

WP8: Innovatory Economic Development

Comparative Report

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1. Introduction

Work Package 8 addresses the forms, preconditions, knowledge forms, skills and capacities required for innovatory economic development and projects. Guiding questions include: What kinds of innovations support rural sustainable development (RSD)? How are innovatory development projects and activities created, supported, maintained, spread? What role have government and state in the innovation process?

Key concepts include ‘innovation’ as well as general key CORASON concepts such as RSD, knowledge forms and rural actors (see Input Paper 1 for WP2). It is one of two WPs that serve to identify the potentially successful socio-ecological strategies for rural development in the second project year – WPs 8 and 9 represent the core of “forward-looking” projects that can serve as examples and steps toward locally integrated sustainable development. The core of the IED is a detailed analysis in the study areas of the preconditions, knowledge forms, skills and capacities required for innovatory economic projects. The work is based on the analysis of available research, policy and project documents, and interviews with important stakeholders in the region. A strategic aim of the research is to identify the chances, qualifications and capacities required to strengthen the economic competence of the rural population for starting small-scale enterprises.

In order to operationalise the topic of innovatory economic development we have found it helpful to take as one point of departure the ways in which LEADER (or similar) programmes and discourses have interpreted innovation. First, this WP explores how LEADER (or similar) actors interpreted (negotiated, contested and resisted) the requirement for innovation in implementation of LEADER (or SAPARD). It has already been noted that such RSD models have been modified to the differing contexts of southern and eastern European countries, but it is highly likely that actors in each locality will negotiate such (situated) meanings for themselves, reflecting intervening structures, understandings and power relations. How were alternative meanings of innovation deployed and promoted by different interests (including the new project class)? To what extent did these draw on scientific, managerial and practical knowledge forms?

Another notable avenue within LEADER and many other local development projects has been the promotion of “culture-territories” (Ray, 1998) building on local (cultural) knowledge as a means for the mobilisation of activity and also of commoditising place. This might act as another point of departure. What knowledge forms have been deployed and commoditised in the application of this model, and by whom? What have been the roles of local and external actors? Is the model borne out in practice?

Thirdly, there is a considerable literature, mainly developed in an urban context, on the role of innovation in economic development and on the pre-conditions for such “innovative cities”. To what extent might these ideas be relevant to SRD in our study areas, and have these ideas influenced knowledge forms and actions in these areas?

1.1 Aim and Objectives

The *aim* of this WP is to explore the preconditions, knowledge forms, skills and capacities required for innovatory economic projects oriented towards RSD..

The *objectives* as set out in the Technical Annex are as follows:

- Analysis of present levels and forms of social, economic, ecological, technical innovation in rural areas (innovators; constraints)
- Analysis of the potential of innovatory projects for future rural development;
- Analysis of the knowledges used in innovatory projects, their sources, dynamics, social availability;
- Basis for preparation of progress reports and deliverables.

2. What is Innovation? Theoretical Perspectives

In recent years a considerable body of work has emerged on the factors underlying innovation in urban systems, ‘innovative milieux’ and ‘learning regions’, and this may have some relevance for us. In view of the shift towards a ‘knowledge-driven economy’, the capacity of regions, whether urban or rural, to support processes of learning and innovation has been identified as a key source of competitive advantage (Cooke 1998; Cooke and Morgan 1998; Henry and Pinch 2000; Lundvall and Johnson 1994; Storper 1997). As Mackinnon, Cumbers and Chapman (2002) have pointed out, “economic geographers and regional theorists have advanced a number of overlapping concepts – ‘relational assets’, ‘learning regions’, ‘social capital’, ‘institutional thickness’, ‘associational economies’ – which emphasise the importance of knowledge and learning.” Piore and Sabel (1984), inspired by the ‘Third Italy,’ identified a return to local networks of specialised and interdependent firms which were better able to respond flexibly to new market opportunities. Later, Storper (1997) emphasised the role of ‘untraded interdependencies’, constituted around tacit conventions and informal agreements which aided economic learning and adaptation. In this account, local proximity is itself seen as a source of *tacit knowledge*, and hence of innovation. Amin and Thrift (2002, 61) summarise this account as follows:

“A belief among commentators on the geography of innovation is that the growing ubiquity of codified knowledge, through its formal scripting and rapid spread due to globalisation, is putting a premium on tacit knowledge environments (Maskell et al. 1998; Nooteboom 1999). The latter are said to facilitate, *inter alia*, the interpretation of ideas, learning in doing, the sharing of information, and organisational agility. Adherents of this view – inspired by the experience of Marshallian industrial districts and high-tech regions such as Silicon valley – believe that tacit learning is achieved through ties of reciprocity and exchange within localised business networks. Such ‘untraded interdependencies’ (Storper 1997) may even spill over from the business networks into the wider social fabric of these places as collective conventions and social practices. This is when locality matters most as an economic asset.”

A relevant aspect of the ‘learning regions’ thesis, in particular is that it can be applied to less favoured regions as well as more advanced ones (Morgan 1997). Even branch plant and low technology regions will be repositories of practical know-how that have the potential to provide localised competitive advantage. As Mackinnon et al, observe “the emphasis on knowledge implies that economic under-development is not just about dependency relations within national and international divisions of labour (Massey 1984) but also reflects poor learning characteristics that are internal to regions themselves. To an extent traditional regional development arguments have been turned on their head, so that the debate is less about the longer-term impact of transnational corporations than on the capacities of regions themselves to ‘learn’ from these corporations” and from other sources. This contention may be seen as central to the role of knowledge in innovative economic development as part of SRD.

Amin and Thrift are sceptical, however, about these claims that local proximity is a vital source of innovation-based competitiveness, for three reasons:

- Tacit knowledge rarely works in isolation from codified knowledge: on the contrary, they argue, competitive advantage is normally the result of the two working in combination.
- Local business networks are not the only or main source of tacit knowledge: rather, constellations of distributed know-how and reflexivity exist “within communities of practice operating at different spatial scales, from managers linked up with counterparts around the world, to process workers in national and local teams” (ibid).
- Third, tacit knowledge is incorporated as organisational assets for competitive advantage in an emerging ‘soft capitalism’ (Thrift 1997).

Mackinnon et al (2002) review a number of studies which have attempted to give empirical content to the concept of ‘innovative milieu’ (Camagni 1991), noting especially the studies of Keeble et al (1997, 1999) and of Henry and Pinch (2000) which each examined the concrete mechanisms through which tacit knowledge is disseminated, such as staff turnover, the formation of new firms, the development of career trajectories, and more informal exchanges based on gossip and rumour, though again Mackinnon et al note that relationships between these ‘worlds of production’ and broader processes of capitalist development receive far less attention. “Their analysis offers little further indication as to how this concentration of knowledge might function as part of a broader spatial division of labour... and raises questions about the relationship between knowledge and power which can only be addressed... by situating analyses of regional agglomerations and clusters within a broader political economy of capitalism.” Moreover, the learning regions literature, they argue, merely advances interesting propositions about the changing relationships between regions, knowledge creation and competitive advantage on the basis of very limited empirical research.

An alternative argument (Knight 1996) is that it is as a rich source of *codified knowledge* that cities can be cradles of innovation and hence prosperity. By fostering “territorial clusters of related knowledge-based activities” (universities, research establishments, corporate HQs, arts and cultural organisations, health care and medical services, etc), government can promote cities as centres of innovation. Amin and Thrift (2002, 62-3) are just as sceptical of this argument, which they characterise, perhaps a little mischievously, as follows:

“In the knowledge city the ugly scars of industrial cities must be replaced by the aesthetic and intellectual charm of pre-industrial European cities, through a combination of science policies to stimulate innovation and learning, cultural policies to improve the urban milieu, and social policies to encourage local linkage and the ‘transformation from production to knowledge cultures’ (Knight 1996, 11). The city can be re-engineered as a brains trust for localised clusters. Here too, however, there is systematic under-recognition of codified knowledge located in wider corporate and institutional networks,” and they point instead to “the stretched geographies of knowledge production and acquisition” which characterise, eg., academic and business networks”.

In either account there is a focus on social and institutional conditions *within* regions in terms of how they shape processes of economic development, which Lovering (1999) has criticised for its general neglect of exogenous forces such as capital and the state and for its tendency to absorb the ‘boosterist’ rhetoric of regional policy-makers.

Mackinnon et al (2002), while noting that this body of work offers useful insights into contemporary processes, point to a lack of empirical grounding and an under-emphasis on wider extra-local networks and structures. They also identify “considerable conceptual slippage” in respect to the spatial scales at which ‘localised’ learning is said to occur in the learning regions literature, such that “compelling evidence of the continued relevance of national operating environments (Lundvall 1992) has somehow been turned into a celebration of regional potential (Morgan 1997).” Following Lagendijk and Cornford (2000) they note the growth of a ‘regional development industry’ oriented toward the production and circulation of knowledge in the form of reports, conferences and seminars. In such discourses, “the concepts of ‘learning regions’ and ‘clusters’ in particular have attained hegemonic status” in response to the demand from regional agencies for new concepts and models of development which offer guidance on how to increase competitiveness and foster innovation in ‘their’ areas in the face of globalisation and neo-liberalist deregulation (Mackinnon et al. 2002, 296). This may have parallels in relation to the emergence of dominant SRD discourses

A crucial empirical question remains whether the explanation for poor economic performance lies within (poor collective learning) or without (dependency on external capital) the rural area under study (Mackinnon, Cumbers and Chapman 2002).

2.2 Defining innovation

Innovation is becoming increasingly recognised as a key driver of economic growth, and is at the heart of the knowledge economy (OECD, 1996). Innovation has now been identified as a key tool for achieving regional development with innovation policies frequently held to be central to improving a region’s competitiveness. In the UK, for example, regions now commonly produce regional innovation strategies to ensure a more coherent and strategic approach to research and technological development activities (Hodgson, 2004).

Traditionally, theories around innovation have focused on innovation within firms, looking at technological, product and process development – the work of Schumpeter, who thought of economic development as being driven by technological change – has been influential here. Innovation has often been viewed as a scientific and technical sequential process driven by experts (the linear model). In this discourse, innovation originates through specialist research and development activity, with scientific knowledge as the key driver of change (Smith, 2000), and other forms of knowledge creating activities ignored (Hodgson, 2004). However, more recent studies of innovation have emphasised the role of learning, rather than scientific discovery, within the innovation process.

“Learning need not necessarily imply discovery of new technical or scientific principles, and can equally be based on activities which recombine or adapt existing forms of knowledge” (Smith, 2000: 10).

Within this discourse, a greater role is assigned to different forms of knowledge, including tacit knowledge, and social capital, the latter assuming a significant role in theories of social innovation (referring to innovations in agendas, agencies and institutions that lead to social inclusion). The innovation systems approach looks to the

institutional and social environment for innovation, examining the relationship between institutions, the legal and policy framework, the education system and the role of social capital and tacit knowledge in generating, using and diffusing innovation (OECD, 1996; Smith, 2000). Here, innovation does not simply refer to products or technologies, but also to processes and approaches to innovation, economic development, social organisation, education and skills and so on. 'Innovation' does not necessarily refer to 'new' products and processes, but to existing products and processes that are new to a region, institution or company (although the classification of projects/processes that are new to a region, but not new *per se*, has been critiqued in the context of the LEADER programme).

2.3 Culture Territories

Ray (1999b,526) has argued that the symbolic construction of culture-territories is the essence of LEADER innovative action, and we suggest this is worthy of investigation in its own right. "Local cultural identity, far from being a fixed or reactionary concept, can form the basis of a dynamic, 'progressive' and flexible approach to endogenous development in the era of globalisation." In LEADER, "the shift to the territorial approach brings the act of territorial construction to the forefront of the development process... It is territories and cultures that are the key to reflexive development" (Ray 1999a, 265). For Ray this is closely bound up with theories of 'local knowledge'.

"What is of interest here is culture as *local knowledge* – ways of doing things and ways of understanding the world. From this, the culture economy can be understood as strategies to transform local knowledge into resources available for the local territory, ie the recognition (or construction) and valorisation of local knowledge." (Ray 1998, 9).

Ray goes on to distinguish between Van der Ploeg's and Moran's contrasting views of how local knowledge can work in the culture economy.

"Van der Ploeg tends to emphasise the organic and continuous basis of the knowledge. This suggests that local rural development initiatives opting for the culture economy approach would seek out the remnants of traditional local knowledge and valorise it before it succumbs to modernisation... Moran reflects the organic factor but switches the emphasis to the creation of extra-local institutions to protect and valorise local knowledge. Moreover, he shows how local knowledge as intellectual property can be cultivated through the process of association. The insights provided by Moran can be taken a stage further by considering how local knowledge is capable of being *re-discovered* or even *invented*." (Ray 1998, 11).

Shucksmith (2000), while recognising the value of this concept, has pointed out several dangers which arise from the proposal that local agency in the era of globalisation be built on cultural-territorial identity. "It is vital to recognise and manage the very real conflicts of interest which exist within such symbolically-constructed 'communities' or 'culture-territories', the obscuring of which may contribute to exclusion. The very process of symbolic construction of culture-territories will exclude and disempower some residents of these localities if they do not feel affinity with the constructed cultural

identity.” One empirical question is then how knowledge practices are employed by different actors in the (innovative) symbolic construction of cultural-territorial identity as a means towards SRD.

2.4 Innovation and Civil Society

Almas has argued that the principal feature distinguishing poorer rural regions, notably in New Member States such as Latvia and Lithuania and also in the South, is a lack of a strong civil society - including volunteer organisations, a meeting culture, a volunteer spirit, experience in co-operation and knowledge about how to build local institutions. In the Baltic States, the dependence on one institution (the Communist Party) for everything, meant that people hadn't taken, and indeed couldn't take, any initiative themselves, could not organise and had no elementary knowledge of how to proceed when getting together to reach a common goal. (Almas, 1995: 85-86)

The work of Granovetter is particularly relevant. Granovetter (1985) argued that the trust and confidence required for economic transactions originate in the social relationships and networks that surround them. In local societies, such relationships may be with the family, and/or with friends and neighbours. In an extended context, it is the organisations, networks and institutions, in short, the civil society, that embeds the economy. Granovetter applied his 'embeddedness' theory to networks of small firms, drawing on theories of business clusters and industrial districts. Close social relations allow information to be transmitted amongst firms quickly and encourage greater firm co-operation in other areas, such as marketing and promotion (ibid: 495-498). The benefits that apparently emerge from strong inter-firm co-operation between small firms potentially offer opportunities for the development of small firms in rural locations. Standing alone, especially in remote rural locations, small firms may be unable to survive, but tied into strong networks, based on social relations and ties, survival becomes more likely. The encouragement of such networks and social relations may therefore be seen as a crucial measure of economic policy, promoting innovatory economic development (Atterton 2000).

