

## THE ROLE OF INNOVATIONS IN LOCAL DEVELOPMENT

### Introduction

Localism gained its importance along with the development of globalisation processes. Despite the fact that in many areas, these processes still remain clearly opposite or even in contradiction to each other, they are condemned to coexist. A chance for local structures is restraining negative results of globalisation, at simultaneous accepting these values of this process, which can enrich them<sup>1</sup>. In this aspect, activities in aid of the local development acquire a special importance, being a process of generating new values. Nowadays, only innovations can be the main driving force of local development, as an adaptive reaction to a turbulent environment and an uncertainty growth<sup>2</sup>.

Terms used in this chapter title, i.e. “innovation” and “local development”, were, for a long time, used mainly in the economical picture (market, domestic). Its non material aspects (social, political,

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<sup>1</sup> Z. Bauman, *Glocalisation. For whom globalisation and for whom localisation*, “Sociological Studies” 1997, Issue 3, pp. 53–70.

<sup>2</sup> S. Korenik, *Innovation as a fundament of local development – an attempt of a synthesis of experiences from establishing innovations strategies for selected communes and poviats of the Lower Silesian Voivodeship*, [in:] *The place of innovations in modern concepts of regional development – theory and practice*, Wrocław 2007, pp. 8–9.

cultural) were utilised less often. However, the perception of these processes has undergone principal changes.

Currently, innovations are not regarded solely in the economical aspects as it was defined for example by Joseph A. Schumpeter. According to him, an innovation is an introduction of a new product of a new production method, a market opening, acquiring a new source of raw materials or semi-finished products and conducting of a new organisation of particular industry<sup>3</sup>.

Also, a sole satisfying of material needs of local societies (new job creation and incomes related with higher employment, provision of proper living conditions, new products, high quality and attractive location of real-estate properties) promptly stopped to be an essence of local development. Instead, non material values appeared (social participation, social capital, new ideas, high qualifications, new management methods, proper functioning of cultural and educational centres, welfare, medical service).

A key importance in the process of local development using innovations is of an active attitude of local societies along with authorities, that are elected by them among themselves. It results from the fact that a local society has a special attitude towards their area of living. Such place is a value for them (emotional, cultural, traditional, economical, environmental)<sup>4</sup>. On the other hand, local authorities, being a political representation of a local society, is able to identify a problem and undertake proper activities in aid of quantitative and qualitative changes in the best possible way. It is constantly subject to evaluation and responsible (in legal and political terms) for made decisions.

The above presented process take pace only in these countries that decided to utilise a decentralised model of public affairs management. This model is characteristic for modern Europe, despite diversification in its organisation<sup>5</sup>. The functioning of the centralised

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<sup>3</sup> J. Schumpeter, *Theory of economical development*, PWN, Warsaw 1960, p. 104.

<sup>4</sup> J. Szczepański, *Local Poland*, [in:] *Society and economy in local Poland*, Warsaw 1992, p. 19.

<sup>5</sup> Ref. J. Babiak, *Territorial self-government in the European law*, [in:] *Local authorities in the process of system transformations*, edited by J. Babiak,

model – which was in force in Poland till 1990 – deprives people from initiatives and a sense of responsibility, favours demanding attitudes, depoliticisation of the society or a lower interest in public matters. What is more, centralisation favours social atomisation and results in uniformisation. B. Jałowiecki points that a centralised attitude towards people, treating them as an abstractive statistical unit, results in a situation that important needs and interests of particular citizens may not be met and realised<sup>6</sup>.

As far as territorial aspects are concerned, the term “local development” mainly concerns communes<sup>7</sup>. A special character of a commune results from several reasons. Most of all, a commune, regardless an accepted model, is a basic local government unit and its main role is to satisfy elementary and fundamental needs of a local community. Additionally, in numerous countries, including Poland, communes have constitutional guarantees of independence.

However, units called communes are very diversified, thus, have different possibilities of utilising innovations in local development. The analysis excludes municipalities, with towns and surrounding, smaller, well developing units, that play the role of an agglomeration.

Due to their potential, agglomerations are included in a completely another category of units. Situation of the rest of communes, especially small towns, towns and rural areas, which are located at outskirts of agglomerations functioning, is very difficult. Most of all, due to a loss of economical and administrative functions, a substantial part of them remains in a stagnation, what is reflected at the social, cultural or educational issues. Another negative phenomenon is an outflow of qualified employees to larger centres.

