bring together the group. The Wiki-preneurship website<sup>16</sup> provides a useful summary of outreach activity and links to successful project examples.

Because of their partnerships integrated nature and local engagement FLAGs can play an important role in helping to link together business support services with community based activities. This may involve complementing or adjusting existing initiatives to meet local needs or promoting, supporting or initiating new outreach services such as study trips or exchanges. Some larger FLAGs may even employ dedicated outreach workers.

#### *Advice and business planning*

Most localities have some type of advice service for business that involves helping businesses to prepare a business plan. Although many businesses have been successful without such plans, they are undoubtedly useful in development planning and in some cases are a legal requirement. If the business needs external financing they are essential to obtaining approval from support schemes, banks and other lenders and investors. The key step for advice services is to get out into the community and practice an outreach approach. Advice agencies should consider how they can employ more women advisers and young advisers and how they can change a stuffy image. Visiting an adviser should be less like a visit to the bank manager and more like a chat with a valued and knowledgeable friend.

Here the FLAG can play an important role in identifying and helping to fill service gaps or needs, extending the outreach – both in terms of geography and for specific target groups. The FLAG may work with existing providers, business groups, NGOs or others in initiating or further developing such services. In some cases the use of such advice may be a prerequisite for accessing assistance under other FLAG supported business development activity. It can also be very useful for FLAGs to employ managers or other staff with business skills. At the very minimum FLAGs need to be able assess profits and loss accounts, balance sheets and budgets to assess the viability of projects selected.

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<sup>15</sup> [http://ec.europa.eu/public\\_opinion/index\\_en.htm](http://ec.europa.eu/public_opinion/index_en.htm)

<sup>16</sup> [http://wikipreneurship.eu/index.php5?title=Compendium\\_2.2.1\\_Outreach](http://wikipreneurship.eu/index.php5?title=Compendium_2.2.1_Outreach)



### **Coaching and mentoring**

Coaching or facilitation is one to one support from a 'coach' who is normally paid for delivering the service. Mentoring is one to one support from a mentor who is normally an active or retired business person with experience of the start-up process. Mentors normally provide their services free of charge. These are relatively simple forms of support which can have varying degrees of formality and relatively low costs. If the FLAG identifies a need or potential opportunity for this type of initiative they might initiate it directly or support an application from an organisation wishing to provide such a service. Matching the skills required to the identified needs is a key consideration here.

Coaching and facilitation have been taken a stage further in more formalised approaches such as Bizfizz<sup>17</sup> and the Sirolli Institute<sup>18</sup>. Sirolli's approach grew from his own experience as an enterprise facilitator in Western Australia in the fishing community of Esperance. Bizfizz

is a UK based version set up as a joint venture of by the New Economics Foundation and the Civic Trust. Both approaches use a detached facilitator/coach and this person is the key to the support. These coaches need to be outgoing, warm but also non-directive, supporting the entrepreneur's dream not that of the facilitator. Both models involve a local support group of people who are active in the local community. This informal group of about 25 people meets once a month to hear about the facilitator's work and to provide ideas about how particular problems can be tackled.

In both cases coaches have produced good results in small communities where there are high levels of social capital. As such they would seem to be ideal for fishing communities. As formalised approaches there are direct costs associated with their adoption. There are a number of examples where LEADER Local Action Groups<sup>19</sup> have supported local groups, communities or organisations to implement these approaches.

<sup>17</sup> <http://www.bizfizz.org.uk/>

<sup>18</sup> <http://www.sirolli.com/Home/tabid/36/Default.aspx>

<sup>19</sup> E.g. Bizfizz in Leader+ North Northumberland, UK Sirolli in Leader+ Tayside UK.

### **The Sirolli approach**

Ernesto Sirolli in his book 'Ripples from the Zambezi'<sup>20</sup> describes how he invented enterprise facilitation while working in the fishing town of Esperance in Western Australia. The fishing fleet had been forced to cut its catch of tuna because of over-fishing and the tuna cannery had closed. Sirolli, started by supporting Mauri, the former manager of the cannery who was smoking fish in his garage. Sirolli helped Mauri to move into legal premises and market his fish. He managed to obtain publicity by getting the smoked tuna on the menu of the South Australian parliament. This helped Mauri sell his fish but also helped Sirolli to spread the message that a new form of business support was in town.

Soon he was helping the trawler owners to sell Sashimi and instead of getting 60 cents a kilo, which they had obtained for canned tuna the price, went up to A\$15 a kilo.

30 years later Esperance is an expanding town with a diverse range of small and medium businesses. Sirolli's next challenge was to help farmers find a market for sheep wool that was being thrown away. From this starting point a philosophy of enterprise facilitation was created that has been sold to hundreds of municipalities in Australia, the USA and more recently in the UK.

<sup>20</sup> See the book *Ripples from the Zambezi* at Google books.

### ***Start up networks***

It has been known for many years that entrepreneurs learn from each other. Start up networks are useful for entrepreneurs to avoid isolation and to put start-ups in contact with their peers to enable peer learning and support. This can help to support new starts by e.g. reducing risks, sharing costs, achieve the necessary critical mass for a support intervention e.g. by the FLAG or simply providing a basis for the FLAG or support organisations to engage with the entrepreneurs.

### ***Entrepreneurship training***

Many localities have some type of enterprise training programme for aspirant entrepreneurs and such approaches may be supported by FLAGs. A good example is GLOCAL<sup>21</sup> which provides entrepreneurship training in remote parts of Portugal as part of an integrated programme of training, advice, support and finance. A wider discussion of enterprise and entrepreneurship training including GLOCAL is provided on the Wikipreneurship website<sup>22</sup>. Most training programmes for entrepreneurs have high levels of initial interest but only a few convert into setting up a business. When GLOCAL invites 120 people to a first meeting, perhaps 15 will go on to train as entrepreneurs and ten will actually start up a business. The important point for FLAGs is that by integrating training within an overall strategy business support and start up greater success and value may be achieved.

