



## Business Article

# DRIVE - Driving Rural Innovation through startup Villages across Europe



Funded by  
the European Union

## Needs assessment and Social Innovation in Startup Villages: framework and lessons learned from the DRIVE model

### Introduction

Across Europe, rural regions are increasingly recognized as key contributors to innovation, sustainability, and economic resilience. While innovation ecosystems have traditionally been concentrated in large urban centres, rural areas possess unique assets such as strong community networks, natural resources, and opportunities in sectors like agri-food, renewable energy, and circular bioeconomy. At the same time, rural entrepreneurs often face structural barriers including limited access to finance, digital infrastructure gaps, and fragmented support ecosystems.

In this context, the concept of **Startup Villages** has emerged as an important policy approach for fostering innovation in rural communities. Supported by European initiatives such as the Startup Village Forum and the EU Long-Term Vision for Rural Areas, startup villages aim to create local ecosystems that connect entrepreneurs, communities, research institutions, and public authorities.

The **DRIVE project** (Driving Rural Innovation through Startup Villages across Europe), funded by the **Horizon Europe**, explores how social innovation and collaborative ecosystems can support the development of “startup villages.” Two key reports produced as part of the project provide valuable insights into the dynamics of innovation in rural areas.

The **Best Practices Report** was developed using two structured data collection templates:

- **Template 1** – Inventory of existing services/products, designed to map existing regional services and identify reference points for developing new or improved market entry scenarios (3–5 entries per partner), and
- **Template 2** – Best Practices, used to collect examples of successful initiatives, policies, and EU-funded projects related to stakeholder engagement, sustainability, and the promotion of innovation (5–10 entries per partner).

In addition, the **Challenges Report** is based on extensive stakeholder engagement, including 36 semi-structured **interviews** (3–5 per region on average), conducted either in person or via teleconference. The interviews explored key areas such as current business and innovation activities, and perceived barriers to growth, needs for financial, technical, and infrastructure support, experiences with existing support programs, and recommendations for improving local innovation ecosystems. Overall, these findings highlight both the needs of innovation ecosystems in rural areas and the opportunities to strengthen them through targeted policy support and collaboration.

### Understanding the Needs of Rural Innovation Ecosystems

A core element of the DRIVE project was the analysis of the challenges faced by rural startups and innovation actors. Through **36 semi-structured stakeholder interviews**, conducted across the participating regions from Slovenia, France, Greece the project gathered insights from

entrepreneurs, innovation support organizations, local authorities, and community actors. Several common challenges emerged across regions. One of the most frequently mentioned barriers is **limited access to finance and investment opportunities**. Rural startups often struggle to attract investors and access early-stage funding compared to their urban counterparts. This limits their ability to scale innovative ideas and compete in broader markets. Another key challenge is **digital connectivity and infrastructure**. Although progress has been made in recent years, many rural regions still lack reliable broadband connectivity, which restricts digital business models and access to online services. Human capital also represents a significant challenge. Many rural areas experience a **shortage of skilled talent and entrepreneurial expertise**, often linked to demographic trends such as youth migration to cities. This can slow down innovation and limit the growth of local startup ecosystems. In addition, the study revealed that **innovation support systems in rural areas are often fragmented**. Entrepreneurs may find it difficult to access incubators, accelerators, mentorship programs, or market networks. Strengthening collaboration between local actors, regional authorities, and European initiatives therefore remains a key priority.

Despite these challenges, the analysis also highlighted significant opportunities for strengthening rural innovation ecosystems through coordinated European action. The convergence of common barriers across regions, such as brain drain, limited access to finance, infrastructure gaps, and fragmented ecosystems, points to strong potential for **pan-European cooperation**. One key opportunity lies in the development of cross-border **Rural Innovation Networks and “Regional Innovation Valleys”**, as promoted by the New European Innovation Agenda, enabling rural regions to collaborate based on shared thematic strengths, exchange knowledge, and jointly attract investment. Expanding initiatives such as the Startup Village Network can further ensure that even small and remote communities are connected to European innovation ecosystems.

Additional opportunities emerge in collaborative policy learning and exchange, where regions can share successful approaches and avoid duplication through structured cooperation mechanisms such as Interreg projects or rural innovation forums. Joint talent development initiatives, including mobility schemes and rural-focused entrepreneurship programmes, can help address skills shortages while fostering a new generation of rural innovation leaders. At the same time, the creation of shared digital platforms and knowledge hubs could facilitate access to best practices, partners, and resources across Europe.

