



# Bridging Policy and Practice: How County Governments Translate National Innovation Policy into Local Action

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ARTICLE INFO	ABSTRACT
<p><b>Published Online:</b> 22 November 2025</p> <p><b>Corresponding Author:</b> <b>Ruth G. Muthoni Kimani</b></p>	<p>The international move towards the devolution of policy innovation has established a defining implementation divide between the prospect of localized efficacy and the fact of sub-national limitations. This article examines the Innovation paradox, which poses the question of whether county governments have the necessary resources, capacity, and autonomy to implement national innovation agendas effectively. The gap in implementation can be analyzed as the result of three interlocked structural deficits. Initially, the Capacity Deficit is characterized by the absence of technical expertise in areas such as Intellectual Property (IP) and R&amp;D monitoring, which is further exacerbated by organizational thinness. Second, the Fiscal Gap exposes counties to a Dependence Trap, in which local tax autonomy reduces sovereignty and budgetary crises prevent the long-term investment necessary in R&amp;D. Third, the Co-ordination Failure is caused by the vertical misalignment of central standardization with local demands, especially in discontinuous areas such as skills policy. The research inescapably concluded that county governments in their present form are typically poorly prepared with the required specialized capacity, dependable resources, or effective operational autonomy to pursue innovation effectively. These three structural factors—Capacity Deficit, Fiscal Dependence Trap, and Systemic Co-ordination Failure — across governance tiers are the main drivers of the implementation gap. These inefficiencies do not allow for translating national policy objectives into customized local economic activity, thus undercutting the eventual targets of decentralization. Effective models, such as the Integrative Local Organizer, have demonstrated that local authorities must actively develop innovation platforms to address these gaps. The study suggests that policy changes should include a shift toward focused capacity building, empowering counties financially to align resources with tasks, and institutionalizing Multilevel Governance systems to achieve policy consistency. To transform national innovation intent into sustainable local economic action, it is crucial to invest in the final stages of policy implementation.</p>
<b>KEYWORDS:</b> Capacity Deficit, Fiscal Dependence Trap, Multilevel Governance Systems, Systemic Co-Ordination Failure	

## I. INTRODUCTION

The Devolution Imperative and the Innovation Paradox.

This rising role of regions and cities as sources of global economic performance has contributed to the popularization of the Decentralization Thesis, which states that innovation is essentially a regionalized process that relies on the strength of different regions (Gullmark & Clausen, 2023). As a result, national governments are no longer adhering to centralised, monolithic policies. Still, they are moving toward complex Multilevel Governance (MLG) systems, which means that political, administrative, and fiscal powers over science,

technology, and innovation (STI) are being transferred to county and municipal governments. This relocation is based on the premise that local organisations possess better tacit knowledge of local market conditions, skill requirements, and entrepreneurial ecosystems, allowing policies to be directed for maximum effectiveness (He and Yang, 2025).

Nevertheless, this systemic change has revealed one of the most essential weaknesses: the policy implementation gap (Hudson, Hunter, and Peckham, 2019). This disconnect highlights the significant disparity between the ambitious objectives of national innovation policies (such as building a strong knowledge economy or establishing technology

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centres) and the fragmented and uneven nature of county-based implementation (Abdullahi and Othman, 2020). The complexity of translating large-scale and standardised central strategies into local implementation forces county leaders to become knowledge brokers, translating abstract objectives into practical programs (Zhu and Faucher, 2025).

This scenario forms the fundamental Innovation Paradox of devolution. On the one hand, the change of power can guarantee local customisation, providing counties with autonomy and the possibility to use so-called local choice (Eckersley, 2017), thereby ensuring policy effectiveness. For example, autonomy will enable a county to develop its own low-carbon incentive policy that focuses on local industrial specifics, maximising enterprise change (He & Yang, 2025). Conversely, the same transfer can leave counties vulnerable to an extreme implementation failure because of a lack of sub-national resources and capacity (Kate, 2023).

