



European Network for
Rural Development

Working Document

**2014-2020 Rural Development Programmes’
support for Rural Businesses**
Analysis of selected RDP Measures



ENRD Contact Point
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1. Context of the analysis

The policy analysis presented in this document was part of the activities of the **ENRD Thematic Group (TG) ‘Smart and Competitive Rural Businesses’** which ran from August 2016 to July 2017. The TG aimed to improve the implementation of Rural Development Programmes through developing and spreading information on key challenges and solutions related to delivering business support in European rural areas.

The Thematic Group agreed that:

- Rural areas and rural businesses are facing many new challenges and opportunities. In order to respond, the Thematic Group argued that they need support in identifying and applying new or “wild” ideas that can become successful business propositions.
- Smart business support builds on local assets and local comparative advantages and invests in those strategic value chains and local productive networks with the biggest development potential.
- Policies providing business support in rural areas should target both business development and diversification at farming level and support to non-farming related rural businesses.
- Smart business support should invest in innovation as a key driver for SME competitiveness by helping different types of business to respond to and take advantage of their rapidly evolving context. This can mean small incremental improvements and not necessarily advanced research or radically new products, processes or services.

Business support types analysed by the Thematic Group

The Thematic Group examined business accelerators and other approaches for helping rural businesses to respond to new challenges and opportunities¹. The success of such approaches was found to lie in the integrated package of services they provide at different stages of business development, including intensive networking, mentoring support, specialised advice and flexible funding.

On this basis, the TG identified the following kinds of rural business support as being of interest for this RDP analysis:

- Services that support the **creation of new business ideas**, able to **inspire** entrepreneurs and provide them with business partners i.e. networking, peer-to-peer exchange.
- Approaches to **build technical and entrepreneurial skills**, providing advice on start-up and development phases, as well as supporting the creation of a **sound business plan**.
- **Flexible finance** adapted to different business needs and stages of development.
- Services and funding able to **foster innovation in rural businesses**.
- **Integrated and holistic business support services** providing support through the different phases of business creation and development.

¹ Three members of the TG represented accelerator programmes based in different EU MS: ‘The Agricultural Business Accelerator’ based in Greece, the ‘Masterclass Short Food Supply Chains’ based in the Netherlands, and the ‘Academy on Tour’ based in Belgium. For more information on business accelerators see [Case study on Business Accelerators](#).

2. Objectives of the analysis

The policy analysis tries to analyse the extent to which Member States implement the most relevant RDP Measures in promising ways that help different kinds of rural businesses respond to the changes they are facing.

During the preparation for this policy analysis,² TG members recommended to focus attention on the Measures expected to deliver the most transformative investments for all rural businesses. For this reason, other Measures more directed to farm improvements and the agri-food sector were not considered for this analysis.

Five RDP Measures were identified as **being particularly relevant for providing the types of business support of interest for the Thematic Group**. These were:

- M1 – Knowledge transfer
- M2 – Advisory services
- M6 - Farm & business development
- M16 – Cooperation
- M19 - LEADER/CLLD

Furthermore, the analysis also looks at how the National Rural Networks (NRNs) funded under M20 (Technical Assistance) can contribute by organising activities on rural business needs and challenges.

The analysis does not pretend to be exhaustive in terms of reviewing RDPs in detail nor to provide a comprehensive description of Measures, calls, selection criteria, etc. Rather, the aim is to identify relevant and interesting approaches.

The report is based on the analysis of five RDPs³ which were selected for presenting different interesting approaches to business support delivery:

- [The RDP for Slovenia](#)
- [The RDP for Portugal Mainland \(PT-Mainland\)](#)
- [The RDP for Finland Mainland \(FI-Mainland\)](#)
- [The RDP for the Spanish region of the Basque Country \(ES-Basque Country\)](#)
- [The RDP for Scotland \(UK-Scotland\)](#)

² Preparation for the study included desk research, interviews and TG discussions. For more information on the methodology used, see Annex 1.

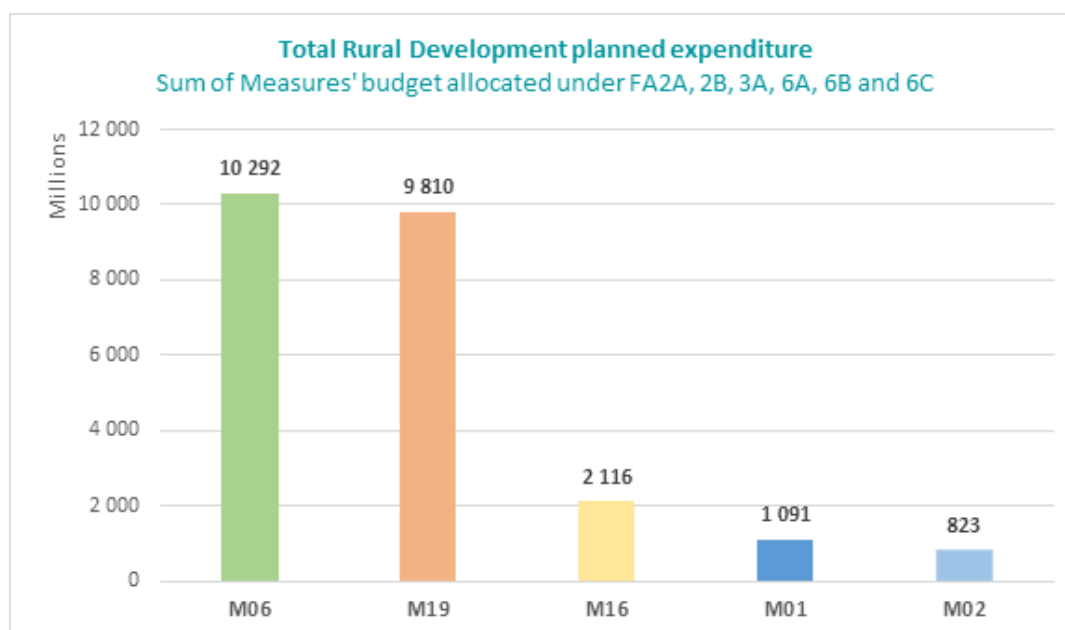
³ For more information on the RDPs' main objectives, budget allocations, outputs and target indicators, see the RDP summaries produced by the ENRD CP: http://enrd.ec.europa.eu/policy-in-action/rural-development-policy-figures/rdp-summaries_en

