CHAPTER X

SUPPORTING ENTERPRISE DEVELOPMENT IN RURAL AREAS (BRENDAN O’KEEFFE)

Introduction

There are many types of rural areas – each with their own distinctive development needs and resource potentials. Consequently, enterprise development strategies need to avoid a ‘one size fits all approach,’ and must take into account the differences within and between rural areas at the regional and sub-regional levels. Policy and practice experiences over recent decades demonstrate the advantages that accrue from a mix of approaches that involve all tiers of government from the national to the local, and which allow for significant local adaptation and bottom-up inputs. Both Irish and international experience demonstrate the merits of place-based solutions over sectoral strategies. These imply that decision-making processes are collaborative, and require the promotion of multi-level governance.

The Irish experience of the past twenty-five years is that the European Union has been more significant than elements of the Irish state in enabling rural economic diversification. Given the need, therefore, to bring about a greater commitment to regional and rural development in Ireland and recognising the need to promote the sustainability of rural enterprises, this chapter looks specifically at agencies that operate at the local level. It assesses in particular the future role of LEADER in driving economic development and it considers how synergies can be created between the various enterprise support and economic development agencies, so that entrepreneurship is encouraged and valued, and that entrepreneurs are pro-actively supported.

The chapter also examines how rural areas can attract investment and it looks specifically at the role of the state and the various tiers of government in enabling rural competitiveness, connectivity and attractiveness. Attaining sustainable rural development requires an emphasis on the potential of rural places and people. This needs to be accompanied by the strengthening of regional and local autonomy, and by fostering the leadership and capacity that already exists within rural communities, not least in the LEADER Local Action Groups.

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1 LEADER (Liaison Entre Actions de Développement de l’Economie Rurale) is an approach to rural development that is place-based. It involves the development of multi-sectoral, multi-annual strategies and their implementation by quasi-autonomous partnerships, known as Local Action Groups (LAGs). LAGs are led by civil society (community and voluntary organisations) and involve the productive sector (farmers, unions and employers), environmental bodies, local authorities and the state sector. There are over 1,000 in the EU and 34 in Ireland. LAGs received EU funding through the second pillar of the Common Agricultural Policy, with national and (regional governments) providing co-finance.
Context

While Rural Ireland faces many challenges at present, it is also characterised by high levels of innovation, entrepreneurship and a can-do attitude. Decades of marginalisation have prompted several rural communities to take charge of their own development fortunes, and Ireland is characterised by a high number of community-led or bottom-up initiatives (McDonagh, 2001; Briscoe and Ward, 2005; McDonagh et al., 2009). Ireland also has over twenty years’ experience in promoting rural development using the LEADER methodology and Irish Local Action Groups are among the most celebrated in Europe (European Court of Auditors, 2010). In recent years, however, LEADER has lost some of its edge as central government has sought to impose an up-scaling of LEADER areas and has placed an increased emphasis on bureaucratic controls over local responsiveness and innovation. While the need for financial and administrative accountability must not be diluted, the promotion of enterprise development in rural areas requires approaches that are rooted in the local territory, value local resources and distinctiveness, are led by local stakeholders who work in partnership with local authorities and state bodies and are subject to internal and external evaluation.

Rural Territories in Ireland

Walsh (2007) maps the many rural area types that exist in Ireland. These include:
- the peri-urban areas that surround the gateway cities and towns,
- diversifying areas, based on landscape, scenic amenities and national parks, most of which are in the West of Ireland,
- strong agricultural areas, mainly in Leinster and East Munster,
- more vulnerable agricultural areas in West Munster, East Connaught and North Leinster,
- peripheral and structurally weak rural areas in South West Munster, North Connaught and especially in Donegal and throughout the Border Region.

Crowley et al. (2009) highlight considerable inter- and intra-regional variety with respect to the characteristics and performance of the agriculture sector. Meredith (2006) illustrates how economic trends have impacted on the demography of rural areas, and his work demonstrates the many demographic challenges that are currently facing rural areas that are outside the commuter zones of the Gateway cities. These studies among others (Horner, 2000; McHugh, 2001; Creamer et al., 2009) illustrate that:
- The diversity of rural areas does not correspond with administrative boundaries, but is influenced by a range of factors, including topography, economic patterns, culture, connectivity (locally and externally), state investment / commitment and the degrees of pro-activity and empowerment of local actors among others.
- Peripherality, which has long been associated with the western seaboard is equally, if not more pronounced, in the border counties; and within the Western Region, there is very considerable variety in the performance of rural territories;
• Formerly strong rural areas including parts of the Midlands (where the state was a significant employer – Bórd na Móna and the ESB) and dairying areas in Munster and Cavan & Monaghan need to be enabled to adapt and regain economic competitiveness.

These geographical realities necessitate economic development strategies that are much more spatially-refined and territorially-differentiated that is currently the case. Approaches must provide for greater local input into the design and implementation of strategies. They also require a whole of government approach, with state bodies and local authorities collaborating with local actors to unleash the development potential of regions and territories that are lagging or are perceived to be marginal.

Over the past two decades, inter-regional disparities have widened in Ireland, and this country is one of a small few in the ‘developed world’ to have a ‘primate city’\(^2\). In order to seek to alleviate this imbalance, and recognising the diversity of rural area types and that their boundaries are fluid and fuzzy, The National Spatial Strategy (NSS) (Department of Environment, Heritage and Local Government 2002; 57-58) opted to designate gateways and hubs in all eight regions and it outlined four broad approaches to promoting inter-regional and territorial balance in Ireland:

• Revitalising,
• Strengthening,
• Reinforcing,
• Consolidating and Cooperating.