### ***Start up centres, premises and incubators***

Many small businesses are operated out of back rooms and garages however if they are to grow or become more sustainable they need somewhere larger, better serviced, more manageable e.g. for hygiene or access or more convivial where clients can be received.

Managed workspace is a term describing a wide range of mostly public or social enterprise operated workspaces. During the current recession there has been an important growth in provision of workspace by leasing vacant commercial and industrial buildings and

then breaking them down into smaller units to rent to start-up businesses. There is nevertheless frequently a market failure in provision of this type of property – especially property that only requires one month of rent to be paid in advance.

Start up centres are forms of managed workspace that offer very easy terms for entry and exit and usually have basic services connected including heat and light, phone and internet. These centres both provide workspace and help to bring the start ups into contact with each other. They can take many forms and range from simply supplying hot desk facilities, to providing individual and secure workspaces.

Incubation is a process involving the provision of support services to help start up businesses or new products to develop and grow. Although this does not always involve the provision of workspace most incubators are also workspaces. There are increasing numbers of specialist incubators<sup>23</sup> e.g. for digital industries. In Ireland Bord Iascaigh Mhara (BIM) have developed a specialist Seafood Development Centre<sup>24</sup> including wet fish processing areas; business incubation units, graduate laboratory, product development kitchen and an innovation and product concept room.

Workspace is one of the few investments that can lead to long term revenue returns for local development organisations, they may become self-sustaining. This makes workspace an attractive option for local groups or organisations to consider. Whether undertaking this directly is appropriate for a FLAG will depend on its structure, budget etc. and it is more likely that a FLAG would be involved in supporting a strategic partner in developing such an initiative.

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<sup>21</sup> [http://ec.europa.eu/employment\\_social/equal/data/document/etg2-suc6-glocal.pdf](http://ec.europa.eu/employment_social/equal/data/document/etg2-suc6-glocal.pdf)

<sup>22</sup> [http://wikipreneurship.eu/index.php5?title=Compendium\\_2.2.6\\_Training](http://wikipreneurship.eu/index.php5?title=Compendium_2.2.6_Training)

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<sup>23</sup> [http://wikipreneurship.eu/index.php5?title=Compendium\\_2.2.3\\_Incubators](http://wikipreneurship.eu/index.php5?title=Compendium_2.2.3_Incubators)

<sup>24</sup> [http://www.bim.ie/templates/text\\_content.asp?node\\_id=1083](http://www.bim.ie/templates/text_content.asp?node_id=1083)

### Access to finance

In this section we consider two main sources of finance, private sector investment and loans and grants supported by the public sector.

### *Understanding investment*

Private sector investment is the lifeblood of a healthy local economy. It has both a supply and demand. The demand for investment comes from the enterprises themselves, whether these are existing enterprises in the locality, new start-ups or businesses relocating from elsewhere through inward investment.

In general investment falls into three main groups

- > The entrepreneurs themselves, their family and friends are often the main investors in a business – especially in the early stages. These are all local sources of investment, they may seek collateral and some return on investment.
- > Banks are investors through the loans they make to businesses. Normally, this investment is secured against assets in the company (plant, machinery and premises) or against the assets of the owners.
- > Equity investors take a share of the business in return from a share in the profits and/or in the eventual sale or flotation of the business.

While the investment from entrepreneurs and family is often important in the early stages, once the business has started, it becomes less important. At this point, investment is needed to sustain and grow the business.

Bank lending to a business requires an equity share and interest payments in return for the loan. Meeting payments is likely to require increased revenues and that these revenues can be turned into profits, this in turn implies a need for improved management and control in order to make the loan a success.

Enterprises are frequently fearful of investors because they do not want to be in debt or think that equity investors will take a majority share of their business. Banks and investors are often reluctant to get involved with early-stage and unproven businesses. Even when businesses are open to external investment they rarely understand the steps they need to take to make their businesses 'investment ready' or what an external investor is looking for.

It follows that FLAGs will need to work with local businesses and the financial sector to encourage them to grow either directly or through intermediary organisations.

### *Grants and project support*

One of the main kinds of support provided to businesses by FLAGs comes in the form of grants awarded after competitive calls for projects. However, unless these are handled carefully, they are expensive and there are often high deadweight effects, where money is given to businesses that would have started up or grown anyway without support. In other cases they may act as subsidies to businesses that would not otherwise be viable. In setting up or supporting business development or improvement grant schemes or where businesses may come forward with individual or group projects it is vital that the FLAG ensure that appropriate decision making criteria are in place. These should ensure that adequate preparation and business planning has taken place, that other 'mainstream' routes of support are not available, that the support produces effects that are truly additional i.e. there is little deadweight effect and that the business or initiative supported is physically and financially viable producing real and measurable benefits. If FLAGs really want to encourage the creation and growth of certain types of business and sectors then it is usually best to combine grants with the other forms of business support described in this chapter to meet the business needs identified earlier.

### ***Investment readiness***

Most responses to the problem of access to finance start with the idea of increasing supply of finance and specifically of loans. However, besides lack of supply there may be other reasons causing the problem. In particular, many entrepreneurs start their businesses without having a strong financial background and discipline for their business. Whilst the various forms of start up support discussed above address some of these issues, increasing the financial literacy and capability<sup>25</sup> of entrepreneurs is a further key component of start-up support. At a second level, working to improve the investment readiness of more established businesses with growth potential is a pre-requisite for attracting investment funds. FLAGs could play an important part in providing support to local businesses to help them to become investment ready.

