



European Network for
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No 24

RE-IMAGINING RURAL BUSINESS OPPORTUNITIES



European Network for Rural Development

The European Network for Rural Development (ENRD) is the hub that connects rural development stakeholders throughout the European Union (EU). The ENRD contributes to the effective implementation of Member States' Rural Development Programmes (RDPs) by generating and sharing knowledge, as well as through facilitating information exchange and cooperation across rural Europe.

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Introduction

This edition of the ENRD's EU Rural Review focuses on re-imagining the opportunities for rural business development and change.

Without seeking to ignore the many challenges facing Europe's rural areas, we explore some of the latest thinking and practice in how rural entrepreneurship can be supported to take advantage of emerging opportunities and latent potential to develop new forms of successful rural business.

Rural areas typically face certain disadvantages as places for business development. The most important tend to be linked to geography, population, infrastructure and resources. Relative isolation from markets, insufficient local demand and a lack of facilities and services can all restrict the growth potential of the local economy in rural areas.

However, modern trends are creating new opportunities for the development of rural areas and the emergence of new rural businesses. The internet and other digital technologies are offering the potential to overcome geographic distance and create new forms of proximity to knowledge, markets and relationships.

Meanwhile, new market opportunities are emerging in sectors as diverse as the food economy, the green economy, the bioeconomy, the experience economy and the residential economy.

Where these opportunities can lead to business development, there is significant potential for job creation and to attract people to live and work in rural areas. In this context, some

of the advantages of rural locations become more apparent, including the likelihood of cheaper land and housing, more space, cleaner air and easier access to the countryside.

The key to taking advantage of these opportunities is to find smarter ways to deliver effective business support and to make targeted efforts to overcome some of the specifically rural challenges. Taking into account the increasing diversity of Europe's rural areas and the particular severity of certain challenges and/or the strength of specific opportunities in individual locations will be essential.

Long-term success will require a change of attitude towards the potential for rural business development and growth, and carefully targeted interventions guided by policy. This is not about 'business as usual', but nor are we typically talking about high-tech research and innovation. It is about a new vision of rural business support that helps businesses to respond to opportunities and challenges based on a clear understanding of their needs.



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STRUCTURE OF THE PUBLICATION

1. A new vision of rural business potential

We start by exploring some of the overarching factors driving considerable change in the economic potential of Europe's rural areas: technological change; environment and climate change; demographic changes; globalisation and evolving markets; and political changes.

These changes create severe problems for many rural areas and people, but also a whole range of new economic opportunities in sectors as diverse as the 'food economy', 'bioeconomy', 'green and circular economies', 'digital economy', 'social economy', 'experience economy' and 'residential economy'.

2. Grounding business potential in local realities

How the change narratives and emerging business opportunities outlined in the first article translate into reality on the ground will always be determined by geographical differences and a wide range of environmental and socio-economic factors.

We explore some differences that can already be identified at a macro-regional scale – forming broad north-south, east-west or centre-periphery patterns. We then consider a new typology of local rural areas reflecting how local characteristics – e.g. closeness to the nearest city or the quality of local natural resources – can determine specific opportunities and challenges.

3. The potential of rural digital hubs

Rural digital hubs can be an important tool at local level for overcoming the double digital divide suffered by many rural areas. These hubs can do this by offering fast, reliable internet access, physical spaces for working and networking, and a range of business and community support services.

Rural digital hubs can benefit the individuals and businesses that use their services. However, more significantly, they can

strongly enhance the ability of a local area to realise its latent potential by enabling it to take advantage of modern digital opportunities.

4. Accelerating rural business change

Smarter approaches to business support are needed to help rural businesses seize the opportunities mentioned in earlier chapters. This means moving away from models that limit themselves to 'one-off' interventions, towards approaches that accompany entrepreneurs along a 'support itinerary' through an ecosystem of support services.

We highlight that successful approaches need to build new business ideas from the bottom up, based on an effective understanding of the relevant needs and opportunities. Elements of accelerator and incubator models from urban contexts can act as inspiration, but these need to be adapted to the specific needs of rural businesses and entrepreneurs.

5. What Rural Development Programmes can do

The Rural Development Programmes (RDPs) have a considerable battery of tools (Measures) that can be used to support the kind of rural business change and development presented in this publication. The challenge is to deploy them in a way that responds to business needs in different places, sectors and stages of development.

Good approaches involve effective use of the different Measures in complementary ways to meet different needs along the support itinerary, both in terms of 'soft' support around knowledge, skills and working together, and the delivery of flexible forms of finance. They also involve using the RDPs as part of a wider ecosystem of rural business support in coordinated ways.

The ENRD Contact Point



1. A new vision of rural business potential

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In very diverse ways, Europe's rural economies are full of potential for innovation and growth. In this opening article, we explore some of the key drivers of change in Europe's rural areas and focus on several areas of opportunity that are arising out of these changes.

Overarching factors driving considerable change in the economic potential of Europe's rural areas include emerging technologies, environmental pressures, demographic changes, evolving markets and political changes.

These create severe problems for many rural areas and people, but also a whole range of new economic opportunities in sectors as diverse as the 'food economy', 'bioeconomy', 'green and circular economies', 'digital economy', 'social economy', 'experience economy' and 'residential economy'.

DRIVERS OF RURAL CHANGE

EMERGING SECTORS OF RURAL BUSINESS OPPORTUNITY

DRIVERS OF RURAL CHANGE

Europe's rural areas are changing, characterised by increasing socio-economic differentiation. Some major drivers of these rural changes can be identified.

Various inter-related processes of change lie behind the increasing differentiation of rural areas in Europe. While the reality of change in any rural area will depend on its own specific circumstances and characteristics, it is possible to identify some major overarching trends and pressures that are impacting on Europe's rural areas.

In uneven ways, these trends create new pressures and challenges but also new opportunities across rural Europe. There will inevitably be losers, but there can also be winners from these changes. Notwithstanding the difficulties created, one of the key challenges for rural development policy-makers and practitioners is to maximise the potential from the emerging opportunities.

Based largely on the work of Andrew Copus of the James Hutton Institute⁽¹⁾, we have identified five of the most important 'drivers of rural change', which we outline below.

FIVE MAIN DRIVERS OF RURAL CHANGE

1. Technological change
2. Environment and climate change
3. Demographic changes
4. Globalisation and evolving markets
5. Political changes

1. Technological change

The rapid progress of digital and other forms of technological development since the turn of the century has delivered often transformative change to existing ways of working in rural areas. Nevertheless, the outreach and impact of these technologies has been very uneven across rural Europe.

On one level, we can see many cases of manual labour being replaced by machines and automated processes in land-based industries. More recent developments include the emergence of 'precision farming' techniques.⁽²⁾ These trends offer the potential to increase efficiency and productivity, but can be very disruptive to rural employment structures.

On another level, we see evolving digital technologies changing the possibilities for communication, logistics and support in rural areas. These offer the potential to 'overcome' geographical distance between rural businesses and their potential markets, but can also encourage rural residents to bypass local shops and services.

In other cases, technological advances in emerging sectors – such as renewable energy and biotechnology – are transforming the options available to farmers and foresters.

2. Environment and climate change

Environmental pressures are having an increasingly significant impact on many forms of rural activity, which rely

on natural resources and climate for their means and forms of operation.

At the same time, rural areas have a crucial role to play in responding to European and global environmental challenges. They can help offer important societal responses on issues such as ensuring future food production, mitigating climate change, reversing habitat and biodiversity loss, sustainable management of natural resources, improving the quality of our water, air and soils, and generating renewable energy.

Rural businesses are faced with new responsibilities and obligations to have a more positive impact upon the environment. However, with these environmental challenges come a series of opportunities, most notably in the 'green', 'circular' and 'bio' economies (see next section).

3. Demographic changes

Several inter-related processes of demographic change are transforming the population structures of many rural areas. Population ageing, migrations between rural and urban areas and migrations between countries are the major factors whose impacts play out very differently in different locations.

Many rural areas are experiencing significant population ageing as a consequence of both the out-migration of younger generations and longer life expectancies of older residents from the positive news of healthier lives.

In some Member States – notably Lithuania, Slovakia, Greece, Portugal,

1 Copus, A. (2017) Stereotypes, Meta Drivers and Narratives – The Evolving Rural Business Environment, Working Paper 5, RESAS Research Deliverable 3.4.1. Demographic change in remote areas. www.hutton.ac.uk/research/projects/demographic-change-remote-areas.

2 See the findings of the EIP-AGRI Focus Group on Precision Farming: <https://ec.europa.eu/eip/agriculture/en/publications/eip-agri-focus-group-precision-farming-final>

Bulgaria and Latvia⁽³⁾ – these trends are exacerbated by an overall trend of net emigration out of the country. Some rural villages have lost so much of their population that it is hard to see how they could recover.

However, in other cases, rural areas have experienced a ‘population turnaround’ with young families taking advantage of new opportunities to live and work in attractive and accessible rural locations.

Another specific recent trend has been the arrival of a significant number of refugees and asylum seekers into some rural areas, which reached its peak in 2015. In some parts of rural Sweden, the number of asylum seekers was bigger than the resident population. This has posed important challenges of integration – but at same time opened opportunities for revitalising depopulated villages.

4. Globalisation and evolving markets

The globalisation of commodity markets has left many primary producers vulnerable to fluctuating commodity prices at a global scale.

This can threaten the economic viability of their activity at a time of rising concerns about the security of future food supplies.

Value chains are also increasingly complex and globalised. This can create opportunities to find cheaper suppliers and new market opportunities, but it also increases competition. Furthermore, changes in one part of the chain can have very quick and sometimes dramatic consequences on others.

On the other hand, changing consumption patterns and evolving consumer preferences are creating new markets and opportunities for producers to add value to their production. This includes growing demand for food that is local, of high quality, unique or produced in ways that are more positive for the environment and animal welfare.

For example, the organic market has seen double digit growth in recent decades, in terms of both the European market and the area of organically managed land. It now represents 5.7% of the agricultural area in the EU.⁽⁴⁾

5. Political changes

Political organisation, decisions and priorities can have a profound effect on rural areas and their development potential.

In many cases, the presence or lack of an explicit prioritisation on rural areas can determine whether policies and programmes actually reach down effectively into rural areas or remain focused on urban centres. This is relevant, for example, in the use of business support programmes, regional development funding and roll-out of broadband infrastructure.

The level at which political responsibilities are placed (national, regional, local) can also cause important changes in the ways that programmes are delivered in local rural areas. Centralisation of administrative structures can sometimes leave rural areas struggling to get political attention.

Another trend that has been seen to varying degrees and at different speeds across Europe has been a shift in the perceived roles and responsibilities of the state and the public sector in terms of delivery of Services of General Interest (SGI). This term is now preferred to ‘Public Services’ precisely because many of the social, welfare, household, utility, transport and emergency services are now provided by a complex network of private and third-sector bodies.

Cuts in public expenditure and the centralisation of public services can create a vicious cycle of decline in rural areas when combined with the out-migration and ageing processes described above.



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3 http://ec.europa.eu/eurostat/statistics-explained/index.php/People_in_the_EU_%E2%80%93_population_projections

4 http://www.ifoam-eu.org/sites/default/files/ifoameu_organic_in_europe_2016.pdf

EMERGING SECTORS OF RURAL BUSINESS OPPORTUNITY

The overarching drivers are delivering forms of rural change which are generating new economic opportunities in a range of areas.

Whilst the drivers are, of course, creating challenges for many rural communities and rural businesses, it is important to recognise and focus attention on the fact that these drivers are also generating tremendous potential for new and growing economic sectors of activity.

Without claiming it to be an exhaustive list, or the only way of categorising the types of opportunity available, we set out below some of the main areas of economic activity where particularly interesting opportunities are emerging for rural areas.

These ‘emerging economies’ do not exist in isolation from each other and many activities could be classified in more than one group. Nevertheless, they are a useful way of conceiving areas of economic potential.

The secret to prosperous rural futures and businesses will be effectively harnessing these opportunities in the most appropriate ways for a specific rural location through thoughtful planning, strategic investment and community buy-in.

1. The food economy

Already, the agri-food sector provides 7% of all employment and 3.5% of added value in the European economy. However, major opportunities still exist to further develop the food economy based on increasing quality, adding value and improving market access.

Farmers focusing on primary production and vulnerable to global commodity price changes can explore opportunities to add value to their products. Increased opportunities



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exist where consumers have shown themselves to be willing to pay more for demonstrably higher quality – this can include local or regional specialities, organic food and food that is produced locally or according to stricter environmental standards.

Producing goods that meet these preferences is usually more expensive, but will often be more than offset by the higher price that can be charged. Producers can retain more of the value they add by taking responsibility for processing, branding, packaging and directly accessing markets themselves.

Improving market access usually involves reducing the gap between rural producers and (mainly urban) consumers through smarter food supply chains, which can include direct selling. There are also opportunities to encourage market development by opening up public procurement and working on food education of consumers.

Taking advantage of these opportunities can be challenging – especially for small family farms, who

may lack the experience, confidence, resources or market information to undertake the necessary changes. Supporting producers to be creative and innovative in overcoming logistical challenges can make the difference.

2. The bioeconomy

The bioeconomy is a set of economic activities relating to the invention, development, production and use of biological resources to make new products.

In the forest sector, large-scale processing of timber or pulp has been the norm in the major producing areas. However, we are already seeing a transition from struggling paper mills to the forest-based bio-refinery in some areas.