While the need for territorially-differentiated strategies has been recognised since the advent of the NSS, and agencies such as IDA Ireland have focused on attracting investment to locations outside of Dublin and Cork (O’Brien, 2011), the scale of the operations attracted to Ireland is such that the vast majority of the employment generated is in the Greater Dublin Area. Indeed, 46% of all IDA-supported companies are located in Co. Dublin (2012 figures), and as the maps in Annex 1 show, some counties, especially in the Midlands, have less than 2% of IDA-backed firms. Moreover, regional imbalances are being compounded and rural peripherality is being increased by the fact that the NSS has not been accompanied by the level of political decentralisation that has characterised successful spatial planning and territorial organisation in other OECD members. This needs to be addressed in order to maximise the employment and development potential of rural areas.

\(^2\) A primate city has at least double the population of the second largest city in the state.
Breathnach (2012) records how the Irish state’s fixation with attracting FDI (Foreign Direct Investment) over several decades has delivered little by way of substantial or sustainable economic development to most rural regions. This approach has been driven by central government, and it has lacked regional and local inputs, resulting in a side-lining of Irish entrepreneurship and the consequent underperformance of most Irish regions. Where other countries have sought to ameliorate inter- and intra-regional imbalances and disparities, they have tended to introduce reforms of the political system, and those that have been most successful in promoting regional competitiveness have created and nurtured governance structures for effective bottom-up/endogenous development (Danson et al., 1997; Governa & Salone, 2005).

Breathnach (2012) demonstrates that the formation of ‘development coalitions’ at the regional and local levels, which involve the public, private, productive and community sectors have the capacity to transcend sectional and geographical interests, mobilise cross-community support for development objectives, and facilitate coordinated action. This view is supported by OECD evidence from over thirty countries, which argues that decentralisation and the strengthening of local governance structures are associated with a progression away from the re-distribution of resources (traditionally from the core to the periphery – via EU regional policy, rather than national efforts in the case of Ireland) to stimulating the potential of local economies and enhancing more sustainable growth (OECD, 2005; 68).

The shift from top-down government to bottom-up governance requires local capacity-building as well as a re-orientation of thinking and approaches on the parts of central government departments and agencies. Multi-level governance implies vertical and horizontal coordination, inter-agency cooperation, greater transparency and mechanisms to ensure multiple stakeholders can input into decision-making processes. In enabling agencies to respond to locally-defined needs and priorities in a way that ensures co-ordination between the various arms of government, the OECD has argued for public investment to be fully territorially differentiated, and has proposed the following model:
Figure 1. Appropriate Policy Mix and its Evolution for Employment Measures in Rural Areas

Degrees of Rurality

Integrated

Intermediate

Remote

Policy

Human Resource Development

Indirect Aid

Infrastructure

Direct

Giving effect to the OECD resource allocation model and enabling regions to decide on development priorities through processes of multi-level governance will have significant and far-reaching implications for regional development in Ireland. It will challenge the populist orthodoxy that focuses on a rising tide from Dublin lifting other boats, as it will demonstrate the merits of summative growth i.e. growth that involves contributions from all regions. Rural and regional development must, in the national interest, be seen as public goods and strategic national objectives. Until they are, Ireland risks over-specialisation and over-concentration in a single region. In contrast, as Garcilazo (2011) demonstrates, rural regions in most other EU member states have been enabled to make very significant contributions to national growth and prosperity.

3 The shapes in the diagram correspond to the distribution of each policy type by degree or rurality. Thus, the quadrilateral for human resource development reflects a recommendation that the largest share of human resource development funds be spent in the more remote areas and that in integrated areas, most human development investments should come from market-based decisions by the social partners. A similar pattern may be observed in terms of indirect aid and infrastructure, the latter being heavily weighted in favour of remote rural areas. The arrows on the figure suggest how the expenditure path for each programme type should adjust over time as initial investments by public authorities take effect. In terms of the institutional framework for the realisation of these interventions, the OECD advocates a partnership approach with high levels of local support and participation (OECD, 1995: 38).

4 Summative growth contrasts with competitive growth. The former emphasises inter-territorial collaboration, while the latter has been characterised by inter-regional / inter-county rivalries and a consequent waste of resources.
Attaining summative growth requires an emphasis on territorial capital and resources, which Kitson et al. (2004) operationalize as a set of inter-related elements:

**Figure 2. Bases of Regional Competitive Advantage**

Rural regions and territories increase their competitiveness and productivity by:
- recognising and valorising their own resources,
- developing inter-regional and intra-regional linkages – hard and soft (institutional) infrastructure,
- emphasising the quality of life of citizens and the natural environment and
- promoting multi-level governance to ensure on-going and meaningful local participation and vertical linkages which ensure state buy-in and co-ordination of agency inputs.

International best practice and the emerging policy trends across the EU and OECD are supportive of the LEADER model of rural development. The academic and practitioner evidence from several counties is that area-based partnerships / Local Action Groups represent a successful model for promoting development (Constantinou, 2008). While the achievements of Irish LAGs are recognised, LAGs tend to be seen externally as delivering or administering a programme. This is but a limited perception of LEADER; LEADER is not a Programme – it is an approach to rural development. A LAG is not an administrative body; it is meant to be an active agent of development. For the programme period 2014 – 2020 the LEADER method and the delivery thereof by Local Action Groups has to be at the core of Ireland’s rural enterprise development strategy. To do anything else would be to ignore the international evidence and to stifle rural entrepreneurs.
Spatial Factors – the optimum scale for the delivery of interventions

The evidence from international best practice, the main elements of which have been referred to in the preceding pages, point to the primacy of area-based or territorial development over sectoral strategies. The landmark OECD (2006) report ‘The New Rural Paradigm’ articulates the salient features of contemporary rural development:

The New Rural Paradigm

<table>
<thead>
<tr>
<th>Old approach</th>
<th>New approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>Objectives</td>
<td>Competitiveness of rural areas, valorisation of local assets, exploitation of unused resources</td>
</tr>
<tr>
<td>Key target sector</td>
<td>Agriculture</td>
</tr>
<tr>
<td>Main tools</td>
<td>Investments</td>
</tr>
<tr>
<td>Key actors</td>
<td>All levels of government (supranational, national, regional and local), various local stakeholders (public, private, NGOs)</td>
</tr>
</tbody>
</table>

These ‘new approaches’ are consistent with the specific features of LEADER as envisaged and promoted by the European Commission. As noted by AEIDL (the LEADER Observatory) the LEADER approach to rural development is based on proximity and the creation of links (2001; 55) such that the most appropriate scale for development interventions is a territory that is sufficiently small as to enable identification of local resources – particularly latent ones and promote community participation, but which is large enough to enable inter-actor networking (between public and private sector bodies). Territories should be defined from the bottom-up, recognise and celebrate diversity and complement regional development by promoting inter-territorial collaboration. Indeed, a recently published independent evaluation of EU regional policy (IRS and IGOP, 2011) records that LDA (Local Development Approaches) add value to the delivery of cohesion policy. The evaluators contend that ‘pure LDA’ works best when grass-roots actors (community organisations, social enterprises and micro firms) are given the assistance to build-up the capacity needed to boost community development. These findings echo an EU Commission Paper (2011; 1) which states that:

“Over the past 20 years, the LEADER approach to community-led local development (CLLD) – designed to help rural actors consider the long-term potential of their local region, has proven an effective and efficient tool in the delivery of development policies. CLLD can mobilise and involve local communities and organisations to contribute to achieving the Europe 2020 Strategy goals of smart, sustainable and inclusive growth, fostering territorial cohesion and reaching specific policy objectives.”

5 The IRS and IGOP report notes that pure LDA is characterised by a small territorial focus, integrated thematic approach and inclusive partnership.
Optimising Spatial Scale in Ireland

The international evidence and best practice in promoting rural economic diversification point to a need to re-invigorate territorial development and place-based approaches i.e. LEADER in Ireland. This requires reversing the trend that emerged with the ‘Cohesion Process’ (2005 – 2008) that was characterised by a preference for 16th and 17th century local authority boundaries over locally-defined contemporary functional territories. While ‘Cohesion’ enabled a welcome integration of LEADER and other local development strategies and programmes, it also involved a blind up-scaling of some LAG territories, resulting in a reduction in the number of LAGs and a reconfiguration of their spatial remit. In some cases this led to a discontinuity in knowledge capital at local level. The current ‘alignment’ proposals, which if implemented, could result in one LAG per local authority area, represent a further deviation from the area-based approach to development. Alignment is particularly problematic in the Irish context, given that the state is, along with Greece and Portugal, the most centralised in Europe and local government is subject to an inordinate degree of control from Dublin (ESPON, 2006; Bannon, 2007; Breathnach, 2012). Moreover, Ireland is second only the UK in having the smallest number of local authorities per capita and our county council areas are very large and populous when compared with municipal authorities in other European democracies (Callanan et al, 2012).

The promotion of economic diversification and enterprise development through territorial development strategies must therefore take place outside of the geographical and administrative straight-jackets of local government. While LEADER LAG areas are generally closer to the norms recommended in international best practice, there is some scope for down-scaling. Across rural Europe, the average LAG territory has a population of 30,000. In Ireland, the corresponding figure is considerably higher.

It is worth noting that county-based LAGs are more dominant in Leinster, while western counties continue to have a number of LAGs at the sub-county level. Given the topography of western counties, as well as the need for territorial differentiation and a geography that is conducive to participative governance, it is imperative that all existing LAGs are retained, and it is recommended that consideration be given to enabling sub-county and district level approaches where these are currently absent and/or where LAGs are aware that smaller functional territories would be more appropriate.

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6 In parallel with enabling the expansion of LEADER, the state and EU promoted the establishment of APCs (Area-Partnership Companies) and CPs (Community Partnerships) to promote social inclusion and economic development in deprived areas. APCs had a tri-partite structure – similar to LAGs, and were reflective of the tri-partite model of national social partnership. Since 2009, LAGs and APCs / CPs have been obliged by government to amalgamate – a process known as ‘Cohesion’ (Humphreys, 2011; O’Keefe, 2012), and in many instances smaller APCs and CPs were subsumed into LAGs.

7 The number of local development partnerships in counties along the west coast is as follows: Donegal 3, Mayo 3, Galway 4, Kerry 4, and Cork 5. In addition, offshore islands have their own federation partnership.
Governance and Scale

Reviews of place-based strategies across Europe (Westholm et al. 1999, Bridger and Luloff, 1999; Esparcia et al., 2000; Little and Jones 2000; RuDi, 2010, Metis, 2010 among others) all note that where ‘partnerships’ were heavily weighted towards the public sector, power relationships tended to be unequal and the principles of endogenous development were compromised. Similar evidence resounds from North America (Douglas, 2008 and 2010). Despite the overwhelming national and international evidence that supports community-led LEADER LAGs, the government is currently being asked to consider proposals (Department of Environment, Community and Local Government, 2012; 32) to establish new quangos i.e. SECs in each county with “responsibility for the management and dispersal of local and community development programme funds.” Moreover, consultative documents emanating from the Department in 2013 suggest that the SECs would be 15-member bodies, with the largest portion of the seats being allocated to statutory and local authority representatives, with the filling of some seats being at the discretion of the county/city manager. If such structures were to have the responsibilities proposed for them, they would immediately begin to duplicate functions currently being undertaken by LAGs. Such duplication needs to be avoided in the interest of providing a quality service to, and promoting engagement with, entrepreneurs. Moreover, if decision-making powers were to be vested in SECs, rural stakeholders would be less keen to serve on the board of sub-committees of LAGs, as such bodies would be seen as subordinate.