Planned expenditure for rural business support – selection of Measures and Focus Areas

Among the 18 thematic Focus Areas of the Rural Development Programmes, six are particularly expected to contribute to rural business support:

2A	Improving economic performance of all farms, farm restructuring and modernisation
2B	Entry of skilled farmers into the agricultural sector
3A	Improving competitiveness of primary producers by better integrating them in the agri-food supply chain
6A	Diversification and job creation
6B	Fostering local development
6C	Access to and quality of ICT

The following graph shows the budget allocated for each of the five Measures selected by the Thematic Group under the six most relevant Focus Areas. Overall, **€24bn** are expected to be spent on these Measures under the selected Focus Areas, accounting for 15.5% of the total planned public expenditure on the RDPs.



Legend:

M1	Knowledge transfer	M16	Cooperation
M2	Advisory services	M19	LEADER/CLLD
M6	Farm & business development		

3. Positioning the RDPs within a national ‘ecosystem of business support’

Three of the five RDPs analysed (Basque Country, Scotland and Portugal) focus mainly on supporting **farm businesses**, with a strong focus on young farmers. In these cases, business support to other sectors is provided almost exclusively by Measure 19 LEADER (and in the case of Portugal only by the ERDF contribution to CLLD).

Two of the RDPs have a **bigger scope of action outside the agriculture sector** (Finland and Slovenia). In these cases, the RDP Measures providing business support covered by this analysis **include other kinds of rural entrepreneurs among their potential beneficiaries, as well as farmers**.

To understand the strategic choices of the Authorities managing the RDPs, **it is necessary to put these programmes within the context of other nationally and EU funded policies**. In some cases, Authorities follow a strategy of **demarcation**, reserving the EAFRD strictly for farm businesses and (theoretically at least) covering other rural businesses with the ERDF or other national programmes.

Basque national strategies for entrepreneurship

In 2013, the Basque Country Government launched the **Inter-institutional Plan in Support of Entrepreneurial Activity** coordinating public resources available for business support. This regional strategy aims to **create a strongly entrepreneurial society** and to strengthen the ecosystem of support for business in all its typologies and stages. Among the nationally funded programmes for entrepreneurship there are:

- the **Gaztenek Program**⁴, an individualised **monitoring and accompanying service** that coordinates actions financed by different sources of funding (national and European) aimed at **young entrepreneurs who want to enter and develop a business in the primary sector**;
- the **Geroa Program**⁵, offering a personalised **counselling service** to any entrepreneur with a business idea to implement in Basque rural or coastal areas;
- **Bind 4.0**, a **public-private acceleration programme** that lasts 24 weeks. It focuses on Industry 4.0 early-stage start-ups involved in big data, artificial vision, cloud computing, augmented reality, cyber-security, collaborative robotics etc.⁶

The analysis also suggests that **business support in rural areas is more effective when it is provided close to rural businesses and based on a deep understanding of their needs**. Physical distance from public services and from urban areas represent a major problem for rural businesses and, for this reason, several MSs establish **free-of-charge advisory offices at local level** often within the local administration. For example, Finnish services providing information on funding and advice to businesses are located at both regional (provincial) and local level.

⁴ www.gaztenek.net/default2.asp

⁵ www.hazi.es/es/emprendimiento/266-programa-geroa.html

⁶ <http://bind40.com/>

Finnish ecosystem of business support

In Finland Mainland, counselling and business support to rural businesses is provided by a variety of bodies: the **ELY centres at regional/provincial level**, and the **Local Action Groups and 'Municipal business development agencies'** at local level. These bodies have the overall aim to improve the competitiveness of the agricultural, fishery and forestry sector, to ensure the vitality of the Finnish countryside, and to promote other rural industries.

- The **ELY Centres (Centres for Economic Development, Transport and the Environment)** are the public offices located at regional level. They are responsible for the implementation of the RDP, and can also coordinate projects funded by other ESI Funds and promote non-profit investment projects on infrastructure and basic services (e.g. broadband). ELY centres work in partnership with LEADER LAGs and municipal development agencies.
- **Local Action Groups** (LAGs) finance local projects with a budget below € 180 000 and support entrepreneurs by providing information on what financial support is available from the RDP. Projects above € 180 000 can be supported, via the ELY Centres, by other RDP Measures or alternative programmes.
- The **'Municipal business development agencies'**, similarly to the LAGs, are a one-stop-shop for advice on what funding and support opportunities are available from national and European funds. These agencies do not provide funding themselves, but provide advice.

In addition, several publicly and privately funded national bodies provide support to business innovation. Among these there are **Finnvera**, a state business credit agency aiming at improving rural businesses' access to credit, and **Tekes**, the Finnish Funding Agency for Technology and Innovation, that provides technological development support for innovative businesses.