### ***Financial products***

Secondly, there may be a need to develop more appropriate and targeted financial products. A good example over the past decade has been microfinance. These financial products, mostly delivered by non-governmental organisations focus on providing microloans of under €25,000 to businesses employing less than 10 people. Most microfinance schemes are best operated at regional or national scale in order to encourage sufficient deal flow and to become more financially sustainable. In the EU, many microfinance operators are members of European Microfinance Network and the relevant institutions active in your Member State can be identified. The wikipreneurship website again provides a useful overview of the range of possibilities here<sup>26</sup>.

Lending is a specialist activity probably best delivered through a professional service provider. There is some useful experience of innovative approaches such as revolving loan funds, interest rate subsidies, credit guarantee funds, shared risk approaches and other financial engineering approaches implemented under LEADER and other EU initiatives some of which may be relevant to some FLAGs<sup>27</sup>. In some cases this includes LAGs and FLAGs working directly with banks to develop local solutions.

Other types of loan funds focus on larger investments than the €25,000 ceiling defined as 'Micro-finance' by the EU. These are likely to be out of reach of most FLAGs. If they are awarded they must comply with the state aid rules which specify that all investments in a small or medium sized enterprise must be under a 'de minimus' or maximum level of about €300,000 over a three year period. Otherwise they will have to be notified by the Member State to the EU.

### **Consolidation and growth**

Although much of this chapter and much business support is concentrated on business start up and those in their first year of operation strong benefits, especially in terms of employment and growth can be obtained by focusing on more experienced entrepreneurs. This should be informed by your work with the sector and your analysis. This can be particularly important in terms of safeguarding jobs and also growing jobs. These entrepreneurs already understand how to run a business, among them are those capable of growing both their existing businesses and spinning out new businesses.

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<sup>25</sup> [http://wikipreneurship.eu/index.php5?title=Compendium\\_2.3.2\\_Financial\\_literacy](http://wikipreneurship.eu/index.php5?title=Compendium_2.3.2_Financial_literacy)

<sup>26</sup> [http://wikipreneurship.eu/index.php5?title=Compendium\\_2.3.3\\_Adapting\\_financial\\_products](http://wikipreneurship.eu/index.php5?title=Compendium_2.3.3_Adapting_financial_products)

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<sup>27</sup> <https://webgate.ec.europa.eu/fpfis/cms/farnet/content/farnet-managing-authorities-meeting-28-29092010#attachments>

Central to any FLAGs consideration of support for established businesses is the need to provide post start-up support. This will often need to be differentiated from support to start ups and is likely to be more specialised and will therefore need to draw on other service delivery providers. A number of the initiatives identified above already go beyond the initial start up phase while others may be adapted or further developed to meet more mature business needs.

Once again simple and relatively low cost initiatives can be highly effective. For example established businesses benefit from being part of business networks – especially where these bring together people with similar types of business at the same stage in the business cycle. The benefits of peer support and critical mass apply as much here as with new starts.

Most such businesses are not geared for growth; there are major capacity issues especially around finance and management. High quality specialist support is a valuable way of helping growth-oriented companies and the FLAG can facilitate this e.g. by brokering the supply of experts, by establishing lists or databases, by match-making and by providing financial support.

Supply chain management initiatives are relatively common in the food sector and are an area where FLAGs might get involved in working with existing business; direct approaches to the fisheries sector are addressed in the Farnet Value Adding guide<sup>28</sup>. Fisheries products are also incorporated in more generic approaches of which the RDP funded C2<sup>29</sup> supply chain initiative in Scotland is a successful example.

One specific problem in many areas is that business owners are getting older and the mechanism for selling or transferring their business is not well developed. Working with existing business owners and potential buyers or successors<sup>30</sup> can be a valuable way of sustaining existing business activity. There have been many good examples of assisting new entrants to buy into or develop shares in existing businesses in rural areas in Europe and elsewhere e.g. through shared equity approaches. Succession planning and change management initiatives are increasingly common in the agricultural and rural business sectors and LEADER and other rural programmes have been instrumental in facilitating some of these approaches. Many of these are now transferring to other sectors, the Scottish Enterprise 'Planning to Succeed' approach developed in agriculture has recently been transferred to the fisheries sector<sup>31</sup>, similar approaches could be developed by FLAGs or groups of FLAGs.

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## 2.4 Conclusion

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There is a wealth of experience in working with the private sector through local and area based development approaches, this chapter has only been able to touch on these and identify some of the further sources of information. Clearly there is no single best approach and each FLAG area will face its own challenges and opportunities. In each case there is one central principle which applies, that is the need to actively set out to understand the challenges and potential facing local business and to engage and work with them in sustaining and growing the local economy.

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<sup>28</sup> <https://webgate.ec.europa.eu/fpfis/cms/farnet/category/themes/adding-value-fisheries-products>

<sup>29</sup> <http://www.ctwo.org.uk/why-collaborate/case-studies-collaborative-relationships.aspx?show=Salmac>

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<sup>30</sup> [http://www.wikipreneurship.eu/index.php5?title=Compendium\\_2.4.2\\_Transfer](http://www.wikipreneurship.eu/index.php5?title=Compendium_2.4.2_Transfer)

<sup>31</sup> <http://www.seafoodscotland.org/it/notizie/notiziari/323-seafood-scotland-urges-processors-to-plan-to-succeed.html>

## 3. Active project development and selection

### 3.1 A strategic approach

#### Introduction

This information sheet complements Farnet Guide 1 “The start-up guide for Fisheries Local Action Groups” providing more complete guidance relating to this complex but important step of the selection of projects.

