



DRAFT Context Analysis: Rural Entrepreneurship in Selected EU Member States

NRN Joint Thematic Initiative on Rural Entrepreneurship
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Connecting Rural Europe

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The European Network for Rural Development (EN RD) contributes to the efficient implementation of Rural Development Programmes throughout the European Union (EU).

Each Member State has established a National Rural Network (NRN) which brings together the organisations and administrations involved in rural development.

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Executive Summary

Promoting and strengthening entrepreneurship is one of the most important approaches to addressing the economic problems of rural communities and is attracting fresh attention with the dramatic economic downturn in many EU Member States.

The need for the NRNs to work together to strengthen rural entrepreneurship was first identified during the 7th NRN meeting in Brussels (December 2009). The NRN Rural Entrepreneurship Thematic Initiative was then launched at the 8th NRN meeting in Rome (March 2010) with the aim of helping to *"...identify and promote viable strategies and actions to respond to economic change in rural areas"*.

The Thematic Initiative brings together those NRNs who want to share knowledge and relevant experiences on how current and future RDPs can better address the challenge of encouraging rural enterprise and rural entrepreneurs as the basis of a robust and resilient rural economy and rural society.

The first focus of the Thematic Initiative has been upon preparing this document - a "context analysis" – which brings together the results of a baseline survey of NRNs and LAGs, plus a broader review of available literature, to present:

- a) the perceived characteristics of rural entrepreneurs across the EU;
- b) an overview of the challenges they face;
- c) their needs, and;
- d) a list of available tools (i.e. methods and activities) currently used to help meet these needs in selected EU Member States.

A number of key issues are immediately identified:

- To be successful rural entrepreneurs require dual skill sets – robust business skills and the ability to be creative and take risk;
- As well as 'existing' rural entrepreneurs there are also 'potential' rural entrepreneurs. These potential entrepreneurs often possess one of the required skill sets, but require additional support to develop the other;
- The key target groups for strengthening entrepreneurship in rural areas are young people, women and small-scale (subsistence and semi-subsistence) farmers;
- The key target sectors for strengthening rural entrepreneurship are food and farming, basic services and tourism.

However, the strengthening of rural entrepreneurship is not solely reliant on the presence of specific entrepreneurial individuals, but also on the broader rural context since this is the environment that fosters the emergence of new enterprises. In this respect it is important to make the distinction between the 'external' entrepreneurial environment (i.e. the social and business environment in which the entrepreneur operates and the 'internal' entrepreneurial environment (i.e. the capability, skills and competences of the entrepreneur).

According to the NRNs surveyed, the most significant 'external' environmental factor for encouraging entrepreneurship is the "pull of market demand for new products/services", followed by "openness in society towards new ideas (whilst also allowing mistakes)".

At the same time, the same NRNs perceived the main challenges for rural entrepreneurs to be as follows. Regarding:

- **Policy and regulation** - the greatest challenge for all types of entrepreneurial activity is seen as the excessive amount of bureaucracy involved in business start-up and development;

- **Cultural and social factors** – the biggest challenge for start-up and existing businesses is the low population density in rural areas;
- **Economic factors** - access to 'risk capital' and concerns relating to the general economic downturn and therefore the broader economic environment were the two key challenges cited for all types of businesses;
- **Environment and natural assets** – not generally seen as a challenge to the development of rural entrepreneurship.

Developing both the 'external' and 'internal' entrepreneurial environment is an important step towards creating a diverse range of entrepreneurial businesses. The survey results and review of other work has identified the main areas of focus for this as follows:

1. Important needs for developing the 'internal' environment and providing existing and potential entrepreneurs with the skills and confidence required to take forward their ideas include:
 - Training courses in business management to ensure the creative, innovators in the area have the skills to successfully implement their new entrepreneurial ideas;
 - Training courses in innovation, change management, risk and creativity to develop the entrepreneurial capacity of individuals, particularly young people;
 - Creating networks of entrepreneurs to provide mutual support and share best practice;
 - Providing on-going technical support specifically tailored to entrepreneurs to provide confidence that support will continue post set up.
2. Developing the external environment is somewhat more complex, with many issues being beyond the direct control of local areas. The key needs were highlighted as:
 - Better, more locally-led access to finance;
 - A shift in the focus of funders from being risk averse and administratively burdensome, to effective risk management and an outcome orientation;
 - Harnessing local knowledge at all stages of policy formulation, delivery and evaluation;
 - Tailoring the speed of funding approval and payment to the speed of business development;
 - Ensuring the broader community is understanding and supportive of entrepreneurial activity, including the risk of failure;
 - Developing better communication between national, regional and local actors to ensure the needs of entrepreneurs can be met.

From the perspective of developing the 'internal' environment for entrepreneurs there already appears to be good support for establishing networks and providing technical support, including a number of initiatives developed around sector specific projects. Equally the provision of business management skills is fairly broad ranging, although it is a little unclear whether these are tailored specifically towards entrepreneurs. Surprisingly however they are few examples of specific entrepreneurial training identified by the NRNs which responded. This may be simply because these countries have not focused on this particular aspect, or because defining entrepreneurial training is more complex than that of training in business management.

Some aspects of the 'external' entrepreneurial environment are also well served with all respondents identifying a range of initiative in place for providing credit, loans and guarantees, some of which are specifically focused on rural areas and entrepreneurial start-ups. One example was also provided of an umbrella entrepreneurial grant fund which had speeded up the decision and claim payment procedures. There are still some 'external' entrepreneurial needs that have been identified by the NRN's but as yet are not being met. These are most strongly associated with policy development and implementation.

1. Introduction

Promoting and strengthening entrepreneurship is one of the **most** important approaches to addressing the economic problems of rural communities and is attracting fresh attention with the dramatic economic downturn in many EU Member States¹. But how can entrepreneurial spirit be used as an “engine” for driving a diverse and sustainable rural economy? Where do rural entrepreneurs come from? How do we encourage more of them? Is rural enterprise and rural entrepreneurship always about business and profit? And how can current and future rural development policies encourage and support a more vibrant and dynamic enterprise culture in our rural areas?

The need for the National Rural Networks (NRNs) to work together to strengthen rural entrepreneurship was first identified during the 7th NRN meeting in Brussels (December 2009). The **NRN Rural Entrepreneurship Thematic Initiative** was then launched at the 8th NRN meeting in Rome (March 2010) with the aim of helping to “...*identify and promote viable strategies and actions to respond to economic change in rural areas*”.

The Initiative brings together those NRNs who want to share knowledge and relevant experiences on how current and future RDPs can better address the challenge of encouraging rural enterprise and rural entrepreneurs as the basis of a robust and resilient rural economy and rural society. The first focus of the Thematic Initiative has been upon preparing this document - a “context analysis” – which presents:

- a) the results of a baseline survey of the characteristics of rural entrepreneurs in the EU;
- b) an overview of the challenges they face;
- c) their needs, and;
- d) a list of available tools (i.e. methods and activities) currently used to help meet these needs in selected EU Member States.

A total of 20 NRNs who originally expressed an interest in the Rural Entrepreneurship Initiative were asked to complete a questionnaire to collect information and data from their countries. The full questionnaire is included in the Annex of this report. Part 1 of the questionnaire was a quick and easy checklist and a total of 15 NRNs (encompassing large variations in socio-economic context and enterprise culture) completed it to provide information on the entrepreneurial context within their own countries. These NRNs were:

Belgium – Wallonia	Estonia	Ireland	Netherlands
Bulgaria	Finland	Latvia	Slovakia
Cyprus	Greece	Lithuania	Sweden
Czech Republic	Hungary	Malta	

Parts 2 and 3 of the questionnaire were more complex and fewer NRNs responded to them. This paper brings together all the survey responses, plus a broader review of available literature, and integrates the results in 3 main sections:

1. General characteristics of the **rural entrepreneur**;
2. Understanding the **entrepreneurial environment** (including key challenges faced by rural entrepreneurs);
3. Encouraging the **entrepreneurial process** (including the needs of rural entrepreneurs and the tools used to address these needs).