However, in relation to a development of smaller units, metropolises may serve numerous important functions and actively influence them, becoming a motor and growth centre. In this aspect, also the scientific and research potential of metropolises has a key importance. Only an effective utilisation of this potential by smaller cen-

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A. Ptak, WNPiD UAM Publishing, Kalisz–Poznań 2010, pp. 87–96.

<sup>6</sup> B. Jałowiecki, *Local development*, Warsaw 1989, pp. 107–108.

<sup>7</sup> Local level includes also poviats.

tres can guarantee a faster and durable local development. In these relations, cooperation, not competition, is of the most importance. Smaller units are not able to develop an own scientific and research base. Wanting to use innovations for a local development, they have to identify and next, to activate own, very often unique local traits<sup>8</sup>. The unique character of communal units, i.e. conditions that determine local development, is related with the demographic-territorial potential, a commune location, especially in relation to larger centres or traffic routes, development of municipal and social infrastructure, employment structure or a profile of local companies manufacturing. Also cultural and historical factors and the level of social capital are essential issues, what is indicated by Robert Putnam, James Coleman or Francis Fukuyama, among others.

In order to determine a diversified and multi-plane picture of innovations and local development, in the further part of this article, the author acquaints this phenomenon on the example of two different areas: entrepreneurship and local democracy. The activity of local authorities is what they have in common.

## 1. Entrepreneurship

The first tool, by means of which local governments can use innovations for local development is undertaking activities in aid for entrepreneurship, especially creating conditions for establishing new entities and supporting those that already exist. Communal governments have several instruments that they can utilise in order to realise determined aims. These include establishing of local law, which is friendly for entrepreneurs, especially preferring these companies, which activities have an innovative character.

Legal acts, which determine communal spatial policy, i.e. a study of conditioning and directions of spatial development<sup>9</sup> and local town and country planning are of a key importance. In practice, con-

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<sup>8</sup> Ref. S. Korenik, *Innovation as a fundament of...*, op. cit., p. 10.

<sup>9</sup> A study of conditions and directions of planning is not a local law act.

sidering the lack of an obligation of passing local development strategies, the study of conditions plays the role of a strategic document, that determines the profile and directions of a commune development. Thus, in the whole process of development planning, it is also essential to consider external conditions – as each commune is located in a area, which directly or indirectly influences its functioning and determines possible development directions. Local authorities are forced to adjust local planning to the specificity of its environment (region, subregion). In many cases, a complex approach to such way of development planning may support or create new, specialised areas of pro-innovative activities. To much extent, it can enable achieving of intended effects, i.e. possibilities for local development, using innovations. Polish legislation<sup>10</sup> obliges local government to include in documents of development planning, two conditions that are of a key importance for this analysis. These are economical features of areas and needs within the scope of technical infrastructure development, especially broadband networks.

Local spatial development plans include detailed assignments of areas, along with rules of their development. The legally guaranteed protection of plans' provisions, enables a high efficiency and stability for entrepreneurs or people that look for locations for new undertakings. To much extent, including a particular area in a local spatial development plan, is helpful in running a business activity, especially at the stage of location, construction or expansion of a company. In many cases, having a local plan is a great advantage of local authorities when trying to obtain new investors, also these, which production and services profile if of an innovative character.

As far as a support for innovative undertakings is concerned, commune priorities can be also reflected in the tax policy. In this aspect, the mainly used tools are tax exemptions and allowances for entrepreneurs, especially real estate taxes. They can regard entrepreneurs that create new jobs, as well as those realising new investments. Commune councils have a tool, thanks to which it can favour

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<sup>10</sup> Act from the 27<sup>th</sup> March 2007 on spatial development and planning (Journal of Laws No 80, item. 717 as amended).

these companies, which activity profile has an innovative character, by determining its subject scope. However, there are some constraints, especially within the scope of granting a public support (*de minimis* within the meaning of the community legislation).

Support of local governments for local companies can be realised also by an active participation of authorities in the international interchange. Such activities can be oriented on two areas. First of them is a local adaptation of innovative solutions of foreign partners and entities that function there. Thanks to the international cooperation, numerous innovative solutions, that have been successively used in Western European countries for a long time, can be adapted for needs of Polish communes. It does not apply only to economical aspects but also to public matter (administration, local policies, education). For realisation of this aim, an active participation of local companies representatives is necessary at contacts with foreign partners. The second activity area of local authorities is related with acquisition of foreign investors. If a profile of their production (services) has an innovative character, it can result in a transfer of innovations to a local market. Apart from new jobs, there is also a possibility of starting a cooperation with companies that are already present on a local market.