One of the most notable examples of this tension is the introduction of Technology and Innovation Support Centres (TISCs) in Kenya. Although the national policy has sought to decentralise access to Intellectual Property (IP) information, local implementation has been significantly hindered by issues of poor infrastructure and insufficiently trained personnel at the county level (Lugasi & Odhiambo, 2022). Equally, the larger objective of developing local content and abilities needed to industrialise necessitates complicated co-ordination to execute, which is usually beyond the financial and technical capacity of financially and technically thin county governments (Kingiri & Okemwa, 2021). Moreover, the dependence of local organisations on centrally funded bodies may result in a situation of low leverage, making it challenging to balance and limiting actual local sovereignty (Elias, 2025).

The resource-responsibility mismatch is the critical constraint that motivates this implementation gap. The guiding research question that will drive this article is as follows: Do County governments have the required resources, specialized capacity, and operational autonomy to transfer the national policy of innovation into local action efficiently, and what are the specific dimensions of the implementation gap?

The following sections will first define a conceptual framework of implementation research. It will then examine three intersecting issues, including the capacity deficit, resource constraints, and failures in autonomy and vertical co-ordination, and finally conclude with models of successfully bridging the policy-practice gap.

## **II. CONCEPTUAL FRAMEWORK: UNDERSTANDING THE IMPLEMENTATION GAP**

To examine the process of national innovation policy translation (or lack thereof) into local action, it is necessary to base the discussion on proven policy implementation theory, the machinery of devolution, and the politics of multilevel governance.

### **2.1 Policy Implementation Paradigms: Top-Down, Bottom-Up, and Synthesis**

The Top-Down approach dominated early policy analysis, as best known from Pressman and Wildavsky. The main idea behind their assumption is that successful implementation depends on the central government's capacity to define goals clearly, minimise the discretion of lower-level officials as much as possible, and ensure a tight chain of command (Weible, 2023). Top-down innovation would imply uniform procedures in which, for example, grant applications or the establishment of regional innovation funds would be implemented by county governments acting merely as executors of such commands. This model considers the implementation gap as a compliance or control failure.

Nevertheless, the Top-Down model was found to be ineffective in explaining why policies tend to fail when challenged by bureaucratic complexity and local political realities. This gave rise to the Bottom-Up approach, which was advocated by scholars such as Weible (2023), who presupposed that street-level bureaucrats —local officials working in direct contact with citizens and enjoying significant practical discretion—determine the actual success or failure of a policy. Applying this to the STI context, county staff need to translate a national policy regarding low-carbon enterprise incentives (He & Yang, 2025) into local businesses, and frequently, this can be done by adapting the regulations to real-world limitations.

The Synthesis Approach is the most suitable framework for this research. This model assumes that policy implementation is neither purely command and control nor entirely local adaptation, but rather a long-term process of negotiation and bargaining between central policymakers and local implementers (Weible, 2023). This method will be particularly applicable in this case, as we can interpret the implementation gap not as a mere administrative failure, but rather as the product of policy design defects (Top-Down) and a lack of local capacity or strategic exploitation of Autonomy (Bottom-Up).

### **2.2 Devolution, Autonomy, and Power Dynamics**

To properly measure the structural environment of county innovation policy, we need to differentiate between the concepts of decentralisation and devolution. According to Kate (2023), decentralisation is associated with the decision to distribute duties of the central government. In contrast, devolution is the distribution of all political, administrative, and fiscal power to a formally established sub-national government. Local autonomy, therefore, has a structural basis in devolution. Eckersley (2017) describes local autonomy as the legal and political rights of sub-national units to make autonomous decisions about their operations, budgets, and methods of operation. This independence is essential in the sphere of innovation as it promotes local policy. To illustrate, a county with a distinct economic makeup can focus on agricultural technology experimentation rather than manufacturing innovation due to its autonomy.

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However, this independence is often compromised by Power Dependency. The formal legal authority may be present, but the practical capability of a county to use its power is constrained by its reliance on the centre, specifically, its fiscal reliance (Guimón, 2018). A limited leverage by local actors in a patron-client relationship, as Elias (2025) emphasizes in a different context, imposes a constraint on sovereignty, necessitating severe trade-offs. When one of the counties is heavily dependent on central transfers, with more than 80 per cent of its budget, its policy of innovation will automatically follow central directives, regardless of how much the county is legally independent. This financial reliance is a severe constraint on the range of local policy development, even though, in theory, devolution can be effective.