The bioeconomy also becomes tangible in the development of new biomaterials, such as engineered wood or reed insulation, and in the production of bioenergy.

Technical developments continue to provide new opportunities to add value



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to raw materials, taking advantage of the underlying biophysical qualities of primary products. However, the barriers to entry to the large-scale, high-tech bioeconomy are significant and it remains high risk.

New forms of governance and strategic and targeted public investment can have a major impact on overcoming barriers and supporting the growth potential of the sector. In certain rural areas, there has been a growth in ‘energy communities’ and other municipal and locally based strategies for achieving local economic, social and environmental benefits through the bioeconomy.⁽⁵⁾

“ [We are] entering the bio era. During the next 20 years we will witness more development than during the past 200 years. Biomass that grows on our fields, forests and waters will replace fossil fuels, metal, plastic and synthetic fibres that still surround us. Rural areas are a major part of this story: the future of agriculture and forestry has never looked so bright. ”

Olli Hietanen, Turku University (Finland)

3. The green and circular economies

The green economy is about taking advantage of growth opportunities that are environmentally sustainable, as well as improving environmental performance in ways that are economically and socially viable.

This typically requires new ways of thinking and new ways of working, such as developing new, sustainable

income streams from previously ‘waste’ materials. This is the concept of the ‘circular economy’, whereby resources are recycled within value chains. For example, an RDP-funded project in Malta turned raw tomato waste into a new ‘gourmet tomato vinegar’ product.⁽⁶⁾

The green economy includes the transition to low-carbon and resource-efficient economic activities in ways that can improve environmental sustainability whilst delivering cost savings and business opportunities.

Reducing the consumption of resources and taking advantage of increasing consumer preference for environmentally friendly products and services – for example through green tourism or product branding – are two ways of turning environmental performance into increased profits.

Investment in small or large-scale renewable energy infrastructure in rural areas also offers economic potential in the context of the need to move away from fossil fuels and increasing energy prices.



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5 See regional case studies from the Nordic region: <http://www.nordregio.se/en/Publications/Publications-2014/Bioeconomy-in-the-Nordic-region-Regional-case-studies/>

6 See examples in the recent EAFRD Projects Brochure on Transition to Greener Rural Economies: https://enrd.ec.europa.eu/sites/enrd/files/publi-eafrd-brochure-04-en_2017.pdf

4. The digital economy

EU Rural Review 21 highlighted the importance of providing fast broadband in rural areas for enabling businesses to compete and thrive in the modern economy. Fast and reliable access is key for providing “access to information, trading platforms, promotion of rural services and the ability to interact with consumers and potential visitors.”⁷

Particular areas of digital opportunity for rural areas are around digital access to markets, digital services and digital marketing.⁸ In the agricultural context, digital technologies can help to improve productivity and resource-efficiency through techniques such as precision farming. Connectivity in rural areas can also reduce the administrative burden in implementation of the Common Agricultural Policy, for example through

remote sensing and high-speed communication in real time.

However, taking advantage of these opportunities requires overcoming the ‘double digital divide’ experienced by many rural communities. In addition to the lack of next generation internet access (see figure 1), many rural populations lack the digital skills necessary to take advantage of opportunities in the digital economy.

The building of new high-speed digital infrastructure in rural areas has to be a continued investment priority accompanied by digital education and training. Both aspects are needed to raise the capacity of European rural stakeholders and communities to exploit digital potential.

5. The social economy

Rural areas across Europe have been badly affected by cuts and the

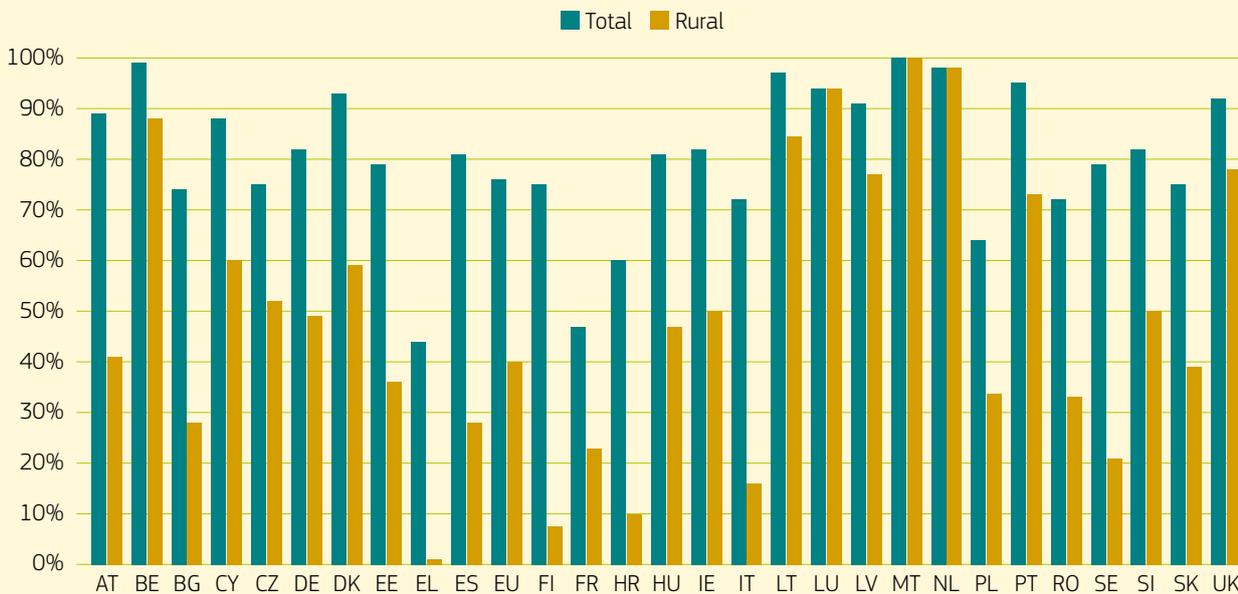
centralisation of public expenditure on Services of General Interest (SGIs) – which are defined by Member States and can include public transport, postal services and healthcare.

However, many rural communities are responding by trying to find imaginative ways of organising and providing services, using a mixture of public, private, and community resources.

These community-driven initiatives for rural service regeneration can produce social innovations – which the Bureau of European Policy Advisors defined in 2010 as: “innovations that are social in both their ends and their means. [They are] new ideas (products, services and models) that simultaneously meet social needs (more effectively than alternatives) and create new social relationships or collaborations.”⁹

Next-generation access (NGA) describes modern forms of fast broadband access commonly defined as at least 30 Megabits per second (Mbps). NGA marks a step change in speed and quality of internet access compared to standard broadband services.

Figure 1. Next Generation Access coverage (percentage of population), 2016



Source: Europe’s Digital Progress Report and Country Reports 2017 – Connectivity (includes FTTP, VDSL and DOCSIS 3.0 cable coverage)

7 http://enrd.ec.europa.eu/publications/eu-rural-review_en

8 See the EAFRD Projects Brochure on ‘Smart and Competitive Rural Areas: http://enrd.ec.europa.eu/sites/enrd/files/publi-eafrd-brochure-02-en_2016.pdf

9 <https://ec.europa.eu/migrant-integration/librarydoc/empowering-people-driving-change-social-innovation-in-the-european-union>

Overlaying these changes are technological drivers. The internet is transforming the way in which services are configured in rural areas generally, but especially in remote areas, for example through tele-medicine and distance learning.

The ongoing rethink of SGI delivery structures provides many opportunities for rural entrepreneurship, social enterprises, SMEs and innovation – especially to reverse the trends of centralisation and rationalisation, which transfer employment and other economic benefits to urban areas.

6. The experience economy

Many rural areas benefit from natural advantages on the basis of which they can attract people to visit and spend money. This can tap into the many European and global consumers looking to not only buy material products, but to have particular life ‘experiences’.

Opportunities in the experience economy can be built on natural features such as mountains, beaches and forests, sites of cultural or historic interest or local speciality products. Marketing, information and signposting to local services can be crucial to taking advantage of the potential of the experience economy – and digital technologies offer much greater potential in this regard.



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Once rural locations have drawn in tourists and day visitors, a whole series of related business opportunities emerge. New activities can be related to the particular experience being offered – for example instruction, guided visits, or tasting sessions. However, they can also be more ‘generic’ businesses including local shops, guesthouses, restaurants, cafés and even relevant services such as transport.

7. The residential economy

Rural communities dominated either by commuters or retired people can offer business opportunities in the ‘residential economy’. Its driver is the wealth injected into the areas by incomes or pensions.

The residential economy is to a large degree service dominated and the economic opportunities will be very much conditioned by the preferences and needs of the resident population. It typically creates demand for local shops and services.

Old craft skills can be given a new lease of life because of the pursuit of individuality by affluent rural residents. Many of these businesses have very low costs of entry: the labourer who made stone walls is transformed into patio designer; the farm labourer becomes a groom looking after horses.

A particular form of the residential economy is the ‘silver economy’ where rural economies benefit from significant numbers of relatively affluent older people living in or moving to the area in retirement. This can create its own distinctive demands for recreational, domestic and care services, from purpose-built housing to golf courses and from gardening services to healthcare.



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2. Grounding business potential in local realities

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The change narratives and emerging business opportunities outlined in the previous article can apply to and affect all rural areas to some extent. However, the real outcomes on the ground will always be determined by geographical differences and a wide range of environmental and socio-economic factors.

Some differences can already be identified at a macro-regional scale – forming broad north-south, east-west or centre-periphery patterns. These differences can be captured to some extent by regional or macro-regional typologies.

Other variations are much more localised. They refer, for example, to the closeness to the nearest major town or city, or the quality of the local natural resources. They are best described in the context of representative types of rural area/economy.

Rural communities need to understand and navigate their particular challenges and opportunities to make the most of modern business potential in their area. Policies and programmes need to be flexible enough to allow them to do so.

MACRO-REGIONAL TYPOLOGIES

UNDERSTANDING LOCAL RURAL DIFFERENCES

MACRO-REGIONAL TYPOLOGIES

Some of the ways in which the overall ‘change narratives’ translate into real economic transition on the ground can be understood at macro-regional level.

A large number of regional typologies of rural Europe have been developed in recent years. Some aim to capture differences in the degree of rurality, others focus on differences in agricultural specialisation or structures, while others still try to show how different parts of rural Europe perform in economic terms, or in terms of population change.

The classification of rurality normally used by the European Commission and OECD is based upon population density and distance to the nearest city. Analysis by the OECD on the basis of this categorisation has shown that while all rural regions in OECD countries are catching up with urban areas, those closest to a city tend to be particularly dynamic.⁽¹⁾

However, in order to look at the opportunities for rural businesses, it can be more helpful to classify regions according to the structure of their economic activity. Such a typology for EU Member States was developed by the ESPON - EDORA project⁽²⁾ (see figure 2).

This was a typology of NUTS 3 regions⁽³⁾ (excluding those classified as ‘Predominantly Urban’), based upon 18 indicators, derived from 25 raw data variables, mostly extracted from the Eurostat Regio database. A simple stepwise decision tree was developed which allowed four structural types of region to be identified:

1. Agrarian regions, in which the economy is still very dependent upon primary activities.

2. Consumption Countryside regions, in which farming is relatively small-scale, and recreation and tourism are key activities.

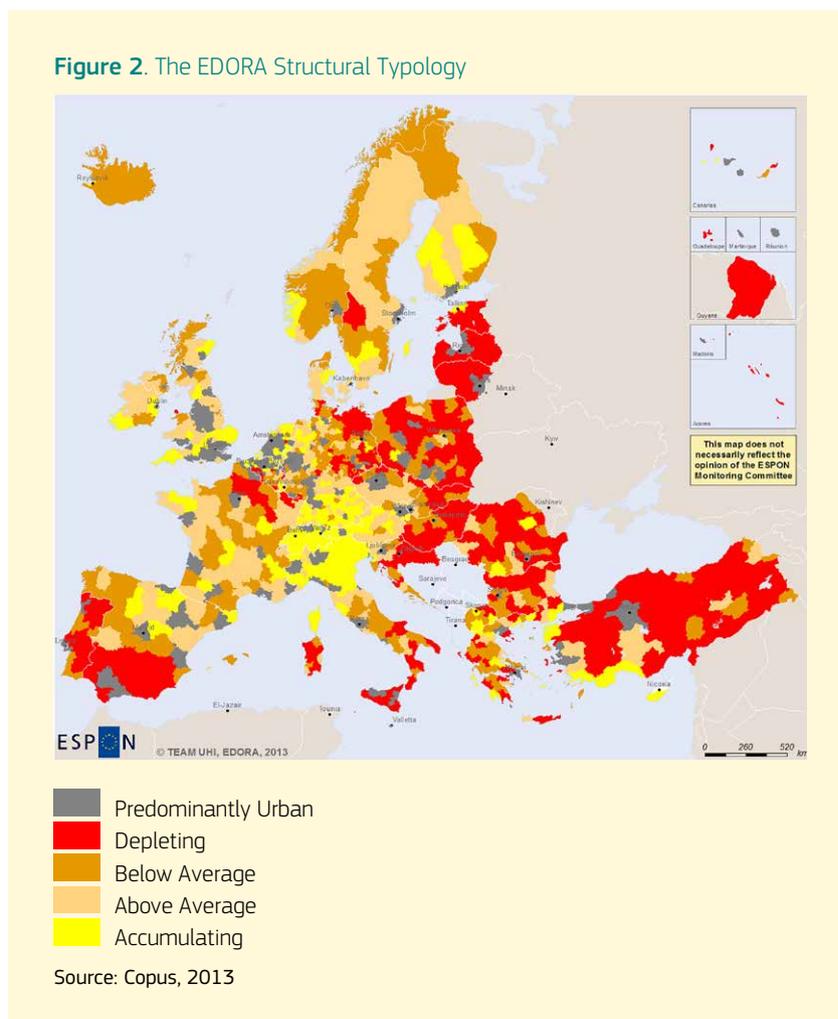
3. Diversified regions with a relatively strong **manufacturing** base.

