Mission-Oriented Policy Mixes for Rural Cultural and Creative Industries: Complementing EU Smart Specialisation Strategies with LEADER Programmes and Cultural Policy

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Introduction

Territorial convergence is a founding principle of EU Cohesion Policy, yet Smart Specialisation Strategies (S3), the main place-based innovation framework, can inadvertently reinforce the divergence they aim to reduce. S3 is framed as a bottom-up entrepreneurial discovery process, but implementation remains institutionally led and technology-oriented. This produces an 'innovation paradox': limited institutional thickness in peripheral regions constrains capacity, and R&D-intensive metrics marginalize non-technological innovation. S3 also operates mainly at the NUTS-2 scale. Rural-urban divides operate at a much finer scale, so regional averages can hide rural needs inside metropolitan-led portfolios.

This paradox matters for soft innovations such as Cultural and Creative Industries (CCIs) that reflect place-specific strengths in rural areas. Rural CCIs contribute beyond economic output. They support cultural valorization, social inclusion, and local capacity building. These functions align with the civic and social infrastructure that sustains everyday socioeconomic life, but they routinely fail to qualify as 'innovation' in S3 priority setting.

Support for rural CCIs, therefore, requires policy instruments that recognize their value beyond narrow innovation criteria. Their inherently cross-sectoral nature offers, in principle, exactly this possibility. Their territorial embeddedness and problem-solving role for rural regions align with LEADER under the Common Agricultural Policy; because they also pursue cultural and artistic objectives, they align with dedicated cultural programs such as Creative Europe.

In principle, these instruments can cover activities that S3 overlooks. In practice, they rarely provide coordinated support. LEADER's community-led model identifies local challenges and supports flexible, practical interventions. It supports CCIs mainly implicitly and faces short project cycles and budgets that are too small for structural investment. Creative Europe supports explicit cultural projects for transnational networks, professional development, and the circulation of good practices. Its competitive design favors large, high-visibility projects and organizations in major cities. This design effectively excludes much locally embedded rural cultural work that addresses practical local challenges.

We argue that the necessary policy resources for rural CCIs already exist across these domains. The main gap is policy-mix coordination. The policy mix lacks a shared directional objective that each instrument can accept within its mandate. A mission can provide that common objective. The mix also lacks funded intermediation capacity and clear scaling routes from pilot funding to structural investment. In the absence of coordination, local actors assemble fragmented funding portfolios under incompatible institutional logics, timelines, and audit criteria. This fragmentation represents a policy-mix coordination failure.

This paper proceeds in five steps. First, we conduct a comparative assessment of EU instruments relevant to rural CCIs using program documentation, evaluations, and academic literature. Second, based on our previous studies, we compare CCI-related S3 projects with LEADER portfolios. Third, we identify an objective that recurs across instruments and formulate a mission that can guide coordination across the policy mix. Fourth, we propose a three-stage coordination design with explicit criteria for moving successful LEADER pilots into S3 scaling and into European cooperation instruments. Fifth, we analyze the design through a four-dimensional policy mix analysis and specify governance mechanisms that address key coordination failures.

Comparative instrument assessment

Table 1 summarizes the comparative assessment. Heavy audit requirements create a universal burden for rural practitioners across all instruments. Beyond auditing, three mechanisms drive urban concentration. S3 creates a selection barrier through technology-oriented criteria and reliance on institutional capacities that remain structurally thinner in rural areas. This dynamic filters out projects that generate foundational-economy value. Creative Europe creates an access barrier through reinforcing mechanisms: competitive calls reward high-visibility outputs over process-oriented community work; consortium requirements presuppose embeddedness in European professional networks concentrated in cities; sectoral categories misrecognize hybrid rural practice; and administrative complexity demands professional grant capacity that only large, well-resourced organizations can absorb. INTERREG creates a relationship barrier. Cross-border partnership formation depends on the network density that urban areas generate through agglomeration, while rural areas lack a similar density. Its project-based logic also means that cooperation capital often dissolves when funding ends. This pattern produces repeating cycles of network building and dissolution.

