



European Network for  
Rural Development

# ENRD Thematic Group on Smart and Competitive Rural Businesses

## Background Paper *Working Draft*

*Brussels, 11 October 2016*

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## 1. Introduction

In 2010 the European Commission launched the new Europe 2020 strategy stating that Europe should seek a smart, sustainable, and inclusive economy. 'Smart growth' means, among others, improving education, supporting research and innovation, and reducing the digital divide.<sup>1</sup> Smart growth in rural areas is of particular importance for filling the development gap between rural and urban areas ensuring that rural areas fulfil their potential in contributing to social and economic change.

Rural businesses are the backbone of most rural economies and, generally, are far more important than in cities. This is why most policies to create and sustain jobs in rural areas have concentrated support to promote the creation and growth of SMEs both in farming and out of farming.

Rural Development Programmes are investing great amounts in areas that can potentially support smarter and competitive rural businesses:

- 6 billion euros for **diversification and job creation** (Focus Area 6A);
- 17 billion euros for fostering **local development** (Focus Area 6B);
- 2 billion euros for **new or improved ICT services and infrastructure** (Focus Area 6C);
- 25 billion euros **improving the economic performance of all farms, farm restructuring and farm modernisation** (Focus Area 2A);
- 7 billion euro for the entry of **skilled farmers** into the agricultural sector (Focus Area 2B);
- 11 billion euro **improving competitiveness of primary producers** by better integrating them in the agri-food supply chain (Focus Area 3A).

During its 3<sup>rd</sup> contractual year (16 Jul 2016 – 15 July 2017), **the ENRD selected 'smart and competitive rural businesses' as one of its two thematic priorities<sup>2</sup>**, based on the interest expressed by stakeholders and as a follow-up of the thematic work carried out during Year 2 on 'smart and competitive rural areas'. Within this thematic priority, a Thematic Group (TG) has been set up on 'Smart and Competitive Rural Businesses'.

The **overall objectives** of the thematic work on 'Smart & Competitive Rural Businesses' is set in line with the main ENRD objectives to:

- Improve the quality of rural development programmes (RDPs),
- Increase the involvement of stakeholders in the implementation of rural development.

The Thematic Group (TG) aims to integrate key rural development stakeholders with an interest and experience in rural businesses, with the primarily objective to improve the implementation of Rural Development Programmes in supporting rural businesses. The TG is stakeholder-driven and its outcomes are expected to be developed based on a participative process.

**An initial survey to potential members of the ENRD Thematic Group** highlighted some of the new challenges and opportunities with regard to SME support in rural areas that the TG could potentially address. Several of the issues identified resonate in the recent Cork II Declaration. They include:

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<sup>1</sup> Europe 2020 Strategy ([http://ec.europa.eu/europe2020/europe-2020-in-a-nutshell/priorities/index\\_en.htm](http://ec.europa.eu/europe2020/europe-2020-in-a-nutshell/priorities/index_en.htm))

<sup>2</sup> The other thematic group is organised on 'Resource efficiency'. In addition there are ENRD activities with regard to 'social inclusion' theme (although there is no specific thematic group devoted to this).

- Digitisation, the use of ICT and access to broadband
- Smart networking for rural businesses
- Business development based on local community, natural and cultural assets (smart specialisation)
- Urban-rural linkages to improve rural businesses

The first meeting of the ENRD Thematic Group (TG) on Smart and Competitive Rural Businesses (13 October 2016) will bring together an experienced group of practitioners and policy officers to discuss these areas and decide where the TG and the ENRD can contribute most to improving support to rural businesses through the Rural Development Programmes.

The purpose of this Background Paper is to provide a basis for the discussion, as well as for the work of the Thematic Group throughout the year, and outline the planned scope and process of the ENRD thematic work on ‘Smart and Competitive Rural Businesses’.

## 2. Background and context

### 2.1 Overview of (non-EAFRD) SME support in the EU

The European Structural and Investment Funds (ESIF), particularly ERDF and ESF, are key instruments to provide support for business development in the EU.

**European Regional and Development Fund (ERDF):** Improving the competitiveness of SMEs is one of the 11 thematic objectives for Cohesion Policy in 2014-2020. Additional investments in SMEs will also be made under other thematic objectives, particularly research and innovation, low-carbon economy and information and communication technologies. 57 billion euro or around 20% of funding from the ERDF will be dedicated explicitly to SMEs. The increased use of financial instruments mobilising additional EU, national and regional funds during the 2014-2020 funding period is also expected to benefit SMEs.<sup>3</sup>

These investments will help SMEs to:

- Access finance for investments through grants, loans, loan guarantees, venture capital, etc.
- Benefit from targeted business support, e.g. know-how and advice, information and networking opportunities, cross-border partnerships.
- Improve their access to global markets and international value chains
- Exploit new sources of growth such as the green economy, sustainable tourism, health and social services including the “silver economy” and cultural and creative industries
- Invest in human capital and in organisations providing practice-oriented vocational education and training
- Forge valuable links with research centres and universities to promote innovation<sup>4</sup>

Since the start of the economic crisis in 2008, a new paradigm has emerged in the form of more interactive and “place-based” **smart specialisation strategies** for business innovation and support.

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<sup>3</sup> DG REGIO – SME competitiveness: [http://ec.europa.eu/regional\\_policy/en/policy/themes/sme-competitiveness/](http://ec.europa.eu/regional_policy/en/policy/themes/sme-competitiveness/)

<sup>4</sup> Idem.

These take the shape of **RIS3 Regional Innovation Strategies** which are obligatory in all the Operational Programmes funded by the ERDF. These strategies, in turn, are meant to shape both the specific actions targeted at business innovation and the 57 billion euros of support provided by the ERDF to SMEs.<sup>5</sup> Other smaller SME programmes are also heavily influenced by the new approach.

**European Social Fund (ESF):** Helping people set up their own companies contributes significantly to job creation, which is why the ESF fosters entrepreneurship in many forms. The ESF helps entrepreneurs and the self-employed in many ways, including support for training in basic management, legal and financial skills for setting up a business. Some projects use business mentors to help entrepreneurs through the critical first years. Others promote networks of entrepreneurs to exchange experiences and offer support.<sup>6</sup>

In addition, getting the finance to set up or grow a small business may prove difficult as start-ups can be risky and banks reluctant to lend. In response, there are many examples of **ESF microfinance projects** set up in EU countries specifically to lend the relatively small amounts of capital that new entrepreneurs might need.<sup>7</sup>

**Horizon 2020** funds high-potential innovation through a dedicated SME instrument, which offers seamless business innovation support under the section Societal Challenges and the specific part Leadership in Enabling and Industrial Technologies (LEITs). Provided with about 3 billion euro in funding over the period 2014-2020, the SME Instrument helps high-potential SMEs to develop groundbreaking innovative ideas for products, services or processes that are ready to face global market competition. The dedicated SME instrument's supports close-to-market activities, with the aim to give a strong boost to breakthrough innovation. Highly innovative SMEs with a clear commercial ambition and a potential for high growth and internationalisation are the prime target.