The development strategy has been defined by the FLAG, the action plan has been approved by the regional or national authorities – the time has come for action, for the stimulation and implementation of the projects through which the strategy will be delivered. The “right” projects will need to be initiated, developed and selected, projects that will contribute to the delivery of new and sustainable perspectives for the future.

There are a number of procedures for selecting projects, the two main ones are:

- > An open call for proposals, followed by the development, support and assessment procedures ultimately leading to project selection;
- > Actions which are initiated and implemented by local groups themselves. These will either be initiatives which pursue strategic priorities that are coherent with the approved strategy and implementation plan or actions directly supporting its implementation such as animation, information or training activities. Such projects may either be delivered directly or through the use of service providers.

We will mainly deal with the first procedure. Factors contributing to the success of the call for projects include whether:

- > It is accompanied by a large-scale effort to provide information, training, technical assistance, targeted advice to potential beneficiaries, as well as follow-up of projects, once these are approved;
- > It is sufficiently targeted to adapt to the characteristics of the territory, the types and numbers of potential applicants, their experience and qualifications;
- > It is directly relevant to the objectives of the strategy: i.e. It does not encourage one off or “bonanza” effects, but rather the use of public intervention to achieve a qualitative leap in the nature of projects and the way in which they complement each other to the wider benefit of the territory.

This information sheet describes a number of relevant tools and methods in all these phases of instigation, supporting, selection and follow-up of projects. The best methods will be those which the individual FLAGs find best suit the strategy for development of its territory, closely linked to local requirements and adapting to the successes and problems encountered. This in turn should lead to the exchanging of ideas, experience and good practice within the Farnet network.

#### Give impetus, support, select

The FLAG is responsible for the consistency of the actions it supports with the development strategy that it has set. It is driving forward an ambitious strategy to develop its territory in a positive way; this now has to be put into action. It is this aspiration which the FLAG puts into action on a daily basis in its work by continually encouraging the creation of projects which match these ambitions.



In the majority of territories, this transition from a strategy to concrete projects is not straightforward. In many territories:

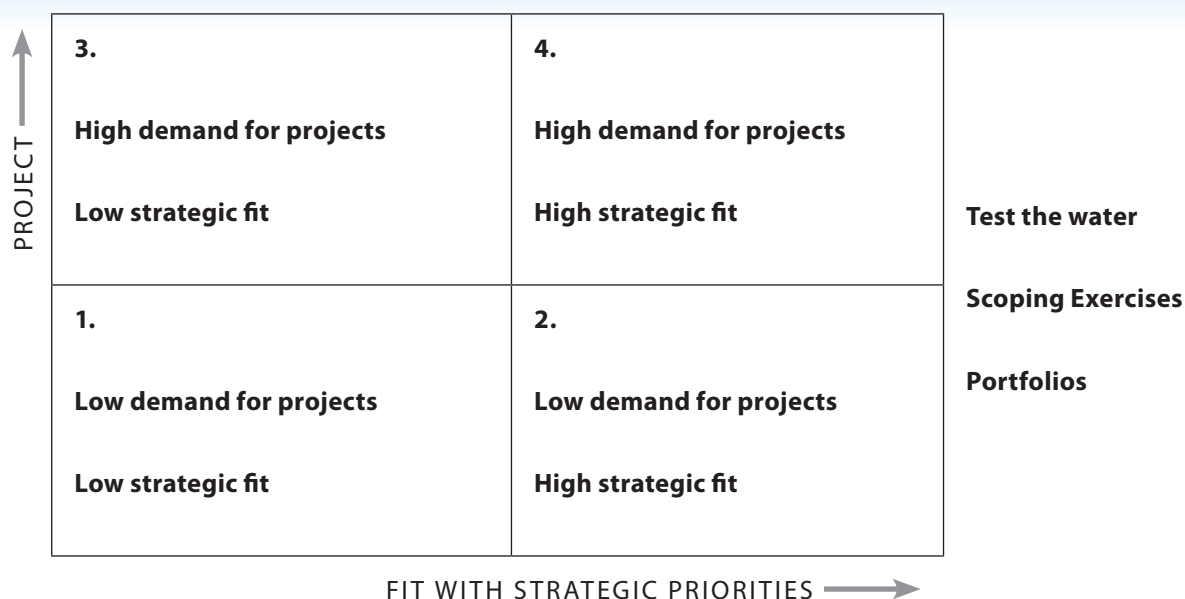
- > **Projects are few and far between:** The fishing communities face major problems and find it hard to involve themselves in the projects and ultimately to carry them out. Pessimism about the future is often a demotivating and limiting factor and requires a large amount of work in confidence-building, mobilisation and motivation. Support for small projects providing quick wins or early achievements can serve to provide positive examples and inspiration;
- > **Projects may be more numerous** but without support and guidance they can often be rather generic or commonplace occurring independently of the strategy and its priorities and creating few genuine synergies. Here the FLAG can play an important role in project promotion, creating links between the promoters, territory and strategy and providing financial support for the most appropriate projects;
- > Regardless of the territory, **the most innovative projects are often the most complex.** As these projects often break with long-established or traditional practices the changes involved may cause some turmoil, they are therefore liable to be misunderstood;
- > **The most interesting projects are very rarely isolated initiatives** – such projects often involve women and men with different profiles, with different backgrounds, from different territories. As a consequence their implementation is often complex: and
- > Many of **the most interesting and strategically significant projects need time to come to fruition**, and involve successive stages, which can last several years; it is therefore unwise to try to “cut corners”.