¹ For example, the Irish NRN has examined the challenges faced by agricultural and rural communities in the changing economic climate and in 2010 published a report called ‘*Stimulating the Agricultural and Rural Economy Through the Rural Development Programme*’ which urges much greater emphasis upon rural enterprise and entrepreneurship in the delivery of national rural development policy. The report can be downloaded from: <http://www.nrn.ie/general/2010/12/report-urges-greater-emphasis-on-enterprise-in-delivering-rural-development-programme/>

1.1 Why Entrepreneurship?

According to the European Commission's DG Enterprise and Industry, there are an estimated 20 million small and medium-sized enterprises (SMEs) in the EU². The vast majority (90%) of these are micro-enterprises employing less than 10 people and a significant proportion of these are located in rural areas.

The extent and quality of entrepreneurial activity is an issue of interest and concern to policy makers and businesses at all times in all types of localities. However, the subject tends to rise up the policy agenda at times of economic difficulties or when significant structural changes are affecting specific sectors or types of activities.

The need to encourage enterprise entrepreneurship as a major driver of economic growth, innovation, competitiveness, employment and social integration has long been supported at European level. The EU made the promotion of entrepreneurship one of the main objectives of the Lisbon agenda in 2000 and subsequently launched a series of initiatives aimed at fostering support for small businesses in the EU.

In January 2003, it adopted a Green Paper on *Entrepreneurship in Europe* to stimulate the debate amongst policy makers, businesses, representative organisations and experts on how entrepreneurship can be better promoted in Europe³. The Paper set out to find answers to two fundamental issues that still remain highly relevant today - namely: 'How to produce more entrepreneurs?' and 'How to encourage more enterprises to grow?'

Three pillars of action were identified in the 2003 Green Paper for making European society more entrepreneurial:

- Eliminate obstacles to the development and growth of enterprises;
- Identify the risks and rewards of the 'entrepreneurial spirit', and;
- Promote a society that values this 'entrepreneurial spirit'.

In July 2004, the Commission published details of its *European Action Plan for Entrepreneurship* which identified 5 strategic policy areas for boosting the dynamics of enterprise in the EU:

1. Fuelling entrepreneurial mindsets, including fostering entrepreneurial attitudes and skills among young people;
2. Incentives to encourage more people to become entrepreneurs;
3. Gearing entrepreneurs for growth and competitiveness through better access to training, strategic networking, cross-border training etc.
4. Improving access to finance, and;
5. Reducing regulatory and administrative barriers to entrepreneurship.

Meanwhile, in terms of the agricultural sector and rural areas in general, the subject of entrepreneurship has also grown steadily in importance. This ranges from the work of the Food and Agricultural Organisation (FAO)⁴ during the 1990s to a number of more recent EU-funded research projects⁵.

² http://ec.europa.eu/enterprise/policies/sme/index_en.htm (last retrieved 30 January, 2011)

³ Euroactiv (2004). Entrepreneurship in Europe (updated 17 August, 2004) – see: <http://www.euroactiv.com/en/innovation/entrepreneurship-europe/article-117477>

⁴ Petrin, T. and Gannon, A. (Eds) (1997). *Rural Development through Entrepreneurship*. REU Technical Series 41, Regional Office for Europe, Food and Agriculture Organization of the United Nations, Rome – can be downloaded from: <http://www.fao.org/DOCREP/006/AD255E/ad255e00.htm>

⁵ For example, the project *Developing the Entrepreneurial Skills of Farmers* financed under the "Policy-orientated Research" area of the EC 6th Framework Programme – see: <http://www.esofarmer.org>

Of particular interest has been an increasing focus upon the need for a more entrepreneurial culture amongst farm businesses – an issue fuelled by many years of steadily declining farm incomes, as well as the more recent economic downturn. There are of course many different strategies available to farmers in order to survive and be successful in adapting to their changing economic circumstances⁶. Typical options include specialisation and intensification; cost cutting (e.g. by co-operative arrangements); well-managed diversification (either through 'vertical' integration in the value chain or 'horizontal' diversification into alternative enterprises such as farm-based tourism), or; even doing nothing at all.

One very important driver for looking at farmers as entrepreneurs is the concept of 'multi-functional agriculture' – notably the recognition that agricultural activity goes beyond food production and serves other functions such as environmental protection; resource management; maintenance of cultural heritage; provision of public services (including leisure and recreation), and; generally contributing to the socio-economic viability of rural areas.

Multi-functionality implies greater complexity, it hints at the opportunities associated with new products and new markets, and raises questions about the management of new responsibilities, new challenges and many uncertainties. This immediately suggests the need to focus upon the capacity of farmers (as well as the wider rural community and indeed all rural businesses) to become the kind of "active agents of change" that entrepreneurs are traditionally seen to be.

Whilst recognizing, of course, one important point – many rural entrepreneurs operate with some significant additional constraints. Not least of which is the fact that - unlike most urban entrepreneurs, who can relatively easily change sectors or activities and try again elsewhere if things do not work out – farmers and many other rural businesses are largely tied to their physical location through their investment and commitment in their land and buildings.

Clearly in some cases, such as remote mountain areas, the physical location of the rural business can be both an opportunity (e.g. traditional landscapes exploited for rural tourism) and a threat (e.g. limited mobility due to poor infrastructure). But the fact still remains that, despite the local geography, fostering entrepreneurship and the creation and support of rural businesses is a crucial goal for the survival and integrated development of local rural economies.

1.2 Public Attitudes towards Entrepreneurship

The EU regularly publishes a series of *Eurobarometer* surveys of general public attitudes and expectations regarding a range of issues. The latest report on entrepreneurship⁷ was completed in December 2009 and published in early 2010. It covered a range of issues including:

- Preferences for being self-employed or being an employee;
- The image people have of entrepreneurs;
- People's own expectations of becoming self-employed;
- The experiences of those who have started up their own businesses;
- The perceived barriers to business start-up, and;
- The impact of school education on attitudes and expectation about becoming an entrepreneur.

It should be stressed that this survey, while comprehensive in terms of country coverage and sample size, is rather too broadly-focused in relation to this report as there is no specific

⁶ McElwee, G. (2005). *A Literature Review of Entrepreneurship in Agriculture*. Deliverable D2 from the research project *Developing the Entrepreneurial Skills of Farmers* financed under the "Policy-orientated Research" area of the EC 6th Framework Programme (Contract No. SSPE-CT-2005-006500) – see: <http://www.esofarmer.org>

⁷ EC (2010). *Entrepreneurship in the EU and beyond*. Flash Eurobarometer **283**, DG Enterprise and Industry, Brussels - http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/eurobarometer/fl283_en.pdf

information about attitudes and behaviour within rural areas or among those engaged directly or indirectly with agriculture. Nevertheless, the resulting data brings some valuable insights to the discussion.

