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Extended abstract

„Structural change in rural and urban economies“ - 11th summer conference of the German-speaking section (GfR) of the European Regional Science Association (ERSA)

2 and 3 July 2020 at the Thünen Institute in Braunschweig

What are favouring conditions for the implementation of innovative projects in Community-Led Local Development (CLLD) approaches?

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Key words: LEADER, innovation, evaluation, rural development

Introduction

Rural development & innovation: Fostering innovation-driven regional development has become a major priority for public policy, focusing ever more attention on how best to leverage the unique strengths and assets of places (Uyarra et al. 2017). Thus there is a high attentiveness for place-based policies. For rural areas the OECD introduced the “New Rural Paradigm” (OECD 2006) to denote a set of specific regional and local factors, structures and tendencies. These include entrepreneurial traditions, public and private networks, work ethics, regional identity, participation and attractiveness of the cultural and natural environment (Schnaut et al. 2012). In this context innovation is seen as an important determinant of relative economic performance (Agarwal 2009). Also theories about governing territorial innovation models highlight the diffusion of innovations as an important engine behind growth (Morgan, 1997; Terluin 2003). Successful development approaches therefore include human skills, capacity building and innovation as crucial elements (Tomaney, 2010). It became apparent that the context of innovation as an insight into the driving factors behind the economic performance of rural regions is not only of scientific interest, but also of high political relevance (Terluin, 2003).

CLLD approach to support innovation in RDPs: Innovation is a crucial issue in Rural Development Programmes (RDP) funded by the European Union. One part of Rural Development Programmes, which explicitly addresses innovation, is LEADER (Pollermann et al. 2014b): a bottom-up-oriented, participatory approach driven by cooperation between local actors in rural areas. Since the introduction of LEADER in 1991, it has been implemented in different ways in various programming periods. LEADER was reissued again in the 2014-2020 programming period and its methodical approach is now also implementable and open to funding from the structural funds under the term Community Led Local development (CLLD). The implementation is done by a Local Action Group (LAG) and an LAG management (usually one to three persons) in the respective LEADER regions. In these LAGs, stakeholders of different institutions and origins come together in a kind of public-private partnership and make decisions about the financial support for projects. These projects must contribute to the objectives of the Local Development Strategies (LDS), which were previously compiled by the members of the LAG. The policy should be able to foster very different problem situations, because the support required for innovation in rural areas is highly context-dependent and problem-specific (Tovey, 2008; Wellbrock et al, 2012).

Theoretical framework of innovation: For the establishment of a theoretical framework, it is necessary to understand not only the role but also the interpretation of the concept of innovation. Usually innovation is understood as significant changes to improve a product, process, marketing or an organization to get better results (Navarro et al. 2018). Rogers (2003) described innovation as an idea, practice, or object that is perceived as new by an individual or another unit of adoption. Neumeier (2011) comprehends “innovation” in the context of rural development in an economic sense with new products and services as well as in a social sense which contains new ways of organising infrastructure and participation. For our paper we will focus on “projects” to foster new products/processes/marketing/organisational forms, but not on participation as a mode of policy delivery in the sense of a social innovation.

Our theoretical understanding of innovation relies on Rogers’ definition (2003), which is embedded in the theory of the diffusion of innovation, which seeks to explain the spreading of ideas and technologies through cultures. It is similar to Schumpeter’s (1911) economics-related definition, which sees innovation not only as the invention itself but as only being fulfilled if it is taken over in the real (production) process.

Innovative projects in CLLD: Implementation roles are key roles in policy dynamics. Choices made ‘on the ground’ by implementers may lead to significant variations in the same policy instrument across time and space, regardless of the ostensible policy rationale or instrumental logic (Flanagan and Uyarra 2016). Thus, it is interesting to look at the creation of ideas and the implementation of projects in local partnerships. As mentioned above, LEADER offers the possibility to try out new approaches, as the regions have access to their “own” funding budget to implement their ideas.

Within LEADER processes, the kick-off meetings, working groups and the elaboration process of the Local Development Strategy are sources of a number of new ideas for the specific regional development in the beginning of the process. Looking back at the number of ideas developed in the initial stages and how many are eventually put in effect, it appears that a lot of these ideas get „stuck“ before being implemented (Schnaut et al. 2012). Of the various determining reasons, two aspects are especially important in LEADER related literature (Pollermann et al. 2014a):

- The possibilities of funding experimental or innovative projects via LEADER depend very much on the extent to which the RDPs are able to provide a suitable framework to fund projects outside the standard menu of measures. Often beneficiaries are faced with different administrative obstacles.
- There is a danger that local power coalitions may endeavour to retain funding for own projects/projects in their own municipalities, which could lead to less support for innovative projects. For example Navarro et al. (2016) reported for LEADER in Spain: “excessive bureaucracy, excessive presence of the public sector in decision-making, power struggles, loss of autonomy in decision-making, more importance being given to technical and procedural criteria than to participation, and the LAG being conceived as just another source of funding”.