While the promotion of inter-agency collaboration (including between LAGs and Local Authorities) is certainly a desirable feature of rural development, the evidence to date reveals that such collaboration is best promoted from the bottom-up, rather than imposed from the top-down as attempted through ‘cohesion’ and ‘alignment.’ One of the requirements of ‘cohesion’ was the all LAGs reserve at least two seats on their Boards of Director for county councillors. Those LAGs that did not have councillors on their boards prior to cohesion report that with some notable exceptions, councillors have low levels of attendance at board and sub-committee meetings. Moreover, ‘cohesion’ has not yielded any new significant collaborations between LAGs and Local Government. Instead, local authorities and LAGs co-operate effectively with one another based on local priorities, and their collective achievements in initiatives such as the Tidy Towns, Pride of Place and Young Entrepreneur are well recognised and can be built upon.

Any assertions that local authority-led LAGs are prevalent in other EU member states require close examination. The first round of LEADER in some states in Eastern Europe involved having local authorities as the administrative partners at local level. While the European Commission had wanted civil society organisations to assume this role, as happens in Ireland and other countries in Western Europe, the communist legacy in counties such as Poland and Bulgaria was such that outside of Church-based bodies, most civil society structures lacked administrative experience. While it is envisaged that LAGs will be led by civil society post 2014, local authorities have (since 2007) played an important interim role in hosting LAGs. Indeed, since 2007, LEADER in Eastern Europe has focused considerably on increasing the capacity of civil society. The issue of scale is also important if making any comparisons between Ireland and counties where local authorities administer LEADER, e.g. Poland has
2,489 local authority units called *gmina* (municipalities), which have an average population of 15,000.

*Inter-Territorial and Cross-Border Collaboration*

Peripheral rural areas and those adjacent to borders face particular challenges in realising their potential. Distance from the county town/main urban centre has tended to inhibit connectivity and lead to an invisibility of particular places among public bodies. Examples of territories that are adversely affected by being on the edge of a county are West Limerick, North Mayo, Peninsular Kerry, Western Duhallow, North East Clare and West Offaly. The situation is even more acute in areas along the border with N. Ireland, particularly Inishowen, North Leitrim, West Cavan and North Monaghan. In order to eliminate peripherality (which is inexcusable given contemporary technologies and infrastructure potential), it is necessary to promote greater inter-municipal collaboration. There are several examples of governance collaborations that have been successfully promoted in other countries e.g. Contrats de Pays in France and Mancomunidades in Spain (using LEADER territories), as well as several initiatives in Emilia Romagna, Italy and in Québec, Canada. At a minimum, all County Development Plans, Local Area Plans and LEADER Business Plans should make specific references to, and provisions for, addressing the development potential of peripheral areas, and where these are adjacent to county boundaries, such provisions must be developed and documented collaboratively by the respective cross-boundary local bodies (including councils in N. Ireland). Throughout Europe, the appraisal of LEADER plans involves the awarding of extra credits to those LAGs that operate across municipal, county and regional boundaries, as is stated by the OECD (2005; 98) “administrative boundaries do not necessarily coincide with areas that are relevant economically.”

The recognition that functional territories (economic, social, cultural and environmental) transcend administrative and inter-jurisdictional boundaries has been a significant motivating factor behind the many successful endogenous cross-border initiatives that have developed in rural areas along the border between Ireland and Northern Ireland (Creamer et al., 2009). Local authorities including Newry & Mourne District Council, Dundalk *Town Council* and Louth County Council have successfully promoted the Newry – Dundalk Twin City. There are also several good-practice examples in more rural areas; Fermanagh District Council, Monaghan Town Council and Clones *Town Council* have pioneered the Clones-Erne East Partnership. Community and voluntary organisations are very significant drivers of collaboration (e.g. Blacklion – Belcoo)\(^8\). In order to build on this social and intellectual capital, and in giving effect to the recognition of functional territories that transcend the border, **LAGs should operate on a cross-border basis.** Not only would this **align LEADER with the local geographical realities**, it would also open-up increased opportunities to lever EU funding for cross-border initiatives.

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\(^8\) Details of cross-border collaboration can be reviewed on [www.icld.org](http://www.icld.org) International Centre for Local and Regional Development.
Case Study Evidence and Independent Research on Territorial Development

On-going evaluation – internal and independent external – is essential in promoting sustainable rural development. All iterations of LEADER in Ireland have been subject to baseline or ex-ante and mid-term evaluations. The ex-ante evaluations have been very useful to LAGs, policy-makers and rural citizens in quantifying targets and indicators for LEADER. The mid-term reviews, which have been undertaken by Fitzpatrick & Associates and by Indecon record the performance of LEADER with respect to KPIs (Key Performance Indicators) and the evaluators have sought to identify issues that needed to be addressed in order to optimise the delivery of rural development.

However, the mid-term evaluations have been limited to examining the financial and other quantitative outputs of LAGs, and have not had sufficient scope to examine the development processes that pertain in LAGs and their territories. Moreover, there has been no independent ex-post evaluation of LEADER in Ireland since the Department of Agriculture commissioned Kearney & Associates to do so in 1994. Consequently, there is a severe paucity of hard evidence at national level, with the result that decisions are being made (e.g. cohesion, alignment and SECs among others) that are based on anecdotes, lobbying and/or short-term financial considerations. It is imperative that a full independent ex-post evaluation of the current RDP (all Axes) be undertaken and that this pursue a scoping methodology similar to that applied by Kearney et al (1995).

In the absence of national evaluations of the processes, structures, governance, outputs and territorial impacts of LEADER, Irish LAGs have referred to and participated in EU-wide studies and have taken on board recommendations arising from evaluations conducted in other EU regions and member states. Most have undertaken internal evaluations, although changes to OP rules, pressures on administrative resources in recent years and the annualisation of budgets (introduced by the Department of Environment, Community and Local Government) have limited LAGs' capacity to undertake and/or commission evaluations.