The Thematic Group pointed out that **the presence of a high number of programmes and bodies could disorientate beneficiaries**. There is therefore a need for information services able to direct the entrepreneurs to the right funding or advising bodies. In all cases, Authorities should take into consideration possible overlaps between different sources of business support, try to fill potential gaps for rural businesses, reduce complexity and administrative burden and, above all, ensure that rural businesses have a clear and simple access to the support they need.

The following four sections present an overview of the business support provided by the EAFRD-funded RDP Measures 1, 2, 6, 16 and 19 (for convenience, Measures 1 and 2 are presented together). Additionally, Section 3.5 presents findings on relevant National Rural Network actions (under M20).

3.1 Measures 1 & 2 - Knowledge transfer and advisory services to support businesses

In some RDPs, Measures 1 and 2 exclusively target farming businesses (e.g. UK-Scotland and PT-Mainland) and therefore provide training strictly related to farming activities. This can be used to ensure knowledge requirements are met before accessing support under other RDP Measures, such as M10 'Agri-environment-climate', M11 'Organic farming' and M14 'Animal welfare'. This is the case, for example, in Slovenia, where training under M1 is obligatory to access funding under these Measures.

Other RDPs instead decided to enlarge the scope of M1 and M2 to the provision of training for non-farming related businesses (e.g. FI-Mainland, Slovenia and ES-Basque Country). In these cases, training focuses on strengthening entrepreneurial skills (e.g. FI-Mainland, Slovenia, ES-Basque Country), as well as on subjects related to other sectors such as tourism or social enterprise. Beneficiaries of these training courses are both entrepreneurs in rural areas and farmers willing to develop or diversify their businesses.

Measure 1 sub-Measures
M1.1 - Vocational training & skills acquisition actions
M1.2 - Demonstration activities & information actions
M1.3 - Short-term farm & forest management exchange as well as farm and forest visits

Measure 2 sub-Measures
M2.1 - Help benefiting from the use of advisory services
M2.2 - Setting up of farm management, farm relief & farm advisory services as well as forestry advisory services
M2.3 - Training of advisors

Advisory services support to diversification in Slovenia

Due to the relatively small average farm size in Slovenia (6.6 ha UAA), farm diversification has been recognised as an important part of the public service advisory. Examples of supported actions include:

- coordination of joint promotional actions for tourism on farms in domestic and international markets;
- professional support to farmers for obtaining relevant permissions for the implementation of supplementary activities on farms, related capacity-building activities (workshops, product quality assessments, specialised advice on milk and meat processing, tourism, etc.);
- advice and cooperation on the establishment of social enterprises related to agriculture.

Advisory services are in some cases mainly provided by a central body - (e.g. Basque Country), where they are regionally funded. In some cases, they are provided by a central public advisory service working alongside other private providers, (e.g. FI-Mainland). Finally, in other cases, qualified advisory bodies are selected as eligible for M2 through public procurement procedures (e.g. Slovenia).

In all cases, training and advice supported by M1 and M2 should target the needs of rural businesses. Therefore, procedures to identify these needs must be put in place. The Basque Country's Managing Authority solved this issue by involving the LAGs to contact local stakeholders and identify training priorities. On the other hand, in Slovenia, the selection of advisory services through public procurement has led to a wide spectrum of training and advisory organisations annually contracted by the Managing Authority and Paying Agency on a broad variety of topics.

Peer-to-peer learning was found to be a very powerful tool for exchanging knowledge among farmers and among other businesses. For example:

- In FI-Mainland, M1.2 provides funding for **peer-to-peer learning groups** where groups of 5 to 10 farmers discuss and find solutions to farming challenges they have been facing.
- In Scotland, the **Monitor Farm** projects supported through the Knowledge Transfer and Innovation (KTIF)⁷ scheme bring together up to nine farms per project to share knowledge with the aim to improve the productivity and profitability of the farm business.

High-quality, but more traditional, delivery methods for M1 include training courses, workshops, conferences and one-to-one advice.

Services in ES-Basque country

M1 in the Basque Country aims to increase the competitiveness and viability of the farming sector and wider rural areas. Training is provided by Government Training Centres and include:

- **Intensive training and long-term agricultural training**, requiring around 180-900 hours, targeting people who have a business idea to develop in the primary sector and professionals who want to specialise or diversify their productive activity, and focusing on training for the development of business plans.
- **Life-long education**, involves shorter courses in subjects that are needed either to work in the food industries, to improve land management skills or acquire knowledge needed to operate SMEs in rural areas.
- **E-learning training** involves short-term monitored training courses based on online learning (e-learning) or it mixes online and face-to-face courses, allowing a greater flexibility of dates and times for accessing the training.

Flexible delivery methods such as vouchers can speed up and increase the use of training services. As for many RDP Measures, administrative burdens slow down the implementation of M1 and M2. The Authorities in Finland decided to deal with this problem by providing funding under M2.1 using vouchers with simplified administrative reporting procedures. The vouchers can be spent on training courses chosen by the beneficiary among those offered by a list of accredited service providers identified by the Finnish Paying Agency.

Combining M1 with other RDP Measures can help to improve results. In some RDPs (e.g. Slovenia) the use of some Measures like M10 is subject to the use of M1. In Slovenia and the Basque Country, M1 is linked to M6, and in Scotland, M1 is linked to M16 'Cooperation'.