For example, some of the general points that stand out from a rural entrepreneurship perspective are as follows:

1. Overall, EU citizens are reasonably evenly split, roughly 50:50, between those who would prefer to be self-employed and those who prefer being an employee. The reasons given for such preferences are understandable enough:
 - People wishing to be self-employed have a preference for the independence, self-fulfilment and freedom to chose their place and time of work;
 - People wishing to be employees have a preference for a regular fixed income and security of employment.
2. However, this should be seen against the fact that in practice only 1 in 8 EU citizens⁸ see themselves as currently engaged in entrepreneurial activities in the sense that they are:
 - Running an established business (6%);
 - Running a new business (3%);
 - In the process of working to start up a business (4%).
3. There are of course significant differences between countries with only a quarter of people in Sweden and less than a third in Denmark being interested in self-employment, compared with over 60% in Greece and Cyprus. For those who might assume that such country differences are long-standing and cultural, some of the evidence over time suggests otherwise. For example, the Greek preference for self-employment has evolved strongly since 2002 when interest in self-employment was much closer to the EU average.
4. For those engaged in starting or running a business, the incentive is generally positive – having a good idea (85%) or having the money (80%) – although dissatisfaction with their previous situation can be an important factor, particularly it seems in a number of the Eastern European New Member States. Again, circumstances affect behavior, for example around 55% of respondents became self-employed because they saw an opportunity (80% in the Netherlands and Denmark) while 25% did so out of necessity.

The biggest fear, not surprisingly, is of going bankrupt with 50% seeing it as a possibility, although the uncertainty of not receiving a regular income is also a major concern.

5. In terms of the EU citizens' image of entrepreneurs, a surprisingly large proportion (almost 90%) see entrepreneurs as job creators, and over three-quarters of citizens see them as creating new products and services and generally being of benefit to society. Furthermore, in terms of how their more general reputation, it is interesting to note that the standing of entrepreneurs is exceeded only by architects and lawyers. In other words – entrepreneurs are very popular with the general public!

⁸ It should be noted that whilst the Eurobarometer suggests that 13% of people are self-employed, the official data used by the EU puts the figure somewhat higher at 16% with a split between men at 19% and women at 12%.

2. The Rural Entrepreneur

2.1 Characterising the Rural Entrepreneur

Attempts to characterise and define entrepreneurs are endless and extensive – and probably best left to academics and the many volumes of literature that have been written on the subject!

The aim here is certainly not to promote one specific understanding of the concept of entrepreneurship, but to leave the concept open for different interpretations in order to enable a fruitful discussion about how to promote rural entrepreneurship in its broadest sense.

But two important things are clear.

1. Firstly, whilst many small business owners may perceive themselves as entrepreneurs, running a small business and being an entrepreneur are not the same thing. For example, the ability to successfully plan, run and expand a profitable long-term business (such as a family farm) requires very specific managerial skills – whereas an entrepreneur does not rely solely upon managerial skills to achieve his/her business objectives. Entrepreneurship is also closely linked with innovation, creativity and a degree (sometimes significant) of risk-taking⁹.

Innovation has been defined as “using creativity to add value” where the additional value can be economic, social, cultural, aesthetic etc. Creativity is about generating new ideas and solving problems. The process of innovation and therefore the ‘role’ of entrepreneurs is to put these ideas and solutions into use as either new or changed products, processes, services, ways of organising business structures or entering new markets.

This dual requirement for entrepreneurs to be innovative, creative, risk-takers as well as possess robust business skills is clearly reflected in the European Commission’s 2003 Green Paper definition of entrepreneurship¹⁰ as:

“...the mindset and process to create and develop economic activity by blending risk-taking, creativity and/or innovation with sound management, within a new or existing organization”.

2. The classical understanding of entrepreneurship is that it is financially-orientated with success commonly measured in terms of economic profit and the creation of employment. But this is a rather narrow understanding of the concept since social entrepreneurship is also a very important force for change and uses good business principles to create and manage ‘enterprises’ and activities that organise various aspects of local community life on a non-profit making (or at least very small profit-making) basis.

These social/community enterprises might include environmental management, social welfare, leisure, sporting or cultural activities and are commonly built upon the concept of ‘social capital’ involving features of social organisation such as trust, co-operation, mutual support, networking, civic engagement and ultimately collective well-being.

For example, in Sweden a broad appreciation of the term entrepreneurship is expressed by the Swedish Agency for Economic and Regional Growth as follows:

⁹ Dollinger, M.J. (2003). *Entrepreneurship – Strategies and Resources*. Pearson International Edition, New Jersey.

¹⁰ Euroactiv (2004). Entrepreneurship in Europe (updated 17 August, 2004) – see: <http://www.euractiv.com/en/innovation/entrepreneurship-europe/article-117477>

"Entrepreneurship is a dynamic and social process, where individuals, privately or in co-operation, identify possibilities and utilise them to transform ideas into practical and goal-oriented activities in a social, cultural or economic context".

Although not in an EU context, this broad approach is further expanded by the Ministry of Education and Science in Norway¹¹:

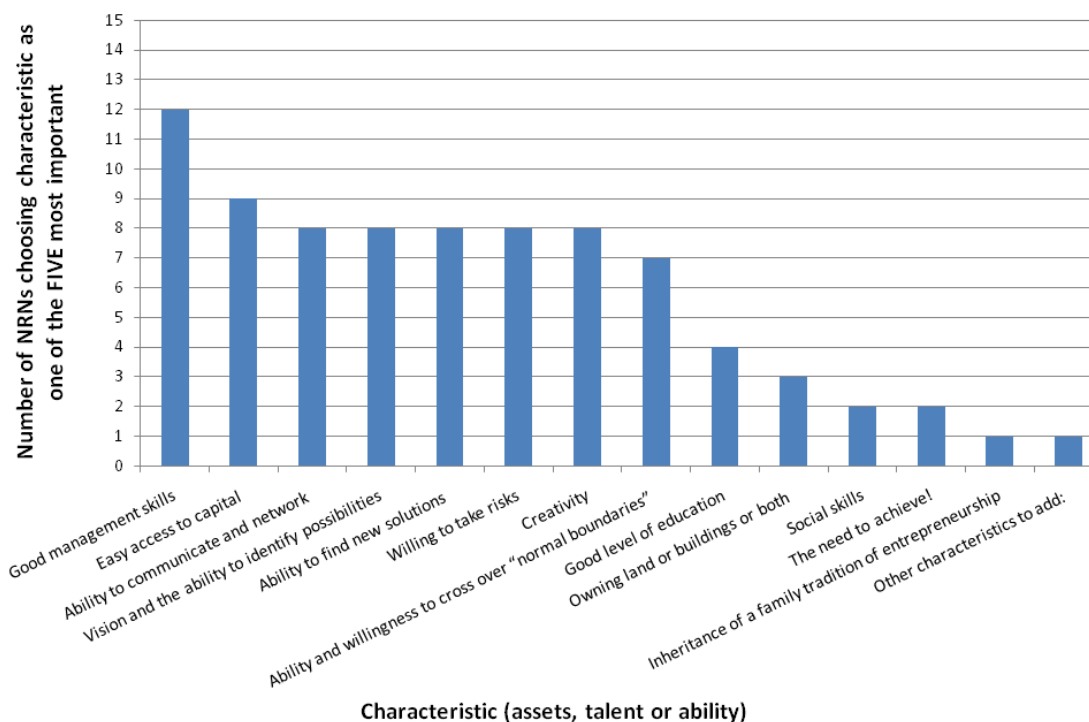
"It is not just a matter of how to support would-be entrepreneurs, but also how people who are employed can adopt an entrepreneurial attitude in their jobs or even how people can be good citizens and be innovative in their society as a whole".

Such an approach views entrepreneurship as being about the fundamental personal qualities and attitudes of individuals encompassing, for example, their ability to take initiative, be innovative and creative, plus their willingness to take risks and their resulting increased self-confidence.