### 2.3 Innovation Policy and Multilevel Governance (MLG)

The Multilevel Governance (MLG) is a framework within which the policy of STI is undertaken in the devolved systems. Guimon (2018) defines it as a model of policy-making that is decentralised, negotiated at national, regional, and local levels, as opposed to hierarchical policy-making. The national government usually establishes the general direction, determines national priorities (e.g., mitigating climate change), and regulates the major funding sources in this MLG context. The county government, in turn, is entrusted with the key integrative organizer role (Zhao, 2021) and is left to shoulder the responsibility of transforming these national goals into local industry development and skills plans (Kingiri and Okemwa, 2021). The county should become a knowledge broker (Zhu & Faucher, 2025), which means combining external expertise with the needs of the local population to outline specific action courses.

The implementation gap, hence, lies in the inadequacy of the MLG structure to resource the local tier. This is well exemplified by the challenges surrounding the implementation of Technology and Innovation Support Centres (TISCs) in Kenya: the national policy provides the framework, but the TISC sites on the county level do not achieve their goals due to inherent shortages in the local administrative and technical capacity to establish and maintain them (Lugasi & Odhiambo, 2022). This organisational frailty suggests that effective MLG to drive innovation requires more than merely decentralising power; it necessitates capacity co-creation and a precise specification of powers to prevent policy dispersion (Kollydas, 2024).

## III. CHALLENGE 1: THE CAPACITY DEFICIT (THE HUMAN CAPITAL GAP)

Capacity Deficit is the most tangible restricting factor that affects the successful implementation of national innovation policy at the sub-national level. Capacity here can be understood not only as the number of personnel, but also as the administrative and technical expertise, as well as the strategic planning, management, and execution skills of local government organisations (Gullmark & Clausen, 2023). The

absence of this capacity renders the discretionary authority that devolution empowers either dormant or misguided, seriously limiting the county's opportunities to generate transformative policy results (Zambrano-Gutiérrez and Puppim de Oliveira, 2022).

### 3.1 Key Deficiency 1: Lack of Specialised Skills

The first crucial gap is the lack of staff who possess a specific technical skills base to operate the modern innovation systems. The policy of innovation requires skills far beyond those typically found in regular public administration. It requires the competency in Intellectual Property (IP) management, the capacity to track and assess Research and Development (R&D) performance, and the capability to develop competitive grant proposals.

This was one of several challenges identified by Mugwagwa et al. (2015) when evaluating health research and innovation policies in Mozambique, Senegal, and Tanzania. Their results indicate that central policies were present, but the ability to implement them, in other words, the technical capacity to administer research grants over large and multi-year projects and enforce ethical standards, was frequently lacking at the local level. Likewise, Lesnikowski et al. (2020) demonstrated in their study on climate change adaptation policy that local governments lacking specialised planning capacity tend to default to passive, reactive implementation styles, rather than the proactive, integrative strategies required to achieve systemic innovation. This implies that national programs to develop specific technological sectors, such as high-tech manufacturing or biotechnology, frequently remain at the planning phase, with no county official possessing the necessary technical expertise to support the domain expert or technology transfer agent.

### 3.2 Key Deficiency 2: Organisational Thinness

The skills gap, as specialised, is further augmented by a more general structural vulnerability that Guimón (2018) describes as organisational thinness in emerging economies. This notion refers to the systemic absence of strong and effective intermediary organisations that play a vital role in an effective innovation system. These intermediaries consist of professionally operated technology business incubators, university technology transfer offices, expert public innovation agencies, and venture capital facilitation agencies. These organisations in the mature innovation ecosystem absorb non-local knowledge and serve as intermediaries between research, government, and industry. These structures are non-existent or weakly institutionalised in capacity-deficient counties. As a result, local governments frequently have to cope with complex tasks such as mentoring start-ups or establishing the right market connections, which they are structurally ill-equipped to perform. According to Conlé (2023), special-purpose innovation platforms are essential means of anchoring non-local knowledge and linking global trends to local experimentation; organisational thinness hinders anchoring capability.

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### **3.3 The Uneven Distribution of Capacity: Metropolitan vs. Rural Divide**

The capacity deficit is not evenly distributed, resulting in a sharp and unbalanced implementation landscape. In their paper devoted to decentralised Indonesia, Setiawan et al. (2022) confirmed that the capacity of the local government serves as a direct and substantial predictor of the outcomes of public service delivery. The capacity in large urban counties (e.g., a national university or financial centre) is relatively high. These counties can recruit and retain specialised talent, frequently have well-established units focused on economic development or investment promotion, and possess the institutional maturity to navigate the complex national competitive funding processes. They manage to tap into these funds to co-finance local incubators or seed-stage investments.