Impacts of the LEADER Methodology

With respect to supporting the development of enterprises in rural areas, independently gathered data on the performance of LAGs, demonstrates their capacity to engage with entrepreneurs who are outside the remit of larger and sectoral bodies. In order to secure a longitudinal appraisal of the performance of LAGs, the data presented in this section relate to a LAG that has implemented all four iterations of LEADER. The LAG, which is based in the BMW Region, pre-dates LEADER in that it was established by civil society organisations in the late 1980s. Since, then it has developed as a multi-stakeholder partnership and promotes an integrated and holistic approach to territorial development, whereby LEADER is delivered in conjunction with other local development programmes and initiatives. To date, LEADER has operated on a multi-annual basis as follows:

1. 1991 to 1994 – LEADER I
2. 1995 to 1999 – LEADER II
3. 2000 to 2006 – LEADER+ (in most parts of Ireland) with the NRDP (National Rural Development Programme) operating under the LEADER model in some BMW territories and throughout Ireland to enable activities in areas not covered by LEADER+ (e.g. some types of rural tourism projects)


Women are reasonably well represented among commercially-oriented project promoters, and as this graph shows, their representation has improved over the past two decades, although the gender balance in respect of the present programme is not as healthy as was the case for LEADER+ (2001 – 2006).

Figure 3. Gender Balance among Individual and Enterprise Project Promoters
(sample LAG)

Other social impacts of LEADER include the up-skilling of the local population as a result of the various training programmes that have been delivered. LEADER has also contributed to increased social capital and capacity-building of community and voluntary groups. This is very significant, not just for community development, but because the social economy represents a huge source for potential employment creation in rural areas that have progressive community groups (Noya and Clarence, 2009).

The following table shows the significance of continuity between programmes and it provides further evidence of the progressive incremental nature of the LEADER approach to project development. The table shows that of the of the 59 community organisations supported by a given LAG through the current LEADER Mainstream (MS) Programme, 23 were also beneficiaries of the previous programme, 13 produced projects under LEADER II, and seven were involved with LEADER I. The trends are consistent with observations on the ground, which show that one successful community project leads to another and that many community organisations are implementing development plans on a phased basis - with LEADER support. In addition to those who have received grant aid, a number of other businesses supported

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9 These organisations report that prior to their involvement with the LAG, their membership levels stood at 1,846. Therefore, the groups report that levels of volunteerism have risen by 123%. Indeed, since the commencement of the current LEADER Programme in 2009, the number of volunteers has risen by 73% (from 2,381 to 4,126). While there may be several factors that are contributing to this rise in voluntary activity, consultations with promoters reveal that the support and encouragement of LEADER is a key motivator.

10 The data presented in the table are based on classifying all promoters into two broad categories: Community Organisations are defined as collective promoters, whose main focus is on non-commercial activities. Individuals and Businesses include all other promoters, including collective bodies with a commercial focus.
through previous programmes have availed of information sessions, training programmes and mentoring provided since 2009.

Table 1. Impact of Previous LEADER Programmes on Project Numbers and Funding Uptake

<table>
<thead>
<tr>
<th>Type of Promoter Funded</th>
<th>LEADER R MS</th>
<th>LEADER R+</th>
<th>LEADER R II</th>
<th>LEADER R I</th>
<th>LEADER R+</th>
<th>LEADER R II</th>
<th>LEADER I</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community Organisations</td>
<td>59</td>
<td>23</td>
<td>13</td>
<td>7</td>
<td>39.0</td>
<td>22.0</td>
<td>11.9</td>
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<td></td>
<td>74</td>
<td></td>
<td>16</td>
<td>6</td>
<td>21.6</td>
<td></td>
<td>8.1</td>
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<td></td>
<td></td>
<td></td>
<td>50</td>
<td>7</td>
<td></td>
<td></td>
<td>14.0</td>
</tr>
<tr>
<td>Individuals and Businesses</td>
<td>51</td>
<td>4</td>
<td>3</td>
<td>1</td>
<td>7.8</td>
<td>5.9</td>
<td>2.0</td>
</tr>
<tr>
<td></td>
<td>111</td>
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<td>11</td>
<td>5</td>
<td>9.9</td>
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<td></td>
<td>183</td>
<td>22</td>
<td></td>
<td></td>
<td>12.0</td>
</tr>
</tbody>
</table>

The continuity of the relationship between the LAG and entrepreneur (which would be jeopardised if decision-making or oversight functions were to be transferred to SEC’s) is essential. As shown in Table 2, of the 113 promoters who received capital funding under LEADER I (same LAG case study), almost one-fifth have availed of support in subsequent programmes to enable their businesses to expand. Indeed, of the 40 capital allocations made under the current programme, 5 have been awarded to projects that were also developed with LEADER support prior to 2009.

Table 2. Impact of Previous LEADER Programmes on Project Numbers and Funding Uptake among Businesses and Commercial Entities

<table>
<thead>
<tr>
<th>Programme</th>
<th>Number of Entrepreneurs and Businesses Grant-Aided with Capital Support*</th>
<th>Number of which (the numbers below) led to LEADER-funded Business Development and Expansion</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>LEADER II</td>
<td>LEADER+</td>
</tr>
<tr>
<td>LEADER I</td>
<td>113</td>
<td>20</td>
</tr>
<tr>
<td>LEADER II</td>
<td>114</td>
<td></td>
</tr>
<tr>
<td>NRDP</td>
<td>91</td>
<td></td>
</tr>
<tr>
<td>LEADER MS</td>
<td>40</td>
<td></td>
</tr>
</tbody>
</table>

* does not include community / voluntary groups. All promoters are counted only once (regardless of the number of projects). Excludes Technical Support and Training Grants.