**COSME** is the EU programme for the Competitiveness of Enterprises and Small and Medium-sized Enterprises (SMEs). It runs from 2014 to 2020 with a planned budget of 2.3 billion euro. COSME will support:

- better access to finance for SMEs
- access to markets for SMEs
- entrepreneurship
- more favourable conditions for business creation and growth

European Fund for Strategic Investment (EFSI) is an initiative launched jointly by the EIB Group - European Investment Bank (EIB) and EIF - and the European Commission to help overcome the current investment gap in the EU by mobilising private financing for strategic investments. The **SME Window** is implemented through EIF. The financial instruments used for the purposes of the EFSI SME Window are mainly guarantees and equity investments.<sup>8</sup>

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<sup>5</sup> A Smart Specialisation Platform for Agri-Food has been set up, see further down and here:  
<http://s3platform.jrc.ec.europa.eu/agri-food>

<sup>6</sup> Note: No specific figures have been identified through the background research with regard to exact amounts allocated.

<sup>7</sup> ESF – Boosting Business: <http://ec.europa.eu/esf/main.jsp?catId=457&langId=en>

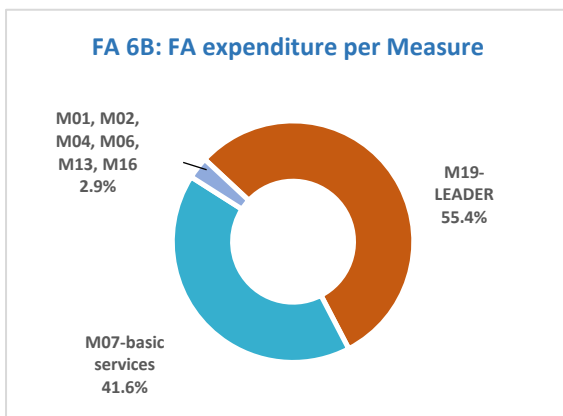
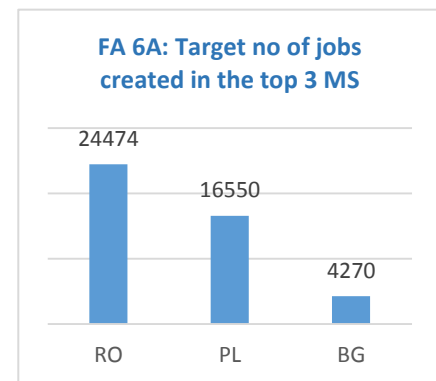
<sup>8</sup> [http://www.eif.org/what\\_we\\_do/efsi/](http://www.eif.org/what_we_do/efsi/)

## 2.2 Supporting rural businesses through the EAFRD

Managing Authorities have the freedom to adapt the uptake of Focus Areas and the use of the rural development measures according to their national needs. Therefore, each **Member State and Rural Development Programme (RDP) is expected to provide support for SMEs and rural businesses in different ways and through a different combination of RDP measures.** The support to rural businesses may vary according to a number of factors, including the ways in which RDPs are programmed, the combination of measures that are activated for business support, the specificities (e.g. eligibility and selection criteria) of the calls for project proposals. Although specific objectives and potential RDP beneficiaries will vary from Member State to Member State, the challenges for a successful RDP support for rural businesses might be common to many RDPs.

From a screening of the RDPs it is possible to see that 6 out of 18 Focus Areas are strongly expected to contribute to a smarter and more competitive rural businesses.

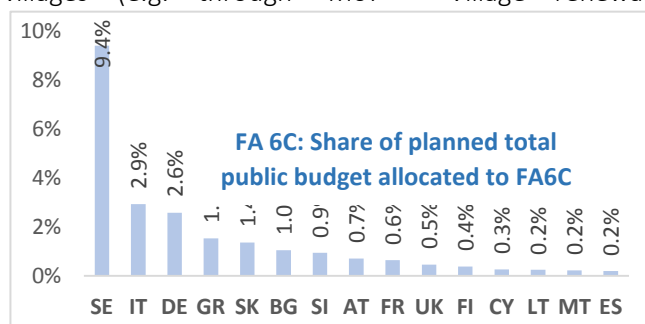
Focus Area 6A on **diversification and job creation**, with an allocation of 6 billion euros, is mostly targeted at SMEs, with the aim of creating 73,500 jobs in Europe. Seven Member States primarily concentrated their Focus Areas 6A strategy on ‘Measure 6 (M06) - Business development investments, addressing both farms and non-agricultural activities’. At the same time, fifteen Member States primarily aim to support diversification and job creation through the use of a combination of measures including M06, M16 - Cooperation, M01 - Knowledge transfer and M02 - Advisory services.



Focus Area (FA) 6B on **fostering local development**, with an allocation of 17 billion euros, is expected to create some 44,500 jobs. FA 6B will be addressed mainly through the use of two Measures: ‘M19 – Community-Led Local Development (CLLD)’ and ‘M07 - Basic services and village renewal in rural areas’ (55.4% and 41.6% of total FA public budget respectively). Through Focus Area 6B support, the RDPs have the possibility both to support rural businesses (e.g. through LEADER projects) and to have a potential impact at a larger scale creating smarter villages (e.g. through ‘M07 - Village renewal

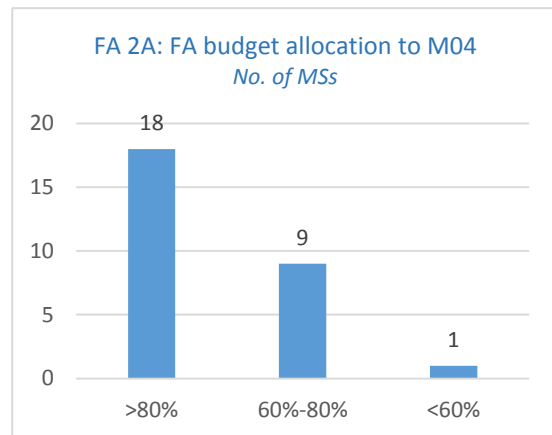
investments’).

Focus Area 6C on **new or improved ICT services and infrastructure** will receive 2 billion euros. The objectives will be achieved almost exclusively with the implementation of ‘M07 – Village renewal investments’, (98.7% of the Focus Area total public budget). More specifically, investments in broadband and ICT will be channelled through ‘Sub-measure 7.3 - Support for broadband infrastructure’. The budget set

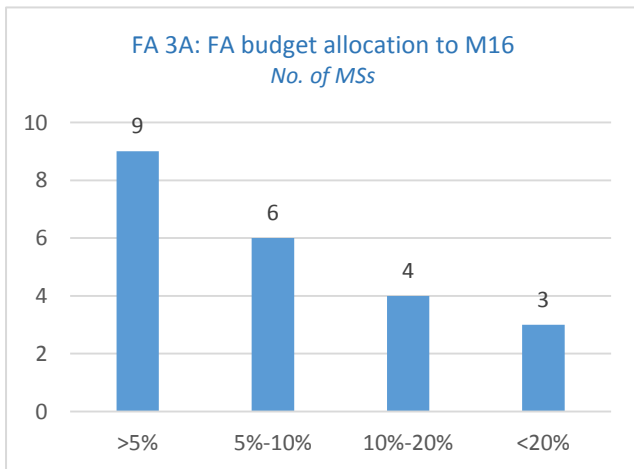


by the Member States varies greatly, from 0.3 million euros in Malta to 427 million euros in Germany. Overall, relatively few (15 out of 28 Member States) programmed this Focus Area.

Focus Area 2A on **improving the economic performance of farms, farm restructuring and farm modernisation**, with an allocation of 25 billion euros, aims to support 335,000 agricultural holdings. Through this Focus Area, Member States are able to provide farmers with a flexible package of hard investment measures combined with softer measures on advice, training, cooperation and knowledge transfer. Most of the Member States are allocating more than 80% of the Focus Area budget to 'M04 – Investments in physical assets'. The Focus Area, furthermore, aims at providing training to around 1.8 billion people across Europe.