4. Diversified regions, in which **market services** are strong.

Regions in which the primary sector plays a major role in the local economy

(‘Agrarian’) are mainly concentrated in an arc stretching around the eastern and southern edges of the EU.

The EDORA project also categorised regions according to their socio-economic performance, as defined by combining statistics on GDP per capita, migration, employment and unemployment. The lowest performing areas were



1 The New Rural Policy 3.0. www.oecd.org/rural/rural-development-conference/documents/New-Rural-Policy.pdf

2 www.espon.eu/programme/projects/espon-2013/applied-research/edora-european-development-opportunities-rural-areas

3 <http://ec.europa.eu/eurostat/web/nuts>

classified as 'depleting' regions, whilst the highest performing were called 'accumulating' regions.

Some interesting generalisations were derived by the EDORA project from comparing both the structural and performance typologies of the NUTS 3 regions:

- 'Agrarian' regions tend to be relatively low performers, showing characteristics of the process of socio-economic "depletion".
- 'Diversified regions with a relatively strong manufacturing base' also tend to be relatively poor performers, perhaps because they are dependent upon declining industries.
- Regions in which tourism and recreation are a key component of the economy ('consumption countryside') and those which have 'diversified into market services' are both high performers.

The fact that it is possible to discern broad macro-scale patterns of differentiation in both structures and performance has important implications for European rural policy targeting.

It suggests that further work and investment are needed to enable regions to take advantage of those areas of opportunity most appropriate for their situation.

UNDERSTANDING LOCAL RURAL DIFFERENCES

Even within regions, the challenges and opportunities faced by rural areas will be specific to particular local characteristics.

To get a sense of the variety of rural areas across Europe and how different drivers of change or new areas of business opportunity have or could impact on them, we have identified six broad types of local rural area, based largely on the work produced for the ENRD Contact Point by Professor Bill Slee of the James Hutton Institute.

Productive heartlands

These are rural areas dominated by highly productive agricultural and/or

forestry sectors. They are the 'food and fibre factories' of the traditional rural economy, where farmers and foresters engage in commodity production to provide the food, wood and other raw materials for a whole range of rural value chains.

The production systems are highly varied across Europe: ranging from small to larger, more industrial farms; and from olive and citrus cultivation in Mediterranean countries, to cereal and livestock intensive areas (often with a significant forestry

component) in central Europe, to forest-dominated rural land use in Nordic countries.

Food processing, timber and fibre industries are often co-located in such areas. While the traditional processing sector remains, in the true productive heartlands, a more innovative, high-tech processing sector tends to sit alongside large-scale production. This is seen in the northern plains of France, the Netherlands, large parts of Germany, the great plains of Eastern Europe, the Po Valley in Italy, and East Anglia, UK.

Peripheral areas

These are rural areas which remain reliant on land-based productive sectors – for example in forestry or intensive fruit and vegetable cultivation. They can be highly productive areas, but they lack the connectivity or other natural assets to become 'productive heartlands' or to generate much associated economic activity in the area.

Often, capital equipment and technological innovation in the form of sophisticated machinery and





A PERIPHERAL AREA SUCCESS STORY IN DENMARK

Samsø is a Danish island of just under 4 000 people midway between Jutland and Zealand. It faced typical problems of a peripheral area – young people leaving, closure of agricultural processors and a dependency on imported energy.

In 1997, it won a competition to turn itself into a carbon-free island. The municipality has done this by on-shore and off-shore wind, community heating and has now established an energy academy. It is building energy efficient holiday homes with electric cars for visitors. Its farm sector has diversified and it has created a much more resilient local economy.

computers has massively reduced the demand for labour in these areas. Many are characterised by significant depopulation.

These areas face many challenges and relatively few opportunities. Nevertheless, realistic solutions can be found, usually based on strong community engagement and emerging concepts such as ‘smart specialisation’ (see box above).

The bioeconomy can provide real opportunities in peripheral regions. For example, Finland and Sweden have invested significantly in forest-based biorefineries, based on the enormous potential of wood to provide a feedstock for a whole raft of polymers and biomaterials.

Connected commuterlands

These are rural areas whose characteristics are largely defined

by their proximity to large towns or cities – they are sometimes even categorised as peri-urban areas. This ‘proximity’ is not just about physical distance, but is strengthened by fast, reliable transport connections.

Significant economic opportunities can be provided in such areas through the residential economy, because people come to live there whilst working in the connected urban area. These commuters provide many diverse business opportunities often unconnected to land-based value chains.

These commuterlands can also become ‘hubs’ of activity, such as administrative centres, primary production hubs in natural resource extraction or manufacturing centres. High-value added local food sector enterprises are often the visible tip of the iceberg in such areas, benefitting from easy access to the large urban markets.

The downside of growth in these areas is that many traditional activities (and residents) can face pressure from competing uses, rising land values and, in certain cases, urbanisation. This requires sensitive planning policies.

Attractive hinterlands

These areas are further from urban centres than ‘connected commuterlands’, however they benefit from being particularly attractive places to live. They can have a strong appeal for wealthy residents and footloose businesses aspiring to a high quality of life without wanting to losing their connection to one or more nearby towns or cities.

Attractive hinterlands provide opportunities in the residential economy with a high demand for rural goods and services that feed affluent lifestyles. Demand from high-net-worth residents – e.g. for landscape gardeners and up-market restaurants – can create healthy local multiplier effects which keep villages alive and local shops open. Such effects have been noticeable in the wooded valleys of the Chilterns (UK) and the stone villages of Burgundy (France).

Attractive hinterlands also provide significant opportunities in the experience economy, tapping into the market of the large and close urban population. Building on the free availability of the local assets – whether natural, cultural or historical – the costs of entry into such businesses can be relatively low.

Blighted backwaters

These are rural areas suffering the negative legacy of rural industries that have largely disappeared. They face a number of disadvantages that create vicious circles of decline, involving loss of jobs, closures of shops and services, out-migration and population ageing. Optimism about the future is extremely low and business opportunities are rarely evident.

They include areas characterised by low-productivity farming isolated from any important markets, such as mountain villages of some countries in southern and eastern Europe. They also include villages and areas where a rural mining or manufacturing industry was once important, but has now largely closed down.

Such areas often have to rely on social innovation or 'old-fashioned neighbourliness' to deliver social care or local economic activities, such as community shops and services.

There are examples of new enterprises being established by particularly entrepreneurial individuals in these unpromising locations. However, the reality is that success almost inevitably leads to relocation to a more connected and attractive area to live and do business.

Rural idylls

These areas are the exception to the rule that rural opportunities rely on proximity to urban centres and markets. Rural idylls can have a thriving local economy based on particular local assets and appeal for which tourists are prepared to travel long distances – for example ski and beach resorts.

Renowned rural landscapes, valleys and rivers – such as the Dordogne and Tuscany – can also be the basis for significant economic activity, whilst new rural idylls can emerge with changing tastes and demand, for example in certain wilder and remote landscapes. However, there are also risks attached and some rural idylls have been blighted by the emergence and then stagnation of tourism.

In the digital age, rural idylls can potentially attract 'footloose' businesses which only require digital connectivity, rather than physical connectivity to pursue their activities. They include IT businesses and certain creative enterprises.

Concluding message

The typology presented here shows clearly that economic and business opportunities can be very different even within the same region. Business support policies have to be sensitive to these spatial differences and respond to the evolving needs of rural businesses to help them take advantage of the emerging sectors of business opportunity described earlier.

In the following chapters, we will look at some promising approaches for achieving this.





3. The potential of rural digital hubs

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Rural digital hubs can be an important tool at the local level for overcoming the double digital divide suffered by many rural areas. These hubs can do this by offering fast, reliable internet access, physical spaces for working and networking, and a range of business and community support services.

Rural digital hubs can benefit the individuals and businesses that use their services. More significantly, they can strongly enhance the ability of a local area to realise its latent potential by enabling it to take advantage of modern digital opportunities.

However, to be successful, rural digital hubs must be carefully planned and appropriately scaled to the local situation and needs. The role of a mediator should also not be underestimated in turning hubs from a physical space providing digital opportunities into a human space, which facilitates collaboration between individuals and organisations at all levels.

RURAL DIGITAL HUBS – A LOCAL RESPONSE

WHAT CAN RURAL DIGITAL HUBS PROVIDE

POTENTIAL BENEFITS OF RURAL DIGITAL HUBS

PRACTICAL LESSONS FOR RURAL DIGITAL HUBS

RURAL DIGITAL HUBS – A LOCAL RESPONSE

Rural digital hubs are local spaces within rural areas that can be the focal point for the provision of vital digital infrastructure and a range of support services to rural businesses and communities.

Over the past ten years, there have been an ever-growing number of local hubs and digital service centres emerging in Europe's rural areas. These build on the possibilities of modern digital technologies and aim to support their take-up and application in rural areas.

At the most basic level, these 'hubs' can provide fast and reliable broadband internet access to local businesses and community members. They can then build on this potential to improve local digital opportunities and skills – thus overcoming the double digital divide experienced by many rural areas.

These local hubs also have the potential to act as a focal point for the delivery of a variety of services depending on the specificities of the local needs and context, ranging from entrepreneurship support to social or community-focused services. For this reason, they have evolved into a variety of forms – which we will explore in this article.

The objective of rural digital hubs is not to reproduce metropolitan eco-systems, but to provide the key building blocks which are adapted to meet local needs.

Crucially, such local rural hubs have the potential to act as nodes or multipliers facilitating two-way flows between the digital needs of rural communities and other EU, national or regional initiatives to support business in taking advantage of the opportunities of the digital economy.

For example, there could be opportunities to connect local rural activities to overcome the digital divide with the potential offered by 'digital innovation hubs', one of the pillars of the European Commission's 'Digitising European Industry' initiative⁽¹⁾ (see box).

RURAL DIGITAL HUBS

... operate at local level

... are typically formed of one building/space in a rural community, which provides crucial digital services, including access to work spaces with broadband connectivity.

... can make it more realistic for people to work in rural areas, thus reducing pressure towards out-migration.

... can act as a meeting point for local businesspeople, facilitating the exchange of knowledge and skills, and creating new possibilities for business and community networking.

... can become the focal point for the delivery of a range of crucial business and community services, including targeted business and entrepreneurship support.

ENRD THEMATIC GROUP WORK ON RURAL DIGITAL HUBS

The ENRD Thematic Group on Smart and Competitive Rural Businesses (2016-2017) explored existing rural digital hubs to examine how they operate, the services they provide and the relevant factors that determine the success or otherwise of such local initiatives. This article outlines examples and findings discussed and developed in the context of that work.

An important input into the Thematic Group's work was the findings of the European transnational project 'Micropol – Smart Work Centres in non-metropolitan areas'⁽²⁾, which was funded by the Interreg IVC Programme. This project investigated many local practices across

Europe aiming to take advantage of digital possibilities in rural areas.

The ENRD Thematic Group discussed some of these and other examples that ranged from highly ambitious European projects in rural towns to small initiatives in relatively isolated villages.

The group highlighted that many more such local initiatives will exist in rural areas, but are still unknown at European level. One challenge with identifying them is that the term 'rural digital hub' is not yet consistently understood across Europe – these initiatives will in practice be referred to differently in different countries and regions.

1 The Commission's Communication on "Digitising European Industry – Reaping the full benefits of a Digital Single Market" in April 2016 set out plans to ensure that "any industry in Europe, big or small, wherever situated and in any sector can fully benefit from digital innovations to upgrade its products, improve its processes and adapt its business models to the digital change". <http://ec.europa.eu/transparency/regdoc/rep/1/2016/EN/1-2016-180-EN-F1-1.PDF>

WHAT CAN RURAL DIGITAL HUBS PROVIDE

Rural digital hubs provide both services and physical spaces to meet the needs of rural businesses and communities and help them benefit from all the opportunities offered by the digital transformation.

The ENRD Thematic Group work identified that rural digital hubs can offer four main types of provision for rural areas: physical spaces for business, physical spaces for the community, services for business and services for the community.

Work spaces

Rural digital hubs typically offer flexible office space for workers. This can range from individual 'closed' offices to co-working areas.

These aim to provide modern, professional working environments for people within rural communities. Many also contain collaborative spaces for training, video-conferencing and other professional uses.

These spaces can provide improved facilities for people already running a business in the local rural area, as well as enabling more people to think about starting a business there or working remotely. All of these provide benefits for rural areas in terms of increased local economic activity and reducing 'out-commuting'.

These hubs can often also then provide business-to-business (B2B) support to new users/members and have a strong focus on network building.

Distance-working hubs are less likely to provide wider services to the community. Where they do, these are often limited to supporting unemployed people into work, although some also provide free space and support to e.g. students.

Business support services

Rural digital hubs can provide a point of delivery for a range of business support services, including innovation or start-up support, networking activities or training events.

Rural digital hubs can provide business-support services even in more remote areas. However, the strongest and most ambitious activities are found in accessible rural areas, in market towns or administrative centres. Here, the rural digital hub can act as an enterprise hub designed to create a viable digital ecosystem to help future and existing businesses.