In similar vein, but extending the thesis in terms of innovation and competitiveness in Marshallian industrial districts, Amin identified four factors in a study of rural Tuscany (1994: 14) that were crucial to creating the right "industrial atmosphere" for a successful industrial district to form: division of labour and cooperation between businesses; a structured form of socialisation and training; institutional 'density' or thickness; and a local industrial atmosphere or environment. A regional subculture develops binding firms, workers, families and institutions such as trade unions, chambers of commerce and local authorities around a common set of local economic and social aspirations. A sense of individualism and mistrust is replaced by a co-operative business culture based on trust and which enables networks of actors to form. The district acts like a collective brain, as experience and know-how reach all through the strong networks. This capacity is in the 'air' and the 'blood' of the inhabitants, transmitted by regular face-to-face contact. (Amin, 1994: 21)

Johannisson's work in Sweden reached similar conclusions. He identified the significance of a 'favourable environment', in which the business community is embedded, and argued that this will emerge when there are high levels of social capital

within a community, and high levels of trust and norms of behaviour are characteristic. (Johannisson, 1993) But as a business develops, Johannisson believes that local networks are not sufficient. Initially an entrepreneur will rely heavily on personal ties for providing assistance and information, allowing him/her to build self-confidence and trustworthy relations and willpower. Gradually as the business matures and grows, though personal networks remain important, they will need to be supplemented by wider networks, at regional, national or even global scale.

Similarly, Amin and Thrift (2002, 61) have qualified their emphasis on relationships within the region, recognising in more recent work that extra-local networks may be just as important. Constellations of distributed know-how and reflexivity exist “within communities of practice operating at different spatial scales, from managers linked up with counterparts around the world, to process workers in national and local teams.” In relation to codified knowledge, as we have already noted, they point to the “stretched geographies of knowledge production and acquisition” which characterise, for example, academic and business networks.

These developments in the literature on innovatory economic development in relation to space and place are important in suggesting a strong relationship between such development and a strong civil society, focusing especially on the presence of networks, both within the territory and between its actors and those elsewhere. These studies also suggest the importance of institutional thickness (Amin 1994) and institutional capacity (Healey 2000) in place-based innovation.

Indeed, Healey’s framework of institutional capacity may be helpful here. Healey et al (2000) have developed a relational concept of institutional capacity and applied this to a study of Newcastle city in the UK. In their work they draw upon interpretive approaches in policy analysis and communicative planning theory to suggest that *institutional capacity-building* in local governance may be analysed in terms of:

- knowledge resources (intellectual capital)
- relational resources (trust and social understanding built up through interaction)
- mobilisation capabilities (the capacity to act collectively).

In their empirical application, therefore, they investigate how “knowledge resources and relational resources are mobilised; how this affects the frames of reference or discourses through which meanings are arrived at and mobilised; the processes by which meanings are disseminated; and the relation between such discourses and the *practices* through which material actions are accomplished.” This allows the researchers to analyse, at one level, the institutional capacities drawn upon and developed in and around the initiative, while at another level asking how far wider discourses which structure policy agendas and routinised practices were reinforced or transformed.

3. What is Innovation? Policy Perspectives

Innovation is increasingly viewed as a key driver of economic growth, and is at the heart of ideas of the knowledge economy (OECD, 1996). In particular, innovation is identified as a key tool for achieving regional economic development, and the presence of robust innovation policies is seen to be central to improving a region's competitiveness. A cross-country comparison of the CORASON study areas reveals that innovation has become a key policy concept, a "buzzword" that is a feature of official reports and policy statements on economic development. However, the term has been accorded varying degrees of significance in our different case study areas, which have also interpreted the term in slightly different ways. The following section of the report will examine the varying policy discourses of 'innovation' across our case study areas.

3.1 Drivers of innovation

That innovation has become a feature of political discourse across our case study countries is arguably a result of the growing influence of the EU in shaping national economic development strategies. The requirement to be innovative that is embedded in programmes such as LEADER and the structural funds has in many cases 'imported' the concept of innovation across different nations. The Portuguese team notes that:

“Within the Portuguese context, the awareness of innovation, competitiveness and economic development issues has emerged more as an adopted/imported challenge from European and international agencies, than an actual idea to adapt to specific socioeconomic contexts.”

Both Objective 2 and LEADER have been identified as key drivers of innovation in Germany, Poland, Hungary, Scotland, North Italy and Portugal. This need to adopt innovative approaches to economic development in order to attract EU funds has been taken up at both the national and regional levels across our case study areas. Many national governments have produced statements on supporting economic development, although in Italy, the national drivers for innovation focus more on funding initiatives and campaigns, rather than producing a strategic policy guidance on fostering innovation. Several of our case studies countries (Scotland, Poland, Hungary, and the Czech Republic) have produced regional level guidance on innovative economic development (IED), in order to produce strategies more appropriate to local conditions, encourage regional competitiveness and make best use of regional institutions, such as universities. However, other countries, such as Spain, organise IED sectorally rather than territorially and do not, therefore, have regional strategies for IED. In Ireland, innovation is a term that is very rarely used in policy discourse at either the national or regional level. Economic development strategies instead focus on encouraging entrepreneurship and competitiveness, rather than innovation.

3.2 Defining innovation

Despite significant economic differences between our case study countries, there is a clear pattern in the way in which innovation has been defined within policy discourses around IED. A number of key themes emerge. First, innovation is a term most often

used in conjunction with the private sector, developing new products and production processes. This is understood to involve the development and application of technology, and scientific knowledge. Second, innovation is dependent on knowledge generation and knowledge transfer. For most countries, therefore, innovation is perceived to be central to the development of a knowledge economy, and vice versa. The forms that this knowledge takes vary only a little. Given that innovation is frequently perceived to be a high-tech, high-knowledge process, the presence of expert – often scientific – knowledge is regarded as central, and this is to be combined with business expertise. The key actors within the innovative process are, therefore, seen to be primarily private entrepreneurs and small and medium size enterprises (SMEs), working with research institutions such as universities, to share knowledge and improve research and development (R&D) activity within firms.

National governments across many of our case studies position themselves as facilitators, creating the conditions in which business and scientific and research institutions can work in partnership. This is achieved by providing funding for collaborative projects, and encouraging the commercialisation of university R&D outputs, including funding university spin-out companies. Scotland, in particular, has provided funding for the commercial application of university research, particularly in the medical and bio-technology sectors. The government of the Czech Republic sees its role as removing the institutional and legal barriers to IED. The Swedish government has taken a very comprehensive approach to fostering IED, with the national state taking the lead role in creating the optimum conditions in which IED can flourish: building a national innovation system; creating a special institution for innovation research; providing grants to support IED; and developing a national innovation policy, driven from the top-down. Although, like many other of our case study countries, Sweden sees technology as central to IED, it also seeks to combine economic development with social welfare and cohesion, while at the same time protecting and enhancing the environment. This is achieved by supporting policies of ecological modernisation. Sweden is one of the few countries which explicitly mentions social development as a key plank of its policies on IED, and it is only the Czech Republic which also mentions social processes, viewing improvements in work organisation and labour conditions as innovative processes..

For some of our case study areas, however, national government pays only lip-service to the notion of innovation. Both the North and South Italian teams argue that government is failing to capitalise on the potential for innovative economic development. While innovation features in Portuguese policies for economic development, the research team found that innovation is more a word than a concept, and has no real import in policy.

3.3 The implications of IED for rural areas

A cross-country comparison of policy approaches to innovation reveals that the term is often associated with expert knowledge, private enterprise, product development, technology, science and entrepreneurs. As the Spanish team note:

At least traditionally, innovation has been a process specially linked to urban areas; indeed it was very much measured using parameters linked to big firms

and new technologies, hence little scope was allowed for rural areas to show that they could also promote innovative processes (CR: 2).

This is true across many of our case studies. Urban areas have the clusters of businesses and research establishments which, for national governments, lie at the heart of IED. Rural areas receive very little mention in any of the national policy discourses surrounding IED. Only the German team report any differentiation between policy approaches to innovation in urban and rural areas, remarking that, in urban areas, government funding supports business start-ups and technological advances, whereas in rural areas such funding is awarded to not-for-profit enterprises or maintaining cultural heritage. However, the funding of public non-profit-activities is not defined explicitly as an innovative policy approach by policymakers. Several teams state that national policy approaches to IED are urban-centric, and that it is the EU that takes the lead in fostering IED in rural areas, through programmes such as LEADER.

4. What is Innovation? Lay Perspectives

4.1 Drivers of innovation

Country teams explored the ways in which innovative activities were understood by lay actors in their local case study areas, and how innovative activities were created. In many of our cases, innovative activities were introduced by actors external to the case study areas. This occurred in both LEADER and in our non-LEADER case studies. In the former, innovation was driven by the EU and its funding rules; and in the latter case, innovation was driven by development agencies or external actors with particular passions and interests. In only a few cases – such as the two co-operatives studied by the Spanish team – was innovation driven by the indigenous population. In Hungary, the idea for the Telepesek Social Museum came from the Telepesek Social Museum Foundation; in Poland, the Native American Tourist Farm was driven by two actors new to the area; and in Scotland, the Gaelic college Sabhal Mòr Ostaig (SMO) was the brain child of a non-local merchant banker.

These innovations are received in different ways by the indigenous populations. In the Czech Republic, the International Tourist Marina project was driven by an outsider (who could now be considered to be a local actor), and yet in a public referendum on the plans, 85% of local people supported the plans. In contrast, local people reacted with some suspicion to the Native American Tourist Farm in Poland. While the project is a popular tourist attraction, residents of the local village reserved judgement about its success until they could see tangible benefits. Similarly, in Scotland, the college was greeted with some scepticism when it was first launched, and although it is held up nationally and regionally as a great success story for the Isle of Skye, it maintains a slightly uneasy relationship with some sectors of the local population.

4.2 Defining innovation

Country teams reported that the concept of innovation is very rarely explicitly discussed by lay actors. The Swedish team felt that, in the case of their LEADER project, innovation was so embedded in the practice of the project that it did not require any theoretical discussion of what the term actually means. The German and Greek teams both argued that ‘innovation’ was more of a policy concept than something used by lay actors, who instead referred to ‘development’ or projects that were ‘new’, as opposed to ‘innovative’.

Consequently, for many lay actors, ‘innovation’ was not an explicit aim of their projects. Instead, lay actors sought to achieve new forms of organisation or develop new products and services, and the fact that the outcomes or processes could be called innovative is secondary to those concerns. In other words, innovation seemed to occur while lay actors were trying to achieve other objectives. While innovation is an explicit aim of policy, it does not seem a significant objective for local actors.

Country teams have suggested a number of reasons for this lack of debate around innovation. First is the fact that innovative activities are not often driven by lay or local actors, but by external actors. Consequently, some of our case studies found that there is

some suspicion of innovative activities. Second is the idea that local actors can be resistant to change, particularly in areas which have a more elderly population. Both the Portuguese and Polish teams felt that the population structure of their study areas, which tended towards the elderly, meant that lay actors resisted change. Indeed, the Polish team note that it was the younger members of their study area who pushed for changes in agricultural practices (such as growing willow for biomass fuel). Third is the fact that the term 'innovation' carries with it certain connotations. The Swedish team argued that innovation is something that is perceived to occur in more economically prosperous areas; and the Portuguese and Spanish teams note that lay actors associate innovation with urban areas. Furthermore, the Scottish team observed that in LEADER, 'innovation' was a term that lay actors find off-putting, being loaded with the expectation of completely new and successful projects. Here, lay actors argued that their project ideas were 'new', but would not go so far as to call them 'innovative'.

Finally, several teams noted that lay actors in their study areas do not have the capacity to respond to the challenge of innovation, and are lacking the human capital and knowledge resources to develop or capitalise upon innovative projects. In Portugal and Greece, this was perceived to be the result of a lack of relevant knowledge and skills. In Scotland, skill shortages were also an issue, but time was identified as a constraining factor particularly in LEADER. Interviewees argued that local residents simply do not have the time to develop and run small-scale projects, as these are undertaken on a voluntary basis. Several teams also noted that rural areas lack key services, and have prioritised meeting these basic needs over and above pursuing innovative projects and activities.

5. Innovation in LEADER

5.1 The LEADER Community Initiative

This section examines innovatory economic development through the EU's LEADER Community Initiative, which encompassed three phases from 1991-2006. The EU's declared objective for LEADER was indeed to find innovative solutions to rural problems which could reflect what is best suited to specific areas and also serve as models for developing rural areas elsewhere. Ray (1999c) identifies three aspects to this approach: a territorial basis; the use of local resources; and local contextualisation through active public participation. The approach holds out the prospect of "local areas assuming greater control of development by reorienting development around local resources and by setting up structures to sustain the local development momentum after the initial 'official' intervention". This feature, of endogenous or neo-endogenous development building the capacity of localities or territories to resist broader forces of global competition, fiscal crisis or social exclusion, has been commented on extensively in the academic literature (see Kearney et al 1994; Ray 1998, 1999a, 1999b; Philip and Shucksmith 1999; Shucksmith 2000).

Even though the sums of money attached to LEADER have been insignificant in comparison to those of the CAP, the programme has had a strong symbolic impact and influenced many countries' rural policy and practice, through what Shortall and Shucksmith have referred to as a 'Europeanisation of rural policy'. This approach has also exerted an important influence on discussions of rural policy (eg. the EU Commission's Salzburg conference on rural development in 2003: see <http://europe.eu.int/comm/agriculture/ecrd2003/>) But before considering innovation within this programme, it is necessary first to explain LEADER.

LEADER has consisted of three phases: LEADER 1 from 1991-95; LEADER 2 from 1995-99, and LEADER+ from 2000-06, the last of which absorbed about 4% of the total EU funding for rural development for the period 2000-06 of about €50bn. One of the four 'Community Initiatives' financed from EU structural funds (OJ C 139 18.5.2000), LEADER+ is designed to help rural actors improve the long-term potential of their local region, and is described as an innovative rural development policy which stresses 'the implementation of integrated, high-quality and sustainable development [with a] focus on partnership and networks of exchange of experience'. It builds on LEADER 1 which was a new approach to rural development, territorially based, integrated and participative and on LEADER 2, which placed more emphasis on innovation. LEADER is distinguished by its 'integrated development programmes for local rural areas, drawn up and implemented by broad-based local partnerships, called Local Action Groups': this offered considerable scope, at least potentially, for the development of community development approaches. It should be noted that LEADER has been implemented in very different ways in each member state, so that in some countries it has had many features of rural community development (with an emphasis on capacity-building, inclusion and empowerment) while in others it has been more 'top-down'¹. It also offered the opportunity to network and co-operate at both national and transnational levels. However, its short time-frame has limited the ability of many

¹ See the special issue of *Sociologia Ruralis* on LEADER in 2000.

countries to engage in effective local capacity-building. We will discuss its innovatory aspects in detail below.

LEADER+ has focused on several priority themes including improving the quality of life, adding value to local products, the use of 'know-how' and making good use of natural and cultural resources; the kinds of activities which were common in these programmes were about the improvement of basic services for the rural population, development of villages, diversification of the local economy and support for tourism and craft; specific population target groups were identified including women and young people. In all, more than 800 Local Action Groups were established in EU member states by mid-2003 and in 10 of the EU15 national networks have been established to disseminate information and share knowledge and know-how. As LEADER+ is coming to an end, key questions emerging from it for those concerned with local participation have been to do with how effective it has been in mobilising local actors, how it could successfully be mainstreamed whilst maintaining its bottom-up approach, and whether networking and co-operation could be sustained.

Comment on LEADER's progress to date also points to the long-term nature of development work where there are weak civil society structures in place; in such areas, the first task has been to engage in serious capacity-building work (Uusitalo 2003). Overall, LEADER has been judged to be a successful programme in terms of the strengthening of social capital, local involvement and engagement in rural areas and in contributing to the search for new forms of governance but less successful in terms of its ability to engage effectively with the farming community (van der Ploeg 2003). Other commentators have argued that the strength of LEADER lies in its territoriality (as opposed to the sectoral approach of much farm subsidy financing). Much of LEADER's work has been monitored by a European Observatory.