On the other hand, there is a deep capacity shortage in the rural, peripheral counties. The shortage of good jobs, low wage rates, and the distance to large research centres contribute to brain drain. In such counties, even a single designated officer who can create an effective national grant proposal meeting high technical standards is frequently missing (Hilmawan et al., 2023). This gap is crucial since it creates a vicious cycle of underinvestment: low capacity does not allow access to national competitive funds, and a lack of funds does not allow for investment in capacity building. According to Abdullahi and Othman (2020), institutional upgrading (as in the case of China's counties-to-city upgrading policy) can have a positive effect on firm innovation, and therefore, institutional power (which is dependent on human capacity) is not negotiable in terms of achieving desired development outcomes.

### **3.4 Remedies and Organisational Choices**

The solution to the capacity deficit should be strategic. According to Schmidhuber et al. (2021), local governments have to consider making intentional organisational decisions about their adoption pathways due to a lack of resources. This implies the utilisation of core resources by means such as:

- a) **Capacity-Building Hubs:** The national governments must invest in regional centres of excellence that deliver standard services, including grant writing support, IP legal clinics, and R&D monitoring expertise, available to more than two counties with low capacity.
- b) **Embedded Technical Assistance:** Instead of brief training sessions, central agencies should send technical experts (or knowledge brokers) to county governments to be placed there long-term, where they can help train local employees, as well as institutionalise best practices (Abdullahi and Othman, 2020).

Finally, effective implementation is based on transitioning toward proactive, transformative innovation, rather than reactive administrative styles, which cannot be

achieved without first filling the specialised human capital gap.

## **IV. CHALLENGE 2: THE RESOURCE CONSTRAINTS (THE FISCAL GAP)**

The second significant organisational issue facing county governments in their implementation of national innovation policy is the Resource Constraint, usually in the form of a crippling Fiscal Gap. Unless sustainably and adequately financed, even the most competent and independent local administration is unable to fuel innovation, which requires investment in long-term capital for research and development, as well as capital infrastructure.

### **4.1 Fiscal Devolution: Decentralised vs. Autonomous Funding**

To examine resource allocation, it is necessary to distinguish between two categories of funding in devolved systems. The former is Decentralised Funding, or central government budget allocations, generally through statutory grants or conditional transfers, operated locally. The county maintains administrative authority over the use of such funds for devolved expenditures, such as health or agriculture, but the origin of these funds is the central treasury. The second and more vital one is Autonomous Funding, which expresses the authority of the local government to collect, hold, and dispose of its own-source revenue (OSR) (usually property taxes, user fees, and local levies) (Kate, 2023). Autonomous Funding is essential to a successful innovation policy, as it ensures certainty and incentives to invest strategically. Nevertheless, Guimón (2018) points out that in most emerging economies, the fiscal decentralisation process tends to devolve responsibility and restrict the adequate revenue-raising capacity of the sub-national level, which inherently imbalances the situation.

### **4.2 The Dependence Trap and Compromised Autonomy**

The worst impact of an inadequate fiscal base is the Dependence Trap. Counties with few local tax-raising authorities are strongly dependent on transfers from the central government, which, as Kate (2023) observes in the context of service provision in Kenya, significantly interferes with their independence. This reliance implies that the county's spending priorities should be closely coordinated with central directives to ensure a smooth financial flow, regardless of whether the central priorities align with local innovation requirements or not. The theoretical background is provided by Eckersley (2017), who explains that although local governments may have formal legal authority to make local choices in policy-making, such decisions are hardly possible when they lack the financial capacity to fund alternatives to the central agenda. An example is a national policy that may emphasise a massive investment in university research. In contrast, a rural county may see its immediate innovation imperative as investments in artisanal skills development or micro-level business process innovation. The

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county lacks the fiscal independence to reallocate funds, so national directives take precedence, further contributing to the implementation gap.