NRN Perspective

It is against this background that the NRN's were asked to identify what they felt were the key characteristics of successful entrepreneurs in their country/region (Figure 1).

Figure 1: Characteristics of successful rural entrepreneurs



Interestingly more NRN's identified good management skills as a key characteristic than any other entrepreneurial ability. Access to capital was mentioned as the second most important characteristic, with the following 5 characteristics grouped together in third place:

- ability to communicate and network;
- vision and the ability to identify possibilities;

¹¹ Elisabeth Rønnevig, adviser at the Norwegian Directorate for Education, Training and Work at the Ministry of Education and Science.

- ability to find new solutions;
- willing to take risks, and;
- creativity.

These results reflect the observations from Section 2.1 above, again emphasizing that the key characteristics for successful entrepreneurship are – managerial expertise combined with innovation, creativity and a willingness to take risks. Quite surprisingly education was only mentioned by four of the NRN's suggesting that entrepreneurial talent is not closely associated with good academic achievement.

There are likely to be existing entrepreneurs in every region who have the full range of skills to be successful businesses innovators. At the same time there may be many more 'potential' entrepreneurs who either have i) the creativity to develop new and novel ideas, but lack the business skills to take them forward, or; ii) have sound business skills, but who require an environment which enables and encourages them to think more creatively in order to develop new and novel approaches.

Providing support and tools to existing entrepreneurs is obviously an important aspect of developing rural entrepreneurship. However possibly more important is providing appropriate skills and support to encourage the larger number of 'potential' entrepreneurs (of both types outlined above) which exist to develop and implement new and diversified rural economic activity.

For example, an Innovation Taskforce¹² established in Ireland in 2010 clearly acknowledged that only a small number of enterprise start-ups will usually succeed, but in order to bring this small number to success a much larger number of initial entrepreneurial ideas are required.

This whole innovation process was described by the Taskforce as a "*...funnel with a number of stages (with a declining number of individuals involved at each stage)*". These stages include:

1. **Business concept** – the entrepreneur envisages a business idea,
2. **Investigation** – they gather information and evidence on the idea,
3. **Forming** – new business, or a diversified activity is set up,
4. **Funding** – sufficient capital to achieve initial targets is sourced,
5. **Subsequent funding** – the business is scaled up,
6. **Exit** – exit from the enterprise through sale or other, and;
7. **Recycling** – new idea or venture is established.

Support, encouragement, advice and mentoring are required at each stage along the process. If this support is not provided, the success rate is seriously impeded and considerable potential may never be realised.

This reinforces the importance of not only engaging with 'existing' entrepreneurs, but also ensuring the correct tools are in place to provide the skills and support required to develop 'potential' entrepreneurs. Equally it highlights the requirement to accept that entrepreneurial activity is inevitably innovative and therefore embodies a greater level of risk which may consequently result in a higher number of failures.

¹² Innovation Task Force (2010). *Report of the Innovation Taskforce*. March 2010. Department of the Taoiseach, Stationery Office, Dublin – see: http://www.taoiseach.gov.ie/eng/Innovation_Taskforce/Report_of_the_Innovation_Taskforce1.htm

2.2 Priority Target Groups and Sectors

Having identified that there are both 'existing' and 'potential' entrepreneurs it is then useful to consider those the target groups and sectors which are a priority for supporting the strengthening of rural entrepreneurship.

NRN Perspective

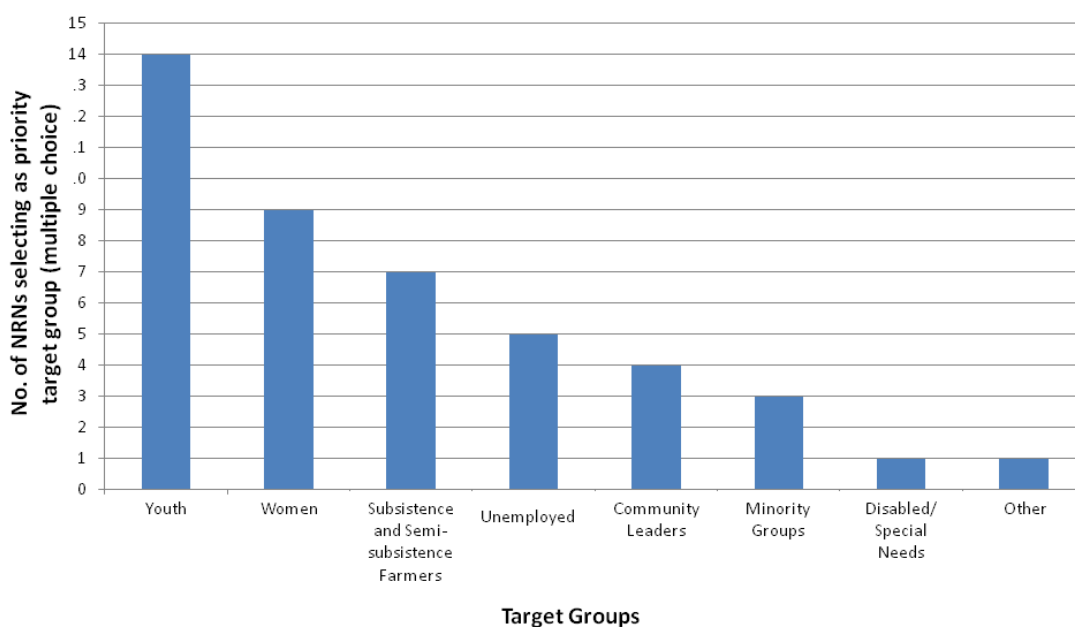
The NRN's were asked to identify the key target groups they felt would respond most effectively to entrepreneurial development support. The results in Figure 2 below identify the three most important target groups as:

- Youth;
- Women, and;
- Subsistence and semi-subsistence farmers¹³.

The need to develop entrepreneurial skills in these groups is obviously diverse, however possible drivers for wanting to engage more effectively with supporting these specific groups might be:

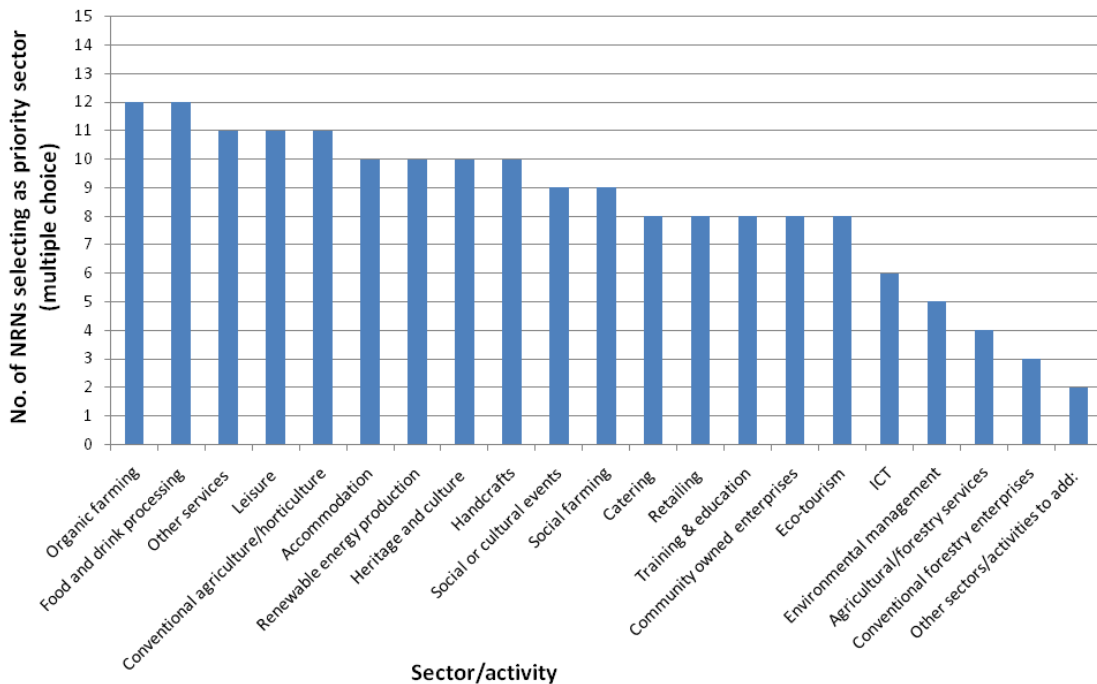
- To enable young people to develop new and novel income generating activity in rural areas and so minimize out-migration;
- To support under-employed women (e.g. wives and daughters in farming families) to become more economically activity, and diversify enterprises within their families existing rural business;