These activities primarily target and are used by SMEs, micro-enterprises and start-ups who benefit from: common reception; cluster support; business mentoring and planning; conference and meeting rooms; networking events; and informal meeting spaces.

The services themselves can be provided by a variety of public, private and third sector bodies, depending on local preferences and possibilities. The origins of rural digital hubs providing these kinds of services can vary widely. The Ludgate Hub (see page 20) was founded by digital entrepreneurs working with local community structures. However, the Morvan Centre⁽³⁾ evolved from a public digital education and skills facility.

Figure 1.

	Focus on businesses	Focus on community
Provides space	Office and co-working space, meeting rooms, training space, video conferencing facilities...	Basic services - crèche, library...
Provides services	Networking & peer-to-peer activities, training, mentoring and business advisory, e-commerce, pilot projects/applications...	Improving digital literacy, training classes, demonstration projects...

Source: ENRD Thematic Group case study on rural digital hubs http://enrd.ec.europa.eu/thematic-work/smart-and-competitive-rural-areas/rural-businesses_en

2 www.micropol-interreg.eu

3 www.nivernaismorvan.net/teletravail/telecentre-de-lormes



Udviklingspark Brønderslev

UDVIKLINGSPARKEN RENTERS RENTAL VACANCIES SHARED OFFICE CALENDAR SWITCH HJALLERUP DEVELOPMENT PARK



© Udviklingspark Brønderslev

PROFESSIONAL WORK SPACES IN THE RURAL MUNICIPALITY OF BRØNDERSLEV, DENMARK

Local context: Brønderslev is a municipality in the heart of the North Denmark region, 25 km from the airport and from Aalborg, which is the main city in the region. In 2015, Brønderslev had a population of 35 700, of which 22 % was below 18 years of age, and 20 % above 64. The unemployment rate was 4.2 % and the average net monthly salary € 1 300. The main forms of local economic activity were: services (73 %); industry (13 %); and agriculture (8 %).

The hub: In 2013 a rural digital hub was established in Brønderslev to enhance the ability to attract highly qualified people and 'footloose' entrepreneurs. There are 12 work stations in the building, as well as facilities for meetings, video-conferencing etc. The building provides access to a

100 Mb/s broadband connection throughout, as well as a fitness room for social use.

Funding: The hub was funded by the ERDF as well as the local Municipality of Brønderslev. It involved a capital investment of € 73 000 and has average annual operational costs of around € 37 000.

Return on investment: An assessment of the social return on investment after the first 18 months of operation – carried out by the Micropol project⁽⁴⁾ – found that six businesses were created as a direct or indirect result of the hub's services, with eight businesses active at the hub. It also found that four jobs had been created internally at the centre and potentially more outside, although it was deemed hard to quantify.

4 www.micropol-interreg.eu/IMG/pdf/MICROPOL_SROI_Study_2014.pdf

Community spaces and services

Rural digital hubs incorporating social or community-focused services are more commonly found in smaller, more remote communities. Often, their origins lie in 'social' initiatives designed to provide stimulus or space for local community or territorial development.

They can provide the first building block of the digital ecosystem and engage with their target community by offering a wide range of non-business services, including employment, information and other public and community services. They can enable significant cost reductions through the sharing of facilities and staff.

Notwithstanding their community focus, they can often be linked with business-support services to encourage local economic activities and entrepreneurship. Bringing the range of support services together in one place can often be crucial to building the dynamism and energy needed to create new social and economic activities.



© The Ludgate Hub



THE LUDGATE HUB – A PROFESSIONAL BUSINESS HUB IN RURAL IRELAND

Local context: Skibbereen is a small town in County Cork, in the south-west of Ireland. The town itself (not including the surrounding areas) had a population of 2 568 according to the 2011 census. Skibbereen had very low broadband connectivity with some areas having no fibre connection.

The hub: The Ludgate Hub opened its doors in April 2016. The hub building, which was once a cinema and subsequently a bakery, was converted to provide private offices, co-working space, hot desks, meeting rooms and state-of-the-art video conferencing facilities.

The building enjoys superfast 1 GB/s broadband internet connectivity, which was provided to Skibbereen by a pilot project involving the Electricity Supply Board and Vodafone that used the existing electricity network to deliver a 100% fibre-to-the-building broadband network. This was provided with open access, meaning that any household or business in the area can sign up for connection through their service provider.

The hub has reached out to local people with community meetings and the provision of digital training courses. Local businesses have volunteered business and mentoring advice through the hub. Further projects have included the

creation of eStreet, Ireland's first fully inclusive eCommerce community portal through which retailers are able to increase their online visibility, sales and open up to new markets.

Funding: The hub was 84%-funded by 11 private donors who made up an active 'Ludgate Board', 13% by corporate sponsorship and 3% from a one-off local authority grant. It involved an initial capital investment of € 1 700 000.

The average monthly operational costs of the hub are around €9 000, which is covered by rental charges for the services offered. The hub benefits from a contingency budget, but additional projects are funded 95% from private donations and corporate sponsorship.

Return on investment: The Ludgate Hub has over 250 active members and 25 companies working from the co-working spaces. It directly employs 11 people. Most significantly, it has attracted over 15 members to move permanently to the area with their families.

It has established a seed fund of €500 000 from private donations to attract start-ups to Skibbereen and enabled 11 local business to trade online through eStreet.

www.ludgate.ie



THE CHEVIOT CENTRE – A COMMUNITY HUB IN WOOLER, ENGLAND, UK

Local context: Wooler is a small, rural market town at the foothills of the Cheviot hill range in Northumberland National Park in northern England. It is located within the wider Glendale area, one of the most sparsely populated areas of the country. In 2015, the local area of Wooler had a population of 4226, of which 15% was below 18 years of age, and 26% above 64.

The hub: In 1999, a derelict town centre property in Wooler (a former Victorian workhouse) was purchased and converted into the 'Cheviot Centre', which opened in 2001. Planned as a community resource centre, it provided community rooms for hire and offices for local businesses. The Glendale Gateway Trust has located its own offices within the centre.

Alongside these physical spaces, it has aimed to provide the function of a 'community and business hub', creating a model of how different local services can be co-located in the heart of the community and encouraging partnerships of service providers and employers to develop around the hub. It was recently extended to incorporate a crèche, the local Tourist Information services and the local library, which was under threat of closure.

The centre has delivered additional projects to support local people and businesses. For example, the 'Wooler Work Web' has offered online services to local unemployed people to refer them to training and skills provision and to help their job search. As part of this service, local employers are also able to advertise their vacancies and get recruitment support.

Funding: The centre was funded entirely by the Glendale Gateway Trust, an independent, charitable community Development Trust set up to support the community of Glendale and help regenerate the local economy. It involved a capital investment of €937 000 and has average annual operational costs of around €58 500.

Return on investment: An assessment of the social return on investment after the first 13 years of operation – carried out by the Micropol project⁽⁵⁾ – found that, although there is no data on the number of businesses created, there are 28 businesses active in the centre and many of these were found to do business together, making it a successful business networking hub. According to interviews, businesses attributed the creation of 15 jobs to the presence of the Cheviot Centre.

www.wooler.org.uk/glendale-gateway-trust/projects



© Barbara Carr

5 www.micropol-interreg.eu/IMG/pdf/MICROPOL_SROI_Study_2014.pdf

POTENTIAL BENEFITS OF RURAL DIGITAL HUBS

Rural digital hubs have tremendous potential to transform the long-term viability of rural communities and rural businesses by enabling them to take advantage of modern digital potential.

The benefits of rural digital hubs can be seen from two perspectives. There are benefits for the individuals and businesses using the hubs' services. However, there are also broader and ultimately more significant benefits to the local area and consequently for the achievement of rural development objectives.

All rural digital hubs assist in improving local digital (ICT) infrastructure, through broadband access, in some cases at fast and superfast speeds, and contributing to place promotion. They increase the opportunities for economic activity and service access for local residents and visitors.

Rural digital hubs can play a key role in creating an enabling environment for local businesses, not just through access to the

internet and work spaces, but in providing a point of delivery for additional support, the development of digital skills and various business networking opportunities.

Capitalising on this potential can enable many people who would prefer to live in rural areas but are 'forced' to work in urban areas to find an alternative professional path in rural areas, either through more regular remote working or establishing a business in the rural area. This can bring more people and more sustainable local economies, reversing cycles of decline and creating further business opportunities in meeting growing local demand.

The potential to use rural digital hubs as a means to attract people to live and work in rural areas has been a strategic target of many

such initiatives. The Ludgate Hub (see box on page 20) specifically targets a return of the Irish diaspora to rural Ireland.

Meanwhile, Cocotte Numérique (see box on page 23) has built up a specific programme to attract and settle digital entrepreneurs in Murat, France. This aims to do more than simply wait for improved digital connectivity and services to lead to an in-migration to the local area, but specifically support people to overcome any other potential barriers to their moving with their families to the area, including helping them to access housing and schools.

BENEFITS FOR USERS

- ✓ Accessing new business or markets as a result of working in the hub.
- ✓ Business support provided through the hub.
- ✓ Trading and collaboration with other users.
- ✓ More efficient and effective working practices through using the hub.
- ✓ Extending the scope and range of users' services.
- ✓ Providing a more professional environment with fewer distractions for home workers.
- ✓ Reducing distance travelled to work.
- ✓ Utilising common resources such as secretarial services and IT support.

BENEFITS FOR THE LOCAL AREA

- ✓ Helping overcome market barriers to high-speed broadband internet connectivity.
- ✓ Attracting new businesses and creating employment.
- ✓ Attracting new residents, including families of entrepreneurs and young people, generating new income for the area, and improving basic services.
- ✓ Improving rural businesses' digital skills and capacity.
- ✓ Strengthening the local community and improving partnerships.
- ✓ Improving digital literacy of the wider rural community.
- ✓ Improving the image, identity and strategic vision of rural areas.



COCOTTE NUMÉRIQUE – A RURAL DIGITAL HUB SUPPORTING IN-MIGRATION IN MURAT, FRANCE

The hub: The association of local authorities of the Murat region (southern Massif Centrale) created a public service hub in the small town of Murat in 2005. The initial hub included the provision of internet access, a multi-media room, digital education and training, and tools to support the delivery of public services.

Subsequently, following public consultation, distance-working and co-working spaces were developed, along with training, coaching and additional business-support services, including an annual Digital Working Forum.

The hub acts as a meeting place and networking centre for other activities such as a women’s entrepreneurs club, a translators ‘café’, and most recently the setting up of a ‘Fab Lab’ which acts as focal point for local businesses and entrepreneurs. In 2015, the hub and its range of support activities were rebranded as ‘Cocotte Numérique’.

Supporting in-migration: Initially, users were all from the local area, but it developed to the point that already in 2009, 80% of trainees in the ‘digital distance working’ training activities were from outside of the area. The potential of the initiative led to the creation of a ‘welcoming strategy’ to assist entrepreneurs and their families to move and settle in the area.

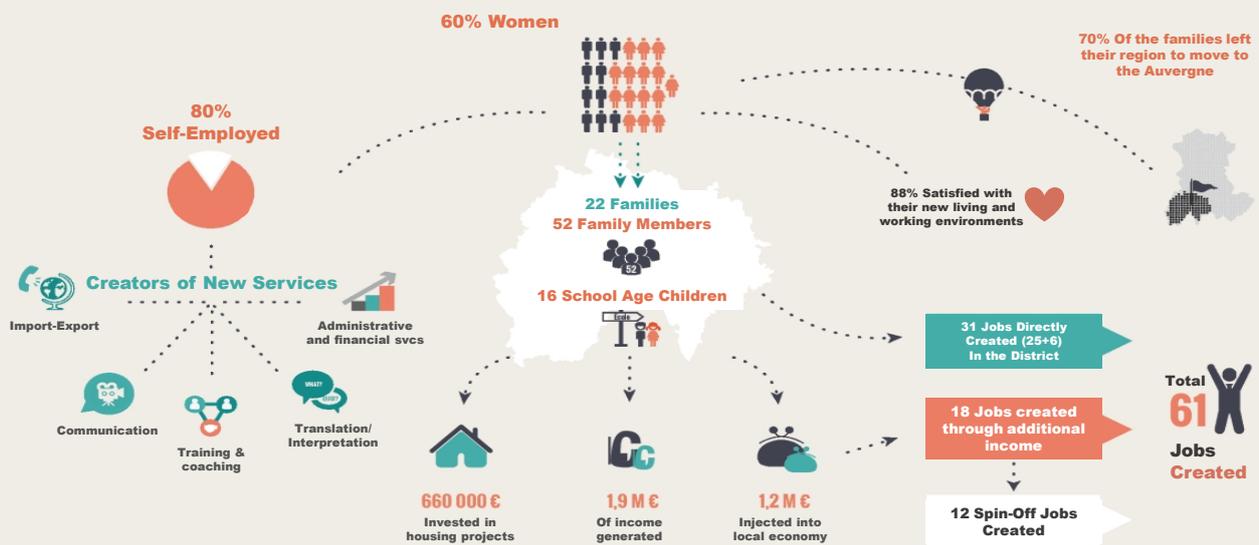
A full-time coordinator was appointed to oversee activities, including the organisation of open days to help people find out more about the area, help in finding accommodation, facilitating links with the network of digital entrepreneurs in the area and supporting with project development and finding funding.