Measure 1 combination with other

In **Scotland**, the **Knowledge Transfer and Innovation (KTIF) scheme** uses sub-Measures 1.1, 1.2, 1.3 and 16.1 with a specific focus on promoting skills development and knowledge transfer in the primary agricultural sector and to deliver on-the-ground

⁷ www.ruralpayments.org/publicsite/futures/topics/all-schemes/knowledge-transfer-and-innovation-fund/

Measures (several RDPs)

improvements in agricultural competitiveness, resource efficiency, environmental performance and sustainability. Stakeholders involved in the Operational Groups funded under M16 will therefore have access to training supported under M1 as part of the same funded projects under the KTIF.

In the **Basque Country, stakeholders are recommended to take part to training under M1 prior to receiving access to funding from M6.** This reduces the risk of failure under M6 because the support received under M1 ensures that the beneficiary is well trained and receives support for the creation of a reliable business plan.

Similarly, in **Slovenia M1 supports beneficiaries of M6.1** by providing training on the economics of the agricultural holding, business cooperation in agriculture, the development of supplementary activities on farms, digital skills, marketing of farm products, safety and quality, new product development, and adapting to market change.

3.2 Measure 6 - Supporting farm and business development

The analysis shows that all RDPs are using M6 to support farmers and entrepreneurs that want to access the primary sectors. Some RDPs are targeting Measure 6 exclusively on farming (e.g. UK-Scotland, ES-Basque Country and PT-Mainland). In these cases, the RDPs use M6.1 and M6.3 to improve the age structure of the farming community, improve farm management, create jobs and support the creation of small farms. These sub-Measures usually support the purchase of land, equipment, livestock and infrastructures.

In some RDPs, M6 is also used to support diversification in rural areas and the creation of non-agricultural activities, (e.g. FI-Mainland and Slovenia).

In at least two cases, M6.1 on start-up aid for young farmers and M6.3 on start-up aid for small farms were found to be explicitly supporting innovative ideas, (Slovenia and FI-Mainland). For example, the Slovenian RDP defines innovative projects as those involving cooperation contracts with university faculties or research teams, patenting products or technologies, the creation of new products and the introduction or modernisation of ICT.

Measure 6 sub-Measures

M6.1 - Business start-up aid for young farmers
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M6.2 - Business start-up aid for non-agricultural activities in rural areas

M6.3 - Business start-up aid for the development of small farms

M6.4 - Investments in creation and development of non-agricultural activities

M6.5 - Payments for small farmers permanently transferring their holding to another farmer
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Measure 6.4 support in Slovenia

Use of M6.4 in Slovenia gives priority to **non-farming activities** related to adding value to wood, green tourism, natural and cultural heritage, social entrepreneurship, social care services, treatment of organic wastes, and energy and heat production from renewable sources.

Beneficiaries are agricultural holdings with a registered supplementary activity and micro-enterprises in rural areas. Eligible costs include the construction or renovation of buildings, purchase of new machinery and equipment and general costs for experts' services. Specific conditions commit the beneficiary to create jobs for themselves and one additional person.

The Measure will be partly implemented **with the use of financial instruments**: the beneficiaries will be able to obtain bank guarantees for loans. This aims to support smaller actors that typically face more difficulties in obtaining credit by ensuring more favourable financing conditions (lower interest rate or bank guarantee).

M6.2 and M6.4 for start-up aid and the development of non-agricultural activities are being used to support innovative business ideas.

Business experiment

M6.2 in Finland-Mainland has a specific focus on support for innovative business ideas and experiments⁸. The innovative character of the project is one of

⁸ The Finland-Mainland RDP activates 6.1 'business start-up aid for young farmers', 6.2 'business start-up aid for non-agricultural activities in rural areas' and 6.4 'support for investments in creation and development of non-agricultural activities'.

support in FI-Mainland

the selection criteria of the sub-Measure and allows for the possible failure of the project. The grant supports entrepreneurs that want to experiment with a new service/product, enter a new market or try an innovative approach. The grant also covers expert services for feasibility studies.

The grants under M6.2 and M6.4 are provided in the form of quick and **flexible ‘innovation vouchers’**. The reporting procedures required for these vouchers are simplified with a reduction of the administrative burden on beneficiaries.

One approach to encourage investments in innovative business ideas is by using **selection criteria with a higher score to innovative projects** and by providing funding for mentoring and for pilot projects that – by definition – are subject to risk of failure. Some RDPs have tried to support innovation by defining eligibility criteria on what will be considered as ‘innovation’ under M6 (e.g. Slovenia). The Thematic Group recommended providing a fairly open definition in this context so as not to overly restrict the potential for innovative actions.

The combination of different Measures such as M6 and M1 together with other national or regional business support services can provide rural entrepreneurs with more integrated support. The Thematic Group work found that the provision of combined business development services is more efficient and effective than the provision of single individual consulting services. The Basque Country support to young farmers under M6.1 demonstrates that mentoring support can be used to accompany entrepreneurs through the various stages of the development of a business idea.

Business start-up aid for young farmers in ES-Basque Country

The application process to receive support from M6.1 in the Basque Country is divided into two phases: **a first phase where the beneficiary is supported to build a viable business idea** and **a second phase where the entrepreneur formally applies to receive the grant.**

The first phase is covered by national funds and is called ‘*Procedimiento Gaztenek2020*’. During this phase a professional analyst, working for the GEROA and Gaztenek programmes⁹ of the Basque Country Government, evaluates the project ideas received and helps with the shaping of the business plan.

There is a strong **linkage with M1**: where the beneficiary needs training on a technical issue or needs to acquire capacities for becoming an entrepreneur, the analyst advises which course under M1 would be most useful for the project promoter.