Construction of a modern innovative infrastructure is becoming a more important base of local development. These are Training and Consulting Centres, Technology Transfer Centres, Academic Incubators of Entrepreneurship, Seed Capital Funds, Local and Regional Load Funds, Credit Guarantee Funds, Technological Incubators, Incubators of Entrepreneurship and Technological Parks. Aims of these institutions include mainly supporting of entrepreneurship and helping at technology transfer and commercialisation. They play important service functions on the market, creating a specific net institutional infrastructure, which enables an acceleration of development processes and realisation of set strategies<sup>11</sup>.

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<sup>11</sup> The assumed division of innovations and entrepreneurship centres comes from the report developed by the Polish Business and Innovation Centres Association in Poland in cooperation with the Polish Agency for Enterprise Development. Ref. *Innovations and entrepreneurship centres in Poland. 2009 Report*, ed. by K.B. Matusiak, Łódź–Warsaw 2009.

Engagement of local authorities in support institutions depends on several factors – mainly a size of a local government unit and its economic potential. Larger units can directly participate in establishing and functioning of innovations and entrepreneurship centres, for example, by engaging capital, especially when an enterprise is organised in the form of a commercial law company. Then, they become shareholders of such enterprise. Experiences regarding functioning of support institutions indicate that, apart from partnerships, they are mostly foundations or associations, next, business representative institutions, units of colleges and public administration units<sup>12</sup>.

Despite the fact that not every commune will have established business support institutions, local governments also of small places must participate in over-local projects of entrepreneurship support and utilisation of their scientific and research potential. Only transfers of knowledge of innovative solutions from large and dynamically functioning centres to smaller units can result in positive changes. In this scope, one important function of local authorities is to relay information about innovative solutions to local entrepreneurs or promoting activities of business support institutions in own circles.

The role of investments policies of local governments is also of great importance for the needs of innovative companies development. On one hand, communal investment that improve the infrastructure, to much extent have a positive influence on investing attractiveness of particular units. On the other hand, local governments themselves can use innovative solutions, being an important investor on the local market. In particular, it concerns innovations in such areas as heating, management of solid waste or broadband Internet access.

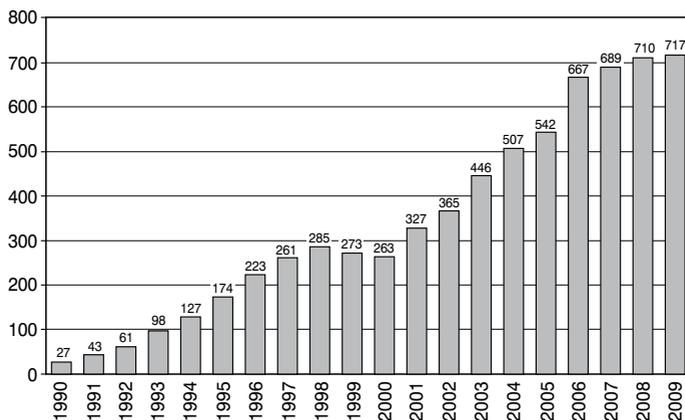
Finally, local governments can prepare investment areas for entrepreneurs that plan to start an activity with the use of innovative solutions.

The above activities not only lead to the innovations transfer but mainly create new jobs. Thus, one of the basic aims of local developments is met.

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<sup>12</sup> Ibid., p. 25.

**Graph 1. Dynamics of development of innovations and entrepreneurship centres in Poland in the years 1990–2009**



Source: K.B. Matusiak, *The state of Polish centres of innovations and entrepreneurship in 2009*, [in:] *Centres of innovations and entrepreneurship in Poland. Report on 2009*, ed. K.B. Matusiak, Łódź – Warsaw 2009, p. 20.

## 2. Local governments as “incubators of democratic innovations”

The second, very important area of innovations implementing, which should serve local development, includes activities in aid of democracy. And it does not mean to meet procedural and institutional criteria of democracy, that are indicated for example by Robert A. Dahl. From the start of system transformation at the end of 1980s, Poland relatively fast based its political system on democratic rules (election of representatives, free and fair elections, common electoral law, right to stand to election, freedom of speech, access to alternative information sources and freedom of association)<sup>13</sup>.

<sup>13</sup> R. Dahl, *Democracy and its Critics*, translation by S. Amsterdamski, Znak Publishing, Cracow 2005, pp. 310–311.

As long as meeting minimal procedural criteria of democracy is relatively easy, as it requires a consent and an agreement of all main politic sides, establishing participatory democracy is a complex and difficult process. First of all, it requires a constant “maintenance” and undertaking activities in order to keep the participation of citizens in public life at a relatively high level. Unfortunately, in Western Europe, as well as in post-communistic countries, including Poland, an opposite phenomenon occurs – citizens’ interest in public affairs and in participation in making decisions decreases. This results in efforts to change such unfavourable situation.