Funding: The initial public service centre (2005) required an initial investment of €800 000, which benefitted from 80% EAFRD support and 20% local co-finance. The European Regional Development Fund (ERDF) supported 33% of the construction of a co-working facility costing €160 000. National and regional public funding co-financed this investment, as well as paying for the later works and equipment required by the creation of the Cocotte Numérique ‘FabLab’.

Return on investment: The following infographic was created by a 2014 study to show the progress, 2008-2013. More recent figures show that by 2017, 43 entrepreneurs and their families (totalling 88 people) had become permanent residents in the local area.

www.cocotte-numerique.fr

25 e-entrepreneurs permanently settled in the Murat District between 2008 and 2013



© La Caravane de l'image

PRACTICAL LESSONS FOR RURAL DIGITAL HUBS

Rural digital hubs can bring great benefits, but they need to be carefully planned and adapted to the local situation in order to generate a successful model in practice.

The major challenge with all rural digital hubs is that they need to be understood and managed as human spaces, which enable and facilitate collaboration between individuals and organisations at all levels.

Rural digital hubs require physical premises, ICT tools and a fast, reliable internet connection. However, they must also provide an entry-point into local and wider networks, which can enable rural communities to recognise and then catalyse their often latent potential.

A few desks, computers, printer and video-conferencing facility in an isolated, inappropriate, under-used facility does not produce the dynamic needed. Even the provision of strong digital infrastructure and tools which aggregate and mobilise local resources is not enough: the failure rate of rural digital hubs is significant.

The ‘mediator’ function should not be underestimated, as it provides the dynamic interaction required to create or contribute to local economic, social and digital ecosystems. This can include through the provision of management and coordination, as well as welcoming and guidance to new digital interlocutors.

The scope, scale and activities of a rural digital hub need to be firmly grounded in the local reality and respond to local needs. In areas where digital transformation is slow, the activities of the hub need to be built around and incorporate existing facilities and networks.

Multifunctionality – the provision of a wide range of services through one location – has been shown to add value in generating sufficient ‘energy’ around a specific hub to create new community and business opportunities.

The initial investment costs can be high and often require multiple funding sources to be accessed. Furthermore, whatever their form, rural digital hubs generally need to complement any commercial services with continued public support. Strategic and targeted public investment has the potential to make a significant difference in supporting rural digital hubs in local areas.

Crucially, rural digital hubs can evolve over time to meet growing demand and evidence of increasing success. This can enable gradual investment in rural digital hubs to enhance their physical spaces, provide additional services and reach out more and more to external people, attracting them to come to live and work in rural Europe.

SETTING UP A RURAL DIGITAL HUB

The **main steps** in setting up a rural digital hub involve:

1. Securing the necessary **conditions**:

- good broadband connection;
- appropriate building;
- attractiveness of the location and good geographical position;
- good local services (education, health, etc.).

2. Engaging a committed **initiator** and the local community:

- Local public stakeholders and private stakeholders can both play an important role. A valuable lesson is that there are always experienced and committed organisation(s) behind these initiatives, often represented in a board, steering group or association.
- Community involvement from the early stages is crucial for success in order to ensure that hubs are not just empty

buildings with connectivity and facilities, but also at the heart of rural community engagement.

3. Ensuring the necessary **financial, technical and human** resources:

- Initial financial investment to prepare and adapt the physical building and buy and set-up fixtures, fittings and technical equipment – in the three examples covered by the Thematic Group’s case work this involved investments of between €470 000 and €1.7 million).
- Human resources: normally 1-2 full-time staff (with project management and/or technical skills), as well as advice from experts.

Source: ENRD Contact Point case study on rural digital hubs.



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Smarter approaches to business support are needed to help rural businesses seize the opportunities mentioned in earlier chapters. This means moving away from models that limit themselves to 'one-off' interventions, towards approaches that accompany entrepreneurs along a 'support itinerary' through an ecosystem of support services.

A number of models have emerged in the agri-food sector in recent years. These tend to take different aspects of accelerator and incubator models used in urban areas in order to provide a structured environment in which participants are coached and inspired to take control of their own creativity and business.

Successful approaches need to be adapted to the specific needs of rural businesses and entrepreneurs, building from the bottom up with specific outreach to potential participants and highlighting the need for flexibility and follow-up. They reveal important aspects that Rural Development Programmes should be taken into account when planning and delivering rural business support.

SMARTER BUSINESS SUPPORT

BUILDING ON BUSINESS OPPORTUNITIES FROM THE BOTTOM UP

MODERN AGRI-FOOD ACCELERATORS

FLEXIBLE MODELS ADAPTED TO THE RURAL CONTEXT

SMARTER BUSINESS SUPPORT

Smarter approaches to business support have been emerging in recent years that seek to better enable businesses to develop and change. They aim to create a support ‘ecosystem’ and accompany entrepreneurs throughout the whole process of business development.

Traditional business-support models have often focused on one-off interventions through specific calls. This can place a strong burden on entrepreneurs to find the right support at the right time and their request will typically receive a yes/no response based on strict eligibility criteria. The result is an ‘all-or-nothing’, risk-averse support model that can benefit a lucky few, whilst excluding many potentially successful, innovative business ideas.

Smarter methods have adopted much more flexible approaches that seek to accompany entrepreneurs through a series of steps towards success. Appreciating the value

and benefits of these new models requires understanding them from two perspectives: the support ecosystem and the individual business. These are reflected in the two graphics on page 27.

This publication’s vision of rural business support: a process of helping businesses to change and innovate in order to adapt to emerging challenges and benefit from new opportunities.

These approaches are typically based on a ‘support ecosystem’ incorporating multiple elements and practices such as peer learning, shared work spaces, coaching, mentoring, training, incubators, accelerators, investment finance and shared technical equipment.

	Traditional business support	Smart business support
Target	Individual entrepreneurs and projects	Cohorts or groups of entrepreneurs
Types of business	Calls focused on important or ‘hot’ sectors identified by business experts e.g. farming, tourism, slow food etc. Types and size of business and geographical coverage often pre-defined.	Encourages creativity and change from the bottom up. Involves deep listening and understanding of realities and constraints on the ground. Open to unusual combinations, e.g. value chains across sectors.
Timing	One-off activities at fixed times.	Step approach, support tailored over time. Can include focused elements running for a short period (e.g. accelerators) with results and ongoing needs followed up over time.
Types of support & method	Supply and expert-led. Less flexibility in curricula, often delivered through separate and unrelated standard courses and modules.	Led by business needs and flexible. Integrated: it provides a combination of support tools from business ideas to identification of funding. Emphasis on peer learning, networking and co-production.
Types of finance	Grant-led and programme-driven. Risks of over-investment (obligation to stick to initial project plans), or in some cases under-investment (if opportunities are larger than expected).	Combination of public, private and social investment. Seed money for small-scale pilots and initial running costs, flexible grants, microcredits, etc. Community financing: social finance, crowd funding, etc.
Approach to risk	‘All-or-nothing’ grants tied to fixed eligibility conditions and selection criteria. Controls can result in penalties if the conditions are subsequently not met.	A learning-by-doing approach. Failure is embedded in the system and participants learn from mistakes. The step approach allows pilots.

Six steps of business development:

- 1. Identifying opportunities and challenges** – business ideas should be based on the effective identification of needs and opportunities.
- 2. Generating ideas** – business support can usefully inspire people to help generate ideas.
- 3. Developing ideas** – an initial idea typically needs to go through a process of refinement to improve and to respond to constructive criticisms and challenges.
- 4. Writing business plans** – once developed, an idea needs to be transformed into a fully developed, detailed and practical business plan.
- 5. Small-scale testing** – before investing too heavily, it is useful to test an idea on a small scale to see if it works in practice and to test the market.
- 6. Successful scale-up** – once the business case is proved at a small-scale, a business can more confidently invest (and attract investment) in scaling up the idea.

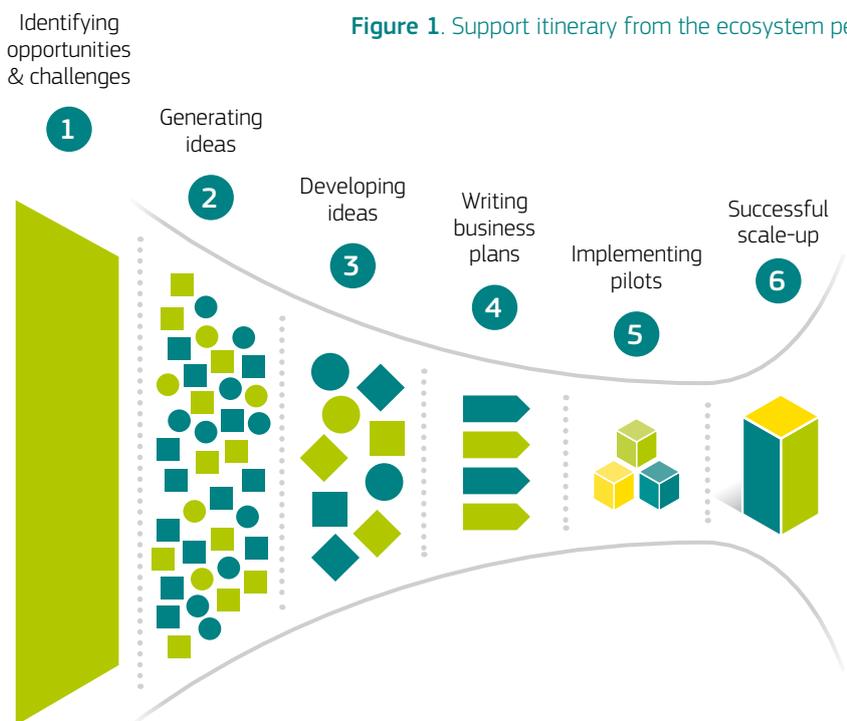


Figure 1. Support itinerary from the ecosystem perspective

The ‘ecosystem’ of support tools and providers aims to help create a culture of business change and innovation, cultivating the development of new ideas and enabling those that have the motivation and potential to move through the necessary stages of development. It is not necessary to pre-judge which ideas will work; it is part of the system – not a sign of failure – that there will be progressively fewer business ideas at each stage of development.

From the individual perspective, the most important aspect is that beneficiaries are supported all along their business pathway. They are not left on their own to struggle individually to bring a new product or idea successfully to market. Rather, they are provided with a support itinerary, from creative thinking about potential challenges and opportunities in their sector all the way to scaling-up a successful business proposition; the entrepreneur always has someone to turn to for support and advice.

Figure 2. Support itinerary from the individual business perspective



BUILDING ON BUSINESS OPPORTUNITIES FROM THE BOTTOM UP

The starting point for the business support itinerary is working with local businesses and (potential) entrepreneurs to understand their real issues and constraints and encourage ideas from the ground.

Support has to be provided based on the real needs of local businesses rather than directed by the latest fashions in business support. Achieving this requires close, deep listening to local stakeholders, working patiently with people to understand their situation and to identify opportunities.

Some of the most interesting and successful models for delivering needs-based support start with peer learning and inspiration. Businesses and entrepreneurs are put together in groups to stimulate and inspire each other, to learn from each other, not to make the same mistakes, and perhaps even to grasp opportunities together.

Key principles here are that you are more likely to get one or two viable and successful businesses from a large pool of initial ideas and that new business ideas can emerge from the cross-fertilisation of smaller ideas in unexpected ways. These benefits are more likely to emerge from group work, sharing and dialogue.

Another key principle is that support has to respond to real needs and not pre-judge or anticipate what these are going to be. Once ideas have been developed, entrepreneurs can be directed to the specific support that they need in their particular situation. Whilst elements of group work and sharing can remain, businesses will require individualised support on many aspects.

Practical support needs can range from office space to technical equipment and from business planning to financial management. To be successful, it is helpful if the support

available can be provided by a wide network of organisations and facilities.

This support ecosystem may include universities and research organisations, advisory services, funding organisations and existing companies. Business support programmes do not have to provide all the answers 'internally'. They

can play the important role of directing businesses to the 'external' support they need and create the initial contact.

A common approach is to engage experienced entrepreneurs to coach or mentor start-ups individually. These mentors may be from the same industry as the start-up, but



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'GROWBIZ' – PEER LEARNING SUPPORTED BY LEADER IN PERTHSHIRE, SCOTLAND, UK

GrowBiz was established in 2007 to provide support to business in rural Perthshire. Originally, it focused on one-to-one support. However, with support from LEADER, it has shifted the emphasis towards peer support and more networking methods.

GrowBiz now provides a range of enterprise coaching, advice, mentoring and peer-group activity for anyone who wants to start or grow a business, social enterprise or become self-employed in rural Perthshire. Its initiatives include the GrowBiz Xchange and Women's Enterprise Network.

In response to the requirements of LEADER to allocate 10% of the LAG budget 2014-2020 to business support, the GrowBiz model is being taken up by more LEADER Local Action Groups in Scotland, who see it as an obvious way to deliver on their commitments to enterprise support.

Total budget: €627 050

EAFRD contribution (LEADER 2007-2013): €166 360

www.growbiz.co.uk

this is not necessarily the case, as the skills to innovate tend to surpass specific industries and are often more generally applicable.

Models of support can also usefully arrange for shared services. For example, providing access to legal advice can make life easier for start-ups who might otherwise either not

know where to find or not be able to afford this kind of expertise.

Sharing office space – a common feature of rural digital hubs (see previous article) – can offer the double benefit of providing an affordable but professional working space and allowing for new encounters and the potential to stimulate the exchange

of knowledge and new opportunities for collaboration.