The selection process involves strict deadlines requiring the project to be set up within nine months of the date the beneficiary receive the grant. Within 18 months, the applicant must be an active farmer and within five years the business must be running and complying with the business plan. Evidence shows that these **strict rules did not discourage beneficiaries, because the mentoring support received in the first phase of the application procedure created the necessary conditions for the project to meet them.**

⁹ See page 6.

3.3 Measure 16 – Cooperation

M16 targets a broad variety of stakeholders in rural areas. Eligible projects are those that foresee the creation of partnerships among more than one actor. M16 can be used for a wide variety of business needs including: exchanging ideas between businesses, pooling training expertise, mentors and mediators, enabling sector networking, creating digital skills and platforms, developing the social economy and so on.¹⁰

The RDP analysis shows that sub-Measures 16.1 and 16.2 play a role mainly in the agriculture and forestry sectors improving their competitiveness and their impact on environment and climate change. They also cover the food sector.

Where programmed, M16.4 will support projects developing **short supply chains** (e.g. FI, ES-Basque Country, SI, UK-Scotland), M16.3 will support **small operators and the tourism sectors** (e.g. FI, UK-Scotland, ES-Basque Country, PT), M16.5 will support **operators in the biomass production sectors** (e.g. FI, ES-Basque Country) and M16.9 will support **operators working in the field of education, social inclusion and health** (e.g. FI, SI, ES-Basque Country).

The RDP analysis and the preliminary interviews¹¹ suggest that authorities are concentrating their efforts on ensuring the success of M16.1 and M16.2¹². These sub-Measures are an innovation in the RDPs: Authorities are learning how to deal with highly innovative or relatively risky projects, how to communicate to stakeholders what the Measure can support and how to support the creation of the cooperation partnerships. Less attention is being paid to the sub-Measures affecting other business sectors and this could mean a loss of opportunities.

MSs are creating innovation brokers at national or regional level to bring together actors that do not usually cooperate e.g. supply chains actors usually in competition or farmers with research institutes. The innovation brokers are bodies that can increase businesses' awareness of the opportunities that M16 offers, help the creation of these partnerships and work to disseminate the knowledge gathered through the Operational Groups. Innovation brokers also generally work to help businesses find inspiration, test business ideas, find partners, create links with relevant stakeholders, access practical knowledge and find solutions to shared challenges.

Measure 16 sub-Measures
M16.1 – EIP Operational Groups
M16.2 – Pilot projects
M16.3 – Small operators and rural tourism
M16.4 – Short supply chains & local markets
M16.5 – Environment & climate change
M16.6 – Biomass provision
M16.7 – Non-CLLD strategies
M16.8 – Forest management plans
M16.9 – Diversification & social farming
M16.10 – Other forms of cooperation

¹⁰ For more information, see the EIP-AGRI [brochure](#) on operational groups; [ENRD Rural Review 21](#) Article on the Cooperation Measure; and ENRD screening fiches on the [Cooperation Sub-Measures](#).

¹¹ For more information on the methodology used, see Annex 1.

¹² See also information on the ENRD workshop on Measure 16 'Cooperation' held in Brussels, 1 June 2016. http://enrd.ec.europa.eu/news-events/events/enrd-workshop-measure-16-cooperation_en

Katilu innovation broker in ES-Basque Country

In 2011, the Basque Government put in place an innovative and collaborative network called Katilu ('bowl' in Basque). **Katilu is a network of research, technological and innovation centres and provides a platform for enabling the exchange of ideas, learning, innovation and cooperation among agri-food businesses and public business/institutions linked to innovation.** It is now expected to foster cooperation funded under M16 as a lever and instrument for creating a lively and attractive rural environment and generating new business models, products and services.

NSU support to M16 in PT- Mainland

In Portugal, the Network Support Unit (NSU) of the National Rural Network (NRN) in October 2015 launched the '**Initiatives Exchange**'.¹³ Through this initiative, **the NSU tries to bring together stakeholders with the same interests and facilitate their integration into existing Operational Groups.** They try to avoid overlaps and stimulate the emergence of Operational Groups in the thematic domains still not covered. All partners of an Operational Group must be members of the NRN. For that, they should complete and submit an online application form¹⁴. Once a member, they can request access (username and password) to the online platform of the Initiatives Exchange.

¹³ http://rrn.dgadr.pt/pei/adm/Global_Group_login.asp.

¹⁴ <https://docs.google.com/forms/d/e/1FAIpQLSf1Yz89YIANBUpsOxQHjVQJ9Nr1VeZUIVmQcltZ-eWmGvtDCw/viewform?c=0&w=1>.

3.4 Measure 19 - LEADER/CLLD

M19 LEADER, together with M6, is the RDP Measure expected to contribute the most to the development of rural businesses. According to the RDPs studied, LEADER Local Development Strategies (LDSs) will have a strong focus on job creation with a special attention on small farming and non-farming businesses, and businesses involved in the provision of local services to the community.

LEADER is able to take a holistic view of business development and provide a whole range of support services adapted to the needs of local businesses (information, specialised advice, training, mentoring, small grants, marketing support and so on).

LEADER has the potential to create strategies to tackle the specific needs of the businesses and communities located in their area. LAGs know their territories and the stakeholders active in them and are able to understand and address their specific needs. Through their animation activities they can actively involve local entrepreneurs and can take care of the needs of smaller businesses. The analysis found that LEADER can target specific emerging sectors (e.g. leisure, crafts, tourism and renewable energies in the Basque Country), or specific social groups (e.g. young and female entrepreneurs in FI-Mainland and ES-Basque Country) for particular support.