## Establish the context

The following diagram is designed to help FLAGs to better understand the situation of their territories:

1. In many territories, the situation is “low project demand”, and any projects they do bring forward often offer little new and fit poorly with the strategy defined by the FLAG. Encouraging more projects and providing examples of how things may be done differently in nurturing new ideas is an important role for the FLAG.
2. In other territories, some projects already meet the strategic goals of the FLAG but demand is still low. Here the FLAG can concentrate on supporting these projects and by disseminating the first successes create a sort of snow-ball effect among other potential project promoters.
3. In some areas there is high demand for projects but these don't fit the strategic goals and may actually go against the strategy e.g. in terms of environmental damage or speculation. Here the FLAG may seek ways to reorient some of them with the strategy.
4. In very few territories, there is the very positive situation of high demand for projects which fit well with the strategy. These rare situations mean that the FLAG can focus on getting the calls for tender right and creating the conditions for project promoters to go about their business as efficiently as possible.

Regardless of the situation in the area, project selection is part of the overall process of proactive, “grass-roots” development. This should be closely linked to the fisheries communities and all those who may be involved in the project, in order to encourage, support, and assist them in formulating projects. Extensive information about Axis 4, the types of project sought and their eligibility for funding by Axis 4 is necessary, but this is generally inadequate of itself to bring about projects that match the aims set out in the strategy. This active management of project development on the ground aims to give concrete form to the strategic lines of action that the FLAG has set. The strategy is like “the bible” guiding all the actors who are involved in implementing Axis 4.



The experience of decades of local development shows that there is a huge task in awareness-raising and information provision, the identification of good ideas, coaching to take them from the “idea to the project”, and then specialist advice to move from the “project to action” that must be carried out. Project selection methodologies are part of this process and will differ according to the characteristics of the territory, the development strategy decided by the group and the needs of the project promoters. Projects to be promoted, supported, selected and funded by the group have to fit into the defined strategy, some of them can or may also lead to an improvement of this strategy, or to the opening up of new prospects.

The project selection process is therefore not limited to being merely an administrative process and the FLAG to being an additional administrative tier or a new “window” to obtain funding. If that were to be the vision of the group, Axis 4 would be limited in most cases to funding commonplace, limited projects lacking specificity and some of which could have been carried out without financial support.



## 3.2 Two types of methods and tools

it is possible to discern methods and tools that can be described as “pro-active” (the FLAG takes the initiative of for example organizing training courses, delivering advice and technical assistance, networking the potential applicants for developing cooperation between them...), and others that can be described as reactive or “passive” (e.g. calls for tenders are organised, systems and materials are in place and applications are awaited).

In a classic approach, mainly reactive tools are used. In a territorial approach, there is a mix of the two approaches as illustrated in the diagram below.

The use of these tools reflects the local context, and depends on various factors: the territorial level of intervention, resources available, political, economic, social and cultural conditions.

It is essentially the FLAG’s responsibility to decide on the use of these various tools, and to determine the importance and the weighting ascribed to each of them. However, there are a number of mandatory procedures and rules that are imposed by Community regulation, and the policy directions decided at Community, national and in some countries, regional level for the implementation of Axis 4.

Territorial approach and the selection of projects		
Classic approach		Territorial approach
Designers of project selection criteria and applicants are separated	↔	Potential beneficiaries participate in the design of selection criteria
Common criteria apply to all applicants	↔	Differentiated criteria enable targeting of groups or areas
Precise criteria	↔	Broad criteria that stimulate reflection
Undifferentiated Dissemination	↔	Pro-active approach: information, training, technical assistance
Programme documentation written in administrative language	↔	Simplified programme documentation
Projects selected by team of experts and administrative body	↔	Local partnership responsibility for the selection of projects

#### **Some pro-active methods and tools**

Pro-active tools are intended to:

- > Increase awareness of the FLAG strategy, and encourage stakeholders to buy into it;
- > Increase awareness about the types of projects sought and likely to emerge from this strategy;
- > Support the preparation of these projects until they are presented to the FLAG for their decision on funding;
- > Ensure the follow-up of these projects and their inter-relationship with similar or complementary ongoing projects in the territory.

#### **Supporting local delivery**

In the context of Axis 4, and depending on the available resources, the FLAG's own technical team may be no more than a single or part time individual or may be as many as three or four people. That doesn't mean that FLAG staffs work alone, they can be supported by all the partner organisations in the FLAG which may have their own qualified staff or teams. All can contribute to the implementation of the FLAG strategy: this may include LEADER project staff, technical experts from the Chamber of Commerce and Industry, heads of local fishing committees, legal advisors; technical experts in charge of the economy within local authorities, representatives of local development agencies.

All these people may have an intimate knowledge of the concerns of fishing communities and which other stakeholders are capable of running local projects. They can engage in dialogue, make contacts, and implement the FLAG strategy on a day-to-day basis. They are well known to the public and people know where their offices are, and those running the project can drop in there, and the local management team have no hesitation in going out to local districts and villages to meet people. In working to support the delivery of the local strategy the FLAG must ensure that those involved address the following tasks.

#### ***Information and communication***

The first task is to increase awareness and get women and men in the area to buy into the strategy, with the objective of benefiting from their knowledge and skills, and benefiting from the dynamics and resources that exist at local level.

One of the keys to successful project management is effective communication, this demands considerable attention and a professional approach, steps should therefore be taken to ensure that the necessary skills exist within the FLAG.