Some detailed evaluation reports have been produced on country LEADER programmes, occasionally with the aim of informing local/regional rural development more widely (see e.g. Seibert and Geissendorfer 2000; Geissendorfer and Seibert 2004), and an EU-wide ex-post evaluation of LEADER2 has also been conducted http://europa.eu.int/comm/agriculture/eval/reports/leader2/index_en.htm. Another EU study examines the potential for the mainstreaming of the LEADER approach http://europa.eu.int/comm/agriculture/eval/reports/leader/index_en.htm, concluding among other things that mainstreaming would require permanent support structures for capacity-building, networking and administrative coordination. The evaluation of LEADER2 judged it "to be efficient because it was adaptable to every rural socio-economic context, brought key actors together, mobilised voluntary effort and was responsive to small scale activities and projects. It was judged effective because it closed the gap between a top down programme and the local people, conveyed responsibility to local actors, and linked public authorities with the local economy and civil society. It contributed to sustainability by opening up new ways of creating added value and through capacity building." (Ahner 2004, 15).

From the perspectives of innovatory economic development and rural community development, it appears that LEADER's main contribution may have been to help broaden understandings of what rural policy might entail, particularly in terms of wider involvement of rural people themselves.

LEADER has helped to stimulate a transnational network, **ELARD**, which incorporates a number of national networks of LEADER Local Action Groups as well as projects, programmes and initiatives not associated with LEADER. ELARD covers national networks in Greece, Spain, France, Ireland, Italy and Portugal and is aiming to establish a fulltime base in Brussels together with an ongoing European Congress of Rural Development.² Some of the groups involved in ELARD have a focus on rural community development.

Outside the EU15, two pre-accession funds were established, mainly to assist in the restructuring of the farm and rural sectors of accession states. One of these, SAPARD (Special Accession Programme for Agriculture and Rural Development), was similar to LEADER in many respects, but although there was some scope for participatory projects it is clear that the main thrust was to facilitate the process of delivering European Community policies after accession. The total budget for SAPARD was around €520m pa across all ten countries. Most of the acceding countries are now covered by Objective One funding arrangements also, and in future it is anticipated that these countries will receive the bulk of Objective One funding.

The PREPARE (Pre-Accession Partnership for Rural Europe) programme, which started in 1999, was a multinational programme sponsored by government and officials and NGOs supporting the 10 pre-accession countries in terms of rural co-operation. It aimed to 'strengthen civil society and promote multinational exchange in rural development' and involved mainly Scandinavian countries and organisations based in Estonia, Poland, Hungary, Slovakia and Slovenia, although it had links with other EU countries and with organisations in Bulgaria and Romania. The PREPARE network of organisations organised a first major gathering in Slovakia in late 2003, preceded by a series of travelling workshops as delegates made their way to Slovakia. The projects studied were all characterised by the bottom-up LEADER approach.

5.2 Theoretical aspects

Some of the theoretical debates surrounding innovatory economic development have been summarised in section 2 above, and all of these have relevance for LEADER as an exemplar of innovatory economic development. Many of these emphasise the role of networks and social interaction as conduits for the exchange of knowledge, and especially for bringing together different types of knowledge, both within a territory and between the territory and the extra-local.

Amin and Thrift (2002) have noted, with some scepticism, how in urban regeneration attempts to promote cities as cradles of innovation have tended to include:

- Science policy: to stimulate technical innovation and learning;
- Cultural policy: to improve the urban milieu; and
- Social policy: to encourage local linkage and collective learning cultures.

² <http://personal.telefonica.terra.es/web/elard/TEMPLATES/Plans.htm>

Each of these elements has been addressed by LEADER LAGs to varying degrees in different localities, and of course such actions take place in the context of broader regional and national policies addressing the same issues in more sectoral terms. We will return to these three aspects of policy in reviewing LEADER approaches.

It was noted above in s.2.4, drawing on the work of Granovetter, Almas, Johansson and others, that the encouragement of social networks and social relations (seen as social policy) may be crucial to promoting innovatory economic development. In essence, these authors suggest a strong relationship between innovatory economic development and a strong civil society, focusing especially on the presence of networks, both within the territory and between its actors and those elsewhere. These studies also suggest the importance of institutional thickness (Amin 1994) and institutional capacity (Healey 2000) in place-based innovation. Healey has helpfully developed a framework for the analysis of institutional capacity, comprising of knowledge resources, relational resources and mobilisation capabilities. These are neglected factors in much policy development and implementation.

Recent empirical work under the RESTRIM project suggests the relevance of such an analytical approach to rural development, even though Healey et al.'s framework was not employed in that study. Arnason, Lee, Nightingale and Shucksmith (2006) note several examples of networks and social capital which sought to transform the *process* of local development in innovative ways towards long-term beneficial change. The research focused upon social networks, but concluded that knowledge resources, mobilisation capabilities and inclusiveness were also crucial. Networks planned specifically *for* development were found to be highly variable in their effectiveness: some demonstrated how links can fruitfully be made between business, civic and public sectors, while others show the difficulties of such partnerships and the problems of sustaining initial impetus. Some pre-existing social networks were also able to contribute towards innovative development, and where this occurred these were in a more favourable position because of their embeddedness in older social relations. The authors found "positive change to be locally embedded, socially inclusive, and, often, producing or encompassing networks that link social scales (between local, national, and international, for example)." The capacity to act collectively, drawing on knowledge resources which linked old and new, past and future, one social group with another, and endogenous with exogenous structures was vital to these networks' ability to contribute towards innovative economic development. In practice, they concluded, such a capacity is most likely to be fostered through an approach such as LEADER where it seeks to strengthen communities through enhancing people's confidence, knowledge and skills, and their ability to work together.

The next three sub-sections of this paper now draw on case studies of LEADER and SAPARD in ten countries to explore the experience in practice of innovatory economic development in the LEADER programme. Section 5.3 examines how the *concept* of innovation was understood in practice by the actors at various levels in LEADER, from the EU Rural Observatory to LAGs and local stakeholders. Section 5.4 discusses what *actions* undertaken under LEADER are now perceived as having been innovative and in what ways. And finally, Section 5.5 discusses the ways in which innovation in LEADER brought together different knowledge forms (scientific, expert, managerial, tacit, etc) and how these related to different social actors and to power relations, in so far as these can be revealed in a short study of this type.

5.3 The Concept of Innovation as understood in LEADER

The original purpose of the LEADER programme, as noted above, was to develop innovative ideas for model rural development that could be replicated in other areas. According to Larsson (2001) “the rationale behind the focus on *innovation* is the perceived need for new products and processes for economic development. It is also a search for new or alternative solutions for organising rural societies.” LEADER certainly represented an experimental approach to the promotion of development in rural areas. The approach was coined “the LEADER method” which combined the application of 8 so-called LEADER features or specificities: Innovation was one of these features; in fact, it was as a guiding principle of LEADER I and II.

The Commission’s understanding of innovation was: “*The innovative nature of the project must not be confined to the method (on the model of LEADER I), but must also be apparent in the technical content of the project, whether in the product, the production process, the market or some other aspect. These innovations may concern the purely economic aspects, but may also be, for example, cultural, environmental or related to social integration if these aspects are closely linked to rural development*” (Notice to MS point 11) (European Commission 2003:60)

However, Bruckmeier (2000, 224) has argued that in the case of Germany at least, the LEADER experience fell short of the original intention in several respects:

- LEADER projects were rarely truly innovative but instead merely took up ideas from other policy contexts to conform to the budgetary logic of EU regulations. Innovation thus meant only ‘new to that area’.
- LEADER introduced a new terminology and rhetoric of regional and rural development which was not that of local actors and local movements. Paradoxically, this in itself was often seen as innovative.
- LEADER projects do not give a clear idea of the directionality of the process: are they taking rural development in new directions or simply strengthening the local and regional economy in new ways?
- The LEADER process has not yet led to concrete territorial rural development outcomes (Ray 1998) that support Sustainable Rural Development.

Bruckmeier went on to argue that “if ‘innovation’ is seen as a central concept of LEADER projects, the concept is in urgent need of clarification. A ‘minimalist’ definition of innovation is described in the EU LEADER document: 94/C,180/12³. Exemplary cases are given and LEADER projects often follow these examples with innovation equating essentially to ‘market product innovation’. Everything that results in a marketable product or service can be ‘innovative’, these being products or activities that have not previously existed in the region, even if they have existed in many others⁴. It is, therefore, a short-term and short-sighted view of innovation. Such a formal notion of innovation thereby avoids any possibility of system transformation or reflexivity in which a process-oriented view of the regionally specific transitions towards sustainability would be created.” Bruckmeier calls instead for an understanding of innovation as a strategy for regional development with a focus on social and ecological

³ “An initiative of the local actors who bring a new solution to the specific challenges facing the area”.

⁴ A classic instance of this in one Scottish LAG was the project to establish a funeral parlour which was rated as highly innovative because there was no funeral parlour previously in that village.

renewal and the development of rural regions. Yet this is not at all how innovation seems to have been understood in the practice of LEADER.

5.4 The EU Rural Observatory

The guidance from the EU Rural Observatory⁵ was that “the ‘innovative’ nature of an action should be defined in its local context, where the action is being carried out.” This was taken, in guidance notes to LAGs, to mean that innovation included anything new to that area, as we have seen in Germany above. As a result it was relatively easy for LAGs to find projects that were ‘innovative’ and so to spend their budget, and consultants were also able to conclude in LEADER evaluations that the programme had been innovative by this definition. For example, Cambridge Economic Associates concluded their evaluation of LEADER2 in the Scottish Highlands & Islands as follows: “There is little to be gained from spending scarce time and financial resources in search of the novel simply for the sake of it. In our view, the definitions of innovation set out by the Rural Observatory embrace the vast majority of the projects funded under LEADER 2 in the Highlands and Islands. We therefore have no hesitation in saying that the Programme was successful in introducing new approaches to rural development”. In Spain, Greece, Poland and elsewhere, our case studies confirm that LAGs were equally happy to interpret innovation in this managerial way in order to spend their budgets, and consultants endorsed this approach in their evaluations.

Yet the EU Rural Observatory’s dossier on innovation in rural development offered a more rounded and challenging discussion of innovation. It identified eight key points for “analysing local innovative needs” and listed examples of innovative actions under each of these headings: mobilising the community and social cohesion; the area’s identity; the area’s image; activities and jobs; competitiveness and access to markets; migrations; social and professional insertion; environment, management of space and natural resources; and technological development.

Moreover, it regarded innovation as essentially a social process: “the innovation process was usually seen to involve the formation of stronger ties or new relationships between actors, translating particularly into collective learning, the creation of new common references and a change in certain rules of the game at local level.” Finally, on the basis of its review, it identified three directions in which innovations had occurred:

- The diversification of local economies;
- The intensification of interactions between the local and global context;
- The strengthening of relations between local actors: towards new internal or local synergies.

The Rural Observatory is also surprisingly clear about the stages of the innovation process, which it claims “is a temporal process that can be likened to a project cycle comprising several successive stages during which different social links are created.” These are: context -> innovative idea -> project -> implementation -> making viable. Moreover, innovation, it asserts, “is usually the result of the action of a ‘clarifier’ or ‘new local leader’ (person, group or institution), capable of ‘reading’ the context with

⁵ See <http://europa.eu.int/comm/archives/leader2/rural-en/biblio/inno/innov.pdf>

fresh eyes and identifying initial solutions and new development perspectives.” This analysis may be criticised as unrealistically linear and simplistic.

5.5 National Policies for Innovation

In almost every country there were national policies for innovation and these tended to emphasise technological and scientific meanings of innovation, linking the concept to high-tech sectors and ICT. Rarely was there any cognisance taken of the broader, process-oriented meanings highlighted in the academic literature.

Thus, in Scotland at the national level, innovation is portrayed as a grand project, involving the creation and application of scientific knowledge, and is technologically intensive. Frequently, innovation is associated with the biotechnology sector. In other words, innovation is viewed as the preserve of experts, it comes from elite knowledge to which few have access, and which can be applied in niche markets. Furthermore, innovation is associated with products, rather than processes (excluding the process of making a product), and little mention is given to new ways of working with people.

Innovation has been emphasised in Swedish economic policy for several decades, to the extent that Sweden is ranked in 2006 as “EU’s innovation leader” by the European Commission’s Innovation Scoreboard, and also tops the global innovation league of the UN “World Investment Report”. This innovation policy, based on the Swedish National Innovation System, is similarly directed at product innovations and creating employment. Since the 1980s Swedish innovation policy has adopted an ecological modernisation paradigm directed towards sustainable development. Nevertheless, it remains a technology-oriented policy: innovation is understood as the mechanism through which to change economic growth towards less environmentally disrupting forms by supporting the production and use of clean technologies, but with no broader understanding of innovation resulting from this debate. Thus, innovation policy is organized in Sweden in a top-down approach guided by governmental programs and funding agencies like VINNOVA. The innovation system is driven through “research and development” activities in close cooperation between governmental agencies, research agencies and the private economy, and through technology transfer. The aim is “to build bridges between science and industry in Sweden by creating excellent academic research environments in which industrial companies participate actively and persistently in order to gain long-term benefits.”

Neither has the Swedish concept of innovation been applied specifically to policies for the rural economy and rural areas, although these comprise a large part of Sweden. Instead, projects for innovative rural development have to seek their own sources and funding mechanisms outside the industry-oriented innovation system.

A third example would be Greece, where innovation also refers to technology and product development, with the emphasis on new technologies. The Ministry of Development promotes technological innovation and research through its ‘Competitiveness’ programme. The national policy of ‘innovation poles’ (established in each of the Greek regions) seeks to build structures which link research, technological development and entrepreneurship, perhaps through research units, higher education departments, a cluster of enterprises, organizations responsible for technology transfer

and so on. Only at the local level is social innovation pursued alongside technological innovation, as discussed in the next section below.

In the Czech Republic, a national innovation policy has been introduced only recently in 2005. This defines innovation as “a business process connected with exploration of market opportunities for new products, services and business processes, implementation of changes in management, work organization, work conditions and qualification of the labour force.” Interestingly, this is a broader definition than in many countries since it embraces process aspects, but these are still internal to firms (eg. work organization, quality management) rather than social processes.

Broadly the country reports all tell the same story in respect of national policies for innovation: in all of the countries studied in the CORASON project, innovation is understood at the national policy level as essentially technological development, and hence something that originates primarily in urban areas where science is produced, universities and research units are clustered and where technology can be transferred to businesses. Of course, this understanding privileges expert knowledge. It is rare to find any recognition of innovation as a social process, of the validity and contribution of other forms and sources of knowledge, or of innovation in rural economies.

5.6 Local Actors' Understanding of Innovation in LEADER

Amongst local actors a very different picture emerges. The case studies of LEADER groups and projects studied in CORASON suggest that innovation was not often an objective or concept recognised by local actors, precisely because of the way the term is used in dominant discourses of national policy as something to do with science and technology and therefore alien to rural experience. Where it has been used it is regarded as an imported concept, imposed for example by the EU's funding rules for LEADER, and which has had to be negotiated and reinterpreted. Accordingly, many local actors with hindsight do regard their work in LEADER as innovative, but they would not themselves have chosen the word 'innovation', and their claim would be in the sense of social innovation rather than technological innovation.