LEADER support to rural businesses in ES-Basque Country

The analysis of the economic and social situation of the areas covered by the Basque LAGs highlighted that the lack of services in rural areas is one of the main obstacles for the success of strategies on economic development and employment creation. Specifically, deficiencies in communication, transport and access to ICT constitute an important barrier to the creation of new businesses or jobs in Basque rural areas.

For this reason, **LAGs in the Basque Country will invest 50% of their budget in business support and 50% in projects raising the quality of life.** The latter projects support investments in infrastructure, basic services, rural internet provision and access to ICT, renovation of villages, as well as facilitating access to land and housing, all of which will help making these areas more attractive places for entrepreneurs.

In at least two of the RDPs analysed, LEADER will support projects aiming at improving local entrepreneurial skills. In Finland, LAGs support projects for groups of companies with courses on social media marketing skills and other crucial internet/computer skills. In the Basque Country, LAGs will support regular courses on entrepreneurial skills from 2017.

In Finland, LAGs also assist local entrepreneurs by providing information on funding available from LEADER and other RDP Measures¹⁵.

¹⁵ See 'Finnish ecosystem of business support' on page 7.

Rural Entrepreneurship Thursdays in ES-Basque Country

In 2015, the Basque Authority launched an initiative called ‘**Rural Entrepreneurship Thursdays**’ (in Spanish ‘Jueves del Emprendimiento Rural’) which provide a central training resource for rural entrepreneurs. Every Thursday, workshops lasting four hours are organised in different locations of the region, facilitated by experts. Some of the topics treated are, for example, decision-making processes, negotiating skills, finance and marketing.

With the use of LEADER funding for business support¹⁶ and the organisation of the ‘Rural Entrepreneurship Thursdays’, LAGs provide entrepreneurs with a ‘support package’ including: personal mentoring, training both in technical subjects and entrepreneurial skills, and start-up capital support.

LEADER has a central role in supporting diversification at farm level in all RDPs analysed. Diversification at farm level is considered vital to maintain employment in rural areas and provide additional income to farmers. However, the five RDPs selected for this study show that **LEADER can play different roles in the context of the RDP support for rural businesses.** Where M6 has a strong focus on young farmers and farming activities (e.g. in UK-Scotland, ES-Basque Country and PT-Mainland) M19 LEADER can have the main role of supporting other rural businesses and diversification. Where M6 is also open to non-farming businesses LEADER plays a complementary role in supporting smaller projects (e.g. in FI-Mainland and Slovenia).

LEADER support to rural businesses in UK-Scotland

LEADER LDSs in Scotland are required to allocate 10% of their LAG budgets to enterprise support for businesses and social enterprises - and 10% to farm diversification. To provide more comprehensive start-up business support and follow-up, certain LAGs have used specialised enterprise support organisations. For example, Rural Perth & Kinross LAG works together with GrowBiz, a company specialised in enterprise support in rural areas. The engagement of these organisations provides rural business with access to a range of LEADER-funded services, including enterprise coaching, advice, mentoring and peer-group activity.

LEADER support to rural businesses in FI-Mainland

In Finland, LEADER is considered the second most important Measure for rural business support after M6 ‘Start-up aid’ supporting rural businesses. **As with Measure 6, LEADER supports start-ups and business-development projects with the difference that LEADER deals with relatively small projects** with a total budget smaller than € 180 000. LEADER’s support tends to concentrate on micro-businesses (less than three jobs).

Most of the 54 Finnish LAGs have entrepreneurship and business support as a major priority: roughly one third of the total LEADER budget is spent for this purpose. In some cases, the LDSs target specific rural entrepreneurship categories such as young entrepreneurs, female entrepreneurs, rural tourism entrepreneurs, farm entrepreneurs, bio energy entrepreneurs etc.

LEADER also works a lot on farm diversification, including processing, direct sales to

¹⁶ To notice that LEADER in the Basque RDP is allocated with the 13,3% of the budget, while on average in EU LEADER is allocated with the 7% of the RDP budget.

customers, rural tourism and green care services.

In Slovenia, the creation of jobs and the development of new products and services will be supported by all three Funds used for CLLD (EAFRD, ERDF and EMFF). In Portugal-Mainland, however, EAFRD-funded LEADER projects only target farmers, whilst ERDF-funded projects target other kinds of rural entrepreneurs.

LEADER support to rural businesses in PT- Mainland

In PT-Mainland, multi-funded CLLD is supported by four Funds: the EAFRD (M19-LEADER), the ERDF, the EMFF and the ESF. **The thematic demarcation between the Funds** is as follows:

- EMFF: support for economic and social development of coastal areas;
- ERDF and ESF: support for economic and social development, support for small investment projects in activities outside the agricultural sector;
- EAFRD: support for small-scale agricultural investments, projects on processing, marketing and commercialisation of agricultural products, diversification of agricultural holdings.

To date,¹⁷ the national regulation on the use of ERDF and ESF money for CLLD is not yet published and, consequently, LAGs are only implementing the EAFRD component of their LDS.

¹⁷ March 2017.

3.5 Measure 20 - Technical Assistance & Networking

NRNs can support the implementation of the RDPs by identifying and flagging up potential opportunities to improve the support to rural businesses through several activities (e.g. the collection of good practices, sharing and disseminating monitoring and evaluation findings).¹⁸ Among these, the organisation of thematic working groups and the facilitation of thematic and analytical exchanges between rural development stakeholders are considered powerful tools. The Portuguese NRN, for example, organises several working groups which touch upon issues related to rural businesses and for this reason are expected to have an impact on improving RDP investments in this field.

When gaps in the implementation of the RDPs are identified, NRNs have the knowledge and networks to involve the right stakeholders and find joint solutions. As part of the wider European Network for Rural Development, they also have the opportunity to see and exchange with other NRNs on how other MSs are solving similar issues.