LEADER’s emphasis is very much on the SME sector, and its support for feasibility studies and research into business/product development is associated with enterprises coming on stream. As Table 3 shows, 37 feasibility and technical support grants have contributed to the development of 14 businesses (same case study LAG).

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11 Figures are taken from a case study LAG.
Table 3. Impact of Technical Assistance and Feasibility Studies on Project Numbers and Funding Uptake among Businesses and Commercial Entities

<table>
<thead>
<tr>
<th>Programme</th>
<th>Feasibility Studies / Technical Assistance Grants*</th>
<th>of which led to LEADER-funded Business Development</th>
<th>Total New Businesses</th>
<th>Conversation Rate for Feasibility Studies into Businesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>LEADER I</td>
<td>9</td>
<td>LEADER I 1 2 1 0</td>
<td>4</td>
<td>44.4</td>
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<tr>
<td>LEADER II</td>
<td>19</td>
<td>LEADER I 4 0 0</td>
<td>4</td>
<td>21.1</td>
</tr>
<tr>
<td>NRDP</td>
<td>5</td>
<td>LEADER I 2 1</td>
<td>3</td>
<td>60.0</td>
</tr>
<tr>
<td>LEADER MS</td>
<td>4</td>
<td>LEADER I 3</td>
<td>3</td>
<td>75.0</td>
</tr>
</tbody>
</table>

* does not include community / voluntary groups. All promoters are counted only once (regardless of the number of projects).

Training grants and bursaries account for one-fifth of all LEADER grants to private and commercial entities, and these investments have enabled promoters to secure third level qualifications, acquire business skills, gain employment and/or to become more active citizens in community and local development. As Table 4 shows, 95 training grants have yielded 24 enterprise projects, and that in some cases, the transition involved may take a number of years.

Table 4. Impact of Training Grants on Project Numbers and Funding Uptake among Businesses and Commercial Entities

<table>
<thead>
<tr>
<th>Programme</th>
<th>Number of Training Grants*</th>
<th>of which led to LEADER-funded Business Development / Expansion</th>
<th>LEADER I</th>
<th>LEADER II</th>
<th>LEADER+</th>
<th>LEADER MS</th>
</tr>
</thead>
<tbody>
<tr>
<td>LEADER I</td>
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<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
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<td></td>
<td>3</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>NRDP</td>
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<td></td>
<td>8</td>
<td>5</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>LEADER MS</td>
<td>11</td>
<td></td>
<td>2</td>
<td>0</td>
<td>2</td>
<td>4</td>
</tr>
</tbody>
</table>

* does not include community / voluntary groups. All promoters are counted only once (regardless of the number of projects).

The research findings in respect of enterprise development that are presented in this chapter resonate with many of those articulated in the European Ex-Post Evaluation of LEADER+ that was published in 2010. That evaluation noted that LEADER “complemented mainstream programmes as it provided ‘soft support’ such as animation, feasibility studies, consultancy, etc., as indispensable backing for the ‘hard investments’ carried out with the help of the ERDF or other funds” (Metis GmbH et al., 2010; 20).

Despite the evaluation’s emphasis on the centrality of animation to processes of territorial development, the current LEADER rules and administrative systems (as operated in Ireland) are not fully conducive to project animation. The decision by the government to change the funding schedule from multi-annual to
annual and the obligation on LAGs to spend 20% of funds on administration in any
given year runs contrary to the experience over several generations of LEADER, that
animation and some administration activities need to be frontloaded. Not only do the
current rules cause frustrations for staff, they are perceived among project promoters
as a barrier to development. Therefore, in the interest of promoting greater efficiency
of LAGs and making them more accessible to would-be entrepreneurs, it is
recommended that LEADER revert to operating on a multi-annual cycle and that
LAGs have autonomy in scheduling activities and expenditure in line with
territorial development needs and potential.

Impacts beyond LEADER

Being locally-based LEADER plays a very significant role as a driver of the local
economy; LAGs are important local employers in themselves and they are customers
of local services. Moreover, the projects they generate deliver considerable multiplier
effects locally. As outlined in Figure 4, the majority of LEADER funds and the
project expenditure they generate stay within the project promoters’ county, and 94%
of all funds remain within Ireland.

Figure 4. Destinations of Monies spent on LEADER MS (Mainstream) Projects

![Figure 4. Destinations of Monies spent on LEADER MS (Mainstream) Projects](image)

This pattern of expenditure by LEADER project promoters indicates that significant
benefits derive to the wider local economy – beyond the immediate projects – and
that as a result, LEADER plays a commendable role in supporting and sustaining
several businesses in addition to those which LAGs tend to enumerate among their
beneficiaries. Research findings with respect to one selected LAG reveal that the
forty individuals and enterprises supported by LEADER generate business for a
further 108 suppliers based within the same county as well as for 84 suppliers in other
locations. Almost half (48.5%) of their total outgoings are spent within the county.

While the recently-introduced obligation on those applying for LEADER funds to use
the e-tender system when seeking quotations for prescribed functions was anticipated
by managing authorities to prevent undue inflation resulting from LEADER, it could
have a negative impact on local economies, as local businesses may be excluded from
undertaking works. If this were to occur, as has happened with some government

12 Based on a census i.e. survey of all project promoters in a sample LAG.
departments (e.g. school buildings), LEADER funds would haemorrhage from marginal rural areas\textsuperscript{13}, leading to a scenario that contradicts the very raison-d’être of the programme and of EU regional policy. Value for money criteria need to be more holistic and take into account the long-term operations of projects.