Figure 2: Priority target groups for strengthening rural entrepreneurship



¹³ There is no universally agreed definition of subsistence farming and no precise criteria for separating a subsistence farmer from a more commercially-orientated one. As the basis of its special transitional measure to encourage the commercialisation of small-scale farms in the New Member States, the European legislation (Art. 34.1 of Council Regulation n°(EC) 1698/2005) defines 'semi-subsistence' farms as "...*agricultural holdings which produce primarily for their own consumption and also market a proportion of their output*".

Figure 3: Priority sectors for the strengthening of rural entrepreneurship



- To encourage small-scale farmers to enter the market thereby adding value to their products and/or services; helping to secure their economic viability, and; reducing the likelihood of abandoning their traditional land and farming practices and the natural/landscape values associated with them.

The NRNs were then asked to identify the specific sectors they saw as a priority for developing rural entrepreneurship. The results are outlined in Figure 3 above.

Once again agricultural activity was identified by the NRNs as a key sector, with organic farming and food and drink processing being mentioned by nearly all the NRNs. Other services for rural communities, leisure and conventional agriculture were seen as the next most significant, followed by accommodation, renewable energy, heritage and handicrafts.

This would suggest that the key sectors identified as priorities for strengthening rural entrepreneurship fall broadly into three categories:

- Food and farming;
- Basic services for the rural economy, and;
- Tourism and leisure

Interestingly those sectors which are not seen as traditionally, or exclusively, rural such as ICT, training and education, and retailing have not been mentioned by so many NRNs. This may be due to the spatial limitations of rural areas which make the successful delivery of these types of businesses more challenging or the lack of 'cultural knowledge' of them.

But overall there is a clear tendency for those sectors identified as a priority for strengthening rural entrepreneurship to be the same as those alternative economic enterprises/activities commonly associated with farm diversification.

2.3 Summary Conclusions

The survey work and review carried out to help define and target entrepreneurs has identified some interesting key issues:

- To be successful rural entrepreneurs require dual skill sets – robust business skills, and the ability to be creative and take risk;
- As well as existing entrepreneurs there are also potential entrepreneurs – those which possess one of the required skill sets however require additional support to develop the other;
- The key target groups in rural areas are young people, women and small-scale (subsistence and semi-subsistence) farmers;
- The key target sectors are food and farming, basic services and tourism;
- Developing an entrepreneurial environment, including appropriate support mechanisms, will encourage and enable these targeted potential entrepreneurs to develop and implement their business ideas.

3. Understanding the Entrepreneurial Environment

3.1 What is the Entrepreneurial Environment?

Having gained a clearer understanding of what a rural entrepreneur is - the next question is how can one create an environment which encourages them to develop and thrive?

The published literature suggests that rural entrepreneurship is not solely reliant on the presence of specific entrepreneurial individuals, but also on the broader rural context which forms the so-called "entrepreneurial ecosystem"¹⁴. This is the environment that fosters the emergence of new enterprises and consists of an inter-connected set of elements comprising risk-takers, sources of information, different resource providers, markets, technologies and various intermediaries that facilitate the processes associated with business start-ups etc.

For example, new enterprises can be created by providing education and training people with business skills; attracting in-migrants who have entrepreneurial skills (e.g. urban migrants, early retirees or returning ex-villagers), and/or; encouraging under-represented young people and women to enter the self-employed workforce.

Support for business start-ups can be provided with pre-startup advice, idea appraisal and start-up assistance. The success of existing entrepreneurs can be enhanced by supporting them with business advice (e.g. business planning, marketing, exporting and information technology); providing specialist support such as helping farmers diversify into new farm or non-farm activities, and/or; providing infrastructure such as incubators, transportation and information technology.

What is important to note is that the different elements of the "entrepreneurial ecosystem" appear to work together in an interactive way such that improving the conditions for entrepreneurship is **not** just confined to ensuring that all the necessary elements are in place – but rather that the elements are **combined in an appropriate way** (this is rather like the difference between a list of ingredients and a recipe).

Until recently there has been relatively little empirical research in relation to entrepreneurship and enterprise in relation to agriculture, even though the proportion of people in agriculture who are self-employed is more than three times the average for the whole economy, at close to 55%, with low levels (closer to the national average for all sectors) being limited to just a few of the new Member States, namely Estonia, the Czech Republic and Slovakia.

This implies that, if we accept the proposition that the proportion of people who are self-employed is some kind of reflection of entrepreneurial practice (as implied in much of the Commission's work, and reflected in the Eurobarometer results), then Europe's farmers are already heavily engaged in entrepreneurial activity. It could be argued that this is a result of the external entrepreneurial environment in the food and farming sector where many businesses have had to diversify their activity or add value to their products in order to survive.

The scarcity of detailed local evidence has changed recently with the publication of a major ESoF (Entrepreneurial Skills of Farmers) study on 'Developing Entrepreneurial skills of Farmers'¹⁵ just completed under the 6th Framework Programme, including an empirical study 'Exploring the Significance of Entrepreneurship in Agriculture'.

¹⁴ Lee, S.H. and Phan, P.H. (2008). *Initial Thoughts on a Model of Rural Entrepreneurship in Developing Countries*. Expert Discussion Paper, World Entrepreneurship Forum (November 14-15, 2008), Paris, France.

¹⁵ *Developing the Entrepreneurial Skills of Farmers* - a research project financed under the "Policy-orientated Research" area of the EC 6th Framework Programme – see: <http://www.esofarmer.org>

The stated object of the Framework 6 ESoF project is to examine the economic, social and cultural factors hindering or stimulating the development of entrepreneurial skills of farmers with a view to recommending improvements in performance.

It is based on the experiences of regions in six countries – England, Finland, Italy, the Netherlands, Poland and Switzerland – and tackles in some depth the issue of what kinds or sets of skills or the 'internal' entrepreneurial environment required in order to develop farm activities successfully.

The report begins by acknowledging that a basic skill that all people and businesses need today is the capacity to deal with change, and that entrepreneurial skills form part of the qualities a business owner needs in order to deal with a changing environment. The report also recognises that, since the agriculture sector encompasses a large number of farms, each run by one or a few people, it contributes greatly to the dynamism or otherwise of rural areas.

The report also draws a useful distinction between:

- the '**external' entrepreneurial environment** – the social and business environment in which the farmers operates, including the impact of changes in terms of the globalisation of markets, EU and national policies, consumer demands, supply chains, environment, climate and energy;
- the '**internal' entrepreneurial environment** - the capability, skills and competences of the farmer in the face of these factors.