Support for business innovation and support for the implementation of M16 are among the fields identified as most challenging. NRNs can play the role of innovation brokers themselves (e.g. the Portuguese NRN¹⁹), or can become initiators of the creation of innovation business support services themselves (e.g. Scotland, see box below).

Innovation Support Service in UK-Scotland

Currently in Scotland there is no service that pro-actively facilitates collaborative innovation in the agriculture, forestry, food and drink sectors. **The Scottish NRN is aware of this gap and is working closely with the Enterprise Agencies²⁰ to develop a new 'Innovation Support Service' (ISS).** The ISS will act as a 'broker' for businesses actively promoting cooperation in the supply chain, bringing researchers, businesses and other people together to develop projects, some of which may be funded under M16.

As of March 2017, the ISS was still to be given Ministerial approval by the Scottish Government, however, according to the preliminary plans, the ISS would be funded from Measure 20 technical assistance.

Networking among beneficiaries can improve the impact of some Measures (e.g. M6.1 'Start-up for young farmers'), and **NRNs can support the organisation of meetings and events aiming at the exchange of experiences** around the use of specific Measures.

¹⁸ For more information on NRN activities see NRN Guidebook: http://enrd.ec.europa.eu/enrd-static/app_templates/enrd_assets/pdf/guidebook/nrn_handbook_webversion.pdf, ENRD Contact Point, 2014.

¹⁹ See 'NSU support to M16 in Portugal' under section 3.3.

²⁰ Scottish Enterprise and Highlands and Islands Enterprise

Young farmers annual event in Slovenia

In Slovenia, the NRN cooperates with the national Chamber of Agriculture and Forestry - Managing Authority of the RDP - and the national Association of Rural Youth to organise an annual meeting of young farmers that received support under Measure 6.1. The event aims to provide networking opportunities and capacity building through peer-to-peer learning.

In 2017, the event included numerous workshops that, among other topics, discussed production, management and marketing themes, how to start complementary activities on the farm, and the improvement of agricultural policies for the youth in rural areas.

Finally, where support to rural businesses is identified as one of the main objectives of the RDP, **NRNs have the opportunity to use their networking skills to organise particularly creative opportunities for exchange among stakeholders**. For example, the Finnish NSU has been organising Innovation Camps to help rural businesses to develop new products or services since 2012.

Innovation camps in Finland

During the Innovation Camps,²¹ rural business innovation ideas are developed by rural entrepreneurs, experts and researchers. The methodology involves intense brainstorming and exchanges among the members of teams, and a final competition that rewards the most promising ideas.

The Innovation Camps have been shown to support entrepreneurs to develop new 'wild' business ideas, create a new 'environment of innovation' among rural businesses, improve cooperation among experts and practitioners, and raise awareness of the opportunities provided by the RDPs to develop new innovations.

²¹ More information about the Innovation Camps are available at: http://enrd.ec.europa.eu/enrd-static/app_templates/enrd_assets/pdf/value-of-rural-networks/2.rural-innovation-camps-finland.pdf and <http://enrd.ec.europa.eu/enrd-static/fms/pdf/F9EDD393-AECE-CA2F-D49D-32484CA6996B.pdf>

4. Summary of main findings & conclusions

- **Clarifying the role of the EAFRD in providing business support in rural areas**

The Measures that contribute to RDP business support can be targeted in different ways on: on-farm improvements; farm diversification; improving the position of farmers in the food chain; broader business development; and diversification by non-farm businesses.

The study shows that only Finland and Slovenia out of the five cases studies use the full range of Measures for broader business development. In two other cases (Scotland and the Basque Country) this role is left to LEADER.

In Portugal, even the LEADER component is reserved for farm and food related support as part of multi-funded CLLD strategies. This presupposes that non-farm rural business needs are either met by the ERDF or the ESF and/or other national programmes. However, much ERDF business and other support is provided from and to urban areas²². **There is therefore a risk that interventions to support the competitiveness of small and medium-sized enterprises outside of agriculture will not effectively reach rural areas.**

Rural access to business advice and funding tends to be better if provided by **bodies operating at local level**, physically placed near the entrepreneur, with knowledge of the area and businesses with which they operate (e.g. LAGs and municipal local business development agencies). Such local 'nodes' or 'multipliers' can create synergies between nationally and EU-funded policies and ensure **complementarity between support services provided by different policies.**

- **Using RDPs to stimulate and nurture new business ideas**

The RDPs studied use several tools for stimulating entrepreneurs to identify **new business ideas**:

- M1 and M2 can facilitate the access to **technical as well as entrepreneurial knowledge** that is the basis for the creation and implementation of a business idea; these Measures can provide a **combination of traditional one-to-one advice and more experimental knowledge-transfer methods** including networking, mentoring and peer-to-peer learning recognised to be able to inspire entrepreneurs with innovative ideas and provide them with more practical knowledge.
- **Innovation brokers** supported under M1, M16 or technical assistance (M20) can support the emergence of business ideas and improve the implementation of M16 sub-Measures;
- M6 can provide **direct support for the start-up of farming as well as non-farming activities and launching of pilots**; M6 can also **directly target innovative** projects including specific selection criteria;
- M16 can provide funding for **sharing ideas among stakeholders** and opens possibilities to implement **more complex and innovative projects** with a higher number of entrepreneurs and other stakeholders including researchers;

²² According to DG REGIO, during the programming period 2014-2020 around 50% of the ERDF resources are expected to be invested in urban areas (DG REGIO's website on Urban development - http://ec.europa.eu/regional_policy/en/policy/themes/urban-development/); According to a November 2016 study by the European Committee of the Regions, so far within the programming period 2014-2020 a lower percentage of ERDF budget is registered as being granted to rural areas compared with the previous programming period (<http://cor.europa.eu/en/news/Documents/brochure-white-paper-final.pdf>)

- M19 is the only Measure **providing support for non-agricultural businesses in some RDPs**; it supports **small and local businesses** with the advantage of knowing the social and economic environment in which they work and therefore is able to provide better advice and support; it has particular potential to support small projects and start-ups.
- M20 - **National Rural Networks** funded under technical assistance can make **rural business support one of their priorities**. They can ‘think out of the box’ and use their networking tools (e.g. events and thematic working groups) to monitor and improve business support through the RDPs.