Focus Area 2B on the entry of **skilled farmers** into the agricultural sector, with an allocation of 7 billion euro, is expected to provide start-up aid to 171,177 young farmers. This Focus Area aims at encouraging a generational change in the agricultural sector and enhancing the competitiveness of the agricultural sector through new and innovative ventures. M04 and 'M06 – Farm development' are the main implementation tools of this Focus Area.



Focus Area 3A on **improving competitiveness of primary producers** by better integrating them in the agri-food supply chain, with an allocation of 11 billion euro, will aim at supporting 300,000 agricultural holdings participating in quality schemes, local markets, and short supply chains. Thanks to the combined use of investment measures and measures like 'M16 – Cooperation', 'M03 – Quality schemes' and 'M09 – Producer groups', this Focus Area has the potential to support the creation of important networks horizontally and vertically in the agri-food production value chain.

Interestingly M16 will have an important role in Focus Area 3A: in 7 Member States, M16 will receive more than the 10% of the Focus Area total public budget, reaching as high as 31% both in the Czech Republic and Portugal.

## 3. Focus of the Thematic Group

### 3.1 Possible sub-themes to be addressed by the Thematic Group

As described above, in preparation for the Thematic Group (TG), the ENRD CP carried out a survey among potential TG members and other interested stakeholders in order to understand:

- The **most important issues and challenges** with regard to promoting smart, competitive and economically resilient rural businesses;
- Ways in which **RDPs can most effectively support** smart & competitive rural businesses;
- **Practical challenges when using RDPs** for supporting smart & competitive rural businesses and improvements that could be made to make RDPs more effective.

Responses to the survey have been clustered under four main areas for improvement of rural businesses. These areas are not mutually exclusive and in many ways overlap/complement each other:

- **Digitisation, the use of ICT and access to broadband.** How rural broadband and ICT can be used to improve local businesses? How rural businesses can best take up opportunities offered by digitisation?
- **Smart networking for rural businesses:** How networking, business clusters and peer-to-peer exchange among relevant stakeholders (including farmers, rural businesses, advisory services, etc.) can improve the situation of rural businesses and entrepreneurship?
- **Business development based on local community, natural and cultural assets (smart specialisation in the rural development context):** How local businesses can be developed building on local assets and resources (smart specialisation), such as natural and cultural assets?
- **Urban-rural linkages:** How rural businesses can be supported through connecting urban-rural dynamics, new concepts and products and through diversification?

In addition, cross-cutting aspects for the improvement of RDPs have been identified, including improving flexibility and reduced administration, access to financing, and an environment that stimulates new business ideas and opportunities.

### 3.2 Digitisation, the use of ICT and access to broadband

#### *The importance of digitisation for rural businesses*

Digital technology, Information and Communication Technologies (ICTs) and broadband not only play an important role in the everyday life of European individuals, but have crucial role in developing and transforming businesses. Overall, it is estimated that 10% increase in broadband penetration may raise gross domestic product (GDP) by 1 – 1.5%, and by 2020 90% of jobs will require some digital skills<sup>9</sup>. Improving access to broadband and ICT services, especially in remote areas, can increase the

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<sup>9</sup> Bridging the digital divide in the EU, Briefing, Dec 2015, EPRS



quality of life of individuals by facilitating access to services (e.g. eHealth and eGovernment) and the economic possibilities for local businesses.<sup>10</sup>

In order to improve the level of digitisation and overcome the digital divide, the European Commission set the Digital Agenda for Europe and the Digital Single Market (DSM) strategy. The Digital Agenda forms one of the seven pillars of the Europe 2020 Strategy, which sets objectives for the growth of the European Union (EU) by 2020. The Digital Agenda proposes to better exploit the potential of ICTs in order to foster innovation, economic growth and progress. Its main objective is to develop a digital single market in order to generate smart, sustainable and inclusive growth in Europe<sup>11</sup>. The Digital Single Market strategy is made up of three areas or ‘pillars’:

- Improving access to digital goods and services,
- An environment where digital networks and services can prosper,
- Digital as a driver for growth.<sup>12</sup>

The digital single market strategy of the European Commission is addressed through different types of actions including funding instruments, regulations and stakeholder engagement.<sup>13</sup> There are different EU funding instruments available to Member States to improve access to broadband including new funding opportunities provided by the Connecting Europe Facility (CEF)<sup>14</sup> and the European Funds for Strategic Investments (ESI Funds). Out of the 1.14 billion euro CEF funding, 170 million euro facilitates private and public investment to stimulate the deployment and modernisation of broadband networks – although it is not clear how many projects will target rural areas<sup>15</sup>.

In the current programming period (2014-2020) ICT-related categories of expenditure in the ESI Funds imply an estimated investment of 21.4 billion euro.<sup>16</sup> The main funds concerned are the ERDF (17.8 billion euro), the EAFRD (1.5 billion euro). There are also a number of programmes that support ICT related investments, including the Framework Programmes, Horizon 2020, Interreg and European Innovation Partnership on Active and Healthy Ageing and the Assistive Living Programme.

**The ‘digital divide’** is an evolving concept and refers to ‘the gap between individuals, households, businesses and geographical areas at different socio-economic levels with regard to both to their opportunities to access information and communication technologies (ICT) and to their use of the internet for a wide variety of activities’<sup>17</sup>. In geographical terms, when considering broadband take-up progress by country, it is clear that wide disparities remain in the EU mainly along the North-South divide as well as between *urban and rural areas*. The most recent Europe’s Digital Progress Report (2016) found that coverage in rural areas is substantially lower for fixed technologies (91%) and

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<sup>10</sup> Idem

<sup>11</sup> Digital Agenda for Europe: <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:si0016>

<sup>12</sup> Digital Single Market – Bringing Down Barriers to unlock online opportunities: [https://ec.europa.eu/priorities/digital-single-market\\_en](https://ec.europa.eu/priorities/digital-single-market_en)

<sup>13</sup> EPRS (2015)

<sup>14</sup> The Connecting Europe Facility (CEF) is a key EU funding instrument to promote growth, jobs and competitiveness through targeted infrastructure investment at European level. It supports the development of high performing, sustainable and efficiently interconnected trans-European networks in the fields of transport, energy and digital services. (Source: <https://ec.europa.eu/inea/en/connecting-europe-facility>)

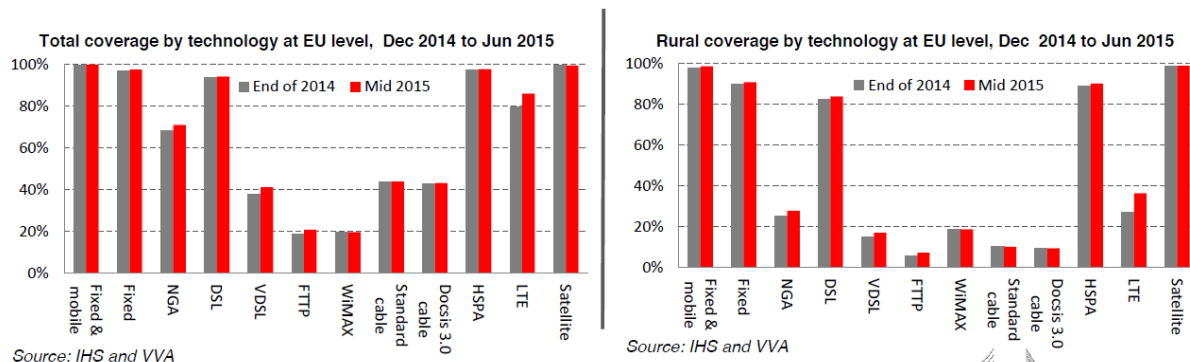
<sup>15</sup> EPRS (2015)

<sup>16</sup> Idem

<sup>17</sup> Understanding the Digital Divide, OECD 2001 (<http://www.oecd.org/internet/ieconomy/1888451.pdf>)

especially for next generation access (NGA)<sup>18</sup>. NGA deployments still focus mainly on urban areas, while only 28% of rural homes are covered.