In Portugal, for example, we have already mentioned that the awareness of innovation, competitiveness and economic development has emerged more as an adopted/imported challenge from European and international agencies than from local actors. Innovation is regarded, by civil society, as a top-down approach that should be led and supported by the State or “outside” intervention, and at the expense of public funds.

In Spain, local actors have understood innovation as a process located in urban areas; indeed it was very much linked to strategies addressed to industrial activity and the introduction and use of new technologies, hence rural areas tend to be excluded formally from this type of strategy, even when they can promote “innovative” processes in terms of new knowledge and technologies acquisition. LEADER has confronted this perspective in Spain by promoting the idea that rural areas can also be sites for innovative processes involving ambitious acquisitions of knowledge and new dynamics. However it is still only in LEADER that this concept is applied to rural areas, and outside this programme rural actors usually refer to these processes using different terms, such as competitiveness, distinctiveness, or quality.

Very rarely did LEADER LAGs highlight innovation as one of their primary objectives. Instead we find such objectives, typically, as sustainable rural development, business development (often through tourism), education, or improving quality and adding value. Thus, in Greece, for example, the local population had no perception of innovation per se, even though they felt the need for something to be done to improve their situation. The aim of the Karditsa LEADER programme was the sustainable development of the area, to be progressed through soft tourism, and this was deemed to require social action towards a shared vision, networking and cooperation. AN.KA, the Development Agency of Karditsa (also the LAG) unusually did have a prior understanding of innovation which embraced both technological and social aspects, relating the concept to the local socio-cultural and economic context.

In Ireland, Tipperary LEADER did not include the term ‘innovation’ amongst its objectives, but chose as its theme for the LEADER+ programme ‘Making the best uses of natural and cultural resources’ and included a range of examples of potentially innovative projects under its call for applications. These included, for example under the *Cultural/Landscape* theme, projects for ‘the development and preservation of local music and culture’, and under a *Renewable Energy and Waste* theme, the development of community projects involving integrated waste management and recycling’ and ‘support for the development of small scale projects’ using geothermal, solar or biomass energy sources. In the Polish study area, on the other hand, the concept of innovation was included amongst the objectives but it was conceived very much in terms of scientific innovation. Thus, in *The Programme of Development of the Lodz Voivodship*, innovation appears in the context of innovative enterprises, expenditures on research & development (R&D), and activities of research and scientific institutions. A weak co-operation between R&D and business is identified as a problem in the transfer of knowledge and new technology and as a barrier to economic development.

It has already been noted that the EU required its funds to be spent on innovative projects, in line with LEADER’s role as a pilot community action, and innovation was therefore a criterion which LAGs had to use for the selection and funding of projects. This often proved challenging for new LAGs, in particular, who seem to have sought guidance to assist them to draw down EU funding in a way which would satisfy EU auditors. The helpful guidance seems to have been given, and interpreted, in much the same way everywhere: anything new to the area is ‘innovative’ whether it be a new coffee maker (Spain), a funeral parlour (Scotland) or rural tourism (Poland).

In Spain, the ways the LAGs interpreted the innovation idea was criticised since it seemed as if anything could be justified as being innovative; the most used argument by LAGs was that the process or product was new in the area or local context. Criticisms were not so high when the product or process called innovative was a novelty in the area, but it was more difficult to justify them at the municipal level when similar projects had been implemented in the neighbouring villages. However, this special view of innovation appeared to be supported by the EU Rural Observatory in its guidance which stated that “*the ‘innovative’ nature of an action should be defined in its local context, where the action is being carried out*”⁶. Moreover, there has also been some

⁶ <http://europa.eu.int/comm/archives/leader2/rural-en/biblio/inno/innov.pdf>

kind of submissiveness to LAGs performance by evaluators, who acknowledged the limitations of rural localities in terms of human capital and entrepreneurial initiative.

In Scotland's Skye and Lochalsh LEADER group, the project officers feel that they understand that LEADER is concerned with innovative economic development. However, local residents and the LAG have found some of the concepts of LEADER difficult to understand. Indeed, one of the major barriers to the take-up of all rounds of LEADER funding in Skye and Lochalsh has been the requirement to be innovative. Staff reported that local people found the term extremely off-putting, as it suggested high expectations: "For a lot of people, it was a very off-putting term, it made them nervous. They would say 'it's just an idea, it's not innovative'". A staff member for the first round of LEADER stated that they used the term 'innovation' in the initial consultation events, but "we learned not to".

Interviewees debated whether the term referred to something completely new, but felt that this was the most off-putting definition for applicants and was, in the long term, hard to sustain. One officer stated that it was possible to get projects that had been done before but had one small part – a process or an outcome – that was perhaps new and innovative, and debated whether that meant the whole project was innovative. Other staff members debated whether innovative meant that the project was not new per se but was new to the area. Finally, one officer stated that in the early rounds of LEADER, innovation was synonymous with IT, so any project that had IT in it was deemed to be innovative.

As the term was so difficult to define, staff members declined to provide an overarching definition of innovation. The most basic requirement that they would define was that the project was new to the area, although this could apply to only parts of a project, as discussed above. Staff felt that it was more important to learn from and build upon lessons learned from the past, rather than trying things that are totally new. The criteria for assessing projects is, therefore, fairly flexible, and applications are judged by the field officer on a case-by-case basis, who has helped applicants make their projects more innovative in order to secure them funding.

However, the staff from different rounds of LEADER argued that, in some cases, projects that were not genuinely innovative slipped through the net because of pressure to spend the budget before it was clawed back. One stated that "projects get through because they can soak up some of the budget... We can't give the money back because that would be criminal, so it's better to spend it here somehow". This was a particular issue in Skye and Lochalsh where there were many different funding sources available, making it difficult for staff to allocate the budget. Staff felt that this was a flaw in the design of LEADER itself. The timetabling of the initiative was, they argued, too tight and the requirement to be innovative was difficult to operationalise because local people did not have the capacities to respond to that and there were too few staff members to undertake the level of capacity building needed to bring them up to that level.

5.7 Innovation in LEADER practice

The case studies of LEADER experiences in CORASON looked beyond different actors' understandings of the concept of 'innovation' to consider the practice of

LEADER itself. In almost all cases, as we have seen, innovation was not an explicit objective of LEADER LAGs, but often innovation has emerged nevertheless, perhaps less as technical innovation but rather as social or cultural innovation in Amin's terms.

One example of how innovation has not been understood as a core concept or an objective of local action, but has nevertheless emerged in practice, is offered by the Swedish Härad project to promote angling tourism. According to the local actors, angling tourism is in itself not in any way innovative, but the project may still be seen as innovative in the way it integrates the tourist industry with systems of nature conservation (thus also falling within the general Swedish model of sustainable development and ecological modernization). The manner of approach becomes a part of the innovative aspect. It is both integrative and educational in that it shows the members that such measures can yield tangible results, and also point forward toward a possible future with the emphasis on "Nature's Best". It tries to look ahead when posing the question: *what will happen later, when this project is up and running?* But although there is an understanding of the word innovation, and this project is considered to be an innovative project, there have not been any efforts to search for documents on the subject or discussing the term per se. The search for information on EU level has centered on angling tourism and fishing in general. In that respect, it is hard to describe how the understanding of the term innovation has served to structure the project. The concept of innovation is among the concepts of development and cooperation the fronting terms of Leader+⁷, but the term in itself has escaped thorough analysis both on ground level and LAG level, and the word innovation was not mentioned in the project grant. It appears that innovation and the definition of this term is too deeply embedded in actual practice to induce a broad theoretical discussion on ground level.

In Hungary's SAPARD case study, innovation as a topic was not presented directly, neither in the phase of preparation, nor in the phase of implementation. Based on the opinion of the mayor, innovation should not be defined simply as an economic term, as it has a more general definition connected with the whole society. According to him the local society is disintegrated (atomised), there is no cooperation between members of the society and as a consequence, there is no room for common initiatives and innovation. For him and for other local actors, therefore, SAPARD was hugely innovative because it was the first development programme which concentrated on things like local community, cultural heritage, general view of a village, etc. Every member of the village was affected. In their opinion, this tendency did not continue in the development programmes following SAPARD, neither in the Agricultural and Rural Development Programme, nor in the National Development Plan as a whole.

In another study area, in Mecklenburg-Vorpommern (MV), in contrast, the post-Soviet legacy cast a dead hand over the LEADER initiative. The lack of a creative milieu and risk friendly entrepreneurship remains a major constraint discouraging new bottom-up approaches. Given the historical background, it is not altogether surprising that rural development initiatives based on the idea of an "active society", such as LEADER or LA 21, come up against a lack of local initiative and frequently function much like conventional 'top-down' programmes. The decision-power and the distribution of funds there is more or less in the hands of governmental actors because organisations with the required capacities and management knowledge are hard to find. These public-private

⁷ "Utvevla Sverige"- EU:s Strukturfond 2000-2006. Joint info leaflet 2001

partnerships are mainly driven by extrinsic motivation and external incentives, adapting their paradigms only as far as required to draw down the grants.

Nevertheless, in the same region a federal programme (Regionen Aktiv) pursued the LEADER approach with the objective of strengthening social capital through intensive information exchange, collaboration and network building. Improved relations within the rural milieu, new cooperative local actions and co-learning processes were the major goals and indeed the results of the three year implementation. In these remote rural areas, which were hardly affected by the political transformation, a strong social system is a prerequisite for a competitive economy. Therefore innovation was interpreted in a social sense rather than in an economic or technological way.

In Portugal, before the arrival of LEADER1, rural development initiatives of this type were practically unknown, in contrast with other countries where there might have been an established tradition of promoting local rural development through national policy initiatives and public support. LEADER in Portugal may therefore be seen as innovative in this very profound sense of introducing the territorial approach itself and of encouraging participative or collaborative approaches, even though fewer than 1% of actual projects were regarded as innovative by the LAGs themselves. The Portuguese LEADER2 evaluation report concluded that innovation “emerges whenever a local community searches for new solutions to its problems” and that “the innovation issue goes beyond technological processes and competitive territories”⁸.

Often, then, the practices promoted by LEADER actions have been seen subsequently as innovative by at least some of those involved, and by evaluators. The element which tends to be viewed as most innovative is the territorial approach to rural development itself, along with capacity-building, networking, development of images and identities, and other social innovations. Diversification of rural economies was also viewed as innovative in the context of the prevailing emphasis on agricultural sectoral policies.

Innovatory economic development in the practical experience of LEADER is more likely to be understood, then, in terms of *social innovation* (to encourage local linkage and collective learning cultures) and *cultural innovation* (to improve the rural milieu) rather than in the sense of *science policy* and *technological innovation* (Amin and Thrift 2002) which dominates national policy discourses. This suggests a strong contrast with urban regeneration discourses which tend to include all three.

5.8 Knowledge forms and social actors

As with other forms of action, innovation in LEADER has involved a combination of different types of knowledge and a variety of actors. The impetus for innovation, whether technological, cultural or social, often came from outsiders in one way or another. Sometimes these were in-migrants or return migrants, and on other occasions these were members of the ‘project class’ perhaps employed to work on LEADER.

Often there were charismatic individuals who had multiple roles, themselves embodying local, lay, managerial, technical and expert knowledge forms. In Portugal’s EDIME, an

⁸ GEOIDEIA/IESE (2002), *Avaliação Final do PIC LEADER II*, Lisboa, Direcção Geral de Desenvolvimento Rural, p. 68.

economist born in the area, Dr. José Carlos Albino, founded a local development association in 1989 which was the forerunner for the LEADER action. He was able to bring to the rural community his economic expertise as well as his formal and non-formal public administration contacts related to his professional skills and career. Simultaneously, he promoted a local development process that might be classified as locally rooted, since it embraced local individuals and institutions as well. In Sweden's Härad LAG, too, the project manager's involvement is quite striking. Apart from being the founder of the organization, Sassi Wemmer is both chairman of Hultafors Local Interest's Organization, project manager of Marketplace 7-Härad, part of Sjuhärad LAG's steering committee, and he also works at Melica. This points to the crucial importance of certain individuals with visionary dispositions as well as the importance of what one could call informal networks, as the full scope of the project, the idea to include regions in both Sweden and Germany, was spawned between key persons during off-hours in downtown Leipzig at an Inter-Reg congress.

The LEADER case studies also reveal the many different ways in which different forms of knowledge come together in sustainable rural development. The Härad project tends to rely on a high degree of expert knowledge and bureaucratic/ managerial knowledge, but it would not make sense to claim that the projects use such knowledge at the expense of local lay or tacit knowledge. It seeks to unveil information about local natural habitats and ecosystems in order to successfully combine them with rural economic development. Here the scientific knowledge is dynamically connected to the landscape although the methodology and theoretical foundation for such knowledge is more or less commonly agreed upon above the local context. Among the knowledge fields important to the project are limnology, ornithology, biology and ecology. The project combines these knowledge types with the bureaucratic/ managerial knowledge of the project founders in consultation with national, regional and local levels of government as well as the EU. Beyond this, though, the lay or tacit knowledge of local businesses is of utmost importance although the displaying of such experience and knowledge development is hard to define clearly, not only because tacit knowledge is based on non-linguistic patterns of experience ("we *know* more than we can *say*"⁹), but also because the project is not yet operational.

It has already been noted that the concept of innovation in LEADER was itself imposed from the EU Commission on local actors, who found the concept very challenging to work with, especially at first. The idea of innovation has perhaps been internalised by actors involved in the LAG during the course of LEADER programmes, and in doing this they have renegotiated the concept of innovation significantly, perhaps couching it more in terms of social and cultural innovation which seem to fit the rural context better than discourses of science policy and technological innovation. But the negotiation of the concept is likely to have gone through a number of phases in the process.

In the Alto Palencia-Mijares in Spain, like many poorer rural areas, the area had a weak entrepreneurial culture, an economy dominated by traditional activities, low levels of services, a weak civil society and little institutional capacity. Therefore the main challenge was seen by the LAG as stimulating the private sector to propose projects, and the challenge was so great that almost anything was approved. The argument that the LAG president uses to "justify" why LEADER funded projects such as a local bar

⁹ After Michael Polanyi's definition in "The Tacit Dimension 1966". Polanyi, M. 2000. *Den tause dimensjonen. En introduksjon til taus kunnskap*. Spartacus.(p 16)

that wanted to buy a new coffee maker, is that at that moment if LEADER had not funded it no-one would have and the owner of that bar would not have had the chance to improve his business. Before LEADER, rural areas were ignored by regional public administrations and this programme meant the arrival of fresh air to these areas.

Two main factors are highlighted: (i) the continuing lack of interest of the regional government in the inland rural areas of the region; hence this was the first real and direct public grant that rural areas had received for supporting development projects apart from agriculture; (ii) the lack of local human capital and expert knowledge able to promote integrated and sustainable development strategies in these rural areas; the regional government did not try to give a solution to this deficiency, probably because even within the public administration there was a lack of knowledge on how to promote this type of “new” integrated, endogenous and innovative processes, in a general frame where the modernisation paradigms were dominant.

The current manager of LEADER+ explained how criteria for eligibility have become gradually more strict since those early days and only innovative projects bringing new ideas and processes into the area are now supported. Since LEADER I new dynamics have emerged in the area, new businesses have been created and others have been improved and it seems that this would not have occurred without LEADER. Moreover, LEADER was innovative in introducing a new dynamic among actors in the area: it encouraged local (public and private) actors to initiate things, to trust in their own possibilities and to enforce territorial self-esteem.