LEADER stands apart as the only instrument explicitly designed for rural areas. Its community-led model operates through Local Action Groups (LAGs) at a sub-regional scale. It identifies local challenges and accommodates hybrid, small-scale CCI activities that other instruments overlook. However, LEADER also faces structural constraints. Small budgets and short cycles limit upstream investment in durable capability building. A formal escalation path is absent, so LEADER-validated demand rarely connects to larger funding instruments. LEADER can recognize and test underserved needs, but it cannot scale successful pilots.

Table 1. Comparative Assessment of EU Instruments for Rural CCIs

Dimension	S3 / ERDF	LEADER / CLLD	Creative Europe	INTERREG
Scale & scope	NUTS-2; large budgets, 7-year structural cycles	Sub-regional (LAG territory); small	Transnational; centrally managed	Cross-border / transnational; shared

		budgets, short project cycles	competitive sectoral calls	management, project-based
Governance logic	Bottom-up in design, institutionally led in practice	Bottom-up, community-led through LAGs; explicitly rural-focused	Top-down competitive; consortium-based	Partnership-based cross-border cooperation
Strengths	Capital investment capacity; structural infrastructure; long time horizons	Legitimises hybrid local work; flexible CCI recognition; brokerage and animation; low entry threshold; does not favour cities	Dedicated EU cultural networks; professional circulation and mobility; visibility	Targets border regions (often rural); cross-border policy learning; network access compensating for rural isolation
Urban bias mechanism	Selection barrier: technology-oriented criteria and institutional-thickness requirements favour urban actors	No urban bias; constraints are budgetary and temporal, not spatial	Access barrier: competitive calls reward high-visibility outputs; consortium requirements presuppose urban professional networks; sectoral framing misrecognises hybrid practice; administrative complexity demands professionalised capacity	Relationship barrier: partner formation depends on network density rural areas lack; lead roles concentrate in urban intermediaries; cooperation capital dissolves post-funding
Structural limitations	NUTS-2 aggregation obscures rural needs; high entry thresholds for small organisations	Small budgets; short cycles; no formal escalation path to larger funds	Administrative architecture excludes small, locally embedded organisations regardless of thematic fit	Limited integration with domestic S3 priorities; recurring build-and-dissolve cycles prevent long-term cooperation accumulation
CCI framing	Technology-adjacent industries or physical enabling infrastructure	Instrumental means for practical, bottom-up rural development	Cultural and artistic sector with European dimension	Circulation vehicle for territorial cooperation and shared heritage

Empirical portfolio findings

Our comparison of S3 and LEADER portfolios supports these patterns. S3 portfolios show a consistent urban-rural divide in CCI support. Urban CCI projects cluster around technology-intensive activities such as digital, gaming, and entertainment production. Rural CCI projects follow a different pattern. They appear mainly as enabling assets, including renovated spaces, heritage restoration, tourism capability building, training programs, and services for vulnerable groups. S3 funds many of these projects because capital-intensive physical investments fit its investment logic, even when technological content is limited. S3 can fund a renovated cultural facility. It rarely funds the softer activities that give such facilities a developmental purpose, including community brokerage, experimental programming, cross-sector partnerships, and local capability formation.

LEADER captures local demand that S3 often overlooks. CCI-related activities in LEADER portfolios serve as a means to address practical local challenges such as economic diversification, social cohesion, and community facility provision. LAGs broker agreements across municipalities and translate cultural practices into rural development outcomes.

Policy mix coordination structure

The coordination failures diagnosed above are not incidental — they stem from a specific structural absence. Each instrument pursues rural CCIs through its own institutional logic. Without a common reference point, there is no basis for formal transition, no shared evaluation language, and no institutional reason for managing authorities to look beyond their own programme boundaries. The instruments are not badly designed individually; they lack a shared direction that would give coordination a purpose.

