Kim POLLERMANN*, Petra RAUE* and Gitta SCHNAUT*

**Rural Development experiences in Germany: opportunities and obstacles in fostering smart places through LEADER**

To discuss the impact of LEADER on improving ‘smart places’, the findings of the evaluation of Rural Development Programmes in Germany are presented. A survey of Local Action Group (LAG) members shows positive results about the quality of cooperation and communication within the LAG. Although there are obstacles for innovation, LEADER shows what is already possible in very different fields such as youth projects for qualifications, concepts for sustainable use of energy or innovative ways to organise social infrastructure. Relevant obstacles are bureaucratic restrictions. To use the opportunities, it is advisable not to set narrow limits for the size of the regions; the regions should decide on this themselves. Also, for the selection of projects no narrow administrative restrictions should apply to the kinds of projects that are eligible. To benefit from the original strengths of the LEADER approach, greater freedom for locally managed actions would be required.

**Keywords:** rural development, innovation, LEADER, funding, networking, smart

* Thünen-Institut, Bundesallee 50, 38116 Braunschweig, Germany. Corresponding author: kim.pollermann@ti.bund.de

---

**Introduction**

Rural change is a complex and nuanced phenomenon. The more that policy makers understand the local experience, and the more the intervention strategy can accommodate the full range of regional differences, the more effective it will be (Copus et al., 2011). The Europe 2020 Strategy (EC, 2010) is designed to generate smart, sustainable and inclusive growth in the European Union (EU). The ‘New Rural Paradigm’ (OECD, 2006) puts forward the concept of territorial dynamics to denote a set of specific regional and local factors, structures and tendencies. These include entrepreneurial traditions, public and private networks, work ethics, regional identity, participation and attractiveness of the cultural and natural environment. In the light of the growing importance of territorial (rather than sectoral) approaches, in the EU fostering ‘smart places’ is a crucial aim for rural areas.

The challenges and problem situations in rural areas are very different. On the one hand, possibilities for attractive employment opportunities are few in disadvantaged regions and inhabitants might feel less connected to their area. Also, their willingness to invest time and capital to improve the ‘liveability’ of their habitat deteriorates. Highly educated persons are often the first to leave, causing a so-called ‘brain-drain’ which leads to rural areas with low potential (Stockdale, 2006; Wellbrock et al., 2012). On the other hand, there are rural regions which are successful in seizing the opportunities arising from globalisation and thus are referred as ‘hot-spots’ of development (Wiskerke, 2007, quoted by Wellbrock et al., 2012; BBR 2008). Faced with the complexity and variety of rural development paths it is common to stress the uniqueness of each individual rural area (Copus et al., 2011).

There is a hypothesis that the factors behind the different economic performances of rural regions are related to the interplay of local and global forces, in which territorial dynamics, population dynamics and the globalisation process are the main determinants (Terluin, 2003; Agarwal et al., 2009). By analysing differences in the economic performance of rural regions, Terluin (2003) proposes a general guideline for their economic development strategies that recommends improving the capacity (knowledge, skills and attitude) of local actors to establish and sustain development within the region as one of the key issues. Successful development approaches therefore include human skills, capacity building and innovation as crucial elements (Pollermann, 2006; Tomaney, 2010). Thereby knowledge processes and innovation take place within specific social and cultural contexts and networks of social relations, and innovation is essential for fostering smart places in rural areas (Bruckmeyer and Tovey, 2008; Neumeier, 2011; Bock, 2012).

It has become apparent that in the context of innovation an insight into the driving forces behind the economic performance of rural regions is not only of scientific interest, but also of high political relevance (Terluin, 2003). This matches with the Europe 2020 Strategy’s priority of smart growth (EC, 2010) and leads to the question, how could the creation of smart places be supported by state-driven opportunity structures? Such a policy must be able to address very different problem situations, because the support required for innovation in rural areas is highly context dependent and problem specific (Tovey, 2008; Wellbrock et al., 2012). The success of the support depends on the establishment of effective, co-operative and operational partnerships between different actors (Wellbrock et al., 2012). The support for fostering the ‘smartness’ of rural areas is connected with the concept of social innovation, which was born from the ongoing debate and critique on traditional innovation theory with its focus on material and technological inventions, scientific knowledge and the economic rationale of innovation (Bock, 2012).