The way in which this process combined technical and expert knowledge and local and lay knowledge in different ways during the course of the LEADER experience in Alto Palencia-Mijares, while negotiating and renegotiating the concept of innovation itself, is summarised in the following table.

Technical and expert knowledge has contributed in two ways, at least. On the one hand, the programme brought into the area a totally new philosophy and methodology for rural development (Esparcia, Noguera and Buciega, 2002), based on the creation of a rural partnership and the implementation of integrated actions through a development strategy; on the other hand, there is an important human capital behind the programme application at different territorial levels, for instance, the LEADER observatory in Brussels, technicians in the regional and national governments, and project managers in the local areas. The project manager for LEADER I and II, for example, was a person with a long professional trajectory in the agrarian development field, and in many senses this marked the evolution of the strategy itself which was markedly “traditionalist” and “static”.

Local and lay knowledge must necessarily be very present in the programme implementation from the beginning because of the own characteristics of the programme itself. LEADER required the involvement of local actors in the development process. In this area local involvement mainly took place in relation to the LAG members, but it was not so open to the broad public. But of course, most projects funded by the LAG were proposed by individual members of the local communities, and so embodied local and lay knowledge. The technical group and the LAG adopted a quite “receptive” attitude, rather than a pro-active one where the manager could have designed and promoted the implementation of innovative projects.

Table 1. Changing Concepts of Innovation: LEADER ALTO PALENCIA-MIJARES			
	Theoretical Frame	Results Obtained	Principal Obstacles
LEADER 1	Frame strongly based on the idea of Endogenous Growth and participation in rural development	First initiatives emerged in a context where the socioeconomic fabric is very poor.	The local actors and the technicians managing the plan do not know the theoretical frame and the process
LEADER 2	Endogenous Growth and participation in rural development still prevail.	Despite projects still being subsidized, a kind of dissatisfaction emerges among civil society in relation to the functioning of the program.	The payment of subsidies becomes increasingly inefficient and thwarts the positive effects of the program among local communities. LEADER management team (and the LAG) acquire too much power in detriment of civil participation.
LEADER +	Though the principles of Endogenous Growth continue to be promoted in development is more top-down.	Payment of subsidies improved but in LEADER + problems appear because of the weak collaboration between the program (LAG) and social agents	Civil participation remains absent from the management process, therefore, LEADER's I and II theoretical frame is now questioned by the local society
	Concept of Innovation that is used by the technical/management team	Innovation materializes in initiatives	Relevant processes of knowledge
LEADER 1	Innovation is anything that does not exist in the area, and the managing decides what is or is not innovation.	Projects involve some basic improvements that do not need a special technical or expert knowledge but financial capitals to face the necessary investment.	The LEADER plan is an innovation on its own. Nonetheless, in this first stage when it was vital to involve the social and human capital existing in the area, this involvement was very low.
LEADER 2	Transition stage: the UE becomes more demanding in the way innovation in potentially granted projects is measured.	LEADER keeps supporting projects that are very much linked to very basic businesses' improvements.	LAG's professionalization takes place; there is an assumption of the LEADER philosophy. Management team and LAG acquire a more active role and implication.
LEADER +	The concept of innovation is restricted towards a more specific meaning, under the control the Regional Government.	Now, a project is innovative if it incorporates new methods or technologies (skills) and besides the project must also generate added value	The Regional Government introduces technical conditions that act as limitations to the increasing role and autonomy of the LAG and the management team.
	CONCLUSION		
LEADER 1	In this first stage, local knowledge is very important because there is not a strong technical base available; but this local knowledge is concentrated in local Mayors who at that time are the main members of the LAG's directive committee. Innovation focused in basic improvements of the productive structures, with changes that do not imply a high degree of modernization.		
LEADER 2	In this stage LEADER management team has become more professional and acquired a key importance, while social groups' participation is very low because of lack of motivation (bureaucratic problems slow funding, low incentives to participation). AT the same time LEADER has become a quite powerful political tool in the frame of rural areas		
LEADER+	The idea of innovation is restricted substantially towards improvements in the processes or technologies, incorporating a high degree of creativity, technology, creation of added value, etc. Higher control of the regional government that tries to limit "rural autonomy", specially of this new class of technicians working for rural development that have been gradually getting increasing power		

In Skye and Lochalsh, too, a combination of different knowledge types has been used within LEADER programmes. First, the programme draws on lay knowledge in that applications derive from local people. As one staff member said “Things don’t happen if the community doesn’t drive them”. In the first round of LEADER, extensive consultation was undertaken with local people using community animators, and these views fed into the business plan, which has since structured successive rounds of the LEADER programme. Lay knowledge has also come from the staff members who have lived on the island for a number of years, some of whom spoke Gaelic. This proved vital to the successful ‘bedding in’ of LEADER locally. Not only were the staff team able to assess which projects were genuinely new to the area, based on their knowledge of previous and existing economic development projects, but were also able to formulate good working relationships with local people: “Being a local person meant that there was less of a barrier between us and residents. With outside experts, sometimes people feel intimidated and judged, but if you’re one of them they are much more comfortable”.

The expert knowledge in LEADER comes from the economic and community development expertise on the staff teams; and members of the LAG have been chosen for their expertise and experience of economic development in the area, although some interviewees felt that they drew more on their own personal opinions and working interests to make decisions than they did on their knowledge of economic development: “they’re on the LAG as people who have an overview of the local economic situation, but don’t represent a constituency. They are on the LAG for their experience of the local area”. LEADER also relies on managerial expertise in order to develop and administer the programme. In Skye and Lochalsh, they have only one field officer who undertakes this role, and she combines lay, expert and managerial knowledge. As her line manager notes (pertinently, given the soft and insecure funding of LEADER staff), “The knowledge required to make LEADER work is all in her. It would be a real problem for us if she left”.

In several cases, LEADER+ appears to have meant a step backwards, as suggested in the table summarising the Spanish experience. In Calabria’s Area Grecanica LAG, the general aim was to create networks between the actors, for example in handicrafts and artisanal production, bergamot production and sustainable tourism, and to give them advice and support to enlarge their activities. By and large the LAG failed in these aims, and most actors still work atomistically rather than collectively because of their lack of trust in collective action. Another reason for this failure is the way that LEADER challenged pre-existing clientelistic power relations and the local political class, promoting a new ‘project class’ of technicians able to formulate new innovative projects for the development of marginal areas. During LEADER2 the LEADER technicians had considerable freedom to pursue this new approach, importing a new vision of a territorial approach to rural development, but as the mayors realised the importance of LEADER they re-exerted control with the transition to LEADER+. This reassertion of top-down controls over LEADER LAGs will be something to monitor carefully with the transition to funding LEADER-type measures through Axis 4 of national Rural Development Programmes from 2007.

In the German study area of Mecklenburg-Vorpommern, similarly, the clientelistic and paternalistic social milieu prevented the LEADER LAG from initiating any

substantial innovation in terms of local action. As a result the LEADER programme failed to improve local debate and stimulate deliberative actions, failed to strengthen existing networks, and was not able to promote any new models of cooperation. The supposedly ‘bottom-up’ approach was implemented instead like a mainstream programme, and it was mainly used by the local elites in their own interests. While there were some small impacts on capacity building and resource maintenance, concrete economic impacts are negligible. The potential of the integrated approach to mobilise human potentials, to bring together various actors and to strengthen local networks was not realised. There is no discourse about development opportunities nor a creative process of project development.

In the post-socialist countries, there is a similar challenge represented by pre-existing power structures, even where a charismatic leader brings several actor organisations together at the territorial level. In Hungary’s Keszthely Micro Region, a SAPARD plan was put together by Keszthely-Hévíz Micro Region Development Association and Tátika-Rezi Association of Local Government in 1999. When the SAPARD programme was launched in 2002, it was the mayor of Gyenesdiás, the local parish and the local NGOs who elaborated the concrete project and became the motor of the initiative. The mayor of Gyenesdiás was elected right after the change of regime, and in the meantime he was also the president of the Keszthely-Hévíz Micro Region Development Association from 1994 to 2004. Unfortunately, since the early 1990s he argues that local governments have been starved of resources by central government such that local authorities do not have the possibility to practise independent decision-making. Here we have the essence of the post socialist territorial debate i.e. neither the government nor the settlements would like to give up their obtained positions and power that prevent middle level territorial organizations from forming.

The Portuguese experience also reminds us of the obstacles facing attempts at innovative economic development in some or Europe’s rural areas. The lack of formal education, the ageing of the local rural population, the rural population’s confined territorial mobility, the weakness of civil society and the lack of initiatives aimed at fostering local ties of reciprocity and exchange — either within localised business, institutional or other social networks, in facilitating collective learning, the sharing of information, and/or organizational agility — are very important factors that inhibit local innovation and competitiveness. The Portuguese team emphasise that, before the arrival of the LEADER Programme, initiatives of this type were practically unknown in Portugal. By contrast, in other EU countries (such as, France, UK and Germany) there was already an established tradition of promoting local rural development through national policy initiatives and public support.

These examples show that actions in LEADER necessarily tend to bring together different forms of knowledge (local, lay, managerial, expert, etc), in a variety of ways and permutations. Looking at the social actors involved reminds us of the tendency for innovation to be driven often by non-local actors, of the common reliance on a single charismatic leader who embodies different forms of knowledge and brings vital connections, and of the abiding importance of political structures and power relations. The importance of social ties and networks lies in both aspects, permitting the exchange and combination of knowledge resources while also mediating power and identity relations (Falk and Kilpatrick 2000).

6. Innovation in non-LEADER case studies

6.1 Case study synopses

In addition to examining innovation in LEADER, country teams were asked to explore innovation in non-LEADER projects. These case studies cover a wide range of innovative activities in different economic sectors, including agriculture, tourism and education. Table 1 below summarises these initiatives, and outlines what types of innovative activities each project set out to achieve.

Table 2: Innovation in non-LEADER projects

Name of project	Type of innovation
Tipperary Institute, Higher Education Institution, Ireland	<ul style="list-style-type: none"> ○ Engages in rural development ○ Undertakes outreach work ○ Works with local community
Tipperary Energy Agency, Ireland	<ul style="list-style-type: none"> ○ Established by local authorities to examine energy efficiency in organisations
Sabhal Mòr Ostaig, Gaelic College, Scotland	<ul style="list-style-type: none"> ○ Scotland's first Gaelic-medium college
Clot d'en Simó, Rural Development Cooperative, Spain	<ul style="list-style-type: none"> ○ New product, millennial olive oil ○ New forms of organisation
Alto Palancia, Agrarian Cooperative, Spain	<ul style="list-style-type: none"> ○ New product, organic olive oil ○ New forms of organisation
Slättens Wind, Wind Farm Cooperative, Sweden	<ul style="list-style-type: none"> ○ New approach to wind farm developments
Melissa Project, Community-Wide Farm, Greece	<ul style="list-style-type: none"> ○ Intended to provide new forms of organisation in agriculture ○ New products to diversify agriculture
Aqua Servizi Ambientali, Environmental Services Enterprise, North Italy	<ul style="list-style-type: none"> ○ Provides nature guides, delivers environmental projects and education
UnionBerg, Bergamot Project, South Italy	<ul style="list-style-type: none"> ○ New product, organic bergamot essence ○ New supply chains
Kócsújfalu, Social Museum, Hungary	<ul style="list-style-type: none"> ○ New museum and research centre to remember refugees
International Tourist Marina, Píšťany, Czech Republic	<ul style="list-style-type: none"> ○ New service to Czech Republic
Willow Producers For Biomass Collection, Poland	<ul style="list-style-type: none"> ○ Diversifies agriculture with new crop
Native American Tourist Farm, Szczyrzyc, Poland	<ul style="list-style-type: none"> ○ New tourist service looking at Native American culture and history
Usedom Aktiv, Public Employment Association, Germany	<ul style="list-style-type: none"> ○ New approach to job creation focusing on traditional industries and crafts
Wildlife Foundation, Germany	<ul style="list-style-type: none"> ○ Provision of research, conservation, habitat management and education services

6.2 Conceptualising innovation

As the results of the LEADER analysis show, the LEADER programme has been instrumental in bringing the concept of innovation to rural areas, and establishing it as a goal of rural development. However, outwith the LEADER programme, innovation remains something of an alien concept, one that does not engage local actors and which is not well discussed. Indeed, few local actors seem to engage with government and EU policies on innovation, as they do not have a direct impact at the local level. Furthermore, as outlined in section 4.1, innovation is often driven by actors from outside the locality – government development agencies; and actors from other countries, regions and cities. Consequently, the local actors interviewed in our case studies did not often talk about their projects in terms of their capacity to be innovative, rather, they talked about the need for competition, change, experimentation, and entrepreneurship.

Where local actors have specifically discussed their own understandings of innovative economic development, a number of themes emerge. First is the notion of creating *products and services that are new to the area*, encompassing both traditional and non-traditional rural activities. In Spain and South Italy, for example, rural development co-operatives branched out into production of organic olive oil and bergamot respectively. The development of these products allowed the co-operatives to exploit new markets, create new quality standards and develop new supply and production chains. However, while such innovation was driven from the bottom-up in Spain, there was still some resistance to change from other farmers in the co-operative. In Scotland, a non-local entrepreneur created a service that was new to the whole country – a tertiary education college that taught all of its courses in the Gaelic language. The college staff argue that it is the complete newness of this service that makes it so innovative.

In Germany, both lay and expert actors engaged in the Usedom Aktiv Public Employment Association felt that it represented a new approach to job creation. While they argued that the approach would not be considered in other, more prosperous areas, local actors felt that the approach taken was very creative for that area, and as such could be considered to be innovative.

In Hungary, the Kócsújfalu Social Museum represented a new service in the area, focusing on the identity of refugees and migrants. More than the fact that this was a new service (a new form of museum and a new approach to research), the actors involved in the project argued that it was also innovative because it represented *new forms of co-operation* between different sectors. This co-operative approach to development was also visible in the Czech Republic, where local actors felt that the creation of an international tourist marina broke down local barriers. The staging of a referendum to seek local people's views on the development represented a significant step in engaging local actors in decision-making, bringing them into closer dialogue with the entrepreneur and local government. Similarly, in North Italy, a nature protection project created new links between the farming, scientific and environmental communities, where reciprocal exchanges of information could take place.

In many ways, the different local interpretations of innovation we can see in the non-LEADER projects fit closely with those definitions found in LEADER. Certainly, the interpretations described above fit within the Rural Observatory dossier on innovation, in that we can observe practices that are new to the local area; and diversification of local economies. Furthermore, the case studies outlined above in some ways mirror the policy context for innovation in their respective countries, in that the projects are creating and developing new products and services, although these are not necessarily the high-tech, science and business-driven products envisaged in policy discourses of innovation. Instead, what we see is that rural actors situate their innovative behaviour in traditional and emerging rural sectors – in agriculture, tourism and services. It would seem, at this stage at least, that rural actors do not see their traditional industries as being obsolete and anti-modern, as they can sometimes be portrayed in innovation policy, but instead see that there is still economic and social value in developing and adapting those industries. For local actors, therefore, traditional products and processes can take on new forms and still have value.

6.3 The practice of innovative economic development

The previous section outlined the different ways in which local actors conceptualised innovation. As outlined in section 6.2, local actors in our study areas understood innovation to be concerned with the development and production of products and processes that were new to their area and which could diversify the local economy. As the Table 1 shows, this was the explicit aim of our projects in all cases, and was actually achieved in most.