Strategic responses by farmers to the 'external' environment are seen to cover:

- Cost reductions resulting from actions to exploit economies of scale;
- Adding value to productions, especially through niche markets;
- Diversification into non-agricultural activities.

The range and types of skills required by farmers, or their 'internal' environment are carefully identified in this research, and have been categorised into two main groups:

- Sound business skills needed to keep a farm running successfully – sectoral expertise and managerial competency, and;
- Skills needed to innovate and cope with change – opportunity skills, strategic skills and networking skills.

Against these criteria for developing the 'internal' environment for entrepreneurship, the research also addressed the issues of the characteristics and attitude of farmers, and how these relate to the successful mastery of the challenges they face.

In terms of the importance of the more easily identifiable factors - such as age, education, gender and experience - views on the ground were mixed. Some considered education to be primarily important regarding the more basic business skills, while others felt it aided the entrepreneurial spirit. Age was also seen in different ways – youthful ambition versus experience. Likewise gender is less and less an issue, especially in areas experiencing positive development.

Less easy to handle is the issue of the importance of more general personal characteristics – the ability to know oneself, to willingness to approach issues from a positive perspective, to be open to new ideas, to have ambition, and so on. These characteristics are likely to be heavily influenced by general experience and expectations, which will vary significantly between regions and countries.

Overall, the ESoF study concludes that while the entrepreneurial qualities that are required are actually highly uniform throughout the EU, the levels of entrepreneurial skills in place vary greatly both between and within countries.

The authors also suggest that farmers who are directly responsible for the success of their own business activities (i.e. not dependent on subsidies, or on marketing through intermediaries) appear to be more entrepreneurial, although these results may also be attributed to self-selection.

In operational terms, the research indicates the need for policy to operate at two different levels:

1. Developing the 'external' environment - to improve the overall social, economic, political and cultural framework or context which can help or hinder the development of entrepreneurial skills.

Interestingly, research suggests that entrepreneurship in rural areas across Europe is higher than in urban areas, and remote rural firms are more innovative than those in accessible areas¹⁶. This may indicate that the 'external' environment of associated with rural areas is already more conducive to encouraging entrepreneurial activity. For example, this may be due to:

- the specific constraints of rural areas requiring new and existing businesses to be more innovative and therefore entrepreneurial in nature, and/or;
 - rural areas containing a high number of natural assets and therefore more opportunities to harness them for income generating activity.
2. Developing the 'internal' environment - to directly seek to assist farmers to acquire the necessary skills to both manage their businesses and to better manage change i.e. to help them become more entrepreneurial through training and educational support.

Much emphasis has been put upon the cultural and social background – the enterprise's 'internal' environment - as a determinant or predictor of entrepreneurial activity, including in relation to women entrepreneurs who are becoming significant actors in many sectors, including farming¹⁷.

The creation of this 'internal environment' can also be achieved through the development and encouragement of entrepreneurial thinking and skills in young people through targeted school education programmes and other activities (for example, see Section 4).

It is now accepted that the majority of innovations in most sectors, including agriculture, are incremental not radical changes. Encouraging entrepreneurial activity does create positive change, however this tends to be gradual and so requires on-going support to sustain a long-term entrepreneurial environment.

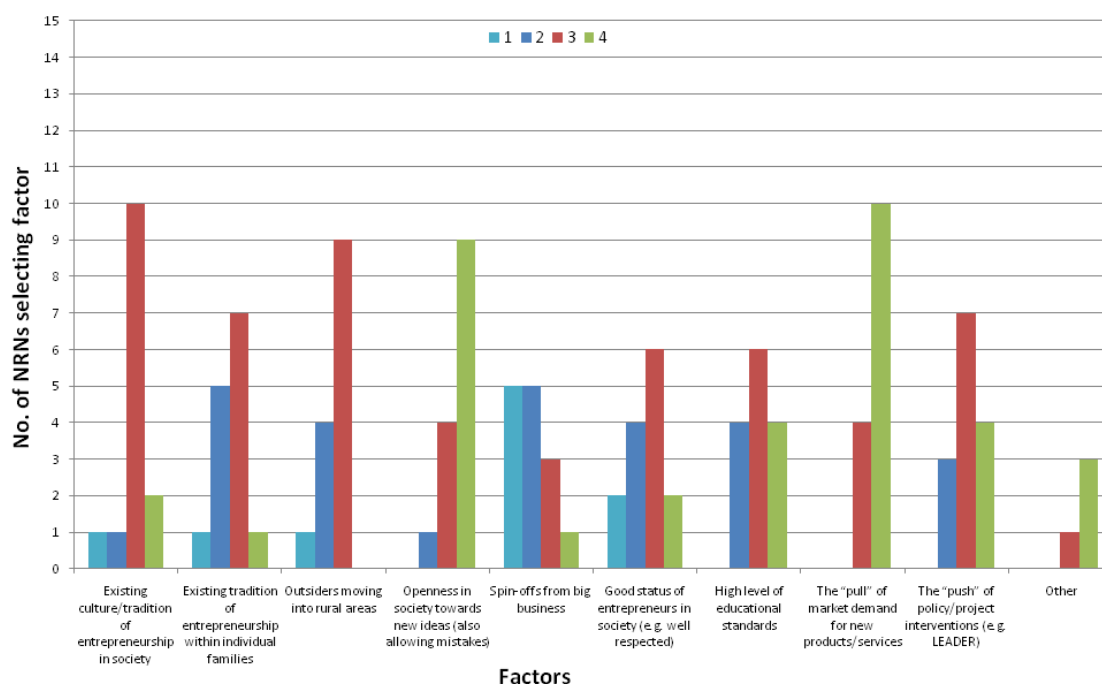
NRN Perspective

The NRN's were asked to identify the key factors in the 'external' environment which contributed to the development of new rural entrepreneurs. Each key factor was ranked from 1 – not so important, to 4 – very important (see Figure 4).

¹⁶ North, D. and Smallbone, D. (2006). Developing entrepreneurship and enterprise in Europe's peripheral rural areas: some issues facing policy-makers, *European Planning Studies* **14**(1), 41-60.

¹⁷ EC (2000). *Women Active in Rural Development: Assuring the future of rural Europe*. Office for Official Publications of the European Communities, Luxembourg – see: http://ec.europa.eu/agriculture/publi/women/broch_en.pdf

Figure 4: Key factors contributing to the supply of new rural entrepreneurs



The most significant 'external' environmental factor identified by the NRNs for encouraging entrepreneurship was seen as the "pull of market demand for new products/services", followed by an "openness in society towards new ideas (whilst also allowing mistakes)".

Further key factors were the "existing culture/tradition of entrepreneurship in society" and "outsiders moving into rural areas". The latter is a factor that probably needs further clarification since it is not clear whether it involves urban migrants, early retirees, returning ex-villagers etc. – nonetheless, an injection of new blood into the local community/economy is clearly perceived as a potentially good thing.

At the same time the NRNs placed less emphasis upon the role of big business spin-offs for generating new rural entrepreneurs – as well as less emphasis upon the perceived status of entrepreneurs in society or the educational level of would-be entrepreneurs. The lower emphasis upon education as a factor for encouraging entrepreneurship is broadly in line with the 2009 Eurobarometer survey¹⁸ which reported mixed views amongst respondents – around half felt that education was a positive influence, while half did not.