The relationship is apparent in the fiscal analyses of SADC (Southern African Development Community) cities (based on the policy-relevant context of the outline of the section). The local governments in these areas are frequently restricted by central laws that limit their ability to raise high rates of taxation, such as corporate taxes or high property taxes. Instead, they have to depend on these predictable sources of income, like this. This institutional constraint distorts the incentives of local economic stakeholders. The county cannot effectively stimulate local firms to engage in projects that create local content and capabilities (Kingiri and Okemwa, 2021) because the local government lacks the financial power to be taken as a credible, independent partner without the capacity to fund innovation on a local basis.

### **4.3 Budgetary Instability and the Impediment to R&D**

In addition to the number of resources, the timing and regularity of funding pose a drastic challenge to long-term innovation planning. Innovation projects, whether through investment in infrastructural R&D, operating business incubators, or financing technology pilot projects, require consistent, multi-year budget allocation. Nonetheless, where counties rely on central transfers, they become susceptible to budget fluctuations due to political bargaining, bureaucratic stalling, or national economic shocks. Abdullahi and Othman (2020) state that the policy implementation gap can be bridged by, among other measures, ensuring a stable allocation of resources. The lack of timely or steady central transfers means county innovation programs are frequently cut or stalled halfway through the year.

One heartrending case of this is observed in the introduction of Technology and Innovation Support Centres (TISCs). Lugasi and Odhiambo (2022) reported that the long-term viability of TISCs was undermined by the central government's failure to fund operational expenses, even in areas where the initial infrastructure was in place, rendering the centres ineffective and incapable of achieving their mandate. This volatility compels county managers to focus on immediate and short-term (such as staff salaries) needs rather than the long-term investment needed in R&D infrastructure and innovation platforms, which, on average, require years to pay off.

### **4.4 The Contrast of Fiscal Empowerment**

The implementation of the policy in fiscally empowered regions is successful, and the challenges faced by the dependent counties are striking. For example, He and Yang (2025) examined attitudes towards urban low-carbon incentive policies. They concluded that effective enterprise transformation and upgrading were highly correlated with the ability of local governments to design and finance incentive schemes that corresponded to the local industrial base. This level of capacity has typically been associated with increased

fiscal autonomy, which enables local governments to be integrative organisers (Zhao, 2021) of innovation, as opposed to being administrators of centrally predetermined allocations. Finally, the Fiscal Gap of inadequate tax power and reliance on unstable transfer turns policy freedom into administrative ineffectiveness, which ensures that national innovation policies fail at the essential stage of local implementation.

## **V. CHALLENGE 3: AUTONOMY, CO-ORDINATION, AND THE POLICY MIX**

The third and most challenging obstacle to national innovation policy translation is the inability to coordinate, which directly results from the two sides of the coin of local autonomy. Although devolution introduces the principle of local choice (Eckersley, 2017), the success of this choice depends on the success of the vertical and horizontal alignment (with the central government and with neighbouring counties).

### **5.1 Vertical Co-ordination Failure: Standardisation vs. Tailoring**

The failure of vertical co-ordination is inherent in the clash between national interests, which prefer standardization as a means of administrative efficiency, and local requirements, which prefer customization to achieve policy effectiveness. When the central government imposes challenging, uniform, one-size-fits-all requirements, these requirements smother the very locally responsive innovation policies that devolution is supposed to promote.

One of the most important instances of such a policy conflict is observed in the devolution of local skills policy (Kollydas, 2024). The basic inputs to any regional innovation system are skills and vocational training, but their roles are usually divided. Curriculum design, accreditation, and certification standards are generally under the control of the national education and training bodies. At the same time, economic development agencies at the county level are responsible for attracting investments, encouraging entrepreneurship, and meeting local industrial needs. Such fragmented decision-making at different levels generates disjointed local skills programs. According to Kollydas (2024), to successfully innovate local skills, there should be explicit, comprehensive, and unambiguous powers handed over to local authorities. In the absence of this, the county remains incapable of tailoring curricula or funding flows to meet the particular demands of local industries, including a localised emphasis on digital agriculture or specialised artisanal production, thus unable to develop the local content and capabilities that are needed to achieve sustainable industrialisation (Kingiri & Okemwa, 2021). This disparity in policy is likely to exacerbate the overall gap in implementation (Hudson et al., 2019).