Good communication gives the FLAG a higher profile and generates greater involvement within the local community. It builds confidence among the project's potential beneficiaries and local people in general. Good communication promotes understanding by the maximum number of people of the aims which the FLAG is pursuing and the actions it is carrying out.

Prerequisites for good communication are:

- > Know what you want to say. Make sure your messages are relevant, have a strong information content and contain convincing arguments which support your aims;
- > Define exactly the target for each message and make sure that you use appropriate and clear language which will be readily understood;
- > For each target group, aim or message, choose the communication medium carefully making sure it is the most appropriate one (electronic, written, visual, spoken);
- > Draw up a schedule of communication activities, noting peak periods;
- > Meticulously evaluate the effectiveness of each message, so that you can improve your strategy. Ask for feedback from the target groups, how well has the message been received and understood? Evaluate the cost effectiveness of your communication expenditure.

In summary, rather than treating your communication activities as a simple matter of organisation, define and apply a communication strategy, the effects of which can then be measured.

There are a great many of ways of communicating open to the FLAG and below are a few examples:

- > Information meetings;
- > Dedicated or shared Internet site;
- > Email circulation lists e.g. building on involvement in strategy consultations;
- > Newsletters, blogs, social networking tools etc focusing on the most interesting initiatives, the projects funded, the progress of the programme, reflections about strategy;
- > Leaflets presenting the programme and calls for projects;
- > Reports in the local press and on radio and television;
- > Participation in specialised fairs and events; and
- > Travelling exhibitions in different places of the area.

This process of awareness and engagement takes time and needs to be organised in a very professional way, step by step. It's a slow participative process, which results in the progressive development of confidence. It is strengthened if there has been a large consultation process in the development of the strategy (cf page 21 of Farnet Guide 1) and it becomes easier when it is possible to see the first fruits of this work in the initiatives funded.

#### ***Targeting priority audiences***

Specific actions should be carried out for the target audiences identified by the strategy, obviously the fishing community, but within that community:

- > Groups of fishermen who are most affected by changes in income;
- > The most affected fishing areas, villages and ports;
- > Population groups who are directly dependent on this activity such as fishermen's wives and families, young people, employees of fish processing plants, etc.

For each of these target groups, specific awareness-raising and information campaigns can be carried out.

In areas experiencing very challenging situations, it is often difficult for the people concerned to be able to consider alternatives – the experience of seeing that elsewhere working solutions have been found can be a trigger to helping a community finding their own solution. The FARNET network can be a particularly useful resource in raising such awareness.

#### ***Working committees per area or sector of activity***

Many local partnerships have encouraged the creation of working groups for particular themes or sectors. These can often be a source of inspiration for collective projects which bring together different project promoters and often create links between sectors. Even where there are very few groups to run projects it is possible to foster collective creativity in projects that could be interesting to initiate. In the latter case they may network the project promoters, enhance their approach, and encourage synergies and complementary aspects.

#### *Training courses for specific projects*

“Training”, in one form or another, is one of the essential instruments for the work of local groups, but there are many preparatory steps that have yet to be implemented:

- > The objectives and content of programmes have to be discussed on a case by case basis, and must identify and meet the needs of local stakeholders on the ground and the projects that they want to run;
- > The practical arrangements, the teaching and the shape of the programmes must be fine-tuned to the content of the learning material, and those who will benefit from it.

Potentially significant needs, often unexpressed, concern four types of audience:

- > Fishing communities and all the other socio-professional categories involved in Axis 4 need to be mobilised and made aware;
- > Associations, which are breeding grounds for collective initiatives and social concerns;
- > Project promoters, who need to have their skills improved and to become more professional; and
- > Responsible stakeholders in the fisheries area, and first and foremost, the members of the FLAG who need to research information, devise, design and implement the development strategy.

Two complementary issues are linked to this:

- > Helping people realise what the issues are, setting them in context, and immersing the local people in a development culture. By doing so they can buy into the development strategies as stakeholders in improving their own situation, in learning and daring to speak about the territory, as well as moving beyond local concerns to participate in the open economy;
- > Gaining a thorough grasp of the technical/economic requirements for putting a development project into practice: drawing-up and controlling the various elements of the business plan, strengthening technical capabilities, etc.

#### *Advice and technical assistance to project promoters*

The objective here is to ensure that any project promoter can receive individual assistance and qualified advice, whatever their background or education, the stage of advancement of their project, its typology or the sector of its activity.

This technical assistance, coaching or mentoring may be provided by the FLAG manager and/or other qualified staff members for the general approach, and, if needed, by e.g. a local development agency, Chambers of Commerce or other local organisations. Many local promoters can have difficulties in identifying the right person at the right time. The FLAG manager may have a responsibility when he can to signpost or guide people towards such assistance or to check that they have received the appropriate support.

The types of support needed under this coaching stage may include analysing the business plan, undertaking validation of the market research, providing assistance in finding premises, finalising the financial backing and networking with experts and partners. Possessing an appropriate range and level of business skills is essential here.

Above all else it is important not to lose any project developer at this stage; those involved in providing support should:

- > Examine the project or potential project with the promoter;
- > Provide step-by-step support, along with FLAG partners;
- > For rejected projects: provide reasons for your decision, and signpost them towards other possible sources of support. Do not discourage the initiative; and
- > If a project has to be abandoned early, for example following an unfavourable feasibility study, help its initiator to start off in a new, more profitable direction. Explain the decision in such a way that it is not perceived as a failure.

It is important that the applicant drives the project and takes ownership of it; you have to be quite clear that the animator's role here is an enabling one. There needs to be a very clear distinction between helping the applicant present a project in a suitable and robust form and any involvement in the decision to award the grant. Only FLAG members award the grant, FLAG staff are not involved in that process and care should be taken to ensure impartiality, avoiding being seen to endorse a project or advocate its being supported.