Figure 1: Total coverage by technology in the EU (and rural areas)



Source: IHS and VVA

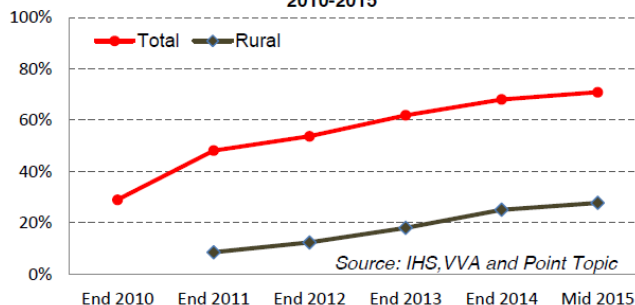
Source: IHS and VVA

Europe's Digital Progress Report 2016 – Connectivity

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Next generation access (NGA) broadband coverage in the EU, 2010-2015



Source: IHS, VVA and Point Topic

Digitisation in rural areas has been put high on the agenda also by the recent **Cork II Declaration** that states ‘that the **rural economy and rural businesses will depend increasingly on digitisation** as well as knowledge workers who make the most of the digital transformation and enhance rural production in a sustainable manner’.<sup>19</sup>

Digitisation and the use of ICT and broadband has been among the core intervention areas of European rural development policy. Among others, the ‘**Basic services and village renewal**’ measure sets out that support should be provided to “broadband infrastructure, including its creation, improvement and expansion, passive broadband infrastructure and provision of access to broadband and public e-government solutions”.

<sup>18</sup> Next Generation Access describes significant upgrade to broadband available by making a step change in speed and quality of service. Next Generation Access Networks: wired access networks, which consist wholly or in part of optical elements and which are capable of **delivering broadband access services with enhanced characteristics** (such as higher throughput) as compared to those provided over already existing copper networks.

<sup>19</sup> Cork 2.0 Declaration 2016 – A Better Life in Rural Areas ([http://ec.europa.eu/agriculture/events/2016/rural-development/cork-declaration-2-0\\_en.pdf](http://ec.europa.eu/agriculture/events/2016/rural-development/cork-declaration-2-0_en.pdf))

### *Digitisation opportunities provided by the EAFRD*

Digitisation and the use of ICT and broadband has been among the core intervention areas of European rural development policy. Within the RDP 'M07 - **Basic services and village renewal**' and in specific Sub-Measure 7.3, concentrate funding for rural broadband.

M07 is to be used in situations **where the market does not provide the desired services**: M07.3, therefore, is meant to intervene in those situations where the lack of infrastructures or the relative low demand for broadband makes the geographical area not attractive for network providers.

The Regulations and EU Commission's Guidance document do not provide restrictions concerning beneficiaries and for this reason projects under M07.3 can be implemented by 'local authorities and administrations, public bodies, public-private partnerships, NGOs, individuals setting enterprises, private companies, organisations in charge of tourist and recreational development, etc'<sup>20</sup>.

Sub-Measure 7.3 is expected to support the **creation of an open access broadband infrastructure in areas with no access to broadband**. Among other necessary services the sub-measure will cover financing of technical equipment and the necessary civil work. Importantly, 'the resulting infrastructure should be open to all operators on a non-discriminatory basis'<sup>21</sup>.

The sub-measure will also support the **upgrade of existing broadband infrastructure** in areas with telecom infrastructures that are inadequate or insufficient. Investments should be highly targeted to those interventions that enable future proof infrastructures delivering broadband services in the medium to long run.

Finally, the sub-measure also aims to support the establishment of open, passive telecommunication infrastructures. The cost of such infrastructure (e.g. ducts, antenna towers, distribution frames) represents in fact the bigger barrier to private investments. With their constructions the public authorities would stimulate competition and overcome the lack of local demand.

It has to be remembered that the sub-measure can also support the creation of e-governance solutions and IT applications.

**98.7% of 'Focus Area 6C – Access and quality of ICT' will be financed through Measure 7**. The rest of the funding will come from M16 – Cooperation (0.4%), and M01 – Knowledge transfer (0.7%) and M02 – Advisory services (0.2%). M01 and M02 in this context can have an impact improving the skills and knowledge linked to the use of technologies and ICT based on internet network connection.

### *How the Thematic Group can add value to the initiatives on rural digitisation?*

Several respondents of the ENRD survey on 'smart and competitive rural businesses' indicated ICT and broadband as one of the key issues with regard to rural business development. Some of the responses received are presented in the box below.

#### **Main 'digitisation' issues identified by the ENRD stakeholder survey on 'smart and competitive rural businesses':**

- Promotion of ICT and digital opportunities
- The possibilities of digitalization in rural businesses

<sup>20</sup> European Commission, October 2014, Measure fiche Basic services and village renewal in rural areas – Measure 7

<sup>21</sup> See footnote 11.

- Connection to the world of information, e.g. broadband, but much more
- Lack of information about new underpinning clustering technologies and applications
- New business models with new sector and new tools (including digitalisation)
- Developing appropriate digital knowledge and skills
- Communication, digital and economic skills and competences

Previous (2007-2013) ENRD work on rural entrepreneurship highlighted that developing both the ‘external’ and ‘internal’ entrepreneurial environment is an important step towards creating a diverse range of entrepreneurial businesses.<sup>22</sup> The need for improving both external and internal environment of businesses, also applies in the case of digitisation:

- External environment (i.e. factors that are somewhat beyond the direct control of local areas and businesses) implies **improving the access to fast broadband**, through developing the relevant infrastructure;
- The internal environment (that provide existing and potential entrepreneurs with the skills and confidence required to take ideas forward) include among others the **upgrading of digital and innovative skills of businesses**.

A number of areas where the Thematic Group (TG) can add value have been identified (these are to be explored further and new potential areas are to be identified during the first TG meeting):

- The existence of the rural-urban divide in terms of accessing fast broadband is much recognised and several programmes and initiatives aimed to address this issue. However, **research and understanding on the social and economic impact of broadband and ICT on the development of rural businesses and rural areas in general is much more limited**. There are a number of new initiatives that aim to explore how rural broadband and ICT can empower rural businesses, how it supports employment, quality of life and territorial attractiveness.

One such example is the ERUDITE Interreg project that is a continuation of the ENGAGE project that aimed to enhance access to fast broadband in rural areas. The ERUDITE project recognises that setting up broadband infrastructure is just a starting point, and more actions are needed to improve the understanding of the design, operation and impacts of services and socio-economic impacts of investment. There is a strong need to identify similar initiatives and better understand how rural businesses can most effectively use broadband infrastructure to generate economic and social added value.