The Rural Development Programmes (RDP) funded by the EU support a wide range of activities. Thereby an integrated approach to rural development seems to contribute more to this highly complex task than sectoral approaches. Thus rural development must deal with multifunctionality (Gallent et al., 2008) and the accordant planning processes should work with ‘integrated development strategies’ (Brodda, 2007) as a comprehensive territorial development approach that is based on the strengths, weaknesses, opportunities for, and threats to, a region (Terluin, 2003). The LEADER approach is one part of this, and employs a bottom-up, participatory approach in which stakeholders from
different institutions together form a Local Action Group (LAG) as a kind of a public-private partnership that makes decisions about the financial support for projects. Those projects must contribute to the objectives of Local Development Strategies (LDS) formulated by the LAG members.

LEADER focuses on local resources and recognises different cultural and institutional contexts. It is linked to concepts such as citizenship, participation, governance and endogenous development (High and Nemes, 2007). In this context participation and networking are crucial. LEADER is also able to enhance regional identity as a common ‘sense of place’ (Williams and Stewart, 1998; Fürst et al., 2005) and to mobilise both the commitment of local actors and endogenous resources. Accordingly the LEADER approach has a high potential to foster ‘smart places’.

In Germany, LAGs mainly focus on tourism, rural economic diversification, agriculture, environmental matters, demographic change and the quality of life. Innovation is thereby an important aim. LEADER is an opportunity for rural policy actors to learn from one another and to improve their qualifications (High and Nemes, 2007; Falkowski, 2011). A general assumption in the context of LEADER is that the networking and cooperation of stakeholders from different sectors play an important role in creating new ideas and advancing innovations (Dargan and Shucksmith, 2008). Thereby LEADER could be a source of funding for innovative projects. However, as LEADER is currently (2007-2013) subject to the mainstream regulations of the European Council on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) (EC, 2005) there are concerns about the LEADER axis losing its innovative character as innovation is not explicitly mentioned as an eligibility criterion for project funding (ENRD, 2010; Schnaut et al., 2012).

The details of the EU’s Common Agricultural Policy for the period 2014-2020 and the future framework for LEADER will be finalised in the coming months. The lessons learned from the three previous phases (i.e. LEADER I, LEADER II and LEADER+), together with experience from the current programming period, should be used to facilitate further improvements in the effectiveness of the LEADER approach (Nardone et al., 2010; ECA, 2010; Kantona-Kovács et al., 2011; Marquardt et al., 2012; Schnaut et al., 2012). This paper draws on the findings of evaluations in seven German Länder to assess the impact of current LEADER funding on improving ‘smart places’ through networking and innovative projects. Our evaluation includes the analysis of different forms of networking, outcomes of projects and the impacts on rural development.

**Methodology**

The findings presented in this paper are part of the ongoing evaluation of the RDPs in the seven German Länder (Hamburg, Hessen, Mecklenburg-Vorpommern, Niedersachsen including Bremen, Nordrhein-Westfalen and Schleswig-Holstein) which began in 2007 and accompanies programme implementation during the whole funding period. Reports of the mid-term evaluations (in German, with English summaries) are downloadable at www.eler-evaluierung.de. In line with EU guidelines the evaluation looks at the results, impacts and implementation procedures and ultimately the efficiency of funding. The seven Länder incorporate 98 LEADER areas and 23 other regions with LDSs. A mixture of qualitative and quantitative methods is used and the main instruments for data collection have been:

- More than 100 face-to-face qualitative interviews with project initiators, LAG managers, LAG members, government employees at different levels and responsibilities (using interview guidelines);
- Two surveys using written questionnaires:
  - (a) for members of the LAG’s decision-making bodies (N=2310, n=1430, response rate: 62 per cent). In the questionnaire the respondents were asked about decision processes and impacts of their work. To classify personal estimations of the LAG members, a six point Likert scale was usually used (in some cases, when a middle/neutral rating seems likely, a five point Likert scale). Open questions were used to get information without suggested answers. In addition there were general questions to categorise the respondents as a basis for comparisons. Distinctions were made between different types of actors, such as private/public, and thematic origins to allow a triangulation of different views.
  - (b) for LAG managers of LEADER areas and other areas with local development plans (N=121, n=114, response rate 94 per cent) with a mixture of general questions about the situation in the region, open questions to grasp more detailed assessments about specific problems and further questions again using Likert scales;
- Standardised annual requests of activities and organisational structures in the areas (prepared as tables in Microsoft Excel™, which the LAG managers filled in and returned);
- Analysis of funding documents, especially the regulations and guidelines from the EU and the Länder and funding data about the projects.