#### ***Assistance in finding funding***

The funding that can be made available under Axis 4 only covers a part of the funding needs of projects. In addition to the financial and other resources provided by the project organiser(s), funding may also need to be sourced from e.g. banks or from a variety of public or private financial sources such as: business start up support schemes, a guarantee fund, ethical investment funding, loans on trust or a "business angel" buying a stake in a company.

The FLAG can provide wide ranging assistance on this point, which may even go as far as organising a formal introductory meeting with potential funders or partners.

#### ***Projects implemented directly by the FLAG***

Such projects or areas of activity would normally be identified in the approved FLAG strategy or implementation plan. Information, communication, animation and awareness raising projects are usually run directly by the FLAG, this may also apply to the organisation of some training courses. The actual delivery of such projects may however be outsourced to specialist providers.

The FLAG can also play a decisive role in running structured flagship or demonstration projects to send out a powerful signal about the new policy direction being taken by the territory. Once again, this type of situation can be found both in territories which are lacking in projects where direct public intervention is necessary to initiate new processes, and in more dynamic territories, which need a structured and/or demonstration project to bring together and foster synergies between multiple project promoters.

#### **Passive methods and tools**

Passive methods need to be structured to ensure that they directly reflect the implementation of the strategy on the ground. The definition of the project selection criteria is therefore a critical phase, which enables the group to set targets and priorities and which will thus reflect the real strategy which it has set for itself.

FARNET guide 1 "Area based Development in EU Fisheries Areas" provides an overview of project development and approval; here we provide further details about this topic.

#### ***Calls for projects***

In general, passive methods involve calls for projects, these can be very diverse in nature and may include for example:

- > A single call for projects at the start of the programme with either:
  - a single selection date: the best projects are selected against the criteria, they can be implemented at any point throughout the duration of the programme;
  - open submission of projects throughout the programme on a rolling basis until all the funding has been used up. Again the projects are those selected on the basis of the extent to which they meet the criteria.
- > Regular calls for projects, at regular intervals (for example each year) – this allows the selection criteria to be adjusted in a totally transparent manner;

> Calls related to;

- a specific strategic axis in the FLAG strategy;
- project promoters: e.g. open to all, or limited to specific target groups or areas;
- the nature of the projects: e.g. enhancement of the promotion of local products, tourism linked to fishing, environmental actions, etc.
- the size of projects: e.g. number of people concerned, minimum amount of investment, job creation;
- individual projects or, alternatively, only deal with projects of a collective nature;
- different rates of grant according to the types of project or the project organiser and their location.

Experience has shown that there are benefits in employing a two stage project application with a very simple initial enquiry form used to eliminate ineligible or inappropriate projects at an early stage (redirecting such projects to more appropriate sources of support is another important role the FLAG can play). For those projects that pass this initial screening it is highly beneficial to establish an early working relationship with the project applicant employing a number of the active techniques described above. This will enable them to seek advice directly from the FLAG staff or to access through them advice and support from outside agencies with specific expertise.

## **Application and decision making processes**

### *Applications*

In a two stage process each applicant will be asked to complete an initial enquiry form which will be assessed for technical eligibility and compatibility with the FLAG strategy. This would normally be undertaken by the FLAG staff. If the project is successful at this stage the applicant should then be asked to complete a full application form. This can be quite daunting for some applicants particularly if this is the first time they have applied for funding. Axis 4 provides the opportunity for applicants to ask for help and guidance from the FLAG staff supporting them through the process if this is required.

Completed applications are considered by the FLAG members at regular meetings. As discussed before FLAG meetings should be scheduled well in advance to ensure high levels of attendance. It is also important to provide FLAG members with the relevant papers for the meeting well in advance to allow them to prepare effectively, two weeks in advance would be ideal. It will be for each FLAG to decide what papers are appropriate to circulate but this would normally include, at a minimum, information on each project application being assessed and a summary of the financial and physical progress of the FLAG since the last meeting.

### *Technical assessment*

All projects will need to be technically assessed for Axis 4 and Member State eligibility criteria. Checks are also required to make sure that the applicant is eligible and to check their legal status. Other points that need to be considered during the technical assessment are: financial viability of the project and that all necessary statutory permissions and consents are in place. Consideration should be given to whether all other match funding is in place; whether the costs for the project are reasonable and the project appears viable and whether there are any State Aids implications. This is normally done by a member of the FLAG staff with suitable project and business appraisal skills in close liaison with the accountable body.



#### *Project assessment*

All project assessment by the FLAG should be undertaken in a systematic manner and clearly documented; this ensures consistency and transparent decision making. Assessment is not a precise art and there are no 'right' or 'wrong' answers. Different FLAG members may have very different opinions on projects and this is where the shared knowledge and experience of individual FLAG members is very important. It is from the differences of opinion that full and open discussions can take place during FLAG meetings.

#### *Selection criteria*

In many countries or regions a core set of common selection criteria will be applied by FLAGs. These are frequently complemented by additional local criteria which are adapted to the specificities of the area. It is imperative to make the selection criteria public at the time the call for proposals is launched to ensure that every applicant can be aware of "the rules of the game".

These criteria are

- > Usually multiple;
- > Frequently, but not always, have specific weightings for each criterion.

Setting these weightings and publicising them allows the group to fine-tune its intervention strategy, by allowing it to specify very precisely the importance it ascribes to each criterion, and emphasise those that it considers priorities to applicants.