- There are several evolving areas where ICT and related technologies are being used to improve businesses in rural areas. These areas include **‘precision agriculture and precision farming’** and **‘new data driven business models’**. Among others, the EIP-AGRI set up focus groups to better understand the technicalities of these issues. The EIP-AGRI Focus Group on Precision Farming aimed to answer the question on ‘How to organise data capture and processing to mainstream precision farming to optimise inputs and yields?’. The Focus Group developed a range of recommendations, including on how to tackle barriers of adoption of

<sup>22</sup> Draft Context Analysis: Rural entrepreneurship in Selected EU Member States (ENRD, March 2011)

precision farming on EU farms. EIP-AGRI also organised a seminar<sup>23</sup> on ‘Data revolution: emerging new data-driven business models in the agri-food sector’. The seminar has helped to create awareness that ICT and sensor-based technologies, procedures and software are being implemented in agriculture and the food chain; and made a series of recommendations on how to bring the opportunity provided by data-driven business models further.<sup>24</sup>

The ENRD Thematic Group has the potential to complement existing (more technical research and activities) on the use of ICT and broadband. On the one hand, the TG work can be focused on the use of ICT and broadband **for rural businesses** and explore possible new linkages with regard to the use of ICT, such as urban & rural linkages (see section 3.5). On the other hand, the TG can potentially add value in understanding **how Rural Development Programmes can best contribute** to supporting the use of ICT and broadband by rural businesses beyond setting up broadband infrastructure.

### 3.3 Smart networking for rural businesses

#### *Business networking in the rural development policy context*

Rural businesses and other stakeholders closely related to them can achieve better results if **working together**. **Smart networking and cooperation lead** to economies of scale, better market access and to more sustainable business and production models producing added value for the local community and environment. In order to understand how such cooperation can be motivated, one needs to understand the complex interactions between stakeholders and their potential impact.

For the successful production and delivery of services and products stakeholders need to interact in the so called ‘**value chains**’. The value chain describes the entire range of activities that firms engage in to bring a product from its conception to its end use and beyond and ranging from design, production, marketing to distribution and support to the final consumer. The activities that comprise a value chain can be contained within a single firm or divided among different firms.<sup>25</sup> In order to improve the performance of businesses, we need to understand the complex environment and system in which they operate. ‘

In rural areas these approaches sit well with the point made in the Cork Conference that “Union Policies should focus on integrated approaches to developing and strengthening rural value chains and local productive networks. They should reflect emerging business opportunities for agriculture, forestry and rural enterprises related to the circular green, fossil free economies”. At a higher scale, **networks and networking** are at the heart of modern policy-making. Enterprise and other support networks are set up at different administrative levels, from European, through national, to regional and local levels.

For instance, the **Enterprise Europe Network**, a SME network with an international scope, was launched by the European Commission in 2008. It is the world’s largest support network for small and medium sized businesses (SMEs). It is co-financed under COSME (Competitiveness of Small and Medium-sized Enterprises) - an EU funding programme designed to encourage the competitiveness of European enterprises. The programme runs from 2014-2020 with a planned budget of 2.3 billion euro. Member

<sup>23</sup> EIP-AGRI Seminar, 22-23 June 2016. ‘Data revolution: emerging new data-driven business models in the agri-food sector’, Seminar Report, 22-23 June 2016 ([https://ec.europa.eu/eip/agriculture/sites/agri-eip/files/eip-agri\\_seminar\\_data\\_revolution\\_final\\_report\\_2016\\_en.pdf](https://ec.europa.eu/eip/agriculture/sites/agri-eip/files/eip-agri_seminar_data_revolution_final_report_2016_en.pdf))

<sup>24</sup> Idem

<sup>25</sup> Value Chains, Smart Specialisation Platform, <http://s3platform.jrc.ec.europa.eu/value-chains>

organisations include chambers of commerce and industry, technology centres, and research institutes<sup>26</sup>. The network aims to help SMEs to innovate and grow internationally.

In the rural development policy context **National Rural Networks** (NRNs) are mandatorily set-up and operated in each Member State to support the implementation of Rural Development Programmes (RDPs).<sup>27</sup> Improving the implementation of RDPs and increasing the involvement of stakeholders in rural development policy implementation are both among the main mandates of NRNs. In order to achieve this, NRNs among others, support thematic and analytical exchanges among rural development stakeholders. A recent analysis of NRN thematic focus based on the 'NRN profiles' a number of Network Support Units/ NRNs are working on themes related to rural businesses and/or have dedicated staff responsible for such themes.

For instance, in 2016 the Swedish Rural Network is working on the theme of 'good competitiveness and good environment', the England Rural Network is working on the 'Growth' theme, the Irish Rural Network is working on the theme of 'Viability and competitiveness of the farming community', the Scottish Rural Network is addressing the theme of 'Rural enterprises'. Furthermore, a number of networks have nominated contact persons for thematic areas such as 'LEADER/CLLD and entrepreneurship' and 'rural services' (Finland), 'area-based businesses' (Sweden), 'Growth Programme' (England).

**At the local level**, networking and exchange among relevant stakeholders has strong potential of improving rural businesses. The ENRD Seminar organised on stakeholder involvement (26 March 2015, Brussels) emphasised the importance of exchange and cooperation among relevant stakeholders in a variety of contexts, such as:

- **Farmer-to-farmer (peer-to-peer) exchange**, including examples of monitor/demonstration farms, focus farms, discussion groups and other farm-to-farm exchange and the role of cooperatives;
- **Links between farmers and other stakeholders** (including entrepreneurs, SMEs, financial organisations, environmental organisations, tourism organisations and research institutions). Diverse stakeholder involvement is particularly important to address issues with a wider relevance than the agricultural sector, such as food supply chains.
- **Urban-rural linkages** (see also Section 3.5): In the wider local development context it is important to look beyond rural areas and create links between urban and rural areas. These new linkages can enhance the market access of rural businesses, as well as access to know-how.

**New connections can particularly stimulate business innovation, exchange of know-how and creativity.** Cooperation can also bring along 'economies of scale' effects. New connections are also at the heart of smart specialisation of businesses (see Section 3.4).

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<sup>26</sup> Although, no information on the participation rate of stakeholders based in or focused on rural areas is available.

<sup>27</sup> Article 54 of REGULATION (EU) No 1305/2013 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 17 December 2013 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) and repealing Council Regulation (EC) No 1698/2005

### *EAFRD support to create new networks and linkages*

The new RDP structure for the programming period 2014-2020 provides **great funding opportunities for networking**.

Firstly, the **Technical Assistance (M20)** the RDPs supports the establishment and the operation of the National Rural Networks (NRNs). The NRNs facilitate the implementation of the RDP itself and, as explained above, often are key players in bringing together relevant stakeholders to improve smart and competitive rural businesses.

**CLLD/LEADER (M19)** has a great potential to improve networking and exchange among local stakeholders in rural areas. LEADER can be a glue for the development of new or reinforced businesses building local resources and opportunities. LEADER can also be the channel to understand local needs and create space of exchange of experience, knowledge and innovative ideas.

During the 2014-2020 programming period, however, RDPs can also make use of a **new networking tool dedicated to horizontal and vertical cooperation: Measure 16**. This Measure provides a set of 10 sub-measure covering a huge variety of themes, from supply chains, to forestry, to rural tourism – and providing higher freedom in terms of projects risk levels and scope of investment. M16 is prone to be used together with other rural development measures and aims at bringing together different stockholders for the implementation of innovative projects where the added value lies in sharing common goals and knowledge (e.g. with the involvement of the research sector), machinery, services etc.