This paper focuses on improving ‘smart places’ through networking and innovative projects as one part of the evaluation of LEADER. In this context, four major questions are addressed:

- **Which size of region is best suited for networking in rural development?** EC (2005) fixes the upper and lower size limits for LEADER areas. In the regions examined in this study the size is between 30,000 and 150,000 inhabitants, allowing the advantages and disadvantages of these different settings to be discussed;
- **What role can a funding structure such as LEADER play in improving networking?** One objective of LEADER is to bring together public, private and civil organisations to create knowledge for cooperation to achieve common goals. Thereby it is possible to see whether there are improvements in different networking matters such as ‘cooperation beyond administrative borders’ (respectively village boundaries),
in ‘improved understanding of the views of other stakeholder groups’ and in the ‘cooperation between different stakeholder groups’;

- What kinds of projects support the ‘smartness’ of places in LEADER practice? To foster smart places, projects are beneficial especially in the fields of (a) education, (b) research and innovation, and (c) digital society. These are the three fields of ‘smart growth’ in the Europe 2020 Strategy (EC, 2010). But administrative limitations could be obstacles, so the real possibilities to fund innovative projects via LEADER are examined;

- What are the advantages and disadvantages of the LEADER approach? For summarising the positive and negative aspects of the current framework of LEADER in comparison with standard funding, the assessments of LAG members of the advantages and disadvantages of the LEADER approach are studied.

Results

Which size of region is suitable for networking?

The population of each LAG area must as a general rule be not less than 5,000 and not more than 150,000 inhabitants (EC, 2005), although these limits are not less than 5,000 and not more than 150,000 inhabitants. The size of region is suitable for networking. Each point represents the average level of satisfaction in one LAG area of one Land.

Figure 1: Level of satisfaction amongst surveyed LAG members in Germany with the population size of their LAG area in terms of its suitability for rural development. Each point represents the average level of satisfaction in one LAG area of one Land.

1=very good, 6=not suitable at all
Source: own data

What role can a funding structure such as LEADER play in improving networking?

Stronger networking and consequently better cooperation can lead to improvements in the exchange of knowledge (also in the sense of creating higher qualifications to foster smart places), as well as in the development of new ideas and new ways of sharing information. To achieve this, it is necessary to fulfil ‘prerequisites of innovation’ such as a good functionality of networking and heterogeneity between the involved actors (Wenger 1998).

On average the examined LAGs appear to be heterogeneous mixtures of people, but closer scrutiny finds big differences between the individual LAGs. Some LAGs’ decision making bodies have only seven members; some have no women at all and some have only three different institutions represented. Furthermore, the analysis reveals a high proportion of members with an academic degree (in general around two thirds) and almost 90% of the LAG members are more than 40 years old, while people under 25 are only occasionally represented.

Regarding the functionality of networking, the survey of LAG members shows positive results (Figure 2): there are LEADER-induced improvements in comparison to the situation before the start of the LEADER process in the ‘cooperation beyond administrative borders’ (respectively village boundaries), in ‘improved understanding of the views of other stakeholder groups’ and in the ‘cooperation between different groups’. The satisfaction with ‘projects are well known’ is slightly lower, so there is often a need to improve public relations activities. Thus altogether LEADER is an example of how an external programme can connect actors from different interest groups who would not otherwise have met. But furthermore, it should be noted that the understanding of the process of social capital formation, its determinants, and the effects of its impacts go beyond its measurement (Nardone et al., 2010).
Which kinds of projects support the ‘smartness’ of places in LEADER practice?