### **5.2 Horizontal Co-ordination Challenges**

Besides vertical misalignment, counties also face co-ordination difficulties at the horizontal level, namely the

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criticality of cooperation between peer jurisdictions. Specialty research parks, transportation connections, or large universities are commonly virtualized as innovation assets serving also neighboring counties. Cooperation is necessary to share expenses, prevent duplication, and capitalise on volume.

However, unproductive inter-jurisdictional competition is frequently promoted by the reality of devolution. Rather than cooperate to create a standard regional technology hub, the neighbouring counties can compete to provide excessive tax relief to attract the same anchor company or to replicate small-scale technological innovation programs. This competition consumes limited resources and fails to allow the development of strong and regionally levelled innovation systems (Gullmark & Clausen, 2023). To illustrate, when two neighbouring counties consider starting their own modest Technology and Innovation Support Centres (TISCs) rather than consolidating resources into a single large centre, both facilities ultimately end up in bankruptcy due to a lack of funds and technical personnel (Lugasi & Odhiambo, 2022).

### 5.3 Local Autonomy in Practice: The Double-Edged Sword

The main feature of devolution, autonomy, is a two-edged sword in practice (Kate, 2023). Local leaders can use their discretionary power to provide policy effectiveness when applied positively. A proactive county executive, acting as a knowledge broker, could exercise their independence to rebrand a national low-carbon policy (He & Yang, 2025) and redirect the priorities of general policies towards enterprise-specific transformation incentives tailored to their particular manufacturing foundation.

Nonetheless, political capture can also be applied to discretionary power. Zhu and Faucher (2025) caution that, despite the local choice promoted by devolution, the transferred power is at times susceptible to a possible lack of capacity and excessive exploitation of limited resources. This is often seen with local leaders spending geopolitical aid funds, which should be directed to intricate, long-term innovation (such as R&D grants), on visible, short-term projects (such as a new administrative block or populist giveaways) that generate immediate political benefits. This emphasis on patronage at the expense of systemic improvement entails demanding financial trade-offs and ultimately undermines the long-term desired effects of national innovation policies (He & Yang, 2025). The interaction between a co-ordination failure and the vagaries of local discretionary power will ensure that the gap in implementation remains, even where funding and capacity are available marginally.

## VI. CASE STUDIES: MODELS FOR BRIDGING THE GAP

Although the issue of capacity, resources, and co-ordination presents a lasting implementation gap, several models across the globe have shown that county

governments, working with their national partners, can overcome this divide. These case studies are centred on the innovative organisation structures that utilise local independence and bypass structural shortcomings.

### 6.1 Case Study A: The Integrative Local Organiser Model

Some of these decentralized systems, notably in East and South Asia, are now characterized by local governments going beyond passive administration and becoming the Integrative Local Organizer (Zhao, 2021). This model responds explicitly to the issue of organisational thinness and the absence of strong mediatory institutions. The local government is an initiative developer rather than waiting until the inception of innovation platforms through the involvement of private capital or central agencies.

In South China, local governments tend to be at the forefront of creating innovation hubs, including specialised industrial parks or science cities (Zhao, 2021). This strategy entails that the local government utilises its regulatory and financial instruments to acquire land, provide essential utilities, and, most importantly, establish coordinating agencies that the private sector or universities would not spontaneously establish. By playing this coordinating role, the local state takes the initiative to address the co-ordination loopholes (Challenge V). It attracts private investment, thereby overcoming the barriers that often hinder developing countries in establishing an effective innovation system (Lema, Kraemer-Mbula, and Rakas, 2021). This active position represents a high level of public sector innovation that has a significant impact on developmental outcomes (Hilmawan et al., 2023).

### 6.2 Case Study B: Strategic Devolution and Policy Clarity

To avoid the traps of Vertical Co-ordination Failure and policy fragmentation (Challenge V), effective models are based on the provision of genuinely comprehensive and well-delimited authorities regarding particular policy areas. The Strategic Devolution in Skills Policy proposals are one such example.

The ability to innovate locally effectively, as discussed by Gullmark and Clausen (2023), is inseparably linked to organisational decisions and policy formulation at the local level. Strategic devolution gives local government not only an explicit mandate, budget, and authority to address local market demands but also provides national ministries with a clear and explicit mandate and authority to decide the vocational training and skills development needs of local markets. To demonstrate this, a local government is granted complete jurisdiction over the funds at its vocational institutions. It can therefore quickly redirect investment on generic trade skills to, say, specific agro-processing methods demanded by its local industries. Such transparency eliminates policy ambiguity that hinders implementation and enables local governments to focus their efforts on their primary business, thereby enhancing service delivery and local governance (Setiawan et al., 2022).