Looking at support opportunities especially for **horizontal networking within the value chain** two measures stand out: 'M03 – Quality schemes for agricultural products and food-stuffs', including among the potential beneficiaries 'groups of farmers', and 'M09 – Setting up of producer groups and organisations'. M09 can especially have a potentially strong impact on the competitiveness of the overall value chain providing 'networking' opportunities for example to adapt production methodologies, for a joint organisation of market access (e.g. coordination of sales and delivery), for the development of skills and the facilitation of innovation processes. Producers groups supported by M09 can however have a great impact also on vertical coordination within the value chain.

Further possibilities for networking are provided by M1 – Knowledge transfer. From the programming period 2014-2020 M01, covering both knowledge and skills acquisition, will broaden its scope of support compared to the previous programming period. It will include funding for demonstration activities, information actions, short term farm management exchange and farm visit. These forms of peer to peer exchange give the possibility for creating networks not only among farms but potentially with any stakeholder of the value chain and any pool of experts that can transfer knowledge, know-how and experience.

### *How the Thematic Group can add value to smart networking?*

Several respondents of the ENRD survey on 'smart and competitive rural businesses' indicated networking, clusters and value chains as key issues with regard to rural business development. Some of the responses received are summarised in the box below.

#### Main issues identified by respondents of the ENRD survey with regard to smart networking

- Horizontal networking, value chains, business networks
- Permanent attention to the learning process, working on the attitude of stakeholders, increasing the awareness of the importance of networking and cooperation. Surprising liaisons will lead to innovative solutions.
- Creation of effective local networks, creation of effective partnerships for local development, diversification of entrepreneurs incomes regardless of the season.
- Smart Horizontal networking
- Access to markets, availability and easy access of know-how (product, machinery)

One of the main challenges is to understand **where the bottlenecks are in terms of interactions** of specific stakeholder groups and how these linkages can be improved for the benefit of rural businesses and the social and economic development of rural areas. For this, one needs to understand where networking can add value, and who the stakeholders are that need to be better connected in order to improve value chain interactions.

There are several potential linkages that can contribute to the improvement of rural businesses, including farmer-to-farmer exchanges, business-to-business exchange (business networks), rural-farming-urban links (e.g. access to markets – see also Section 3.5), etc. Through the thematic group one can aim to better understand where the lack or weaknesses of interactions need to be and how.

The RDPs offer several cooperation and networking opportunities (see above). The Thematic Group can explore **how these opportunities can be used most efficiently to create or improve the relevant linkages**, networking and interaction of stakeholders.

### 3.4 Building on local community and environmental and cultural assets (smart specialisation)

#### *The use of local assets for business development*

Smart specialisation platforms are being set up at European level (primarily supported through the ERDF) to identify and build networks of countries and regions working on similar sectors. There are several platforms which are particularly relevant for rural areas. The largest of these is the Agri-Food Smart Specialisation Platform which covers over 80 regions<sup>28</sup>.

**Smart specialisation has been defined in the regional development context as a place-based approach**, meaning that it builds on the **assets and resources** available to regions and Member States and on their specific socio-economic challenges in order to identify **unique opportunities for development and growth**.<sup>29</sup> A smart specialisation strategy requires identifying competitive strengths and realistic growth potentials and subsequently making choices on where to invest.

Several key concepts of the smart specialisation methodology have **important parallels and implications for the approach taken by the Rural Development Programmes** toward rural diversification, job creation and local development. Although the Cork Declaration does not directly refer to the ‘smart specialisation’ concept, its statements resonate well with this approach when it declares that

<sup>28</sup> <http://s3platform.jrc.ec.europa.eu/agri-food>

<sup>29</sup> Smart Specialisation Platform, FAQs on RIS3 (<http://s3platform.jrc.ec.europa.eu/faqs-on-ris3>)



“Rural and agricultural policies should build on the identity and dynamism of rural areas through the implementation of integrated strategies and multi-sectoral approaches. They should promote diversification and foster entrepreneurship, investment, innovation and employment.”

The concept of ‘smart specialisation’ is generally used at a ‘higher’, than the local, level (i.e. regional-level, in the context of Regional Innovation Strategies). However, with regard to rural development there is strong potential to apply this approach especially at the local level/ in the local rural development context. There are two main aspects that are highly relevant in this regard:

- **Identifying the comparative strengths and unique opportunities for rural businesses building on local assets and resources:** It is widely recognised that rural businesses need to find new opportunities that strongly build on local (natural, cultural, social, etc.) assets. Specialisation means identifying “priority domains and lead markets” where particular rural areas and/or rural businesses have a comparative advantage. One of the major challenges is how to best support rural entrepreneurs in the identification and analysis of these new areas, and how to help them to shift away from traditional approaches towards more innovative business ideas.
- **Interaction of stakeholders and networking as tools for smart specialisation** (see also Section 3.3 above):
  - Smart specialisation recognises that **innovation and new ideas come from the interaction of firms and users**, as well as researchers and public sector actors. The smart specialisation approach advocates an ‘entrepreneurial discovery process’ (EDP), i.e. an inclusive bottom-up process involving a range of innovation actors (businesses, technology centres, universities, civil society, etc.) in the identification of new opportunities and the design of strategies. SMEs (and their networks) themselves become the lead actors in the entire process rather than passive recipients. In this sense networking and interaction is a key tool for smart specialisation (see also Section 3.3).
  - The approach moves beyond simple supply chain integration, to the idea of promoting clusters or **networks of different but related firms which reinforce each other**, for example in fields like local food production, tourism and culture (see ‘value chain’ concept discussed in Section 3.3).
  - Finally, smart specialisation strategies recognise that not all resources for entrepreneurial development are available locally and so it is necessary to form alliances and **mobilise external resources** (from neighbouring areas, in cities, from universities and research establishments, etc.) (see also Section 3.5 on urban-rural linkages).

In the RDP context LEADER has been one of the key areas where the smart specialisation concept has strong relevance.<sup>30</sup> Smart specialisation ideas have close similarities to the approaches to innovation applied in LEADER and Local Development Strategies (LDSs). In particular, such an approach has direct implications for the **diversification strategies of LEADER groups** that strongly build on local cultural and community assets and resources (including tourism development and building on the demand for healthy products and lifestyles).

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<sup>30</sup> In this context, the ENRD will be supporting a workshop on “Smart LEADER” in February 2017 to bring together the two worlds of Regional Innovation Strategies and LEADER based on the approach put forward by the JRC and the Tagus LEADER group in Spain (see above).

However, it is important to recognise that **entrepreneurial culture is weaker in rural than in urban areas** (where the smart specialisation approach is widely applied). Therefore, in rural areas there is probably a greater need for intermediaries to encourage and support SMEs and entrepreneurship.

Local rural businesses can build not only on their territorial assets (e.g. nature), but also on the **community and local people (social capital) of rural areas**. In this regard the concept of **social enterprises** is worth mentioning. Social enterprises combine societal goals with entrepreneurial spirit. These organisations focus on achieving wider social, environmental or community objectives. The European Commission aims to create a favourable financial, administrative and legal environment for these enterprises so that they can operate on an equal footing with other types of enterprises in the same sector.<sup>31</sup> Local communities provide assets for rural businesses also in other ways, e.g. the emerging concept of ‘crowd funding’ means that local communities invest in their local businesses.