Having shared access to technical equipment can be especially crucial in enabling entrepreneurs to develop and test technically advanced prototypes during the piloting phase that they may not be able to achieve by themselves.

MODERN AGRI-FOOD ACCELERATORS

An increasing number of business accelerators focusing on the agri-food sector have emerged in recent years.

Business accelerators and business incubators are two types of business-support model that have become particularly well-known over the past twenty years. These tools differ in important ways in terms of the methods used, target groups and timescales (see table, right).

These models have typically been developed in urban areas. However, the ENRD Thematic Group on Smart and Competitive Rural Areas looked for and shared examples from the rural context. They identified a number of business accelerators that focused on the agri-tech and agri-food sectors.

Accelerator programmes tend to provide a structured environment in

Incubators v accelerators	
Typical incubator	Typical accelerator
Open subscription	Selects participants at entry
Mostly start-ups	Wide range of businesses
Longer-term participation (1 year+)	Short-term 'pressure cooker' approach
Mostly provide shared space, facilities and consultancy services	Often working towards a business pitch for seed capital

which participants are coached and inspired to take control of their own creativity and business. They aim to show participants how they can break through limitations and develop new ways to reach their goals (by sharing technological solutions, business intelligence, etc.).

These accelerator-type initiatives are local adaptations to the universal model; hence they do not share all characteristics equally. But the approach is similar: an integrated package of activities and services is offered to farmers and rural entrepreneurs to support and

EXAMPLES OF FOOD AND AGRI ACCELERATORS IN EUROPE

Name	Website	Location	Affiliation
33 Entrepreneurs	www.33entrepreneurs.fr	Bordeaux, but global reach	Independent, Metro, Accor, Elior
Agri Nest	www.agri-nest.com	San Francisco	French government + Credit Agricole
Agro Innovation Lab	www.agroinnovationlab.com	Vienna	RWA Group +Raiffeisen Lagerhaus Cooperatives
Amius Startup Program	www.amius.com/start-up/	London	Amius commodity broker
DigEatAll	http://digeatall.com	San Sebastian	Independent, wide partnerships
H-FARM Food Accelerator	www.h-farm.com	Treviso	Cisco
Just Eat Accelerator	www.f6s.com/justeatfoodtechaccelerator	London	Independent
Pearse Lyons Accelerator	http://go.alltech.com/accelerator	Dublin	Alltech
Prometheus	www.reimagine-food.com/prometheus	Barcelona	Independent, Singularity University
Start-up bootcamp accelerator	www.startupbootcamp.org/accelerator	Originally Copenhagen, now also Rome and Eindhoven	Independent
Terra Accelerator	www.terraaccelerator.com	San Francisco, but moving to Europe	Rabobank and RocketSpace
Vitabora's Accelerise	http://accelerise.vitabora.com	Dijon	French government competitiveness cluster

Source: ENRD Thematic Group on Smart and Competitive Rural Businesses

accelerate their innovation. Different components are mobilised flexibly and geared to create as much impact as possible at the local or regional level.

Several of these accelerators are rather specialised, focusing on targeted areas of opportunity in developing new business-to-business or business-to-consumer solutions. Examples include: 'AgroInnovationLab' (agri-tech and smart farming); 'H-Farm' (decentralised fresh logistics); 'DigEatAll' (product development); and 'Terra' (consumer packaging).

However, other accelerators take a more integrated approach and support any party or coalition of parties with the ambition to make a transformational change in the food system (e.g. 'Just Eat').

The existing agri-food accelerators are affiliated to a diverse range of bodies. Some are related to cities or regions (e.g. '33 Entrepreneurs'), others to corporations (e.g. 'Amius' and 'H-Farm'). They are often embedded in a larger network of organisations, including regional development agencies, corporations, universities, venture capital funds and service providing organisations etc.

One of the advantages of accelerator approaches is that they often provide finance in flexible tranches, starting with seed money for developing the ideas and initial pilots and culminating with a bid to a venture capitalist. This is in contrast to traditional grant schemes based on one-off calls with pre-defined eligibility conditions, strict controls and often heavy application processes.

This kind of venture capital is an interesting new source of finance for innovation in agriculture and forestry. However, there are also some drawbacks. Venture capitalists are looking for ideas that can be scaled but are difficult to copy so that they

can appropriate as much as possible of the commercial benefits. Rural development may be better served by innovations that can be disseminated and spread to provide wider benefits.

One criticism of pure accelerator programmes is that they tend to accept only people who are already highly motivated and innovative. This is understandable from the point of view of the venture capitalists who want to be as successful as possible in the use of their money. However, critics argue that this fails to stimulate those that usually lag behind to become more entrepreneurial and more proactive.

Another criticism of some accelerator programmes is that the support

disappears after the intense initial stimulation. The commentary goes that ambitious plans are developed and presented with great enthusiasm, but after the final pitch or demo, the support can fade away. This can leave the entrepreneur struggling to keep up the pace of the projected development trajectory.

Beyond these general features and trends, it is hard to measure the performance and success of these initiatives so far. This is because they are still relatively young – they are mostly 2-3 years old. It will be very interesting and important to follow their progress and successes over time.



'AGRIENT' – AGRICULTURAL BUSINESS ACCELERATION IN GREECE

AgriEntrepreneurship (AgriEnt) is a non-profit partnership that organised the first agricultural business accelerator process in Greece.

The main objective of the programme was to build the capacities and skills of young agri-food entrepreneurs and start-up companies contributing to rural development. It particularly targeted the most promising and innovative business ideas, including around new farming and processing methods, agro-technology and precision agriculture.

The programme offered entrepreneurial skills training, combined with tools to help beneficiaries accelerate the development of their product(s) and to reach the market.

In practice, the first acceleration cycle was run with 12 teams. Of these, five progressed to the second round of intensive training and workshops. Methods used to support the teams have included peer-to-peer learning, combined with coaching and mentoring, and facilitating links to networks and providers of finance.



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WAGENINGEN UNIVERSITY'S MASTERCLASS APPROACH, THE NETHERLANDS

The Masterclass accelerator approach aims to foster new agricultural business models based on rural-urban linkages – for example short food supply chains and on-farm recreation. It is managed by a partnership of two organisations: Wageningen Economic Research (WEcR) (Wageningen University) and the Municipality of Rotterdam's 'Food Cluster'.

While the Food Cluster carries out all organisational, logistical and financial tasks, the Innovation, Risk and Information Management team of WEcR supervises the content side of the Masterclass and runs all acceleration support services.

The Masterclass involves a series of workshops, each with a specific goal and representing a step in the development of a new business idea focused on new concepts, products and/or markets. Topics addressed include: understanding participants' needs and sharing current business models; getting inspired; formulating a plan; building in lessons; and preparing a pitch and presenting the business idea to a jury of experts and financiers.

The workshops encourage as much peer support as possible. The core actions are also complemented by additional activities such as study visits and access to expert advice. There are plans for future Masterclass cycles to bring in alumni from previous years to coach participants of the current year.



FLEXIBLE MODELS ADAPTED TO THE RURAL CONTEXT

It is essential that support for rural business not only adopts the more flexible approaches outlined above, but also that these are appropriately adapted to the rural reality.

Elements of good business planning and development will be the same in urban and rural areas, and successful components of both incubator and accelerator models can guide and inspire practice in rural business. Nevertheless, simply replicating successful urban models in rural areas will not work.

Providing good support to rural businesses means adapting to the specific opportunities and challenges

they face and overcoming some of the additional practical difficulties that can arise in the rural context. The starting point for providing business support in rural areas is to understand the needs of rural businesses. This can mean simply staying close and listening carefully to their challenges and ideas.

Agricultural advisors can play a key role here. LEADER has also long been a strong tool for promoting outreach, networking and peer-support in rural

areas (see following article). This is at the heart of the 'GrowBiz' method used in Scotland (see page 28).

In rural areas, it is generally necessary to be more proactive in finding participants and to engage in preliminary outreach. More consideration may also need to be given to other practical aspects such as choosing an appropriate and well-equipped location to meet, and deciding how often people may be able to travel.

The peer support element can be more important than ever in rural areas. For example, many farmers have been found to take innovations more seriously if they are already adopted by their peers – rather than just being talked about by experts or used by only the most advanced farmers in Europe.

At the same time, an important consideration for accelerator-type approaches in rural areas is the similarity or diversity of parties to be invited and accepted on the programme. Participants should be similar enough to learn from each other (e.g. all are interested in short food supply chains) but diverse enough not to be each other's direct competitor (e.g. they want to set up

short food supply chains in vegetables, dairy, or livestock).

The 'Academy on Tour' example from Belgium (see box below) shows one particularly creative approach to addressing some of the challenges posed by the rural context.

Participants are brought together on an executive coach, which not only provides a suitable meeting venue and networking space, but enables them to make study visits during an intensive, but highly inspirational day.



© Innovatiesteunpunt

'ACADEMY ON TOUR', FLANDERS, BELGIUM

The 'Academy on Tour' was developed to support (potential) agri-food entrepreneurs to develop their business ideas into concrete plans and then implement them. It involves an all-day tour to a foreign country on an executive bus with appropriate facilities for work.

Participants benefitted from expert presentations, one-to-one advice sessions, peer support and visits to inspiring cases. The first tour benefitted from EAFRD support to go to the UK, where participants visited supermarkets and farm entrepreneurs to seek inspiration in terms of product development, packaging and branding.

Results

- 24 farm entrepreneurs received a full day of inspirational visits, expert advice and peer support for free – each one developed their own product or business plan.
- One participant has already introduced three new products from an idea that was developed during the bus trip.
- All participants rated it one of the best support tools they had experienced.
- The project promotor, Innovatiesteunpunt, now has a clear focus for its follow-up support and advice to the participants on the basis of the plans elaborated during the tour.
- Further tours on other topics have been organised to the Netherlands and France.

Total cost of one tour: € 15 000

EAFRD contribution: € 7 500 (LEADER, M19)

www.innovatiesteunpunt.be



5. What Rural Development Programmes can do

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The Rural Development Programmes (RDPs) have a considerable battery of tools (Measures) that can be used to support rural business change and development. The challenge is to deploy them in a way that responds to business needs in different places, sectors and stages of development.

Good approaches involve effective use of the appropriate Measures in complementary ways to meet different needs along the 'support itinerary', both in terms of 'soft' support around knowledge, skills and working together, and the delivery of flexible forms of finance. They also involve using the RDPs as part of a wider ecosystem of rural business support in coordinated ways.

In this final article of the EU Rural Review, we provide some examples of how this is being achieved in practice. The information is heavily based on three example RDPs that were investigated in particular detail: Finland (Mainland), the Basque Country (Spain) and Scotland (UK).

THE RDP TOOLKIT

USING RDPs AS PART OF AN 'ECOSYSTEM' OF RURAL BUSINESS SUPPORT

RDP TOOLS FOR BUSINESS-SUPPORT ITINERARIES

PROVIDING FLEXIBLE FINANCE THROUGH THE RDPs

THE RDP TOOLKIT

The Rural Development Programmes (RDPs) offer a number of tools (Measures) which can support rural business change and development

The Rural Development Programmes (RDPs) offer a range of tools (Measures) which can support rural business change and development. From financing specific investments, to the development of skills and capacity for particular ways of working, different Measures can be accessed by farms and other forms of rural business to support their activities.

However, the ENRD Thematic Group on Smart Businesses suggested to look more closely only at those Measures which could be particularly focused on creating the kind of business-support ecosystem discussed in this edition of the EU Rural Review.

It was considered most relevant to identify those Measures that can:

1. support the broadest range of rural businesses;
2. encourage 'business change' and the creation and setting-up of new businesses;

3. be used to support businesses at different stages of their development, from the generation of ideas to scaling-up.

The work of the group – supported by a preliminary analysis of RDP Measures by the ENRD Contact Point – identified five Measures which are expected to make the most important contributions to revitalising rural areas through their business potential: knowledge transfer (M1); advisory services (M2); farm and business development (M6); Cooperation (M16); and LEADER/CLLD (M19).

These five Measures can be usefully understood as providing a toolkit of 'hard' and 'soft' support. 'Hard' support is provided in the form of investment finance through both farm and business development (M6) and LEADER (M19). 'Soft' support is provided through knowledge transfer (M1), advisory

services (M2), cooperation (M16) and also through LEADER (19). Thus, LEADER is a cross-cutting Measure that has the potential to contribute locally at all stages of the business development itinerary.

The ways in which these Measures can be most usefully and creatively programmed to support rural business will be considered in this article. It heavily reflects the findings of case studies on five RDPs – Slovenia; Portugal Mainland; Finland Mainland; Basque Country (Spain); Scotland (UK) – carried out by the ENRD Thematic Group on the basis of an identification of interesting examples.

Figure 1. The toolkit of RDP Measures for business support



THE MOST RELEVANT RDP BUDGETS FOR RURAL BUSINESS CHANGE

Among the 18 Focus Areas that RDP Measures can contribute to, six are seen as particularly linked 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 total budget allocations (across all RDPs) for the Measures selected for investigation by the Thematic Group under the above six Focus Areas provide a sense of the extent to which they are being used to support rural business change. This was found to total around € 24 bn - accounting for 15.5 % of the total planned public expenditure on the RDPs. The following chart shows that Farm and Business development (M6) and LEADER (M19) seem to be the most important for supporting rural business change and innovation.