Mission-oriented innovation policy addresses precisely this gap. Its primary function is not to create new programmes or redistribute budgets but to provide a shared directional objective that aligns divergent institutional logics without requiring structural reform of individual instruments. For this to work, the mission must be one that all instruments can recognize as consistent with their existing mandates — an objective they are already pursuing implicitly but have not formalized jointly.

Our empirical findings identify exactly such an objective. In both S3 and LEADER, rural CCIs function less as discrete industries and more as enabling infrastructure for broader territorial development. Both instruments support territorial capability building, and CCIs serve as means rather than ends. This convergence makes a mission feasible, not just desirable: it articulates an objective already latent in practice. Formulated in S3's regulatory vocabulary, the mission is: strengthening place-based enabling conditions for diversified innovation capacity in non-urban territories.

'Enabling conditions' is established S3 language, but it is often operationalized through R&D and digital infrastructure. This operational choice makes capital projects easy to justify and leaves out foundational supports for soft innovation, including local brokerage and programming capacity. ‘Diversified innovation capacity’ corrects this by treating a region’s innovation base as a portfolio that combines technological activity with cultural and social capability building — not a hierarchy in which technology leads, and culture follows. ‘Place-based’ requires an analytic scale below NUTS-2, making NUTS-3 disaggregation necessary. 'Non-urban territories' sets an explicit spatial focus that limits metropolitan dominance in priority setting and project selection.

Within this mission, CCIs become one category of enabling condition, alongside digital connectivity, skills infrastructure, and institutional capacity, rather than a target sector. This framing gives each instrument a defensible role under a shared objective and avoids two pitfalls.

It does not force rural CCIs into a technology-driven narrative. It does not isolate them inside a cultural-sector logic that sits apart from territorial development.

A tension remains. Treating CCIs as enabling conditions can reduce attention to explicit cultural value. The monitoring framework, therefore, needs indicators for cultural vitality alongside indicators for innovation capacity.

Based on these analyses, we propose a coordination structure that operates in three stages (Table 2). Stage 1 uses LEADER to validate local demand through existing LAG procedures and to generate evidence on governance readiness and delivery feasibility. Stage 2 uses LEADER-proven evidence for supporting investment in facilities, skills, and infrastructure in S3. Stage 3 uses the organizational and financial capacity accumulated through S3 to open access to European-level instruments through two complementary pathways: territorial cooperation through INTERREG and sectoral circulation through Creative Europe. Many rural CCI initiatives can pursue both pathways. Not all actors need to progress through every stage. For many, LEADER-scale activity can meet local objectives, and that outcome remains valid.

Table 2. Staged Coordination

Stage	Lead Instrument	Focus	Outputs	Function
1. Experimentation	LEADER / CLLD	Demand validation, pilot testing, partnership building, micro-capability development	Pilot projects, local networks, feasibility evidence, governance readiness	Validated demand, grassroots governance capacity, delivery feasibility
2. Scaling enabling conditions	S3 / ERDF / ESF+	Capital investment in facilities, equipment, accredited skills pathways, digital infrastructure	Renovated spaces, professional equipment, accredited training, foundational service upgrading	Investment-ready plan anchored by LEADER-verified governance capacity
3. European integration	INTERREG & Creative Europe	Territorial cooperation (cross-border learning, network access) and/or sectoral circulation (professional mobility, audience development)	Transferable models, cross-border routes, co-productions, residencies, European platforms	S3-scaled operational capacity; organizational maturity; viable co-financing

Mission-oriented policy mix coordination analysis

Three-stage sequencing clarifies roles across instruments, but coordinated action still depends on shared direction and enforceable rules across funds. The mission provides the shared direction. It also sets expectations for selection, sequencing, and monitoring across programs. The current instrument landscape still produces coordination failures because objectives, procedures, and accountability systems remain separated across instruments.