An open question in the survey of LAG managers asked them to name fields of action from the development strategies where the project implementation was especially good. Differences regarding the success of implementation in the varied fields of action were clear: especially successful was ‘tourism’ and, with far fewer nominations, some aspects of ‘quality of life’. In most LAGs the level of success of project implementation in ‘agriculture’, ‘economy’ and ‘environmental matters’ was rather low. It was also evident that in some spheres of activity (defined in the strategies by the regions themselves) there were no implementations at all.

One reason for the various statuses of implementation in the fields of action was that the projects have to overcome two hurdles: firstly they have to fit to the strategy and secondly fit to funding conditions. In some fields, such as ‘tourism’, both are straightforward, but especially for innovative projects it is not always possible to overcome the second hurdle.

As the regions have access to their ‘own’ funding budget to implement their ideas, LEADER offers the possibility of trying out new approaches. The kick-off-meetings, working groups and process of elaboration of the LDS have led to a number of new ideas at the beginning of the process for the specific regional development. These ideas are documented in the LDS. In addition the various face-to-face interviews confirmed the functionality of these working processes and creation of ideas.

The problems in funding innovative projects are underpinned by the results of the survey of LAG managers (Figure 3). For the survey, innovative projects were defined as ‘projects with new approaches within the region, which do not necessarily have to fit in the existing measure regulations’. The LAG managers’ assessments show that the possibilities for implementing innovative projects are limited, particularly compared with the previous funding period. In 2000-2006 LEADER+ was financed from EU Structural Funds, where the funding procedures were more suitable for manifold and complex projects. The current LEADER approach is funded by the EAFRD, where the procedures are strongly influenced by the requirements of agricultural funding schemes and leave little room for flexibility (ENRD, 2010; Raue, 2010).

The restrictive rules of the EAFRD lead to limited, but at the same time, especially in the beginning, vague conditions and to administrative obstacles such as time lags in approval procedures, no advance payments to the beneficiaries, and demanding documentation requirements. These obstacles were featured in the results of all empirical examinations: surveys with LAG members and LAG managers, interviews with beneficiaries and with the administration staff responsible for project approvals as well. Naming administrative obstacles was also a common answer in open questions (for an example see Figure 4). Because of the problems with funding innovation altogether some Länder have already made improvements within this funding period (for example see Reimann and Kleinfeld, 2012).

Not all of the Länder offered the measure ‘innovative
Rural Development experiences in Germany through LEADER

... projects’, which partly explains the poor results. So the rating was clearly better in the one Land which offered the innovative measure from the start of the funding period (Nordrhein-Westfalen; average of 3.3 on the six-point scale) than in those that did not offer this measure at all (Hessen, Niedersachsen; average 4.6).

Amongst the implemented projects in the current funding period, it is clear that tourism-related activities are the most common (more than one third of all funded projects on the basis of funding data) and some relevant topics for rural development are underrepresented, such as qualifications, higher value farm products or handicrafts. But although there are limitations, in practice LEADER brings forward projects on very different topics. To foster smart places/growth, projects which support the fields of education, research and digital society are especially relevant. Project examples funded by LEADER include:

• Education: youth projects for qualifications (also in innovative ways such as doing school in a circus environment), environmental education, improving of open spaces in schools and nursery schools;
• Research/innovation: telemedicine, agricultural research for more sustainable plant protection, concepts for the sustainable use of energy/creating sources of renewable energy such as using solar heat for an open air swimming pool or using waste energy for the heating of buildings;
• Digital society: Internet platforms for youth qualifications (especially for apprenticeships or training positions) or support for finding suitable rooms for training and education in rural areas.

But these special kinds of projects are limited in number (less than a tenth of all funded projects). In terms of smart places, projects should also be mentioned which in general support the quality of life of the inhabitants in the fields of recreation, cultural offerings, basic services and social infrastructure (altogether more than half of the projects). In this context it is remarkable that the participative LEADER approach enables inhabitants to take part in projects that support the ‘smartness’ of their own places and which promote their sense of place (the survey of LAG members produced positive estimations about this).

What are the advantages and disadvantages of the LEADER approach?

The summarised answers to this question in the LAG member survey illustrate the perception of local actors about the current LEADER framework. The named disadvantages are mainly about bureaucratic obstacles and narrow funding conditions, but especially in economically weaker Länder there are also problems with co-financing rules which can promote a dominance of the public sector (Figure 4). Not only the lack of possibilities to implement innovative projects but also other obstacles at the beginning of this funding period led partly to a loss of confidence and de-motivation of some actors.