Figure 2. Total public expenditure of selected Measures allocated under FAs: 2A, 2B, 3A, 6A, 6B and 6C (in € million)



Based on RDP data as of October 2016

USING RDPs AS PART OF AN 'ECOSYSTEM' OF RURAL BUSINESS SUPPORT

The RDPs can be used to complement and reinforce other available programmes and initiatives in order to specifically target and reach rural businesses.

The RDPs are one of the tools available to support business development in rural Europe. Various other European initiatives, other EU Structural and Investment Funds – notably the European Regional Development Fund (ERDF) and European Social Fund (ESF) – and different national and regional programmes also offer support that could be relevant to rural businesses. However, the reality is that many of these programmes do not effectively reach rural businesses. Given the tendency to focus where they can

reach the most people and some of the practical challenges of reaching out to small rural businesses and entrepreneurs, many services target the larger, faster-growing firms in cities.

The result is that, although the services are usually available to all in theory, in practice rural businesses are often unable to take advantage of the opportunities and support these services provide.

The unique potential of the Rural Development Programmes is that they can effectively cross this gap and

reach out to rural businesses – and not just in agriculture and the agri-food sector, but in the full range of areas of business potential identified in the opening article.

The key issue for Rural Development policy is therefore to effectively identify the potential gaps in the overall support ecosystem that could undermine the strength of the support available. If there is finance, but no work to support the generation of ideas in rural businesses, or if there is good business inspiration, but no accessible training for rural

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A RURAL BUSINESS SUPPORT ECOSYSTEM IN FINLAND

At **national level**, several publicly and privately funded bodies provide support to business innovation. Among the most important are:

- **Finnvera**, a state business credit agency aiming to improve rural businesses' access to credit. Finnvera has regional offices and makes visits to rural areas if invited by rural businesses. (www.finnvera.fi)
- **Tekes** is the Finnish Funding Agency for Technology and Innovation. It provides technological development support for innovative businesses. Only a minor share of Tekes' funding goes to rural businesses, but recently it has experimented with some innovative funding mechanisms that can be very useful for rural businesses. For example, 'Innovation Vouchers' which can be used by SMEs to buy innovation development services. (www.tekes.fi)

At **regional level**, the ELY Centres (Centres for Economic Development, Transport and the Environment) are the public offices responsible for the implementation of the RDP and other business-support programmes.

- **ELY Centres** are located in 15 Finnish regions and are funded by three Ministries: 'Economy and Employment', 'Transport and Communications' and 'Agriculture and Forestry'. Their mission is to improve the competitiveness of the agricultural, fishery and forestry sectors, ensure the vitality of the Finnish countryside and promote other rural industries. (www.ely-keskus.fi)

- ELY Centres support investments and development activities of farms, SMEs engaged in processing of agricultural products and rural micro-enterprises. ELY Centres manage all RDP project calls (except LEADER) and they provide both online and face-to-face support. ELY Centres also deal with business support provided by other funds and are promoters of non-profit investment projects on infrastructure and basic services (e.g. broadband and wastewater infrastructure).

At a **local and municipal level**, three bodies provide advice to the local stakeholders:

- **Local Action Groups** (funded by EAFRD) are able to inform entrepreneurs on whether their projects are eligible for RDP funding and use their own funds to support small projects (less than € 1.8 million) directly. For bigger applications, they direct beneficiaries to the ELY Centres.
- The '**Municipal business development agencies**', (funded by ERDF) are a one-stop-shop for advice on funding and support opportunities for entrepreneurs. They do not provide funding themselves, but advice and suggestions on what funding and support opportunities are offered by the RDPs and national programmes.
- **Advisory services** (funded by EAFRD) are often close to farmers and other rural businesses on the ground, and can direct beneficiaries to appropriate support options.

entrepreneurs, then the RDPs can be used with the aim of filling the gaps.

There is also the need to reduce complexity and administrative burden, and create information services able to direct the entrepreneurs to the right support or advising bodies.

The ENRD Thematic Group on Smart Businesses found that different methods can be used to achieve better coordination of support. Approaches include setting up

joint programming and selection committees, coordinating RDP delivery at provincial/local level (one-stop-shop), grouping Measures into schemes or coordinating the business support services of publicly and privately funded bodies.

Some of these elements are present in the Finnish and Basque examples presented here (see boxes). The Finnish example shows the use of a coordinating body for business support

programmes (including the RDP) at regional level and the Basque example shows how a regional authority can effectively coordinate a network of support providers, including those specialising in rural areas.

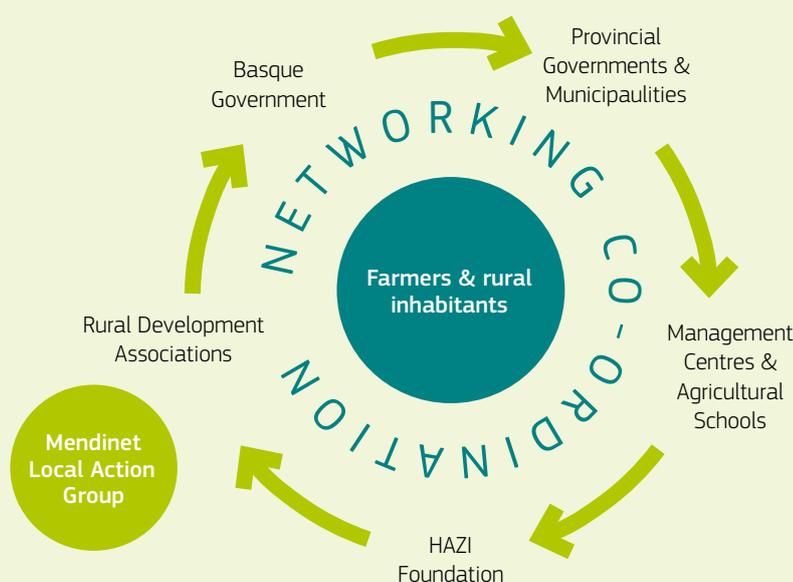


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COORDINATED BUSINESS SUPPORT IN THE BASQUE COUNTRY, SPAIN

The Basque Country provides support to rural business innovation through a coordinated network of organisations and agencies ranging from the Basque Government itself, provincial governments and municipalities, management centres and agricultural schools, a specialised foundation (HAZI) and the LEADER rural development association.



RDP TOOLS FOR BUSINESS-SUPPORT ITINERARIES

RDP Measures can be used along the business support itinerary to meet rural business' needs at different stages – from the first idea to successful market roll out.

In this section, we consider the specific contribution that the most relevant 'soft' Measures can make to fill in gaps within the business support ecosystem. These Measures can help to meet specific identified needs:

1. Programmes of knowledge transfer and the building skills (M1) can add significant value in developing the human capital necessary to make rural business change a success.

Support for farm and forest visits and short-term farm and forest management exchange (M1.3) and for demonstration activities and information actions (M1.2) can help foster new ideas and the spreading of interesting practices to deliver business change.

The generation and development of a business idea to fruition is also more likely where the people involved have had the chance to benefit from vocational training and skills acquisition (M1.1). Many RDPs have developed schemes for enhancing the skills of rural businesses in this way.

Some of the most interesting approaches connect the completion of training financed under M1 with access to investment finance, for example under M6 for farm and business development. This is the case in the Basque Country (see following section on providing flexible finance).

2. Advisory services (M2) can run programmes for the inspiration and generation of ideas and support rural business to access the other forms of support available, including access to finance.

Actions under Measure 2 can be taken to support the use of advisory services (M2.1), to set up new farm and forestry advisory services (M2.2) and to train advisors (M2.3). This RDP support is typically used to fund services aimed at helping farmers and foresters to stay up to date with latest trends and possibilities in their sector.

Currently, advice and support for more innovative approaches tend to be funded under the Measures for Cooperation (M16) and LEADER (M19). However, agricultural advisory services can be directed to more ambitious programmes of farm diversification and rural diversification more broadly. This has strong potential given that agricultural advisors can be the closest support providers to farmers in many cases, with good knowledge of their needs and opportunities. Finland, for example, uses advisory services for broader business development as an important part of its overall support ecosystem.

3. Under M16 Cooperation, Operational Groups,⁽¹⁾ pilot projects and other projects financed are powerful tools for exploring new ways of solving farming and other business challenges.

The Cooperation Measure is all about bringing the knowledge and skills of different stakeholders together and fostering new ways of working to achieve rural development objectives. It has tremendous potential to bring people together in order to meet a wide variety of rural business needs. However, many businesses and rural stakeholders are still unaware of the opportunities that the Measure offers.

M16.1 provides for **Operational Groups**, which are made up of several partners from a diverse combination of practical and scientific backgrounds working together on a single project targeted at finding an innovative solution for a specific challenge. Such innovations can be the basis for new rural businesses.

A key stage of the business development itinerary outlined on page 27 was the small-scale testing of a new idea. Measure 16.2 specifically provides support for **pilot projects** and the development of new products, practices, processes and technologies that could be used to overcome some of the hurdles that interesting business ideas face to get off the ground.



© EIP-AGRI

1 See the latest EIP-AGRI brochure on Operational Groups: <https://ec.europa.eu/eip/agriculture/en/publications/eip-agri-brochure-operational-groups-turning-your> EU Rural Review 21 Article on the Cooperation Measure https://enrd.ec.europa.eu/publications/eu-rural-review_en ENRD CP analytical summaries of the Cooperation Sub-Measures https://enrd.ec.europa.eu/rdp-measures-analysis_en



© Monitor Farm Scotland

BUSINESS SUPPORT THROUGH LEADER AND FARM BUSINESS SCHEMES IN SCOTLAND, UK

The **Knowledge Transfer and Innovation (KTIF)** scheme in Scotland aims to promote skills development and knowledge transfer in the primary agricultural sector (**M1**); and to deliver on-the-ground improvements in agricultural competitiveness, resource efficiency, environmental performance and sustainability (**M16.1** – Operational Groups).

It strongly supports innovative actions within the agricultural sector through vocational training, coaching, workshops, courses, and farm visits designed to develop skills and transfer knowledge. The scheme is open to digitisation projects, such as precision farming, and is demand led.

An example of a project supported through the KTIF is the **Monitor Farm project**. It is made up of nine farms that aim to improve their productivity and profitability through knowledge sharing via a local business group. ‘Host’ farmers are supported by a facilitator and a community group of farmers through a three-year project to improve their business. The emphasis is strongly on practical farming and good business decisions rather than theory and on ensuring that the knowledge gained is transferred and shared.

Scotland also has the **Farm Advisory Service (FAS)** – funded under **M2**. This provides a mixture of support:

- A programme of events providing one-to-many support, including workshops, network farm meetings, conferences, and training courses.
- Publications, including newsletters, technical notes, guidelines, reports and a Farm Management Handbook.
- An advice line both for general enquiries or more specific technical information on, for example, cross compliance, Water Framework Directive requirements, and climate change.
- Grant support providing one-to-one support for Integrated Land Management Plans, Mentoring for New Entrants, and Carbon Audits.
- A crofts and small farms subscription service also provides access to affordable advice and information for smaller enterprises.

LEADER (M19) is the only mechanism for supporting rural businesses outside of the primary agricultural sector in Scotland. The LEADER Local Development Strategies (LDSs) are required to allocate 10% of their budgets to support for businesses and social enterprises and 10% to farm diversification.

This is a new direction for many LAGs. Some are funding individual businesses which are able to demonstrate that they are meeting one or more of the aims of the LDS. Others are looking to fund larger strategic initiatives to have a ‘greater economic impact’. Certain LAGs have used specialised enterprise support organisations like GrowBiz (see box page 28) to generate project ideas and provide more comprehensive first-stage business support and follow-up.



© Los Jueves del Emprendimiento Rural, Hazi

INTEGRATING SUPPORT FOR ENTREPRENEURSHIP AND BUSINESS CHANGE IN THE BASQUE COUNTRY, SPAIN

The support ecosystem for business change and development in the Basque Country includes activities funded by several of the RDP's soft Measures. The approaches seek to create links and tap into the potential of different Measures.

'Katilu' – innovation brokerage and cooperation (M16)

In 2011, the Basque Government created 'Katilu' (meaning bowl) to add value to organisations in the rural and coastal Basque region. It aims to create a lively and attractive rural environment and generate new business models, products and services. One of its strategic aims now is to foster cooperation funded under **M16 as a lever** and instrument for achieving these aims.

Katilu is itself a collaborative network made up of research, technology and innovation centres. It particularly focuses on three areas:

- Community: platforms for transparent exchange and communication between stakeholders;
- Learning: exchange of knowledge, mutual learning and generation of ideas and proposals for cooperation projects;
- Cooperation: enabling teamwork to add value to cooperation projects and trigger the development of new ones (with a strong link to M16).

'Rural Entrepreneurship Thursdays' and LEADER (M19)

With the aim of strengthening rural entrepreneurs, the Basque Authority launched an initiative called 'Rural Entrepreneurship Thursdays' which provides four-hour workshops every Thursday. These have covered topics relevant for rural entrepreneurship ranging from social

media to negotiation skills. When they started in 2015, these events were organised by the HAZI foundation – the public body in charge of Basque rural development.

However, from 2017, the Rural Entrepreneurship Thursdays are **organised by LEADER Local Action Groups**. This approach seeks to take advantage of the potential of bottom-up approaches to deliver a package of support combining personal mentoring to the entrepreneurs, training both in technical subjects and entrepreneurial skills, and start-up capital support.

LEADER in the Basque Country receives 13.3% of the RDP budget, compared with the EU average of 7%. Furthermore, 50% of this budget is devoted to business support.