A review of the sustainability of jobs created by LEADER (based on a sample of 5 LAGs) shows that of:

- Enterprises supported\textsuperscript{14} under LEADER I (1991 – 1994), 67% are currently trading.
- Enterprises supported under LEADER II (1995 – 2000), 74% are currently trading.

Local Perceptions of LEADER

Not only do the international evidence and the data presented in this chapter, but also the project promoters themselves emphasise the need for LAGs to continue as the implementing bodies for rural development funding post 2014. A survey of all project promoters (community, individual and business) in the LAG area of South West Mayo showed very strong support among project promoters for maintaining the current LAG system, including sub-county structures and community-led LAGs. Entrepreneurs also reported the need for an increased focus on animation and capacity building, and they lauded the LAGs work in providing mentoring for small businesses, which they recommended should be further developed (O’Keeffe, 2013). The large attendances at public meetings across the country provide further evidence of the strong opposition to the current alignment and SEC proposals. Opposition is as strong among the business community as it is among civil society, and the experiences and concerns of entrepreneurs need to be listened to; indeed they should have been consulted as part of the formulation of ‘Putting People First – Action Programme for Effective Local Government.’ Had their expertise been taken into account, the government would currently have a very different set of policy proposals before it.

Recommendations for Supporting Rural Enterprise

The 1988 EU White Paper ‘The Future of Rural Society,’ which became the policy catalyst for LEADER envisaged that rural communities would diversity their economic bases and become vibrant spaces with a high quality of life. The Cork Declaration of 1996 and The Salzburg Declaration of 2003 encouraged all governments and statutory bodies to work to promote A Living Countryside. These core principles have been reiterated and updated in the context of the current governance milieu in Ireland in the 2013 New Cork Declaration. The European Spatial Development Perspective (ESDP) and subsequent EU policy papers such as the Barca Report (2009) strongly advocate bottom-up and community-led

\textsuperscript{13}In addition, consultations with community leaders reveal that using local suppliers confers many advantages, particularly in respect of follow-up and after-care supports to projects.

\textsuperscript{14}Includes technical support / feasibility studies.
development, and they state that agencies need to work in partnership with rural communities. The ESDP also advocates inter-community collaboration and the fusion of partnerships between rural and urban areas. Ireland’s National Spatial Strategy (2002–2020) contains specific recommendations on the levels of public services that ought to be provided in rural communities (2002; 113). These policy and position papers that advocate territorial balance and sustainability do not appear to have been properly implemented by the responsible bodies. The National Spatial Strategy has become equated with the development of gateways and hubs, and its provisions in respect of rural areas have tended to be side-lined. As the ESDP is non-binding on EU member states, Ireland has tended to take a minimalist approach to its implementation, and most of the emphasis in the now ‘slimmed-down’ National Development Plan (NDP) is on projects in the Greater Dublin Area, which while they are important, do not contribute to the attainment of balanced and sustainable regional development.

Given the experience of LAGs, their track record and potential (as recognised by the OECD, European Commission and European Court of Auditors among others), and given the need to redress the current territorial imbalance in Ireland, and the legacy of a lack of investment in regional and territorial development, it is necessary to ensure that LEADER is at the core of the rural renaissance. As the OECD has stated (2007; 92):

“The LEADER method shows its organisational originality at the local level in the role and functioning of the Local Action Groups which play a key role as the “crossroads” of the complex system of vertical and horizontal relationships... The LEADER method has had success and generated a lot of enthusiasm in many rural areas across the EU... First, analysis of the LEADER programme’s implementation demonstrates that, even though often difficult to quantify, the benefits that a bottom-up, integrated approach to rural development can bring with relatively little resources are significant. Second, LEADER’s success stands in contradiction to and highlights the limits of the sectoral approach to rural areas which is still dominant in terms of financing throughout the EU and in several OECD countries.”

Some LAGs will face challenges as they progress to becoming more proactive agents of development, and in this respect it behoves the state to support capacity-building and multi-level governance. Resource allocations to LAGs and policy decisions regarding need to be evidence-based, and the collection of evidence requires a greater commitment to evaluation at all levels.
Additional Recommendations:

For LAGs

- Continue to support and invest in community development projects, and promote collaboration and synergies between the funding and support mechanisms that are available to complement LEADER, such as the Local Community Development Programme, Tús\(^\text{15}\), Rural Transport Scheme and the Rural Social Scheme (and future programmes / initiatives).
- Maintain and grow structures and mechanisms that enable inter-group collaboration and the transfer of ideas and good practices between community and voluntary groups.
- Celebrate and showcase successful community and enterprises development projects more frequently.
- Provide training for community groups on good governance and monitor the effectiveness of decision-making structures in communities.
- Work locally and through the Irish Local Development Network (ILDN) to input into the formulation of policies that are conducive to good local governance and sustainable rural development.
- Participate fully in regional and national policy-making initiatives.
- Continue the current arrangements for business mentoring and monitor the ensuing outputs.
- Conduct periodic skills audits among businesses supported (across all programmes) and put programmes in place to respond to the training needs of those in the SME sector.
- Provide information and training for new businesses on the use of ICT and e-business.
- Ensure consistency and transparency in the way in which promoters are informed about programme regulations and procedures.
- Forge stronger partnerships with the Credit Union movement and work to promote co-operative banking and local credit cycles.
- Develop linkages with European Bio-Regions/Eco-Regions.
- Continue to support eco-tourism and local food production and environmental proofing of projects.
- Demonstrate that they are real agents of multi-level governance and inter-agency partnership that are driven from the bottom-up. This requires full transparency in the publication and circulation of annual reports and accounts (should be hosted on the ILDN website and on each LAG’s own website), the convening of open AGMs that are well advertised in advance, investing in building the capacity of civil society and LAG directors and members and the implementation of best practices in human resource management.