One of elements of such activity is innovation in democracy, which is defined by R. Markowski as “(...) institutions, especially invented and established in order to increase and deepen citizens’ participation in the process of political decisions by direct engagement of citizens (instead of a one-sided focus on elected representatives), institutionalisation of innovations into the process of making strategic decisions and branching off using traditional institutional infrastructure of modern democracy”<sup>14</sup>. Proposed democratic innovations include Technological Panels, Participatory Budgeting, *Civilocracy*, broadening commonness of political rights, introducing *Smart Voting* and discretionary voting, where the NOTA option (Note-of the Above) is placed in ballots, creating a Citizens Assembly or so called “democratic newsstands”<sup>15</sup>.

For most of solutions proposed by R. Markowski, a local government can be the place where innovations are implemented most promptly and their use shall be the most efficient. The local level is particularly predisposed in order to make some forms of participatory democracy be possible to be implemented and promoted among local communities. To some extent, it means a return to roots of participatory democracy, some elements of which were observed alre-

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<sup>14</sup> R. Markowski, “*Innovations in Democracy*” – *The genesis, traditions, new ideas. Possibility and ways of utilisation in Poland*, Warsaw 2008, p. 7 (public debate “Innovations in democracy”, organised by the Foundation in Support of Local Democracy and the Senate of the Republic of Poland, the 19<sup>th</sup> of November, 2008).

<sup>15</sup> More on the issue of proposed solutions – ref. *Ibid.*, pp. 15–22.

ady in Greek polis, when people gathered several times a year to participate in debates and directly decide about their communities. Also at further stages of the participatory democracy development, the local level role was substantial<sup>16</sup>.

In this chapter, several innovative solutions are to be presented. Some of them, the author experienced directly and for their defining and learning about them, he used a well know in social sciences research method: a participant observation. In case of smaller communities, even a choice of a local leader, who can effectively activate a local community, has a key importance. A leader in a small, rural community can be a village head. Election of a leader is done similarly as in the ancient procedures: citizens meet at the same place and time and select one of them to be their representative. Author's experiences show that interest in village head elections and meeting is increasing. An impulse of the growth of this interest in territorial self-government matters is not only a leader him or herself but, first of all, providing a local government with additional authorities and competences. It can be assigning some resources from the commune budget to a territorial self-government. So, a local community can decide about the expenditures structure. Also the way of spending such resource is subject to a strict control. As a rule, citizens themselves observe the way of spending these resource and during an annual "citizens meeting", a discussion over ways of realising planned activities takes place. Additionally, an accepted transparent algorithm of allocation of financial resources forces citizens to make decisions, which of necessary tasks in a particular place should be realised first and which, due to a lack of funds, are not possible to be conducted at current time.

An annual "citizens meeting" is not only for discussing the most essential affairs. It can play an informative and consulting role, with a participation of local authorities. It is a great occasion for citizens to formulate postulates and proposals to authorities and to

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<sup>16</sup> M. Grabowska, T. Szawiel, *Building Democracy. Social divisions, political parties and civic society in post-communistic Poland*, Polish Scientific Publishers PWN, Warsaw 2003, pp. 79–82.

report problems. Thanks to such meetings, also a local government itself is able to become familiar with citizens' opinions, for example about realised investments and undertaken, often very difficult and controversial decisions. In the same way, a local community is included in the process of co-deciding and co-participation, which is a necessary condition for local development. What is more, a dialogue between a society and authorities takes place all the time.

What favours a development and efficiency of "citizens meetings" is not only the personality of a community leader but also proper competences as well as dynamic activities of non-governmental organisations in a local environment. In case of a traditional rural environment, such role is played by farmers' wives' associations, voluntary fire departments, sport clubs or local action groups, which are formed within the scope of the LEADER project.

An activity of youth councils can be a prefiguration of broadening political rights, i.e. one of elements of innovations in democracy. Youth representatives, elected in fully democratic and competitive elections, create an institutionalised form where they formulate and express their opinions about problems, which are the most important for this social group. For local authorities, it is an occasion to become familiar with opinions of this group, which, due to the age, is excluded from the process of political decisions (e.g. can not participate in elections). However, in the future, an experience resulting from the activity in a youth council, can bring only advantages – we have a prepared and conscious citizen, ready to implement innovations in democracy for local development.