#### *EAFRD support to “smart specialisation” in the rural development context*

LEADER is not the only RDP tool where smart specialisation has strong relevance, other opportunities lies in the support to **Operational Groups (M16.1)**, that largely builds on the concept of innovation being induced through exchange among different stakeholders (including farmers and researchers). The overall scope of **Measure 16** is to build up cooperation among different stakeholders for the creation of, among others, new businesses, products, procedures or networks. M16 is therefore expected to have a **great impact on rural businesses diversification**.

One of its sub-measure in specific looks at the emerging role of rural business to fulfil **social integration needs and provide social services**. M16.9 in fact focuses on ‘support for diversification of farming activities concerning health care, social integration, community-supported agriculture and education about environment and food’<sup>32</sup>.

Finally, it is important not to forget the role of Knowledge transfer (M01) and the availability of professional advice from advisory services (M02) in building the necessary entrepreneurial skills to foster smart specialisation processes.

#### *How the Thematic Group can enhance the use of the smart specialisation approach in the rural development context?*

Many of the participants invited to the thematic group are interested in exploring ways of using Smart Specialisation Strategies to support rural businesses. Some of the ideas expressed by potential participants in the ENRD survey on ‘smart and competitive rural businesses’ are presented in the box below.

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<sup>31</sup> Social enterprises (DG Growth) [http://ec.europa.eu/growth/sectors/social-economy/enterprises\\_en](http://ec.europa.eu/growth/sectors/social-economy/enterprises_en)

<sup>32</sup> EAFRD Commission implementing regulation (EU) No 808/2014, 17.07.2014

#### Issues identified by participants

- Smart specialisation. Development of entrepreneurship in rural areas. Rural entrepreneurs need to find their niche market understand/use their specific chances and create a unique businesses.
- Smart specialisation and wild ideas
- Smart specialisation, creating the experience economy and promoting rural destinations.
- Connection between LAG Local Development Strategies and Regional Innovation Strategies; Enhancement of the involvement of LAGs in the RIS3 process
- Link local food production and touristic services and hospitality
- Awareness of economic challenges and opportunities, based on endogenic resources and cooperation, communication and digital and economic skills
- Need for new jobs in new sectors

Furthermore, with regard to RDP challenges and opportunities identified, a number of comments recognise the need to boost rural entrepreneurship through creative approaches.

#### Need for creative approaches

- Open-mindedness is needed to develop new entrepreneurial ideas
- More creative approach to support enterprises (including cultural & social aspects)
- Creating the space for experimental projects, encouraging people to get out of their comfort zones
- New possibilities and ability to let some old ones go
- Creating brands, which are modern and desirable (not rural as a synonym of old-fashioned)

Therefore, one of the potential added values of the Thematic Group could be on **identifying ways of supporting rural businesses** in finding new creative business ideas and areas of specialisation. This may involve support with regard to the analysis and identification of socio-economic drivers and competitive advantages, helping them to shift the focus from “rural being the synonym of old-fashioned’ towards modern and innovative, and helping to identify priorities and make choices. Methods and ideas can be collected on **how to induce innovation and creativity for the development of rural businesses**.

The potential contribution of LAGs and their strategies to this process could be further explored. Although many of the best LEADER groups have built up strong relationships with their SMEs (after 25 years) they often find difficulty in breaking out of purely local “business as usual”. The Thematic Group can explore **possible tools for LAGs** to better connect with rural businesses and support them in developing smart specialisation strategies.

Furthermore, the Thematic Group could **explore ways to support the development of genuinely integrated, cross-fund strategies**. Participants at previous ENRD thematic groups and seminars have argued that Regional Innovation Strategies tend to focus on the larger, more dynamic and innovative SMEs at national or regional level. Regional Innovation Strategies often do not have the contacts and mechanisms for engaging with rural SMEs. The result is that innovation projects are often led by research institutes and technology centres with only token rural SME involvement.

The discussion about Smart Specialisation brings us face to face with the fact that there are a series of programmes to support SMEs in rural areas which could potentially complement and enrich each

other – but which at present operate in fairly separate worlds. The TG can explore examples and practical steps that can be taken to bring these worlds together?

### 3.5 Urban-rural linkages

#### *The importance of urban-rural linkages for rural businesses*

Building **urban-rural linkages** has become a mantra of discussions on Rural Development Policy. However, most of the initiatives have come from urban areas and the question is whether rural policy makers and rural actors themselves will really seize the emerging opportunities.

As early as 2010 the European Parliament launched a preparatory action managed by the European Commission called **RURBAN** (Partnership for sustainable urban-rural development)<sup>33</sup>. This led to a number of important studies including a report by the OECD which found that “rural regions benefit from positive growth spill-overs – both in terms of population and in terms of GDP per capita – as the closest urban regions grow”<sup>34</sup>. Generally, the OECD finds that rural regions that are accessible to significant population centres do better than more remote areas.

Following from this, the OECD made “capitalising on the opportunities from rural-urban interactions” one of the four main pillars of their “New Rural Policy”<sup>35</sup> launched at a conference in Memphis in 2015. The Cork II declaration points in the same direction by saying that “Union support should strengthen urban- rural linkages and align the sustainable development of both rural and urban areas”. So the intention is there, the question is how to put it into practice.

Clearly there are a number of still underexploited opportunities that rural areas can seize by improving their **relationship with cities**.

- The first and most obvious comes from the **growing demand from all consumers** – but particularly urban consumers – **for locally produced, healthy and environmentally friendly food**. The EIP-AGRI Focus Group on “Innovative Short Food Supply Chains”<sup>36</sup> highlighted the importance of accessing different kinds of markets concentrated in cities and this was taken up in more detail in the seminar and publications produced by the ENRD Thematic Group on Smart and Competitive Food and Drink Supply Chains. (see articles on “Urban food markets and strategies” and “Accessing the market for public food”)<sup>37</sup>

Most recently EIP-AGRI held a workshop on “Cities and Food – Connecting Cities and Consumers” (21/09/16) which brought together representatives of cities which had signed the Milan Urban Food Policy Pact together with farmers and rural food producers<sup>38</sup>. The workshop looked at common actions that can be supported by the Rural Development Programmes or by cities.

<sup>33</sup> [http://ec.europa.eu/regional\\_policy/en/policy/what/territorial-cohesion/urban-rural-linkages/](http://ec.europa.eu/regional_policy/en/policy/what/territorial-cohesion/urban-rural-linkages/)

<sup>34</sup> OECD Rural Reviews Rural Urban Partnerships. An integrated approach to economic development . 2013  
[http://www.oecd-ilibrary.org/urban-rural-and-regional-development/rural-urban-partnerships\\_9789264204812-en](http://www.oecd-ilibrary.org/urban-rural-and-regional-development/rural-urban-partnerships_9789264204812-en)

<sup>35</sup> <https://www.oecd.org/rural/rural-development-conference/documents/New-Rural-Policy.pdf>

<sup>36</sup> <https://ec.europa.eu/eip/agriculture/en/content/innovative-short-food-supply-chain-management>

<sup>37</sup> <https://enrd.ec.europa.eu/sites/enrd/files/publi-enrd-rr-22-2016-en.pdf>

<sup>38</sup> <https://ec.europa.eu/eip/agriculture/en/content/eip-agri-workshop-%E2%80%98cities-and-food-%E2%80%93-connecting-consumers-and-producers>

- The OECD also identifies a number of other functional interconnections between urban and rural areas which have been less explored. The first is **service provision and the spatial distribution of retail, social services, healthcare, education, waste disposal as well as transport**. The organisation of these services has a huge impact on the viability and vitality of rural settlements and rural businesses. Many of the services are public but others are private and there are many examples of innovative forms of mixed public-private and community provision. The second is the provision of **amenities and environmental goods** including the quality of the environment and cultural heritage for leisure, retirement as well as the provision of clean air, water and energy.