The summarised answers about advantages (Figure 5) highlight the bottom-up approach and cooperation. The circumstances for innovation (networking/cooperation) are more important than the aspects associated with innovation themselves (innovation, learning). In addition, other characteristics of LEADER, such as regional identity and regional suitability, are identified by the LAG members. Altogether the ‘soft’ aspects have been cited much more often than direct impacts such as money or funded projects.

Discussion

To use the potentials for fostering smart places our results enable a discussion of several issues for shaping LEADER in the next EU funding period. Against the background of a
further extension of the principles of the LEADER approach to other funds to facilitate what is termed Community-Led Local Development or CLLD (EC, 2012), some general conclusions can be drawn. In doing so it should be recalled that there is a long history of LEADER programming with different institutional settings and regulations (for example as a kind of multi-fund approach in LEADER II, OIR 2003).

To be successful, firstly, the local actors have to cooperate in a suitable way to develop appropriate solutions and, secondly, the administrative framework should facilitate the implementation.

Regarding the cooperation of local actors our results paint a positive picture, but also show that there is a risk of dominance by the public sector. Thus a balanced composition of the members of the decision making body should be more strongly safeguarded. The EU implementing guidelines should set a minimum number (possibly ten persons) for decision making bodies and if a participation on an equal footing is intended it is essential to maintain a minimum of 50 per cent for the non public sector actors, because results from similar processes show that without such a rule there are sometimes only public sector members.

Regarding the administrative framework the results provide evidence that many ideas apparently stall before being implemented (source: LAG managers, analysis of ‘not implemented projects’). Two of the various determining reasons are: (a) the possibilities of funding experimental or innovative projects via LEADER depend very much on the extent to which the RDPs are able to provide a suitable framework to fund projects outside the standard menu of measures, and (b) with the mainstreaming of LEADER; compared to the former funding periods the beneficiaries face many administrative obstacles. Thus a crucial point is the restricted choice of projects owing to the directives of the Länder in terms of the restrictions to axis measures, as well as the narrow framework of EAFRD and the resulting administrative obstacles.

In theory innovation plays an important part in LEADER, but in fact its role is limited. Nevertheless in practice LEADER brings forward projects in very different topics. LEADER already provides opportunities to realise innovative projects to try out new solutions and meet the specific needs in the region. In Germany the fundamental aspects of the LEADER approach, such as creating projects and common actions fitting to the specific region, exchange of knowledge and cooperation are verifiable in practice. But to prove the dimension of added value there is a need for better methods of measurement and documentation (ELARD, 2012). Altogether LEADER focuses on establishing preconditions for innovation and not on implementing innovations themselves.

To use the original and intended strengths of the LEADER approach, greater freedom for locally devised and managed, place-based forms of intervention as foreseen with the CLLD approach would be required (Copus et al., 2011). The new CLLD framework could provide good opportunities to compile broader and more integrative local strategies by involving the fields of actions of all the European structural and investment funds. But that type of follow-up at the local level is only reasonable if the higher political and administrative levels of each fund will set their funding framework correspondingly. At the moment it does not seem likely that in Germany an appropriate multi-fund framework will be established in practice.

Regarding LEADER the improvements made in some Länder during the current funding period are a good sign. These experiences must be taken into account at the start of the next funding period and it seems that the forthcoming Council Regulation for the EAFRD will make this easier than in the current funding period (EC, 2011). As LEADER depends on the willingness and high level of engagement of the local actors it would be beneficial if already the initial phase gives motivation for creative and smart actions.

In summary, some general recommendations can be derived for a smart design of the administrative framework for participative approaches such as LEADER:

• To safeguard participation and transparency in decision making, general rules should be set by the funding authorities, but the feeling of a general climate of mistrust should be strongly avoided;
• For the development of creative solutions and new ideas it is beneficial if there are no narrow administrative limitations to the kinds of projects, as long as they fit to the aims of their strategy;
• Regulations and funding conditions should be clear at an early stage and reliability is an important precondition.

References