What is more interesting is that, beyond these stated objectives around new products and diversification, innovative projects also achieved innovation in social processes, involving the creation of new networks and social relationships; the strengthening of local identities, and the creation and dissemination of knowledge. These social forms of innovation go beyond both local actors own definitions of the term and beyond those of policymakers. The following section of the report will use our case studies to explore these innovations in social processes in more detail, focusing on the need for cooperation in innovation, and exploring examples of the different types of cooperation and relationship-building we found across our case study areas.

In many cases, innovative activities in our case study areas were developed by individuals with a particular passion or idea, or government development agencies. While the number of actors engaged in developing innovative ideas was very small, implementing those ideas in practice necessitated the involvement of a number of different actors, which required *cooperation*. It is this process which has led to new forms of cooperation, networks and relationship-building in rural areas, which has in itself proved to be very innovative in most of our cases. Governmental actors sometimes play a key role in developing these relationships, as they are able to build on and bring together their existing networks of contacts and institutions, and to negotiate between these institutions and local residents and businesses. On other occasions, governmental actors can obstruct such processes. In several case studies, the presence of even one supportive governmental or political actor was able to

influence the success of projects. In the Czech Republic, a planned development for a tourist marina on Žernosecké Lake (proposed by a private entrepreneur) lacked support in the local council. The only supportive actor was the mayor who organised a referendum in the village to solicit local residents' views, and with 85% of people supporting the plans for the marina, the consent of the council was secured. The mayor was then able to extend the scope of the plans, and negotiate with other authorities and help to secure additional finance in order to realise the new vision for the project.

Government actors can clearly play an important role in developing relationships to allow innovation to take place. However, in many cases, actors were able to negotiate with each other without government intermediaries. In Hungary, the development of a Social Museum in Kócsújfalu involved cooperation between different institutions. The project was proposed by the Telepések Social Museum Foundation, an organisation external to the village. The purpose of the museum was to act as a site of memory of the camps for deportees in the region, and as a research centre. This project involved cooperation between a number of different agencies, including the Telepések Social Museum Foundation, local government, the Hortobágy National Park, and the Menora Foundation (concerned with local and regional Jewish history).

In South Italy, the dynamics of the relationships involved in the production of bergamot were renegotiated when local producers diversified into organic production. A small group of fifteen producers, led by an individual entrepreneur (external to the area, but whose grandfather had been involved in bergamot production in the locality for many years), decided to circumvent the bigger, oligopolistic exporters who traditionally processed and sold bergamot essence. The organic producers took an alternative route to developing and selling their product by retaining control over processing, establishing a relationship with a new client, the Body Shop, and selling bergamot essence to them directly. The Body Shop has since taken on a quasi-developmental role in the area, promoting the region and its produce internationally.

In North Italy, a project which provides environmental guides and environmental education in the Po Delta Regional Park has established new, cooperative relationships between farmers and the environmental guides. The guides have a daily presence in the region, and exchange knowledge and information with farmers, who are in turn able to inform the guides of local environmental conditions – the presence or decline of plants and animals – on their land. This new relationship has enabled the guides and the farmers to identify common projects, leading to further partnership working.

Finally, in Ireland and Sweden we can observe new relationships developing between institutions and local communities. Both case studies have a high level of community involvement in activities in which residents would not normally be engaged. In Ireland, the Tipperary institute is a higher education establishment, which also engages in rural development and business and community support. Although it is not the only higher education institute in Ireland which provides courses in rural development, it is unique in the ways in which it works with local and regional institutions, and provides outreach research, training and consultancy to local communities and businesses for a reduced fee. Furthermore, the agency not only contributes to local communities, but encourages local communities to contribute to

the work of the college – the Institute’s courses are developed in consultation with local communities, clients and national level organisations. A course that is currently in development is a community leadership programme, the idea for which came from local community groups.

The Swedish team examined a wind farm cooperative, Slättens Wind, which takes a more inclusive, bottom-up approach to wind farm development than countries such as the UK. In Scotland, for example, a wind farm development on the Isle of Skye was proposed by a private landowner, and local residents were not able to have an input into the plans until they had been lodged with the local government planning committee. In the Swedish case study, however, local residents become not only stakeholders in the wind farm but also shareholders. Furthermore, while wind farms are often imposed by private landowners or companies, Slättens Wind aims to engage local residents from the outset – the cooperative distributes information, a graphic visualisation of the plans, an invitation to buy shares, and holds a social event which takes place in the shadow of the turbines. In this way, the wind farms are not imposed on local people, but are instead developed with local people. This in turn contributes to the creation of more positive views about wind farms, which can often be viewed negatively because of their visual and aural impact.

The result of these innovative projects has been to create and deepen networks and relationships between different local actors, between different institutions and between institutions and communities. Furthermore, some of the projects have had a profound impact on relationships *within* communities, building social capital, increasing local people’s confidence in themselves, and creating and reinforcing collective identities. In Spain, both the Clot d’en Simó project and the Alto Palancia projects enabled farmers engaged in agricultural cooperatives to change their relationships with the natural environment and its potential, a key component of local rural identity. In the Clot d’en Simó project, the preservation of Millennial olive trees not only allowed the cooperative to develop a new product (millennial olive oil), but also protected and enhanced the area’s historical and natural heritage.

In Scotland, the purpose of the country’s only Gaelic-medium college, Sabhal Mòr Ostaig (SMO), was to both protect the Gaelic language but to also make the language a key part of contemporary Scottish identity. Rather than viewing the language as an historical artefact, the founder of the college wanted the language to be used in contemporary settings, to be the language of business, management, and economic development. The college wanted to use the revitalisation of the language as a means of facilitating the economic development of the region. The aim was to revive the language and culture in order to give people pride in their heritage and identity, and instil a confidence in them that would spur them to achieve.

In Germany, the public employment association, Usedom Aktiv, also valorised local identities. The project built up the social capital in the region, giving local actors pride in their abilities and the confidence to participate in civil society. Like SMO in Scotland, the project supported and developed traditional activities and identities – in this case, traditional handicrafts – and developed those into viable contemporary industries, which had value in themselves and as key components of a burgeoning local tourism industry. That these activities have value for politicians and tourists outside of the locality has significantly strengthened local identity.

The majority of the research teams identified these innovations in local social relationships, networking and organisation to be amongst the key achievements of their case studies. What is particularly interesting about this development is that, in most cases, such activities were not an explicit aim of the project, but occurred while projects were pursuing other innovative ideas. This is evidenced in the fact that, for most local actors, their understanding of what innovation should aim to achieve focused on developing new products and services, rather than on changing social practices. As the Spanish team noted, “innovation processes came spontaneously as a consequence of trying to achieve differentiated products and services” (Country report, p.24).

6.3.1 Discussion

The case studies presented above show that, while local actors were pursuing their own straightforward understandings of innovation, in practice such activities also resulted in innovative social practices, including partnership working and strengthening local identities. Such activities were not a feature of local discourses of innovation, nor were they an explicit aim of our innovative projects. Furthermore, these innovations in social processes were not a feature of the policy discourses in our case study countries. Within government documents, innovation was commonly defined as a process by which expert knowledge drives business development, which clearly does not resonate well with the practice of innovation in rural areas described above.

While these social innovations do not fit with any local or policy definitions of innovation, there are many similarities with the guidance on innovation produced by the Rural Observatory for the LEADER programme. The dossier outlined three directions in which innovation occurred within LEADER: the diversification of local economies; the intensification of interactions between the local and global context; and the strengthening of relations between local actors towards new internal or local synergies. All of these activities can be observed in the non-LEADER projects explored by our country teams. The changing nature of agricultural production (Spain; South Italy; Greece; Poland); the creation of new services (Scotland; Sweden; Germany; North Italy; Ireland; Hungary; the Czech Republic); and supporting growth in new and developing sectors such as tourism (Poland; Germany; North Italy; Czech Republic; Hungary) all contribute to the diversification of local economies. The intensification of local and global relationships arguably occurred in the case of the Czech Republic, with the integration of the marina into a global network of marinas; and in South Italy, where a local product has been sold directly by the bergamot cooperative to an international company.

Finally, there is the strengthening of relationships between local actors. The Rural Observatory elaborated on this process, stating that “the innovation process was usually seen to involve the formation of stronger ties or new relationships between actors, translating particularly into collective learning, the creation of new common references and a change in certain rules of the game at the local level” (Input Paper: 7). This process has been a key area of innovative activity in our case studies, albeit a process that was not identified by local actors as an aim of their projects, nor was it necessarily an outcome which they recognised, but such innovation clearly took place

nevertheless. The process of collective learning is more difficult to identify, but will be explored in section 6.5 below.

The fact that the experience of non-LEADER projects so closely mirrors the Rural Observatory's analysis of LEADER is particularly interesting. It is difficult to ascertain whether this occurred by chance, or whether the influence of LEADER is such that it has transformed the context for rural development more broadly.

6.4 Knowledge forms and social actors in non-LEADER projects

The over-arching aim of WP8 was to identify the potential and conditions of transfer of the knowledges and experience involved for sustainable rural development. The core of the IED study is an analysis in the study areas of the preconditions, knowledge forms, skills and capacities required for innovatory economic projects. The following section will explore the different types of actors engaged in innovative non-LEADER projects, focusing in particular on the types of knowledges and skills that they bring, and examining whether and how these different types of knowledge combine to produce innovative activities.

6.4.1 Drivers of innovation

The impetus for the innovative projects outlined in our case study areas often came from actors external to the locality. These actors were sometimes described as rural actors, or actors who were returning to a locality after a period away (such as the founder of UnionBerg in South Italy, who took over his grandfather's bergamot farm after spending some time working as a lawyer), but in the majority of cases, project founders were outsiders nonetheless. Their drive to start innovative enterprises came from their knowledge and expertise in particular fields, such as the Kócsújfalu Social Museum in Hungary; the Tipperary Institute in Ireland, or Aqua Servizi Ambientali, the environmental services enterprise in North Italy. Many projects were initiated purely as the result of a particular actor's passions and interests. Sabhal Mòr Ostaig in Scotland was founded by a merchant banker with an interest, but no expertise, in the Gaelic language. The Indian Tourist Farm in Poland was founded because of the owners' long-standing interest in Native American culture and history, and their desire to move to the countryside. The International Tourist Marina in the Czech Republic was borne out of a smaller plan by an external actor with a passion for sailing and waterborne sports, who wanted to build a house on the shores of the lake with a marina for his boat. For this group of actors, their passion for a particular project did not always mean that they had the expertise to realise their vision, certainly not at the outset. In the pursuit of those passions, however, these actors were able to either acquire the knowledge needed to make a success of the project, or they were able to gather together actors with the relevant expertise. A sample of case studies demonstrates some of the different combinations of knowledge used to develop and operationalise innovative ideas.

Sabhal Mòr Ostaig, Gaelic College, Scotland: The college was founded by a merchant banker, who had an interest in the Gaelic language. He bought part of an estate on the Isle of Skye, and decided to turn its large barn into a college. He put together a board of trustees, who had experience in the Gaelic language, business and

education, and began recruiting staff who could teach in Gaelic. Skye and Lochalsh Enterprise (SALE), a local economic development agency, has provided advice and financial support to the college over a number of years. Both the UK government and the Scottish Executive have also provided advice and grant money.

Wildlife Nature Park, Klepelshagen, Germany: The initiative for the foundation came from a private actor with a passion for nature conservation and sustainable land use. He donated a farm estate in Klepelshagen to the German Wildlife Foundation (DeWiSt), which established a research station; undertook habitat regeneration, and set up a farm producing organic food. Working with local people, tourist associations, a local hostel and the rural development network, the project developed a wildlife park. The project involves groups with expertise in, and responsibilities for, land use (forestry and environmental groups), and also regional science agencies for the research elements of the project.

Clot d'en Simó, Rural Development Cooperative, Spain: The cooperative was established in 2002 as part of the INTERCOOP Cooperative Group, which gathers together a number of local rural agrarian cooperatives. The idea emerged from a common worry shared by members of INTERCOOP that a different approach was needed to address the longstanding decline of the area. Clot d'en Simó focuses on the production, valorisation and commercialisation of olive oil and of the natural heritage of the area. The project was designed by the technical staff of INTERCOOP who were facilitated by local cooperative leaders, who also promoted the project to their members.

Willow Production for Biomass Fuel, Poland: The project was established as a result of the local gmina leaders' search for a diversified local agriculture. A local actor who was a farmer and a councillor both helped to initiate and popularise the project in the region. A newly elected governor of the gmina provided support and promoted the project in the media. Financial support was provided by the regional authorities. Bioenergia was an essential institutional actor between the community office and the farmers. Farmers both implemented the plans and helped to convince farmers in other areas that changing to willow production was worthwhile, by demonstrating the success of their own farms.

Kócsújfalu Social Museum, Hungary: The project was launched in 2004 at a scientific symposium organised by Telepesek Social Museum Foundation (TSMF), supported by the Hortobágy National Park and the local government. TSMF suggested founding a social museum of deportees and research centre in the region, and the delegates of the conference, including scientists, regional development experts, representatives of deportees and local people, began to plan the location and scope of the project. The project was then realised through the TSMF (as the holder of expert knowledge, organising meetings, coordinating programmes, project leader); local government (knowledge of the region, project coordination and management, finance and general support); Hortobágy National Park (marketing, infrastructure and provision of social capital); and the Menora Foundation (knowledge of local history and connection with institutions).

Aqua Servizi Ambientali, environmental services enterprise, North Italy: The project was founded by two local actors who were born and live in the Delta Po area. In the

late 1980s, they were involved in promoting a project for the World Wildlife Foundation, which aimed to train nature guides. On completing the course, the founders and participants established the Association of Naturalistic Guides, and from there the two local actors established their own environmental service enterprise. This drew on their own tacit knowledge acquired from living in the area, and the expert knowledge they developed from attending training and education courses. The company works with young graduates in scientific disciplines such as forestry and biology; farmers who have an intimate knowledge of the conditions of wildlife and habitats on their lands; fishermen; and tourism entrepreneurs who have helped to promote and expand the service.

Slättens Wind Economic Cooperative, Sweden: The project was developed by a company called Eolus Wind, which builds wind power plants. As the level of interest in wind farms in the region grew, the Director of an existing wind farm cooperative decided that the region could support its own cooperative. The project was financed by a local bank. The chairman of the new cooperative works for Eolus Wind. The project combines different knowledge types. It depends on expert and scientific knowledge from the company that produce the wind power technology. Members of the wind power community use their acquired expert knowledge of technology and legislation and combine that with their knowledge of local economic, social and cultural conditions to establish cooperatives that link the technology to the specific conditions of a locality. Lay knowledge is embedded through the local shareholders in the cooperative.

The case studies presented above demonstrate that there are many different kinds of knowledge types involved in innovative economic development, and a number of groups of actors who contribute different types of knowledge. These knowledge types are perhaps best broken down into expert, managerial and lay knowledge, which we will explore in turn. It should be noted, though, that only rarely were projects founded by government actors trying to foster change in a particular area.

6.4.2 Expert knowledge

All of our projects required expert knowledge in one form or another. Often, this knowledge was required at the very outset of projects, and provided the initial spark or idea. In the cases of the Tipperary Institute (Ireland); the Kócsújfalu Social Museum (Hungary) and the Wildlife Foundation (Germany), projects were initiated by recognised experts in their respective fields. A major component of all three of these cases was education, and the purpose of the case studies was to undertake research and to share knowledge. In the cases of the Native American Tourist Farm (Poland) and the International Tourist Marina (Czech Republic), the initial ideas for projects came from the main actors' own expertise. Such actors were not arguably recognised experts, but had passions for particular interests born out of their experience – in these cases, sailing and Native American culture and history – that allow us to consider them as experts in these areas. Where projects were not born out of expert knowledge, such knowledge was usually sought out and used almost immediately after projects were launched in order to enable them to function. In Scotland, for example, the founder of Sabhal Mòr Ostaig had an interest in Gaelic, and had to gather around him experts in education and in Gaelic in order to allow the college to operate.