¹⁸ EC (2010). *Entrepreneurship in the EU and beyond*. Flash Eurobarometer **283**, DG Enterprise and Industry, Brussels - http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/eurobarometer/fl283_en.pdf

3.2 Key Challenges for Rural Entrepreneurship

The barriers to stimulating rural entrepreneurship, innovation and increasing the employment opportunities for rural dwellers have been considered by many stakeholders. These key challenges are most strongly associated with developing the 'external' entrepreneurial environment and fall into four broad areas:

1. Policy and regulation
2. Culture and society
3. Finance and economy
4. Environment and natural assets

NRN Perspective

The participating NRNs were asked to identify what they saw as the key challenges for rural entrepreneurs in each of these four categories for start-up businesses, existing businesses and social enterprises.

Regarding policy and regulation (Figure 5 below), the NRNs clearly highlight that the greatest challenge for all types of entrepreneurial activity is seen as the excessive amount of bureaucracy involved in business start-up and development. Most of the remaining key challenges then relate solely to business start-ups – notably “poor access to land or other natural resources” and “administrative irregularities, unfair competition or even corruption”, as well some examples of poorly developed support and advisory systems for entrepreneurs.

The key challenges of existing businesses are essentially similar, but with a slightly different weighting.

Figure 5: Description of key challenges for rural entrepreneurship: Policy and Regulation

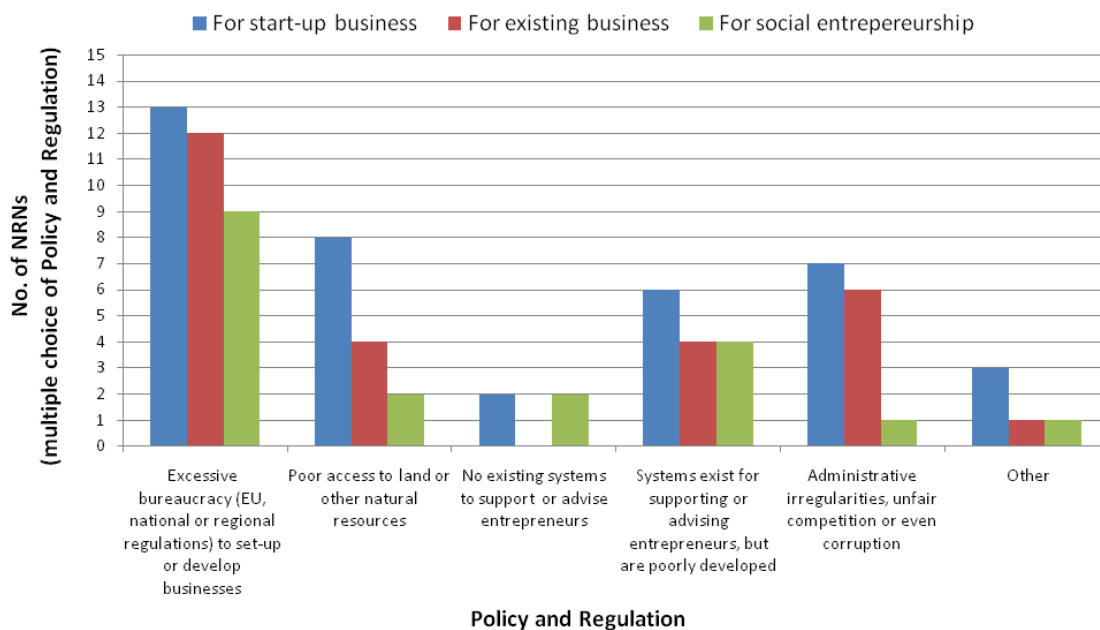
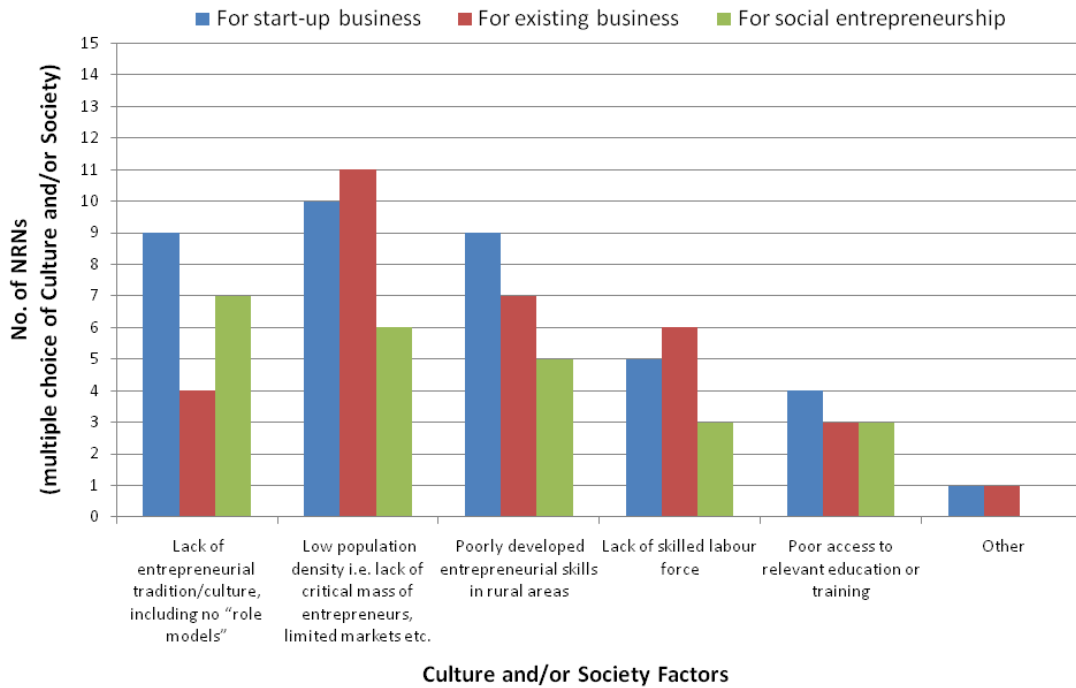


Figure 6: Description of key challenges for rural entrepreneurship: Culture and/or Society



The next group of key challenges addressed were those associated with culture and/or society (see Figure 6 above).

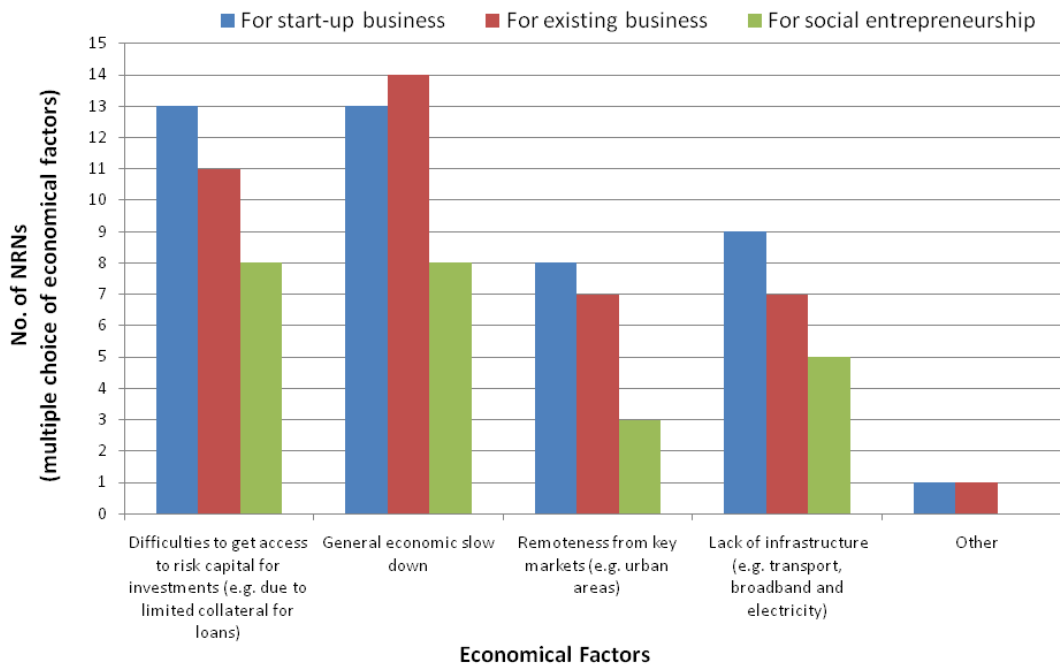
The biggest societal challenge for start-up and existing businesses is the low population density in rural areas. This is noticeably less important for social enterprises which may be associated with a number of entrepreneurial social businesses being developed to specifically deal with the delivery of services into sparsely populated rural areas. The lack of an entrepreneurial culture and no positive role models was highlighted as a significant issue for start-up and social entrepreneurs. It was also felt that the development of all three types of entrepreneurial activity was hindered by the low level of entrepreneurial skills, although again access to relevant education and training was not seen as a major challenge.