- **Providing integrated packages of business support**

Rural entrepreneurs are likely to need different types of support at the different stages of development of their business. This calls for a well signposted business support menu that can be called upon at different stages of their business itinerary. The study confirms that many of the necessary tools are available within the RDPs but that it is often difficult to achieve the coordination between them required to provide integrated packages of business support services.

Information services to entrepreneurs and RDP beneficiaries at local level are of key importance to make them aware of the opportunities available in the RDP.

The RDPs studied have used various mechanisms for coordinating and linking Measures. These include making the access of one Measure conditional on another, for example matching training supported under M1 and the development of business plans with start-up aid provided under M6 (e.g. in the Basque Country), and/or integrating various Measures into specific schemes (e.g. the KTIF in Scotland).

LEADER is one of the most versatile and flexible Measures in the RDP toolkit and has a long history of community-based business animation through organising training, sharing information, creating networks, encouraging new ideas through inter-territorial and transnational cooperation as well as providing finance. **Local Action Groups can play the role of innovation broker** and embrace risk at different stages of the innovation cycle. Rather than relying purely on their own resources, they can use them strategically to build linkages with other programmes, Measures and sources of support. **LEADER’s role in supporting rural businesses through integrated and targeted services should be recognised and empowered.**

- **Flexible finance from start-up to follow-up**

The analysis identified several **ways of adapting the finance provided by the RDP Measures more closely to business needs**:

- Authorities should create **synergies between RDP grants, national programmes and other private sources of finance**; special attention should be paid to avoid leaving geographical areas or specific sectors without support;
- **Measures can be made more flexible by widening eligibility conditions** while at the same time using selection criteria to target innovative business projects more effectively;
- **Grants can be adapted to business needs at different stages** of development by breaking their support into different phases;
- **Finance can be provided for the preparation of ideas**, feasibility studies, pilots and small-scale investments;

- Grants can be provided through **simplified procedures** (e.g. vouchers) which decrease the administrative burden and are more adapted to the needs of innovative projects.

Authorities need to evaluate the use of various types of financing mechanism in the RDPs and check that **'simplification' processes actually do make the procedures easier** for both the Authorities and the beneficiaries.

Annex 1. Methodology

The analysis took place between January 2017 and March 2017 and involved a **preliminary research phase** that included the following actions:

- Desk research to identify the list of Measures expected to provide support to rural businesses²³;
- The first two meetings of the Thematic Group (13 September and 30 October 2016) had dedicated sessions on RDP tools and discussed the thematic focus of the policy analysis²⁴;
- A meeting was held between the Contact Point and EU Commission Desk Officers on 15 November 2016 to discuss various approaches for business support in Member States;
- During November and December 2016, the Contact Point held interviews with around 10 Network Support Units of the National Rural Networks focusing on the approaches to business support in their RDPs.

The meeting with the EU Commission Desk Officers and the interviews with the Network Support Units helped to identify which RDP Measures are potentially more relevant for providing the kind of business support identified as important by the TG²⁵ - and helped with making a selection of RDPs to analyse in greater detail.

Five RDPs²⁶ were selected for analysis because of presenting different approaches to business support delivery:

- Finland Mainland
- Portugal Mainland
- Slovenia
- Spain Basque Country
- United Kingdom Scotland

For each of these RDPs, information was collected through:

- Analysis of the RDP documents,
- Analysis of calls for projects - for those Measures where these were available,
- Interviews with several national stakeholders including Managing Authorities, National Rural Networks, Local Action Groups, local beneficiaries, national and regional stakeholder organisations, national and regional development agencies and advisory services²⁷.

This policy analysis looked at how the selected Measures (M1, M2, M6, M16, M19 and M20) directly support rural businesses and in specific: support the creation and setting-up of new innovative businesses; support entrepreneurs developing their capacity (e.g. business advisory); and are implemented through creative delivery approaches.

²³ The results of this research are summarised in the [Thematic Group Smart and Competitive Background paper](http://enrd.ec.europa.eu/sites/enrd/files/tg1_rural-businesses_tg-background-paper.pdf): http://enrd.ec.europa.eu/sites/enrd/files/tg1_rural-businesses_tg-background-paper.pdf

²⁴ See section 1. More information is available in the [TG Events Summaries](http://enrd.ec.europa.eu/thematic-work/smart-and-competitive-rural-areas/rural-businesses_en) and TG meeting presentations: http://enrd.ec.europa.eu/thematic-work/smart-and-competitive-rural-areas/rural-businesses_en

²⁵ See section 2.

²⁶ For more information on the RDPs' main objectives, budget allocations, outputs and target indicators, see the RDP summaries produced by the ENRD CP: http://enrd.ec.europa.eu/policy-in-action/rural-development-policy-figures/rdp-summaries_en

²⁷ For privacy reasons the names of the interviewed people are not disclosed.