There are several different types of expert knowledge involved in our projects. These include the various areas of expertise involved in the different case studies: education; agriculture; energy; engineering; wildlife; bergamot production; olive oil production; the history of Jewish refugees and so on. In many cases, this knowledge can be considered as codified: for example, the engineers involved in the Tipperary Energy Agency have engineering degrees; the technical specialists involved in producing wind turbines in Sweden have appropriate qualifications. However, in many other cases actors have acquired their expert knowledge simply through their experience. In North Italy, the founders of Aqua Servizi Ambientali have acquired their knowledge of wildlife and the local environmental conditions in the Delta Po area by living in the area all their lives, and being raised in families who took an interest in environmental issues. Due to their long experience in environmental issues, they can be considered experts in this field. In Sweden, members of the wind power community have acquired extensive knowledge on technology, legislation and economic conditions, but again, do not necessarily have codified knowledge in these areas, nor are they necessarily employed in these specific fields.

6.4.3 Managerial knowledge

The role of bureaucratic, and managerial knowledge is essential to the functioning of almost all of our projects, regardless of the scale at which they operate. This managerial knowledge consists of the skills required to run projects on a day-to-day basis, including management of human and financial resources, grants, legislation, and the bureaucracy, rules and operating procedures of various government agencies. This knowledge is held by those actors initiating the projects – experts or actors with a particular passion – but is more often held by governmental and political actors, such as local authorities, development agencies, and local politicians.

In Germany, Ireland, Greece and Poland, innovative projects were started by institutional actors. In Germany, the district government created a public employment and job creation initiative, engaging employees of two enterprises (which went into bankruptcy) in public not-for-profit activities. In Ireland, the Tipperary Energy Agency was set up by two local authorities. The project was developed with advice from European energy agencies; staff from the Tipperary institute; local politicians; the Waterford Institute of Technology and the Cork Country Energy Agency, who used their knowledge of the grants system to help the TEA in securing European funding. The Melissa Project in Greece, which aimed to diversify local agriculture and change the ways in which farmers worked together, was initiated by AN.KA, the development agency of Karditsa, drawing in expert advisors and technical specialists, despite a lack of support from government. Finally, in Poland, the project to grow willow for biomass fuel grew out of local government debates and policies on alternative energy sources. The Commune Office initiated construction of a biomass heating system, which provided the impetus to start the willow plantation project.

However, in the majority of cases, the involvement of government actors, politicians and development agencies came later, after the idea for a project had been created by other actors. Nevertheless, the role of these institutional actors was vital to the success of many of the projects. The managerial and bureaucratic knowledge provided by these actors was important, particularly in negotiating local legislation and securing funding. The most important contribution made, however, was in developing networks, drawing together disparate groups of actors, and in promoting projects. In

Hungary, the idea for the Kócsújfalu Social Museum came from a group of different actors at a special conference. The project teams notes, however, that the cooperation between the Telepesek Social Museum Foundation and local government was particularly important for making the project work. Local government was not only able to provide detailed knowledge of the region and the ways in which it could support such a project, but was also able to provide experience of coordinating such a project involving a large number of actors. In the Czech Republic, there was only minor support offered by national and local government for the International Tourist Marina, and it seemed, at first, that without this support the project might not come to fruition. However, the local mayor played a key role in promoting the project, and was able to use his position to persuade the council to hold a referendum, promote the project locally, and extend the scope of the plans once the level of support from lay actors became clear.

While government actors, agencies and politicians have been instrumental in providing advice, support, finance, and networking skills in most of our projects, there are a number of exceptions. Of the three cooperatives examined under CORASON – Clot d'en Simó (Spain), Alto Palancia (Spain), and UnionBerg (South Italy) – only one (Alto Palancia) has good relationships with institutional actors. This includes the regional Department of Agriculture, local Councils, and some local mayors, who are members of the cooperative committee. The other two cooperatives do not make much use of the knowledge of local institutions. Indeed, both the Southern and Northern Italian teams report weak political input. In North Italy, government actors have invested very little finance in the Venetian part of the Po Delta, and do not contribute directly to the Aqua Servizi Ambientali project. While relationships between the project and governmental actors is not poor, the relationships are not stable or deep enough to share projects and ideas.

6.4.4 Lay knowledge

Lay knowledge was identified as an important element of most of our case studies, all of which engage lay actors in a variety of different roles. There are, however, significant differences in the ways in which lay knowledge is used in our case studies, relating to the level of involvement of lay actors.

The use of lay knowledge in designing and influencing the scope of projects was particularly strong in Ireland, Germany and North Italy. The Tipperary Institute in Ireland is a further education institution which focuses on rural development. One of the key reasons why the TI is so innovative is that lay actors are able to influence the types, and content, of courses taught through the TI. The Institute has recently introduced a community leadership programme in response to requests from lay actors. This lay knowledge is combined with ICT knowledge and the expertise of education professionals to construct courses that are innovative in subject matter and the teaching practices used. In this case, lay knowledge is accorded high status within decision-making structures.

In Germany, the Usedom Aktiv Public Employment Association also highly values lay knowledge. The aim of the project is to improve the skills and knowledge of local people while at the same time preserving traditional skills and manufacturing techniques. This knowledge of traditional skills, handicrafts, agriculture and artisan work is not documented, and the professions which fostered that knowledge are no

longer in operation. The majority of the knowledge around these skills is, therefore, held within the local community (and, to some extent, within museums of local history). Lay knowledge has proved vital to the running of this project.

In North Italy, lay knowledge is a key component in shaping the work undertaken by Aqua Servizi Ambientali. As described earlier, the two main actors in the project can be considered experts in their field, but their knowledge of the local environment and wildlife was largely developed tacitly, by their experiences of living in the area for many years, and being raised in families with a keen interest in the local environmental conditions. The project is therefore founded on the combination of lay and expert knowledge held by these two actors. Furthermore, the project founders visit the local territory every day and have developed strong relationships with local actors in the area including farmers and fishermen, who are able to provide information about local conditions. The team notes:

“Daily relations have encouraged a reciprocal trust among many local entrepreneurs and tourist guides, that have supported a reciprocal exchange of methods and information; for example, farmers indicate the presence of particular kinds of animals to the guides and can ask them not to raise the water level in certain months of the year in which it can harm the avifauna” (CR: p20).

Lay knowledge in all three of these cases plays a central role in developing and shaping the scope of these projects. These cases arguably represent the strongest use of lay knowledge of all of our cases.

Case studies in Germany, Scotland and South Italy were founded on the need to preserve, enhance and share traditional skills and knowledges. While lay knowledge in Scotland and South Italy did not necessarily define the projects as it did in Germany’s Usedom Aktiv Public Employment Association, it remains a key component of the projects’ work. In South Italy, the Bergamote Foundation is attempting to promote alternative uses of bergamot, including in cuisine and medicine, and handicrafts based on traditional artisan work.

In Scotland, Sabhal Mòr Ostaig aimed to pursue economic development by reviving the traditional language as something to be used in every day situations, rather than simply studied. Initially, the college’s mission aimed to build on local tacit knowledge of the language – the teaching staff spoke Gaelic and students had to have sufficient understanding of the language to be able to be taught through the medium of Gaelic. As the number of native Gaelic speaking students has fallen, however, the college has had to move towards a more codified approach to developing the language, and provides a foundation course for students to acquire the language skills necessary to be taught their degree courses (in subjects such as media studies) in Gaelic.

In one case, lay knowledge was actually seen as a hindrance, rather than as a valuable asset to a project. The Tipperary Energy Agency in Ireland argues that local people do not understand or are not aware of energy issues, which makes promoting the project very difficult. The Irish team note that the TEA has a very top-down view of innovative economic development, seeing themselves as experts ‘above’ the knowledge of local people, providing them with data to demonstrate that it is in local

people's interests to change the way that they use energy. The TEA only engages with lay actors in a limited way, viewing lay knowledge as a problem to be fixed, rather than as contributing to their work. This contrasts quite sharply with the Swedish case study of Slättens Wind (discussed further below), which views lay knowledge as an important component in successfully implementing renewable energy technologies.

However, the TEA is an exception to our other cases, which see a role for lay knowledge in IED. In some of the cases described above used lay knowledge as a starting point for projects (either managing and shaping projects, or trying to recover traditional lay knowledges and skills), but in the majority of our cases studies lay actors' main involvement comes primarily in the *implementation* phases of a project, rather than in project design or management. The involvement of lay actors and their level of support for particular projects appears crucial to the success of projects and to their abilities to effect change in their localities. In the agricultural case studies, lay actors tend to be the *subject* of innovative projects and actions, so garnering their support is vital. In the case of the two Spanish agrarian cooperatives – Clot d'en Simó and Alto Palancia – projects were devised by technical specialists, cooperative management and local leaders. However, change was driven by the members; the success of projects depended on members adopting new practices. In some cases, local members needed convincing of the value of such activities for, as the research team noted, the projects were trying to effect change in traditional industries where local actors were resistant to change.

In the Czech Republic, lay knowledge did not feed into the plans for the International Tourist Marina to any great extent (with only the local mayor having a real influence over the scope of the proposition). However, without the overwhelming support of lay actors through the village referendum it is unlikely that that plans would have been passed by the local council.

Two case studies demonstrate the difference that lay actors can make to the success of a project. In Greece, the Melissa project was created by a local development agency, AN.KA. The project aimed to establish a large-scale community wide farm, consisting of the small scale private farms. This would create a new territorial structure and local produce could be certified for quality under the farm's umbrella. Farms could integrate and adopt rotation between them instead, breaking away from traditional monoculture. The project was formed through consultation with a large group of experts, and was publicised by AN.KA and the experts through public meetings. Unfortunately, it seemed that farmers and AN.KA understood the aims of the project very differently – AN.KA viewed the project as a collaboration with farmers; and the farmers saw the project as proposing a new production system, and securing better prices for their produce. AN.KA deny that higher prices were part of the original project design. Furthermore, the farmers understood that AN.KA would be leading the project, whereas AN.KA saw itself as servicing the farmers. There was a clear lack of communication about the aims and objectives of the project, which is partly a result of the way that the project was represented to farmers, and partly a result of a lack of knowledge by the experts of the socio-economic conditions of the village and farmers. The Greek research team argue that an understanding of these issues would have brought to the light the weak sides of the project for the local area (ie. lack of understanding of farmers' situation and motives, lack of strategic communication and participative processes, lack of clear and commonly defined

objectives and alternatives, etc). Although the project did transform some farmers approaches to cultivation (following more environmentally friendly practices), it did not genuinely transform the farmers' willingness to take risks or reorganise themselves as they could not see the benefits, and choose instead to rely more on their own experience.

In contrast, Slättens Wind Farm Cooperative in Sweden took a more collaborative approach to project implementation. Like the Melissa project, the Swedish case is arguably driven from the top-down. The technology comes from the wind power company itself, and the local implementation of that technology comes from members of the wind power community. The proposals for a wind farm are then developed with local people. Information is sent to all households within one kilometre of the projected park, which includes information, a graphic visualisation of what the park will look like and an invitation to join the project by buying shares. In this way, a sense of collaboration is engendered within the community so that, rather than seeing the proposals as an intrusion, they are more welcoming of the development. A cooperative is then constructed that involves local people, who are able to share their knowledge of the locality, and have access to the expert knowledge of the wind power community initiating the project. The Swedish research team note: The lay knowledge dimension is not central to the technology per se, but is nonetheless all important to its application, simply because the existence of a technology and its rate of application are two completely different things" (CR: p. 26). The team argue that the successful integration of lay knowledge in the project is evidenced by the fact that there are so many shareholders and people willing to establish schemes of their own.

The two case studies show how crucial the involvement of lay actors and the manner of their involvement are to the successful implementation of programmes and projects. In the Greek case, the project was imposed from the top down, with confusion about the project's aims and objectives, leading to a less than successful take-up of the projects' ideas. In contrast, the Slättens Wind project, while also driven by external actors, was more successful in its implementation as it engaged in a dialogue with lay actors from the outset.

What is clear from all of the case studies presented here is that both the knowledge and the support of local actors are key to the success and sustainability of innovative projects. However, the extent to which projects rely on lay knowledge is far less clear. A key aim many of our projects has been to share expert and specialist knowledge amongst lay actors to transform the context for particular activities in localities – approaches to environmental protection, the production of a particular agricultural product, the preservation of traditional skills – but neither the design nor the management of these projects depended on lay knowledge. Given that lay actors are mainly involved in innovative activities at the implementation stage (indeed, their involvement here is crucial), we could argue that lay *knowledge* is less important to innovative projects than lay *support*.

6.5 Knowledge transfer

The previous sections examined the different types of knowledge involved in innovative economic development projects. It was established that most projects

involve a mix of expert, managerial and lay knowledge, with the latter being essential to the successful implementation of projects. With so many different types of knowledge involved in projects, it is inevitable (and appropriate) that knowledge will be transferred between different actors involved in projects, and between projects and actors external to those projects.

In some of our case studies, knowledge was shared formally with other actors. This was particularly true of the educational projects. In Scotland, for example, Sabhal Mòr Ostaig shares knowledge of Gaelic language and culture through formalised teaching programmes, festivals and events. The college also publicises its achievements through the media, and undertakes an annual televised lecture with invited speakers (including the UK Chancellor of the Exchequer). Similarly in the cases of the Tipperary Institute (Ireland) and the Usedom Aktiv Public Employment Association (Germany), knowledge about rural development and traditional skills are passed on through formalised training programmes. In Poland, the Willow for Biomass project also undertook successful dissemination, involving distribution of leaflets, brochures and campaign films, which directly contributed to the creation of five other projects.

In the majority of our projects, however, knowledge was shared more informally, through social networks or ties of reciprocity and exchange. In many projects, actors were able to acquire knowledge simply through their regular contact with other actors. In the cases of the two cooperatives in Spain – Clot d'en Simó and Alto Palancia – the projects were created by local leaders and technical specialists, but regular contact with the members of the cooperatives and new forms of organisation led to knowledge transfer. Indeed, the research team argued that close interpersonal relationships in the cooperatives can sometimes hinder change, “playing too excessive a role in a context that should be more entrepreneurial” (CR: p. 23).

In the Swedish wind farm cooperative, Slättens Wind, the embeddedness of actors within the cooperative structure led to learning and knowledge transfer. The members of the wind power community who helped to develop cooperatives have acquired expert knowledge, and are able to use that to situate the technology within a particular locale. By acting as a platform between the experts who develop the technology and the lay actors who will use that technology, the research team state that:

... they spread knowledge downward in the system and acquire new knowledge as these forms of knowledge merges with the lay foundation through the organisational structure of the cooperative (CR: p.22).

In Aqua Servizi Ambientali in North Italy, knowledge regarding the local environmental conditions was acquired in different ways by different actors – tacitly by the founders and local farmers and fishermen, and graduates' knowledge was acquired through their codified degree courses. Through their daily excursions into the local territory, each group of actors was able to exchange knowledge informally with the others, leading to collective learning.