Research gap & aim of paper: The increased expectation that innovation promotes economic development and tackles pressing problems coincides with an increased acknowledgment of the complexities of policy-making, including multi-level, multi-actor governance, policy path dependency and institutional inertia, all of which will influence the impact of innovation policies in regions. Yet this complexity challenge has received limited attention in the literature and remains in need of unpacking (Uyarra et al. 2017). Bosworth

et al. (2016) announce that their studies in the context of LEADER provide clear evidence that rural communities are innovative when they have the necessary space and power to act. But there is a lack of knowledge which factors play a crucial role for the “power to act” and what kind of policy framework provides “necessary” space.

Concerning innovation policy in context of rural development, the main aim for this paper is to identify what factors/favouring conditions within LEADER as a driver for local partnerships facilitate or hinder the implementation of innovative projects.

Materials and methods

The research presented is part of the evaluation of LEADER as a part of Rural Development Programmes in four German federal states (Länder) in the funding period 2014-2020. The four federal states incorporate 115 LEADER areas (24 in Hesse, 41 in Lower-Saxony, 28 in North Rhine-Westphalia, and 22 in Schleswig-Holstein).

Basic steps are the analysis of funding documents, especially the regulations and guidelines from the EU and the Länder, and funding data about the projects. In addition, the following empirical steps have been conducted:

Four surveys using written questionnaires (mainly executed as online-surveys):

- (a) LAG member survey: members of the LAGs’ decision-making bodies in all examined Länder in 2017/2018 (requested persons N=3308, answering persons n=1999, response rate: 60 percent). Usually, a six point Likert scale was used to classify personal estimations of the LAG members.
- LAG-Management survey: one manager per LAG was surveyed in 2018 (N=115, n=114, response rate 99 percent) with a mixture of general questions about the situation in the region, open questions to grasp more detailed assessments about specific problems, again using Likert scales and open questions.
- Beneficiaries survey: questions regarding the LEADER projects (for the implementation of local development strategies, measure 19.2), (N=1267, n= 1079, response rate: 85 per cent), the respondents were asked for estimations about project development, funding procedures and the results of their project, again using Likert scales and open questions.
- Standardised annual requests of activities and organisational structures in the areas (prepared as standardised tables, which all LAG managers of the 115 LEADER regions had to fill out with data for the year 2016 as part of the LEADER evaluation).

To identify hindering/favouring factors for innovative projects through a CLLD approach we include the following explanatory variables in our model:

At project level:

- Origin of the project idea (from a single actor, common development in a working group, announcement of funding)
- Type of beneficiary (public, private sector, civil society)
- Part of inner circle of LAG (member of decision making body or working group)

At regional/LAG level:

- Experience of the LAG (since which funding period the LAG exists)
- Experience of the management with LEADER projects

- Share of public sector members in the decision-making body
- Heterogeneity of LAG members (share of females, different thematical origins)
- Personal capacity of LAG management (working hours/week)
- Degree of funding oriented (share of beneficiaries in LAG)
- Size of LAG (number of members in the decision-making body)
- Approach of participation (open vs. small group)
- Working style of LAG-management (focus only on LEADER-budget vs. regional development in total; support the implementation of ideas/consultative role vs. encourage the generation of ideas/animative role)

At federal state level:

- Funding regulations

The explanatory variable, “innovative project“, is based on the assessment of the beneficiaries. We asked them whether their project implemented new ideas/approaches to action, that are new to your region (no, yes, I don’t know). For the ease of analysis we recoded the answers into a dummy variable, which takes the value of zero for no/I don’t know and one for yes. Of course because this is a judgement of their own work there will be some bias, but altogether this question of the survey provides a suitable proxy indicator.

Since the explanatory is a dummy variable we used logit models to identify factors influencing the implementation of innovative projects. To account for data clustering at regional and state level we followed two approaches. First, we adjusted the standard errors to account for clustering at these two levels. In the second approach, we adjusted the standard errors to account for clustering at regional level and introduced Länder specific fixed effects. The latter approach hence controls for differences between states, which concerns basically funding regulations. Stata15 was used for data analysis.

Results

In this extended abstract we will elaborate just the operationalisation and some preliminary results, whereas in the session we will present more detailed results.

Firstly, we want to present the incidence and kind of innovative projects. 56% of the beneficiaries classified their own project as innovative („new ideas/approaches to action, that are new to your region“). There are, however, large differences between states. While in Lower Saxony just 44% of the beneficiaries classified their project as innovative, this share increases to 67% in North Rhine-Westphalia. Regarding the kind of innovation, 61% of the respondents mentioned new products, 16% processes, 39% marketing, 42% organisational aspects. In addition to that, in 33% of the innovative projects the beneficiaries reported interested persons, who contacted them to make enquiries about their projects.

Using logit models we identified the following factors, which significantly foster the implementation of innovative projects: origin of the project idea from a single actor, origin of the project from common development in a working group and beneficiary is from the private sector compared to the public sector. Moreover, there exist differences between states (with their different frameworks). Regarding first results it also becomes apparent that some typical expectations like „heterogeneity fosters innovative ideas“ in CLLD-context will not be supported by statistical analyses.

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