Knowledge transfer adapted to needs (M1)

To provide a comprehensive package of training courses, the Basque Authorities pay particular attention to the identification of stakeholders' training needs. With this aim, they involve the LEADER LAGs – whose animation staff are in constant contact with local stakeholders – in the identification of training priorities to be met by courses developed under M1 for knowledge transfer.

The package of courses now includes online courses, approaches that mix online and face-to-face courses (blending), as well as short-term trainings on specialised subjects for both farm and food-related businesses. The package allows greater flexibility of dates and times for accessing the training. The interventions aim to meet the immediate needs of rural businesses on aspects such as working in the food industries, improving land management skills or acquiring the knowledge needed to run a rural SME.



Business change in rural areas can also be brought about by fostering new ways of working between stakeholders and along supply chains. Measures 16.3 and 16.4 provide for both “cooperation among **small operators** in organising joint work processes and sharing facilities and resources” and “horizontal and vertical cooperation among supply chain actors for the establishment and development of **short supply chains**”.

Furthermore, some Measure 16 sub-Measures aim to provide for cooperation amongst actors and joint approaches specifically in the spheres of activity identified as offering particular opportunities in the opening article of this Review. These include:

- developing and marketing tourism (M16.3);
- local markets (M16.4);
- mitigating and adapting to climate change (16.5);
- environmental projects (M16.5);
- sustainable provision of biomass (M16.6); and
- diversification of farming activities into activities concerning health care and social integration (M16.9).

4. At local level, **LEADER (M19)** is one of the most versatile and flexible Measures in the RDP toolkit for stimulating and nurturing new business ideas.

LEADER groups have a long history of community-based business animation through organising training, sharing information, creating networks and encouraging new ideas through inter-territorial and transnational cooperation (TNC), as well as providing finance.

LEADER groups can and do organise events and start-up courses to stimulate new business ideas and can provide a flexible package of support adapted to business needs. They can also play the role of innovation broker and embrace risk at different stages of the innovation cycle. Rather than relying purely on LEADER resources, they can also build linkages with other programmes, RDP Measures and sources of support.

5. The activities of the **National Rural Networks** should not be forgotten in their ability to stimulate new business ideas and partnerships.

Funded under Technical Assistance (M20), the National Rural Networks (NRNs) can play an important role in bringing stakeholders together to encourage exchange and knowledge development in promising new sectors of activity. For example, they organise thematic group and field visits.

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

The Finnish NRN regularly organises Innovation Camps,⁽²⁾ which have some of the features of accelerators and in which 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.

PROVIDING FLEXIBLE FINANCE THROUGH THE RDPs

The RDPs can be used to provide more flexible forms of investment finance to rural businesses at different stages of their development.

Access to finance is still amongst the main bottlenecks for rural entrepreneurs. Advisors, Local Action Groups and other support providers can help direct entrepreneurs to appropriate sources of finance at different stages of business development. However, a number of Measures also provide the possibility for direct financial investment from the RDP.

Amongst the range of RDP investment Measures which can potentially be accessed,⁽³⁾ the ENRD Thematic Group chose to focus on the use of Measure 6 to support investments in farm and business development and LEADER (M19). The analysis and examples outlined in this section reflect that focus.

Measure 6 can be used to provide: business start-up support for young farmers (M6.1); business start-up support for non-agricultural activities in rural areas (M6.2); business start-up aid for the development of small farms (M6.3); support for investments in the creation and development of non-agricultural activities (M6.4); and payments for farmers who

2 More information about the Innovation Camps is 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>

3 Including: M4–investments in physical assets; M5–restoring agricultural production potential; M7–basic services and village renewal; and M8–investments in forest area development.

permanently transfer their holding to another farmer (M6.5).

In the context of business change, sub-Measures 6.2 and 6.4 are particularly interesting in supporting new and existing rural businesses beyond farming. The Measures can be made more flexible and effective by widening eligibility conditions and using selection criteria to target innovative approaches.

Finland developed a particularly interesting approach to the delivery of sub-Measures 6.2 & 6.4, providing grants in the form of 'innovation vouchers' with reduced reporting requirements (see box).

Business investments are more likely to be successful when accompanied or preceded by **support for feasibility studies and market investigations**. Grants can also be adapted to business needs at different stages of development by breaking them into instalments, including the possibility to fund pilots and experimental projects. The use of M6 in Finland reflects such thinking.

The use of Measure 6 can also be made more effective by finding **synergies with other support**

provision, including both RDP and non-RDP support interventions. Notably, it can be combined with soft Measures for knowledge transfer, advice, skills and cooperation.

The Basque Country has linked grant payments under M6 explicitly with the completion of training courses under M1. The application process to receive support under M6.1 (business start-up aid for young farmers) is divided into two phases: a first phase where the beneficiary is supported to build a viable business idea and directed to the appropriate training courses funded under M1; and a second phase where the entrepreneur formally applies to receive the grant.

Linking the receipt of investment support under M6.1 to training under M1 aims to increase the chances of business success, which also means the chances of investment success. It allows the use of strict requirements for the use of M6.1 funding, including that: the projects must be set up within nine months; the applicant must be an active farmer within 18 months; and the business must be running and complying with the business plan within five years.

LEADER (M19) is often an invaluable source of small-scale investment in rural business opportunities. In this context, rural businesses and start-ups can benefit from their Local Action Group (LAG) having a close understanding of local needs and opportunities. Equally, the investment finance can be relatively easily connected with other forms of business support provided by the LAG.

In the Basque Country, LAGs provide entrepreneurs with a 'support package' including personal mentoring, training both in technical subjects and entrepreneurial skills, and start-up capital support. In Portugal, as part of an overall multi-funded CLLD (community-led local development) strategy, M19 is used to provide support for small-scale agricultural investments, projects on processing, marketing and commercialisation of agricultural products and diversification of agricultural holdings.

In Finland, LEADER is considered the second most important Measure for providing investment finance to rural businesses after M6, with a particular focus on relatively small projects with a total budget smaller than € 180 000.



RURAL BUSINESS FINANCE THROUGH INNOVATION VOUCHERS IN FINLAND

The RDP for Finland-Mainland uses sub-Measures 6.2 & 6.4 to finance innovation and start-up support for non-agricultural rural business using 'innovation vouchers'. These quick and flexible tools allow M6 beneficiaries more freedom in implementation of their projects. Simplified reporting procedures for the use of these vouchers also reduce the administrative burden.

M6.2 provides business start-up aid for non-agricultural and experimental business ideas.

It is meant for purchasing expert services to survey the market area needs, evaluate and improve the service/product idea etc. The company must be young and the support rate can be up to 100%.

The selection criteria applied for receiving the vouchers under M6.2 gives a 20% weighting to the innovativeness of

the company's business idea based on an expert judgement using certain criteria. The possible failure of the projects supported is accepted.

M6.4 has a specific focus on support for the creation and development of innovative non-agricultural business ideas.

It provides vouchers to farms and businesses developing a new service/product, entering a new market or experimenting some innovative approach. It can also be used to purchase expert services to survey the market area needs, evaluate and improve the service/product idea etc. The support rate can be up to 100%.

Support is also provided for young farmers in the form of start-up aid through M6.1 targeting small farms. Here, 'small' farms are defined by the size of the farmer's income.

LEADER support tends to concentrate on micro-businesses (fewer than three jobs).

Most Finnish LAGs have entrepreneurship and business support as a major priority: roughly one third of their budget is spent for this purpose. In some cases, they target specific categories of entrepreneur (youth, women...) or specific sectors of activity (rural tourism, bioenergy...). LEADER also invests in farm-business diversification, including processing, direct sales to customers, rural tourism and on-farm care services.

The potential impact of the LEADER Measure can be increased through programming commitments. LAGs in Scotland are required to allocate 10% of their budgets to enterprise support for businesses and social enterprises and a further 10% to farm diversification.

Financial Instruments under the EAFRD can also contribute to the most effective use of RDP investment Measures to support business change and development. Financial Instruments co-funded by the EAFRD can include loans, guarantees etc. and are a sustainable and efficient way to invest in the growth and development of people, businesses and resources in the agriculture and forestry sectors, as well as in the rural economy. One of their major benefits is that the resources made available have the potential to be re-used for further investments. Another is that resources are usually made available to beneficiaries up front, for example as a loan to be repaid, rather than requiring them to make the initial outlay themselves and await reimbursement.

For example, Slovenia will implement M6.4 to support the establishment and development of non-farming activities in rural areas with the use of Financial Instruments: beneficiaries

will be able to obtain bank guarantees for loans. The Measure's aims include to support smaller actors who can face more difficulties in obtaining credit, by ensuring more favourable financing conditions (lower interest rate or bank guarantee).

Programming of this sub-Measure in Slovenia gives priority to a range of business opportunities in non-farming activities, including those 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. Eligible costs in the Slovenian example include the construction or renovation of buildings, purchase of new machinery and equipment and general costs for experts' services. Specific conditions bind the beneficiary to create a job for themselves and one additional person.



The European Commission in partnership with the European Investment Bank Group provides methodological advice and awareness-raising activities about EAFRD Financial Instruments through the fi-compass advisory platform (www.fi-compass.eu).

For more information on the use of Financial Instruments under the EAFRD specifically, visit: www.fi-compass.eu/esif/eafrd

CONCLUSIONS

We have seen that, despite the challenges facing many of Europe's rural areas, a **new vision of rural business potential** is possible. Drivers of change in Europe's rural areas are creating new business opportunities in several potential **growth sectors for rural economies**.

Rural digital hubs are a tool that can enhance the ability of a rural area to realise its latent potential. They can enable local businesses and communities to take advantage of modern digital opportunities through the provision of fast, reliable internet access, physical spaces for working and networking, and a range of business and community support services.

Smarter approaches to business support can also help accelerate business change and development in rural areas by providing an **ecosystem of support services** that can accompany entrepreneurs along a 'support itinerary'.

These approaches can take elements of urban accelerator and incubator models, **adapted to the rural context**, to provide different types of support at the different stages of development of a business

However, we have also seen that the extent to which the opportunities for rural business growth present themselves **varies significantly**

by region and by locality. Policy and programme responses need to be flexible enough to enable local communities and local businesses to be creative in developing the most appropriate activities for their context, needs and opportunities.

There is a need for greater consideration of the impact of various support initiatives in different regions and localities (**spatial understanding**). There is also a need to improve the outreach of support into rural areas which have unmet potential to take advantage of emerging business opportunities (**targeting**).

The **Rural Development Programmes** (RDPs) have the potential to play a crucial role in this context.

Forms of **flexible finance** for rural business investment can be provided through the RDP Measures for farm and business development (M6) and LEADER (M19).

Crucial support for the **development of knowledge and skills** can be provided through knowledge transfer (M1), advice (M2), Cooperation (M16) and also through LEADER (M19).

Rural access to business advice and funding can be better if provided by **bodies with a good knowledge of the local area** and local businesses. Agricultural advisors, municipal business development agencies and

LEADER Local Action Groups can be particularly useful in this context. Their role needs to be better recognised. Their impact can be enhanced by more effective strategies, training and targeting.

Good approaches involve effective use of the different **RDP Measures in complementary ways** to meet different needs along the support itinerary – for example, by linking the receipt of investment finance with the development of skills, or by actively supporting the generation of business ideas. We have seen particularly interesting examples from Finland, the Basque Country and Scotland.

However, there also needs to be more **effective coordination and complementarity** between the RDPs and other policies and initiatives which can influence rural development (e.g. Regional Development, Broadband Europe...). In addition to effective farm business support, a key aim must be to **ensure that support to non-agricultural businesses reaches down effectively into rural areas**.

The RDPs can play their part and improve further their contribution to rural business development. But this must be as part of a wider ecosystem of effective rural business support

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The EU Rural Review is the ENRD's principal thematic publication. It presents the latest knowledge and understanding of a particular topic relevant to rural development in Europe. Themes range from rural entrepreneurship and food quality to climate change and social inclusion. It is published twice a year in six EU languages (EN; FR; DE; ES; IT; PL).

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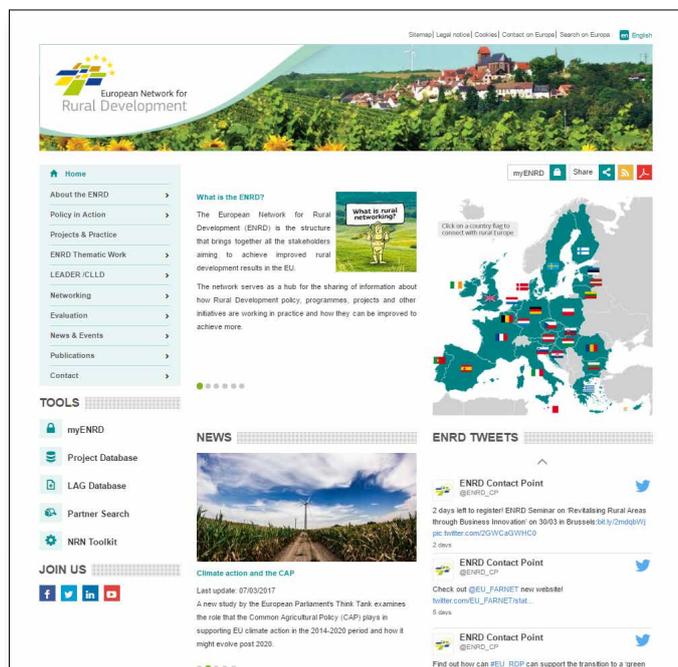
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