As a tool to aid the decision making process the FLAG may want to 'score' each project against the criteria, regardless of the decision making approach adopted these criteria are essential. Using the same criteria for each application helps ensure the objectivity of the process (a FLAG may choose to adjust these criteria in the light of experience or to reflect changes in the strategy or priorities).

There are a number of common criteria which all FLAGs would be expected to employ; these are fundamental or essential requirements, some of these may be addressed through the technical assessment others are more quality oriented.

Most fundamentally the application needs to be assessed from a strategic point of view: does it fit with the FLAG strategy, is it consistent with the business plan and does it target any of the FLAG's identified priority groups?

The application also needs to demonstrate a demand for the project; has a market assessment been carried out, what does it say, does the community support it?

The viability of the project proposal needs to be assessed, does the applicant have the delivery capability, are adequate resources being applied to it, are the costs are realistic, are milestones and targets realistic, are suitable indicators proposed to measure the outcomes sought and are these outcomes proportionate to the resources applied?

The project needs to be able to demonstrate that it represents value for money. Consideration needs to be given to deadweight and additionality. Respectively this means asking – to what extent would the project go ahead or be different without the grant aid, and what is expected to be achieved through this support that would not otherwise be achieved? Of particular importance in today's economic environment it is important to demonstrate sustainability – what will happen at the end of the project?

Many FLAGs draw up very comprehensive selection matrices, an example of such an approach is provided at annex 1. If scores are applied these should be used as a 'guide' and will often highlight variations in opinion between FLAG members. Ideally they should be used as a basis for discussion during the meeting rather than setting thresholds below which projects are rejected.

It may be felt during the discussion that a project may only progress if they agree to 'conditions of award' set by the FLAG. These conditions should help to rectify any areas of concern FLAG members may have about the project. In such cases the project would be approved subject to these conditions being met.

If the FLAG are not able to come to a unanimous decision about a project then it may be necessary to vote on whether a project is funded or not.

On the basis of these criteria the FLAG decides, according to strict and transparent procedures defined in the local programme and validated by the authorised persons in charge:

- > The projects chosen;
- > The type and amount of support to be provided;
  - Any further project development or additional information required;
  - Any specific conditions required of projects in terms of jobs for priority groups, environmental goals and so on; and
- > Those projects to be rejected either due to their not being technically and/or economically viable viewpoint or as they do not conform to the flag strategic objectives.

Over time the nature of the projects supported may lead to a fine-tuning or a change in the criteria or the weightings in order to balance the portfolio of supported actions.

Transparency, rigour, impartiality and communication with regards to the criteria and the decision making process are indispensable in order to create trust and contribute to the avoidance of any conflicts of interest.

It is of the utmost importance to **ensure that all such decisions are properly recorded** and that all the ground rules have been met e.g. re the proportions of public and community/ private sector representatives, the conflict of interest procedures etc. Consideration should therefore be given to how these decisions are recorded, one option is for each FLAG member to record their appraisal electronically and these can then all be held on file.

### **Post selection: cooperation, mentoring, networking**

Selection enables the FLAG to identify persons, groups of persons and associations who want to be involved in the programme: they are a precious asset that must be cultivated!

For approved projects it is worth setting up a coaching methodology going beyond the administrative and financial follow-up of funding applications. This should include a regular situation review and, in the case of problems or the need for improvement, setting in place the necessary technical assistance to bring them back on track. This monitoring is important: it allows possible weaknesses or risks to be identified and for corrective measures to be identified and undertaken.

For projects that require further development, it is a matter of putting into practice the recommendations made by the FLAG: these might include suggestions for training, more relevant market research, contacts with organisers of similar or complementary projects where there is potential for cooperation and new attempts to source financial backing.

Networking amongst project promoters is a good way to contribute to wider success for all stakeholders. It stimulates emulation and can facilitate synergies and cooperation between promoters: for example

- > Working on similar projects in order to secure a critical mass in a market;
- > Working on complementarity activities in order to retain locally a bigger part of a product or activity's value added.

All these processes take time and it is important to advance step by step. There is no point in seeking to skip a step, to leapfrog ahead. The more complex and/or collaborative projects come once sufficient confidence between the projects promoters and the stakeholders has been developed.

One important way to reinforce this confidence is through communication about project progress and the highlighting of the most interesting initiatives, this contributes to reinforcing a positive dynamic in the development of the territory



## 3.3 By way of conclusion

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Project selection evolves over time, whether in terms of the coaching arrangements, selection criteria, procedures, formalisation of calls for proposals, dissemination methods, etc.

Every FLAG learns the lessons of the past, and tries to adapt the criteria and the forms of selection, taking account of problems encountered in previous experiences, evaluation of the effects achieved, changes in the territory and changes in markets, etc.

What is important for the groups is to find criteria and support arrangements that are relevant in relation to the level of mobilisation and reflection among potential beneficiaries and in particular in fishing communities.

The approach proposed by Axis 4 relies mainly on the sharing of decisions between partners meeting within the FLAG, on a shared strategy to bring about change in the fisheries area.

More broadly, it is based on continuing dialogue with local players and potential beneficiaries, and is enhanced by exchanges within the FARNET network. The ambition is to enter a virtuous circle of development where the contribution of the projects to the delivery of the strategy is constantly reviewed and in turn informs the updating of that very strategy.

### To find out more

> LEADER dossiers: <http://ec.europa.eu/agriculture/rur/leader2/rural-en/biblio/>

- From strategy to action: project selection;
- Implementation of the local development project: the experience of LEADER I;
- Support for new activities in rural areas.

Methodological matrix of the Pyrenees-Mediterranean group. (annex1)



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