There is also strong potential for innovative financing mechanisms, such as pan-European rural innovation funds, to mobilise investment and support smaller or higher-risk projects that would otherwise struggle to access capital. Finally, rural areas can benefit from increased cooperation in addressing green transition challenges, including renewable energy, circular bioeconomy solutions, and climate adaptation. Together, these opportunities demonstrate how rural regions can move from isolated efforts to integrated innovation ecosystems, contributing actively to the European vision of “innovation everywhere.”

### Learning from Best Practices Across Europe

To better understand how rural innovation ecosystems can succeed, the DRIVE project also conducted a comprehensive analysis of existing initiatives across Europe. The **Best Practices**

**Report** collected **30 services/products and innovation initiatives contributed by rural partners**, and a total of **82 best practices** were selected and analysed using standardized templates to ensure comparability. The analysis revealed several important trends shaping rural innovation.

First, there is a growing emphasis on **innovation hubs and entrepreneurial support structures** in rural areas. Many successful initiatives focus on developing incubators, accelerators, and training programs tailored to the needs of rural startups and SMEs. These initiatives help build local entrepreneurial ecosystems and provide the skills and mentorship necessary for innovation. Second, **circular bioeconomy initiatives** are emerging as a major driver of rural innovation. Farms, cooperatives, and rural businesses are increasingly adopting circular practices such as biobased product development, waste valorisation, and renewable energy solutions. These initiatives contribute to both local economic development and the broader goals of the European Green Deal. Another key finding is the strong role of **European funding programs and interregional collaboration**. Many successful initiatives are supported by EU instruments such as Horizon Europe and related programmes promoting knowledge exchange and innovation partnerships. These collaborations enable rural innovators to experiment with new solutions and scale their ideas beyond local contexts.

Finally, the report highlights the importance of **multi-stakeholder networks and knowledge-sharing platforms**. Initiatives such as the Startup Village Forum play a crucial role in connecting rural innovators, facilitating the exchange of good practices, and supporting collaboration across regions.

### **The DRIVE Approach: From Needs Assessment to Action**

Building on these findings, the DRIVE project proposes a structured approach to supporting startup villages that combines needs assessment, ecosystem development, and collaborative innovation. The first step involves **evidence-based needs assessment**, ensuring that innovation initiatives are grounded in the specific realities of rural regions. Stakeholder interviews, regional case studies, and ecosystem analysis help identify both barriers and opportunities. The second element focuses on **ecosystem development and capacity building**. Strengthening entrepreneurial ecosystems requires investment in training, mentorship programs, digital skills development, and innovation hubs that support local entrepreneurs. The third component is **collaboration and policy alignment**. Linking local initiatives with broader European strategies, such as Smart Specialisation Strategies and the New European Innovation Agenda, helps ensure coherence between local innovation actions and European policy objectives. Together, these elements form the basis of the **DRIVE model**, which aims to support sustainable innovation ecosystems in rural areas.

### **Lessons for the Future of Rural Innovation**

The findings from the DRIVE project highlight several key lessons for policymakers and innovation stakeholders. First, startup villages have significant potential to drive rural innovation, but they require holistic support. Successful ecosystems combine infrastructure, talent development, financing mechanisms, and collaborative networks. Second, social innovation and community engagement are critical success factors. Many rural innovation

initiatives are community-driven and rely on strong local participation to generate long-term impact. Third, networking and knowledge exchange play a central role in scaling innovation. Sharing best practices and connecting rural innovators across regions can accelerate the replication of successful models. Finally, policy alignment is essential. When local innovation initiatives are connected to European policy frameworks and funding programs, they gain greater access to resources, expertise, and long-term support.

## Conclusion

Rural regions across Europe hold significant potential to contribute to innovation, sustainability, and economic resilience. The experience of the DRIVE project shows that startup villages can play an important role in unlocking this potential by fostering collaboration, supporting entrepreneurs, and connecting rural ecosystems with European innovation networks. Through a combination of needs assessment, best practice analysis, and stakeholder engagement, the DRIVE model demonstrates how rural innovation ecosystems can be strengthened in a structured and inclusive way. As Europe continues to pursue its green and digital transitions, empowering rural innovators will be essential to ensure that innovation opportunities reach every region. Strengthening startup villages is therefore not only a strategy for rural development, but also a key step toward building a more inclusive and resilient European innovation ecosystem.

## References

D2.1 Best Practice Report: <https://csicy.com/project/drive/>

D2.2 Challenges Report: <https://csicy.com/project/drive/>