We apply a four-dimensional policy mix framework to diagnose these failures and to specify mission-oriented remedies (Table 3). The proposed mechanisms translate the mission into joint priorities across Managing Authorities, defined scaling routes from LEADER pilots to S3 investment, and bridging finance and evaluation tools that support durable capability building.

Together, these mechanisms shift the policy mix from parallel instruments toward a sequenced portfolio. LEADER generates evidence and partnerships, S3 provides capital for enabling conditions, and Creative Europe and INTERREG extend cooperation and circulation once local capacity is in place. This coordination logic sets up the contributions summarized below.

Table 3. Policy Mix Assessment: Deficits, Improvements, and Mechanisms

Dimension	Current Deficit	Mission-Oriented Improvement	Governance Mechanism
Consistency (directionality)	Category mismatch: DGs approach CCIs through separate policy frames—rural diversification (DG AGRI), technology-oriented innovation (DG REGIO), territorial cooperation (INTERREG), and sectoral cultural policy (DG EAC)—with no shared recognition of rural CCIs as enabling infrastructure.	Shared mission anchor: strengthening place-based enabling conditions for diversified innovation capacity in non-urban territories. This makes hybrid rural CCIs legible as enabling infrastructure across all policy domains.	Mission charters across managing authorities; joint NUTS-3 priority-setting linking ERDF, EAFRD, and Creative Europe desks; shared terminology for enabling conditions and soft innovation.
Coherence (instrument interactions)	Escalation gap: LEADER pilots rarely move into S3-backed investment. Criteria and procedures for upgrading validated pilots into ERDF or ESF+ support remain weak. European integration routes are unsequenced, leaving actors to navigate parallel tracks for INTERREG and Creative Europe.	Portfolio governance: a defined route that sequences experimentation, structural scaling, and optional European cooperation pathways under the shared mission.	Dedicated ERDF scaling tracks for LEADER-validated pilots; joint pipeline management between managing authorities and LAGs; regional brokers advising on Creative Europe and INTERREG pathways and compliance.
Comprehensiveness (support coverage)	Financial precarity: Creative Europe co-financing (60–80%) excludes locally embedded actors. INTERREG cooperation networks dissolve post-funding. No bridging instruments connect local and European scales.	Cross-sector portfolios: S3 enabling-condition investment builds the organisational and financial base that European programmes presuppose. Bridging instruments sustain cooperation ties beyond project cycles.	Regional co-financing facilities and advance payment schemes to reduce liquidity barriers for Creative Europe participation; ERDF network-maintenance micro-grants to sustain INTERREG cooperation ties post-project.
Credibility (long-term commitment)	Evaluation mismatch: technology-centric S3 indicators miss soft	Patient evaluation: portfolio learning that tracks cumulative territorial	Multi-annual funding windows aligning LEADER and S3 cycles;

	enabling conditions. Short cycles across LEADER and Creative Europe create continuous planning precarity.	capability—including cultural vitality alongside innovation capacity—over seven-year programming cycles.	diversified indicator framework (facility condition, service access, civic participation, cultural vitality); cross-instrument portfolio reviews.

The paper makes three contributions. First, it reframes rural CCI support from a sectoral funding problem into a policy-mix coordination problem. It proposes a mission that functions as a common objective for S3, LEADER, Creative Europe, and INTERREG, and it aligns selection and evaluation around innovation diffusion and capability building in non-urban territories. Second, it integrates mission directionality into a four-dimensional policy mix assessment. The analysis identifies category mismatch, weak scaling routes, and financial precarity as drivers of systematic support failures across EU instruments. Third, it specifies a governance architecture built around three-stage sequencing. The design defines criteria for scaling LEADER-validated pilots through S3 investment and for opening European pathways through Creative Europe and INTERREG. This approach strengthens support for non-technological innovation that current frameworks undervalue.