\(^{15}\) The Tús initiative is a community work placement scheme providing short-term working opportunities for unemployed people. The work opportunities are to benefit the community and are provided by community and voluntary organisations in both urban and rural areas. The Tús initiative is managed by local development companies and Údarás na Gaeltachta for the Department of Social Protection, which has overall responsibility for the scheme.
For the Managing Authority (central government)\textsuperscript{16}

- Implement in full, the recommendations in the ILDN Policy Position Paper on Stronger Local Democracy (March 2013).
- Immediately bring the recently-established LEOs within the remit of LAGs, so as to ensure a multi-sectoral and streamlined, integrated approach to economic development in each rural territory, rather than a fragmentation of efforts and parallel structures.
- Publish, in line with OECD recommendations (2005; 87-88) contractual arrangements with all agencies and the outputs and deliverables of all state and semi-state agencies, including resource allocations and grants awarded to third parties.
- Engage with the eight regional authorities in setting rural development priorities at the regional level and in promoting inter-LAG, inter-territorial and cross-border collaboration.
- Empower regional authorities to set regional development policy goals in conjunction with LAGs and other local actors.
- Ensure that post 2013, LEADER operates on a multi-annual basis, with each LAG having defined autonomy to schedule activities and budgets in line with local needs and potential.
- Position LAGs as the delivery mechanisms for future supports for rural development including the expansion of the social economy.
- Organise national ex-ante, mid-term and ex-post holistic evaluations of LEADER as standard, and ensure that the evaluation findings are published, disseminated and acted upon.
- Apply an evidence-based approach to decision-making with respect to resource allocations to LAGs.
- Provide sufficient resources for animation and capacity-building, and in the interest of levering external resources into rural territories, enable LAGs to utilise LEADER to prime other funding streams.
- Enable LEADER directors and staff to participate in programmes and initiatives that increase their skills and capacities to stimulate local development and interface effectively with community and business representatives.
- Facilitate LAGs to input into decision-making on policies that affect rural communities and rural liveability.
- Ensure that LAGs are the conduit through which information about local development, volunteerism, social capital and rural renewal are rolled-out to all communities.
- Ensure that rural development policy is evidence-based and is informed by independent advice and international best practice rather than by short-term political agendas.
- Encourage statutory agencies and other publicly-funded bodies to work more closely in partnership with LAGs in meeting the needs of the business community and SME sector.

\textsuperscript{16} The Department of Agriculture Food and the Marine is responsible for the implementation of Pillar II of the CAP in Ireland, while functions for the oversight of LEADER rest with the Department of Environment, Community and Local Government. Between 1991 and 2002, these functions rested entirely with the Department of Agriculture (Food and Rural Development), while between 2002 and 2011, they resided within the Department of Community, Rural and Gaeltacht Affairs.
Implement the recommendations of the EU-wide evaluations of LEADER in respect of the appropriate levels of control and financial oversight.

Involve LAG representatives in the formulation of rules governing the administration and execution of LEADER.

Provide more flexibility in enabling LEADER to co-fund with other local development initiatives and programmes.

Convene rural development fairs, conferences, policy fora and networking events at which the LEADER approach and its outputs are highlighted and discussed in an informed manner that seeks to optimise its performance.

Liaise with the relevant government departments to ensure that the banks play a more active part in stimulating the development of the domestic economy through supporting small and medium enterprises.

Permit LAGs to utilise animation resources to prepare project promoters for dealings with agencies that support export-oriented enterprises.

Give effect to the observations in the European Evaluation of LEADER (2010; 175 - 176) that “Broadly speaking, the more autonomy and the less bureaucracy LAGs had, the more participation, structural changes, real rural development results they could achieve… The ultimate aim is not just to establish a partnership-based programme delivery mechanism at local level, it is rather to generate and to nurture the social competencies and skills to put up and run LAGs capable of surviving, adapting and flourishing on their own resources, supported by local people and stakeholders, and being able to tap into a wide range of funding opportunities in order to translate its strategic visions into real change.”

Conclusion

The experience and consolidation of LEADER over the past 25 years means that Ireland is fortunate to have in place at local level, structures that are seasoned, enterprising, flexible and innovative, and which are inclusive of and trusted by entrepreneurs. LEADER Partnerships are effectively operating as one-stop-shops for enterprise development and they also deliver a range of complementary community development and service provision functions. LAGs are publicly accountable and operate with a private sector ethos. Each LAG has successfully integrated multiple programmes and operations under a single governance structure and a single administrative system, with procedures that have been verified and lauded by national and EU auditors. The Irish model of LEADER is particularly well-regarded throughout Europe and beyond, and under current EU Commission proposals for Community-Led Local Development, LAGs represent a useful strategic conduit through which Ireland can lever additional resources from the ERDF and ESF and apply them in a much more geographically-targeted manner than has pertained heretofore. The historical tendency of most state agencies to focus on urban centres and the under-performance of a number of the hub towns designated under the NSS has resulted in a situation whereby in most parts of rural Ireland, LEADER is the only active development agency. In order therefore to ensure that entrepreneurs continue to be supported – through information provision, incubation, mentoring, marketing and collaboration, it is essential that LAGs operate not just as funding bodies, but continue to be promotive and proactive in stimulating, fostering and sustaining the recovery and job-creation in all communities. The LEADER story through Europe demonstrates that all places have potential and all communities can be enabled to
realise their development potential. By implementing the specific recommendations advanced in this chapter, LEADER post 2014 will be characterised by greater dynamism, reduced bureaucratic impediments, increased flexibility and responsiveness, less dependency on the centre and greater focus on local needs and potential.
Annex 1: County Distribution of IDA-supported Companies in Ireland

Data derived from IDA database of companies on www.ida.ie
References


Countries. UDERVAL Universidad de Valencia, and Countryside and Community Research Unit, Cheltenham and Gloucester College of Higher Education.