Both of these interconnections can **create the conditions and opportunities for smart and competitive rural businesses**.

#### *EAFRD support for urban-rural linkages*

Various measures are available for supporting urban-rural linkages within the Rural Development Programmes. **Measure 16 on Cooperation** provides several opportunities for market access and marketing: **Sub-measure 16.3 focuses on cooperation among small operators** and in a number of cases RDPs will use this sub-measure for marketing purposes, **16.4 focuses on horizontal and vertical cooperation** within short supply chains and local markets and will support also demonstration and marketing activities to raise awareness among the wider public about supply chains. Although according to the regulations these measures are not directly targeted at the involvement urban stakeholders, Member States might take the opportunity to do so, through establishing the right criteria within the calls for projects.

**‘M03 - Support for information and promotion’ activities implemented by groups of producers and ‘M09 providing support for jointly placing goods on the market’** (including preparation and centralisation of sales and supply to bulk buyers) also have the potential to foster rural-urban linkages specifically taking advantage of cities like markets.

Additionally, **LEADER/CLLD and in specific the LEADER cooperation measure** (which is now open to partners in urban areas) and the various measures for investment, advice and knowledge transfer might support the creation of new opportunities for rural-urban linkages (see the ENRD article on “Using the RDPs to support smart supply chains”).

#### *The potential added value of the TG to improve urban-rural linkages*

Some of the ideas expressed by potential participants on this subject in the ENRD survey on ‘smart and competitive rural businesses’ are presented in the box below.

#### Issues identified by participants

- Cooperation and co-business between urban and rural areas (for example mixture of materials, short supply chains, new business areas)
- The global trend of globalization has a lot of consequences for rural areas. It is important to find the chances to profit by connecting rural and urban dynamics. Development of new concepts, products and services. Links between farm and non-farm businesses.
- Lowering the barrier of “border” between rural and urban areas. More cooperation less competition.
- Access to the market, mobility business. Consumer awareness of rural areas importance.
- General image campaign in favour of rural areas
- Promoting rural areas, consumer awareness of rural areas importance

These lead to a number of questions for the thematic group:

- Are there avenues of activity which can build on the recent work carried out on cities and food and can help these and other proposals to be carried forward into implementation by the RDPs?
- What kinds of activities would help to translate the linkages between cities and rural areas in terms of service provision and natural and cultural amenities into viable business opportunities?

## 4. Thematic Group approach and method

There are a number of guiding principles/methodologies that will drive the thematic group work including:

### Stakeholder-oriented and participative

The thematic work aims to rely on a **core group of stakeholders/ Thematic Group members** (including different types of stakeholder organisations) that are experienced, interested and willing to actively contribute to the thematic work. It is very important that the core group of stakeholders has an ownership of the thematic group content and process, i.e. they will strongly contribute to the identification of sub-themes and issues to be addressed, and will be the core targets of the thematic group meetings. One of the main advantages of the thematic group method is that it brings together different types of stakeholders and encourages the exchange of different views among them through networking.

### Focused & Practical

The thematic work will aim to be **very focused and practical** in terms of the chosen sub-themes and methods. The early analysis and survey presented in this report aimed to identify specific sub-themes and challenges that can be most efficiently addressed at the European level, with the aim to improve RDP implementation. These preliminarily identified challenges will be explored further during the 1<sup>st</sup> Thematic Group meeting, with the aim to identify specific challenges and themes for further work of the TG.

### Complementary & inspiring

The thematic work aims **to add value to existing work**. The initial analysis and survey has helped to identify specific challenges and sub-themes within the wider theme of ‘smart and competitive rural businesses’. One of the main objectives of the thematic work is to inspire people to learn and experiment new ideas, methods and examples in their own working context. Both the working methods of the thematic group, as well as the examples identified and presented will aim to contribute to this.

### Relevant to a wider audience

The thematic group will work with a core group of (committed) stakeholders (as specified above). However, it will also follow a **flexible and dynamic approach**, adjusting to the needs identified. For instance, the target groups of specific meetings may be wider than the core group depending on the specific issue/sub-theme. Interested stakeholders have the opportunity to get involved at different levels, from actively contributing to the process (core group) to follow closely the work of the group and be informed about main outcomes.

Dissemination and communication will be a crucial part of the work of the thematic group. Outcomes will need to be spread further than the core group in an easily accessible form to a wider interested audience.

## 5. Process & timeline

Thematic Group meetings will be the cornerstones of the thematic work on rural businesses. However there are a number of activities (support tools) that the ENRD Contact Point can provide to support the work of the Thematic Group and prepare the thematic group meetings, these include:

- **Background research** on specific subjects of interest with regard to rural businesses;
- **In-depth analysis of specific aspects of Rural Development Programmes**, including measures and calls for projects (‘RDP screening’);
- Development of **good practices and case studies** on practical and useful project examples and methodologies;
- **Publications** (including a Rural Review and a Project Brochure on ‘rural businesses’) and other communication products.

The chart below presents some of the core activities and an indicative timeline for the thematic work on ‘smart and competitive rural businesses’.

Figure 2: Core activities & indicative timeline

Quarter/ Months	Q1 (2016)			Q2 (2016-17)			Q3 (2017)			Q4 (2017)		
	Jul-Aug	Aug-Sept	Sept-Oct	Oct-Nov	Nov-Dec	Dec-Jan	Jan-Feb	Feb-Mar	Mar-Apr	Apr-May	May-Jun	Jun-July
Preparatory work	Preliminary work: research, survey, scoping paper											
Ongoing TG work & 1st TG meeting		Preparation of 1st TG meeting										
			1st TG mtg: 13/10									
Ongoing TG work & 2nd TG meeting				Preparation of 2nd TG meeting								
				Research & TG work								
					2nd TG mtg: 30/11							
Publications on Rural Businesses						Rural Review (No 24) Smart Rural Businesses						
						Projects Brochure: Smart Rural Businesses						
Ongoing TG work & 3rd TG meeting						Preparation of the 3rd TG meeting						
						Research & TG work						
							3rd TG mtg: 26/01					
Seminar						Preparation of Seminar						
									Seminar: 30/03			
Ongoing TG work & 4th TG meeting								Preparation of 4th TG meeting				
								Synthesis of findings				
											4th TG mtg: 11/05	
Closing & planning of next TG											Final products & dissemination	
											Planning of next TG	

## 6. Concluding remarks

This Background Paper was prepared to inform and outline the scope and context of the work of the Thematic Group on 'rural businesses'. The main themes were identified on the basis of an initial survey among potential members of the group and on the basis of additional background research.

The Scoping Paper also informs the 1<sup>st</sup> Thematic Group (TG) meeting (13/10/16). The purpose of that meeting will be to identify through joint work and discussion among members the specific themes and practical challenges that the Thematic Group will address.

In the light of the scope of the work of the TG and the aim to make the group practical, it is necessary to **focus the work of the group on a limited number of themes**. This means that the list of themes presented in the Scoping Paper is only indicative and the themes to be covered by the TG will be narrowed down and determined by TG members in cooperation with the ENRD Contact Point.