Some of presented proposals is already included in the Polish legislation. For example, the public finances act obliges all units from the public finances sector, including self-governments, to conduct open debates over a budget and to publicly inform citizens about spending and managing public resources<sup>17</sup>. The act on village head fund, creates the possibility to finance village council tasks from commune resource, at a partial refund from the natio-

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<sup>17</sup> Ref. Section 4 of the Act dated 27.08.2009 on public finances (Journal of Laws No. 157, item 1240 as amended).

nal budget. A requirement for obtaining resources from the fund is to submit a proper application, which is passed by a village meeting<sup>18</sup>. What is more, there is a possibility to undertake a cooperation between local authorities and non-governmental organisations. Such cooperation is realised by commissioning public tasks to these organisations, mutual informing about planned activity directions, consulting projects of legal acts within the scope of non-governmental organisations activity or forming common teams of a consulting and initiative character<sup>19</sup>.

Definitely, one of phenomena that had an influence on the crisis of modern democracy and weakened natural tools that favour local development is globalisation. However, one of its symbols, i.e. the Internet, can become a useful tool, which can enable implementation of innovations for local development. In general, use of the Internet brings qualitative and quantitative changes to all aspects of innovations.

In case of local democracy development, the Internet offers great conditions for implementation of innovative forms of communication between the society and authorities, being also a medium to articulate needs, express opinions or participate in debates. A special role is played by social networking, blogs, www sites. An access to information and possibilities to participate in debates has never been so fast, cheap and common. Additionally, development of modern technologies, including the Internet, provides conditions for propagate, and mainly to create possibilities for millions of citizens to vote without the need of leaving their homes.

*In practice, we observe a return to the direct democracy, except from the fact that direct interactions of particular community members are replaced by the network.* Also traditional places where public debates take place change. Cyber-democracy is not free from faults and risks, which include vastness of senders, information, variety of contents

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<sup>18</sup> Ref. Act from 20.02.2009 on the village council fund (Journal of Laws No. 52, item 420 as amended).

<sup>19</sup> Ref. Act from 24.04.2003 on public benefits and voluntary activity (Journal of Laws 2010, No. 234, item 1536).

and problems with verification and reliability of information. It creates possibilities of manipulation<sup>20</sup>.

### 3. Sources of financing innovative enterprises

One element, that can help to create, absorb as well as adapt innovations which serve local development, is related with possibilities of acquiring financial resources for their realisation. Available resources for local government units are devoted for investment projects as well as for enterprises promoting innovative solutions in and in aid of a local environment. The criterion of presenting two main sources of financing innovations was related with a local governments' accessibility to them. First of them is addressed mainly to larger urban units, whereas the second to rural communes.

#### 3.1. The Innovative Economy Programme, together with regional programmes

Financial resources, available within the sub-activity 6.2.2. are a chance to acquire investors that represent innovative solutions. Within the scope of this programme, a financial support can be acquired by these local government units that decide to undertake actions in aid of study and conceptual activities, within preparation of areas for investments. Mainly all types of case studies, researches, analyses or reports are co-financed.

On the other hand, regional operational programmes include funds for complex territorial development of areas for investments, including construction of roads, water supply and sewage systems, heating, electric, gas and communication networks<sup>21</sup>.

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<sup>20</sup> P. Lissewski, *Cyberdemocracy? Internet illusions*, "Przegląd Politologiczny" 2002, Issue 3, p. 117.

<sup>21</sup> Ref. to the example of the Greater Poland Regional Operational Programme, activity 1.7: Preparation of areas for investments.

### **3.2. Rural Development Programme for the years 2007–2013. Axes 3 and 4**

The main aim of the programme is activation of rural communities. In contrast to previous programmes addressed to rural areas (e.g. SAPARD), innovativeness of this programme mainly consists in activating in it social and economical partners. The public sector, i.e. self-governments are not the only entities that participate in this enterprise. An important role is of grassroots initiatives, which in a formalised form takes the shape of a local action group. For the area of its activity, a local action group individually determines a development strategy, as well as selects those projects that offer a chance to enforce the feeling of local community, increasing management quality or enforcing the social capital. Thus, the subsidiarity rule is realised in full.

Within the scope of this programme, financial resources can be granted to self-governments for activities, which aim is an improvement of living conditions, including innovative solutions as far as production or distribution of energy from renewable energy source, especially wind, water, geothermal energy, sun, biogas or biomass, is concerned. Also constructions of the broadband Internet infrastructure is co-financed. Additionally, the programme supports enterprises, which aim is to satisfy social and cultural needs and promotion of rural areas, what results in an increase of touristic and investment attraction.