Not all of our case studies were able to successfully exchange knowledge. In Ireland, the Tipperary Energy Agency did not seek to disseminate information (although they did not deny information to people seeking it out), because they are not paid to

undertake such a service and see it as a drain on their resources. Furthermore, one member of the TEA staff argued that, as the majority of staff are engineers, they are not skilled at providing public information and undertaking promotional work. In Greece, communication between the development agency responsible for the Melissa project, AN.KA, and local people was poor, with both sides failing to fully understand the views of the other. Although farmers did continue some of the practices and techniques acquired under the umbrella of the project, these changes have not been universally adopted. However, while the project did not work as expected, valuable lessons were learned about communication, bottom-up development, and the need for understanding local perspectives and the local socio-economic context.

In Poland, the Native American Tourist Farm represented a very radical approach to innovative economic development, but it has had a limited impact on the context for further IED in the locale. The research team identified three key reasons for this failure. First, the project itself is so different to what had gone before, the idea so original, that it takes time to be accepted by local people. Villagers have adopted a 'wait and see' approach, wanting evidence that such a venture can be profitable. Second is the closed nature of the local community, which has an aging population of local peasants, and is losing its young people through out-migration. The young people who choose to stay have low levels of entrepreneurship. Finally, the project's founders are outsiders to the locality, and do not have a network of social relations with local people: "Local people do not know them and so they keep a social distance. Innovation spread requires personal contact as without it there is no exchange of information" (CR: 35). This could clearly present a problem to a number of our case studies, many of which are driven by outsiders.

7. Discussion and Conclusions

7.1 What kinds of innovations support rural development?

Both the LEADER and the non-LEADER case studies show that ‘innovation’ is not usually an explicit goal of economic and cultural development projects. Indeed, innovation is a term that is rarely discussed at the local level. Local actors find that the term either carries too much weight of expectation, or seemingly has little relevance, given that in policy ‘innovation’ typically refers to business and scientific processes often associated with urban areas (which have the concentrations of expertise required to realise these types of innovative ideas). Instead of ‘innovation’, actors refer to the need to be competitive and productive.

When developing economic and cultural development activities, local actors often have other objectives in mind – the need to diversify agricultural production; the creation of a new product; establishing a particular service – and innovation occurs almost spontaneously as an off-shoot of these activities. Our case studies have shown that, in addition to their stated objectives, projects have achieved innovations in the social and cultural milieu: new forms of organisation; new forms of cooperation; strengthening and creating local identities; building social capital, and so on. It is these types of innovations which then provide the foundations for further innovative rural development activities. The Spanish team noted that LEADER was able to provide local people with sufficient confidence in their abilities that they were then able to go out and develop ideas for their own innovative projects; and the Polish team observed that local people look for evidence that innovative projects can be successful and profitable before they consider undertaking projects of their own. New forms of cooperation between different agencies and different groups of actors provide the conditions in which further activities can be developed. The North Italian team noted that close cooperation between farmers and environmental guides in the Aqua Servizi Ambientali project led to an exchange of ideas from which new projects could spring.

Contrary to policy approaches to innovation, which privilege technological and scientific innovations, many of our projects involved innovations within traditional rural industries, such as agriculture and local crafts. Such projects aim to develop and innovate within these industries, making them more efficient or perhaps more profitable, or linking them with new sectors (such as angling and tourism in Sweden, or linking traditional handicrafts with job creation and tourism in Germany). These projects demonstrate that these industries are not necessarily anti-modern and in need of replacement, as policy approaches sometimes suggest, but that they have value in supporting local economic development and local identities. Such projects make good use of existing skills and knowledges within communities, and clearly have value as profitable, innovative and rural approaches to development.

Many of the projects undertaken involve the creation and development of small enterprises, or take place in traditional industries. While this approach has been identified as appropriate to the skills base and markets of rural areas, such developments do not often hold great appeal for young people. Several country teams note that young people are often trying to get away from the traditional industries

such as agriculture and seasonal (and often part-time) tourism activities. While the small business sector is becoming increasingly important to rural economies, few young people are ready and willing to establish their own businesses on completing their education. Out-migration of young people from rural areas, therefore, remains a key problem.

7.2 How are innovative activities created, supported, maintained and spread?

The majority of the innovative projects studied were developed by actors external to the locality: development agencies; private entrepreneurs; actors from cities and from other rural areas; and, of course, LEADER/SAPARD. Within LEADER, the impetus for innovation also came from outsiders, including in-migrants and return-migrants, but more importantly from the development staff working for LEADER programmes locally. However, it must also be noted that, in many cases, ideas for projects also came from individual members of communities. LEADER has proved an important catalyst for rural innovation, 'importing' the concept of innovation into local areas. Several country teams argued that LEADER has affected the entire context for innovation in some rural areas, spurring people to undertake innovative activities outside the LEADER framework. Indeed, we can observe that many innovative activities in rural areas without LEADER confirm to the Rural Observatory's dossier on innovation, which identified three categories of innovation (diversification; strengthening the local-global context; and strengthening the relations between local actors). Whether this synergy is attributable to LEADER is a matter for further research.

Innovative activities are supported and maintained by combinations of different actors and different knowledge types. The majority of our case studies combined expert, managerial and lay knowledges, and engaged actors from local communities, specific areas of expertise, and politics. Partnership working is essential for maintaining innovative activities, and the deepening and strengthening of local relationships, and the formation of new networks has been a major source of innovation in many of our case study areas.

The knowledge created and acquired during the course of innovative projects is shared in a number of ways. Many projects undertook formal dissemination activities, seeking to recruit new people to projects and programmes. There were also many projects which had an education element, seeking to share knowledge around specific activities, such as conservation, agriculture, traditional skills, and traditional languages. However, in the majority of our case studies, knowledge was shared informally in the social milieu. Partnership working was a key mechanism for knowledge transfer. Often, actors engaged in innovative activities were drawn from a variety of different backgrounds, bringing with them a wealth of different knowledges and experiences. Regular contact and dialogue between different actors involved in projects and programmes inevitably leads to knowledge transfer. Furthermore, the building of relationships within communities, who many be engaged around specific projects, also leads to knowledge transfer. Several of our teams noted that actors in rural areas can be conservative when it comes to the change associated with innovative activities and will resist changing the status quo. These more 'cautious' actors often waited until there was clear evidence that innovative approaches worked

and had some benefits, before committing themselves to change. In such cases, informal exchanges within the community were valuable in sharing lessons.

7.3 What is the role of government and state in the innovation process?

There are three different levels of government that can be considered in this analysis. First, is the EU, which has played a major role in popularising the notion of innovation as a driver of economic development generally, and has demonstrated through LEADER/SAPARD that rural areas can also drive innovative activities. Many of our country teams argued that, without the influence of the EU, through programmes such as LEADER/SAPARD and the structural funds, the concept of innovation would not have the position that it does on policy agendas today.

Second, national level government plays an important role in negotiating the concept of innovation from the EU to the national level. Most of the national governments in our case study countries had developed some form of policy on innovative economic development. These policies ranged from the very robust, such as the Swedish approach, to the more weak, such as the Portuguese approach, where the Portuguese team argued that innovation was more of a word than a concept with any real influence. Most of the national level government placed themselves as facilitators of the innovation process, rather than the drivers, seeing their role as setting the agenda for innovation and creating the conditions in which it can flourish. In the main, national level innovation policies focused on scientific and technological innovations involving expert knowledge (usually, private businesses and universities), and made little mention of the specific contribution that could be made by actors in rural areas.

Finally, regional and local government often played important roles in fostering innovation in rural areas, although they could also prove obstructive where innovation threatened clientalism or other established power relations. In some of our case studies, regional/local governments developed their own strategies for encouraging innovative economic development, which were more relevant to the specific capacities of rural areas than national agendas. However, the main role played by regional and local government was far more practical, providing financial support for innovative activities; sharing bureaucratic and managerial expertise developed from their experiences of managing large, complicated projects involving a number of partners; bringing together different actors into new networks; and negotiating between those driving innovation and local people. Local government's role in promoting activities within the locality was important to the sustainability and success of the project and, in some cases, to the level of knowledge transfer.

7.4 What skills, competencies and capacities are needed to support IED?

As there is such a variety of innovative activities being undertaken in rural areas, there is no definitive answer to the kinds of skills required to support those activities. Some of our case studies required scientific knowledge, others agricultural, others cultural. However, despite the diversity of competencies involved in our case studies, a number of common issues emerge. First, given the importance of partnership working to innovative activities, then the ability to bring people together, negotiate

and network is extremely important to the sustainability of initiatives, and the level of support that they will receive in local communities. This is particularly important for those driving and supporting innovative activities. The problems caused by a lack of communication and network skills were well demonstrated in the case of the Melissa project in Greece, where the project did not operate as well as it should because of a lack of clarity around the aims and objectives, creating confusions amongst local people.

Second, local development agencies and local government bodies often play an important role in developing and sustaining innovative economic development. The level of staff capacity in these agencies is a key issue, and one which was highlighted in the Scottish LEADER programme. The Skye and Lochalsh LEADER programme has only one staff officer working full time on the project and, as such, it is difficult for her to promote the project and to work closely with local people, as the demands on her time make this very difficult. Moreover such staff were often lost in the funding hiatus between LEADER programmes, or in the crucial final year when future funding was uncertain. To administer programmes like LEADER and to engage with people face-to-face on a regular basis requires a certain level of staff capacity, which must be considered when planning such programmes.

Third is the matter of time, and this issue affects development agencies and local people differently. In the Scottish and Spanish LEADER case studies, country teams observed that pressure to spend the budget within a certain timetable led to projects being funded that would not necessarily be described as innovative. This was a particular problem at the outset of programmes when LAGs were trying to establish themselves as groups and settle into the programme and into working relationships. If more time was allowed at the outset of programmes, then LAGs and LEADER staff would be under less pressure to spend the budget and could be more selective as to what they deem innovative.

For local people, constraints on their time make it difficult for them to participate in programmes like LEADER. LEADER encourages local people to come forward with their own project ideas. However, many local people do not necessarily have the time to develop and manage projects, nor do they necessarily have the skills (or the time to acquire them). Bottom-up initiatives like LEADER can, therefore be problematic.

Finally, there are a number of issues around the capacities of people in rural areas to respond to the challenge of innovation. The Portuguese team perhaps captured this dilemma best. The populations of their case study areas were aging; many did not have a high level of education; and a good number of people had long been engaged in agricultural activities. Consequently, the team argued that local people were very resistant to change and lacked not only the skills but also the inclination to participate in innovative activities. This was true of many of our other case study areas, where encouraging people to change into new activities or adapt the old ones was extremely difficult. Furthermore, many of our case study areas lacked basic services, and some teams argued that local people were more concerned with getting these basic needs met than they were in participating in innovative projects.

7.5 What is specifically rural about the approaches taken?

Several of our case study teams noted that, in national government policies, innovation is a process more associated with urban areas than rural. These policies require greater concentrations of scientific and technological expertise and proximity to knowledge resources (particularly universities) than are found in rural areas. Furthermore, policies promote innovation in industries that are traditionally associated with urban areas: the scientific, medical, biotechnology, technology, and IT industries. Few policies and strategies on innovation mention the contribution that could be made by rural areas, arguably because rural areas are most frequently associated with agriculture.

In many ways our case studies support the ‘urban bias’ to innovation strategies. Many rural areas do not have the capacity to respond to the challenge of national innovation policies, they do not have the infrastructure or the numbers of skilled workers required; and nor do rural actors necessarily want to engage in such activities. Our cases studies do not engage in medical and biotechnology industries, they do not produce IT, they do not develop new technologies, and they do not manufacture completely new products. Rather than pursuing innovations that could compete in an international market, our case studies instead have pursued smaller developments and projects, looking to make changes in existing sectors. Many of these have taken place in traditional rural industries, such as agriculture and handicrafts, and emerging sectors, such as tourism. However, several of our case studies do use new technologies (even if they do not actually produce them), including renewable energy technologies, and new agricultural technologies which, as the Portuguese team demonstrated, rural actors are able to adapt to suit their own needs. In some cases, innovative activities have brought rural areas to the national and international stage: the Gaelic College on Skye has a strong international profile and attracts many students from overseas; and the bergamot producers of South Italy have developed a new product which they sell to an international corporation who, in turn, supports development within the region.

7.6 To what extent has the context for rural development been transformed?

Our case studies have confirmed, to some extent, the remarks made by Bruckmeier (2000) based on the German experience of LEADER. The projects examined in CORASON have introduced a new terminology and rhetoric of rural development, which was not that of local actors and local movements but derived more frequently from either the budgetary logic of EU regulations or from other external actors. Yet these experiences may have been transformative nevertheless.

Perhaps the most coherent way of viewing the transformative effects of these projects might be through Healey’s concept of *institutional capacity*, and the extent to which this has been built (see p.8 above). This allows us to consider together the knowledge resources, the relational resources and the mobilization capabilities and how far these have transformed the wider discourses which structure policy agendas and routinised practices. In this study we have seen how tacit and codified knowledges have worked together; we have noted how social and relational networks have been built and

strengthened in many cases, and how vital external relational networks have been; and finally we have seen how variable mobilisation capabilities are between rural areas and the potentially catalytic effect of external actors, development agencies and EU funds. But to what extent have these succeeded in transforming wider discourses?

National governments have viewed innovatory economic development in terms of the development and commercialisation of new technologies, so that government's role has been seen in terms of science policy and in bringing together SMEs and R&D actors, principally in urban areas. Prior to these projects, local actors in the rural areas studied in CORASON had shared this perception of innovation as alien to rural areas. Through the stimulus largely of external actors, development agencies and the EU LEADER programme, these rural development projects emerged and came to be seen in retrospect, reflexively, as innovative in quite a different sense, in terms of their social and cultural practices. This in turn has led to a broader understanding of what rural policy might entail, at least on the part of some actors in some places.

This change in thinking is apparent in speeches made by a senior official in the EU's DG Agriculture (Ahner 2004), in attempts by countries such as Finland to mainstream the LEADER approach into national rural development policies (Pylkkanen and Hyyrylainen (2005) and in responses from many of the local actors interviewed in this study. The OECD (2006) has referred to this change in thinking as "a paradigm shift in rural policy" which is now being implemented in many countries (p.102). On the other hand, many EU countries' Rural Development Plans for 2007-13 retreat from such approaches (embodied in Axis 4) in the face of budgetary pressures and the power of vested farming and environmental interests. This echoes the earlier experience of Hungary, where SAPARD was viewed by local actors as hugely innovative in social and cultural terms, but this approach has not been continued in subsequent national programmes (see p.24 above).

We have noted in this report that innovatory economic development is understood in reflecting on the practical experience of rural development in terms of *social innovation* (to encourage local linkage and collective learning cultures) and *cultural innovation* (to improve the rural milieu) rather than in the sense of *science policy* and *technological innovation* (p.17 above) which dominates national policy discourses. This suggests a strong contrast with urban regeneration discourses which tend to include all three. Moreover, the new products and diversification which have been achieved in these rural areas have not been in hi-tech sectors but have tended to be in agriculture, tourism and services.

In conclusion, this study emphasises the importance not only of the contributions to innovatory economic development of social policy and cultural policy alongside science policy. It also points to the need to adjust rural development policies and practices to the "stretched geographies of knowledge production and acquisition", thinking beyond the boundedness of territories (rural or urban) to see each place and its development in relation to national and international networks.

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