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## 6.3 Case Study C: Community-Driven Planning

The last model focuses on the exploitation of local tacit knowledge, which is often overlooked in centralised policy formulation. Economists have always been aware of the better information that local practitioners possess compared to that of distant central planners. This is directly implemented into the policy process through community-driven planning mechanisms, whereby the innovation advanced is relevant and transformative (Zambrano-Gutiérrez and Puppim de Oliveira, 2022).

In Kenya, Integrated Development Plans (IDPs) necessitate broad consultation among citizens and community organisations by county governments. Although occasionally bureaucratic, when applied well, IDPs would ensure that local priorities in innovation, such as investing in small-scale drip irrigation technology in drought-prone regions instead of large-scale and centrally planned dams, are informed by real-life experiences and the actual needs of the people. Likewise, although in another policy area, the idea of integrating gender equality objectives via local budgeting, as illustrated in efforts sponsored by the Brookings Institution (Chakraborty & Ray, 2025), helps to show how decentralised planning may be designed to produce particular, locally specific results. This bottom-up model of intelligence collection ensures that the ensuing innovation strategy is not merely incremental but indeed transformational, addressing the long-standing local development-wide weaknesses (Sube et al., 2025). Community input helps counties transition to proactive and effective implementation styles (Lesnikowski et al., 2020), enabling them to have the most impact on local policy.

## VII. CONCLUSION AND RECOMMENDATIONS

### 7.1 Synthesis of Findings

This paper begins by identifying the international trend of decentralisation and the resulting Innovation Paradox, which is the promise of local effectiveness punctured by the possibility of failure in implementation. This study's findings establish that the significant policy implementation gap between national policy on innovation and county-level action is caused by three interlocking structural deficits. First, the Capacity Deficit renders local governments incapable of performing complex technical functions, such as IP management or R&D monitoring, which is exacerbated by organisational thinness (Gullmark & Clausen, 2023). Second, the Fiscal Gap also leads to a crippling Dependence Trap, characterised by limited tax-raising powers, which undermines absolute local control and instead causes budget volatility and discourages long-term investment (Elias, 2025). Lastly, the co-ordination failure, especially the vertical inefficiency of one-size-fits-all requirements against the necessity of a local response to needs in certain aspects, such as skills policy (Kollydas, 2024), makes the development of consistent innovation strategies impossible.

### 7.2 Policy Recommendations

To overcome this gap, central policy makers and development practitioners should no longer limit themselves to devolution of responsibility, but strive to empower the sub-national level in an active sense:

1. Targeted Capacity Building and Professionalisation: The investment should be redirected not from general training, but from highly specialised technical skills. It entails creating regional centres that offer technical support and expertise in grant writing, Intellectual Property (IP) procedures, and technology transfer, so that counties can move beyond passive implementation patterns (Lesnikowski et al., 2020) and secure competitive national funds.
2. Fiscal Empowerment and Certainty: To overcome the Dependence Trap, central governments should grant counties increasing autonomy in tax-raising, aligning it with their financial resources and policy responsibilities. Moreover, central transfers where needed should be designed to be long-term and predictable, facilitating consistent funding of innovation assets over time (Lugasi and Odhiambo, 2022).
3. Clear Policy Alignment through Formalised MLG: The uncertainty that contributes to Vertical and Horizontal Co-ordination Failure should be removed. Formalised Multilevel Governance (MLG) frameworks must be adopted to enforce vertical co-design and offer explicit legislation to collaborate inter-county on joint innovation infrastructure, as has proven successful with Strategic Devolution models (Setiawan et al., 2022).

### 7.3 Final Thought

The case study evidence, including the Integrative Local Organiser model (Zhao, 2021) and Community-Driven Planning, suggests that local governments are not merely administrative gatekeepers but also potent agents of innovation when equipped with the right tools. The ability to invest in the independence and predictability of county governments is an investment in the "last mile" of policy implementation, making national innovation aspirations a reality at the local level of sustainable economic change.

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