These results suggest that training, skills transfer and entrepreneurial mentoring are key areas for support to be developed.

The area of economic challenges within the 'external' entrepreneurial environment was discussed next with the results laid out below in Figure 7. Access to 'risk capital' and concerns relating to the general economic downturn and therefore the broader economic environment were the two key challenges cited for all three types of businesses. Lack of necessary infrastructure required to run a successful enterprise was also highlighted as a key issue (note that even access to mobile phone networks is a problem in some remote areas).

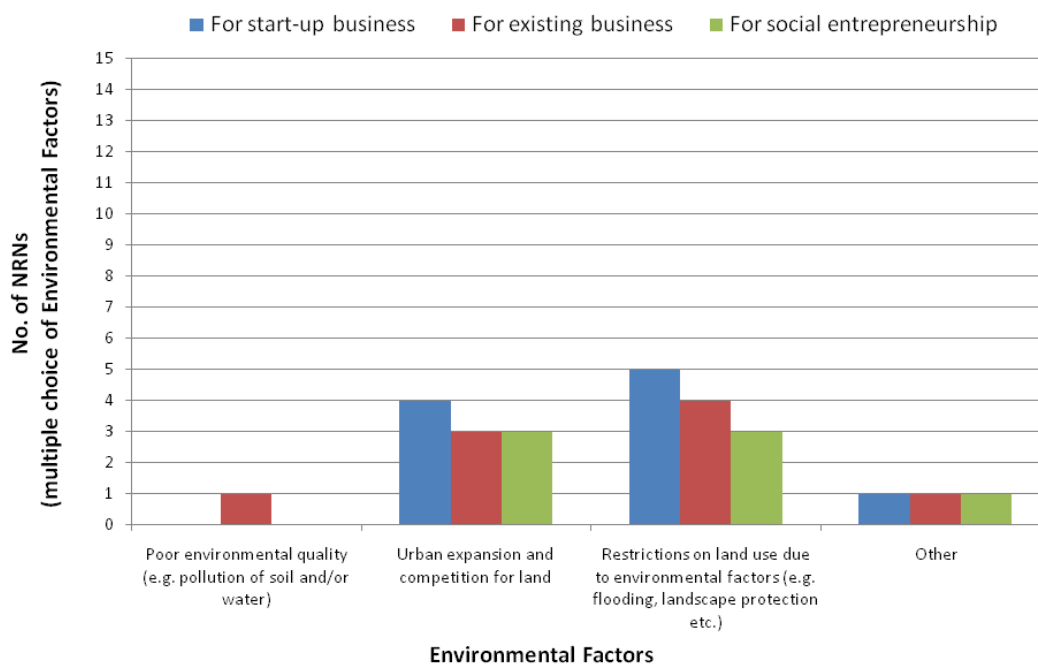
Once again social enterprises were seen to suffer less from rural isolation and limited market access.

Figure 7: Description of key challenges for rural entrepreneurship: Economical Factors



The fourth area the NRNs were asked to comment on was the key challenges associated with the environment and natural assets (see Figure 8 below). Firstly it is apparent that far fewer NRNs saw the environment and access to natural resources as a challenge to the development of rural entrepreneurship. Of those that did environmental restrictions on land use and competition for land were seen as equally challenging for all types of rural entrepreneurs.

Figure 8: Description of the key challenges for rural entrepreneurship: Environmental Factors



3.3 Summary Conclusions

Rural entrepreneurship is not solely reliant on the presence of specific entrepreneurial individuals, but also on the broader rural context which forms what might be called the "entrepreneurial ecosystem". This is the environment that fosters the emergence of new enterprises and consists of an inter-connected set of elements comprising risk-takers, sources of information, different resource providers, markets, technologies and various intermediaries that facilitate the processes associated with business start-ups etc.

However, it is also important to make the distinction between the 'external' entrepreneurial environment (i.e. the social and business environment in which the entrepreneur operates and the 'internal' entrepreneurial environment (i.e. the capability, skills and competences of the entrepreneur).

According to the NRNs surveyed, the most significant 'external' environmental factor for encouraging entrepreneurship is the "pull of market demand for new products/services", followed by "openness in society towards new ideas (whilst also allowing mistakes)".

At the same time, the same NRNs perceived the main challenges for rural entrepreneurs to be as follows. Regarding:

- **Policy and regulation** - the greatest challenge for all types of entrepreneurial activity is seen as the excessive amount of bureaucracy involved in business start-up and development;
- **Cultural and social factors** – the biggest challenge for start-up and existing businesses is the low population density in rural areas;
- **Economic factors** - access to 'risk capital' and concerns relating to the general economic downturn and therefore the broader economic environment were the two key challenges cited for all types of businesses;
- **Environment and natural assets** – not generally seen as a challenge to the development of rural entrepreneurship.

4. Encouraging the Entrepreneurial Process

Having defined an 'actual' and 'potential' rural entrepreneur, the 'external' and 'internal' environment required to encourage them to act, and the process required to bring their ideas forward it is important to understand the context in which all these factors must work together.

4.1 Identifying the Needs of Rural Entrepreneurs

Many people see successful entrepreneurs as tough individuals, working long hours on their own and making a success of their business idea despite various challenges and obstacles.

But it does not often work that way. Most successful entrepreneurs actually have networks of fellow entrepreneurs with whom to share experiences and advice. They need an assortment of professionals with specialized knowledge – for example, in law, accounting and marketing. And to keep the "flame burning" when things get really tough, they need to feel recognized and valued.

In other words, it takes a community to raise an entrepreneur. And creating such a community requires a long-term commitment and a broad-based strategy. In the context of rural development policy in the EU Member States there are many different stakeholders involved in building this community of entrepreneurs, including the LEADER Local Action Groups (LAGs) – many of which have been actively working with local rural entrepreneurs for many years and are highly valued for their 'on-the-ground' encouragement of innovative new enterprises and contribution to job creation¹⁹.

An important part of the baseline survey was therefore about using the accumulated knowledge and expertise of the LAGs to get some "grass-roots" comment and feedback on the *real* needs of the local rural entrepreneurs that they know. The NRNs were encouraged to contact LAGs in order to collect information under five general categories of "needs":

- Technical Assistance and Information
- Education and Training in Entrepreneurship Skills
- Access to Capital
- Access to Networks
- Appropriate Policy Development

Three NRNs – Hungary, The Netherlands and Sweden – either undertook the necessary survey work or already had relevant information from previous survey work. For example, all 96 LAGs in Hungary were contacted by the Hungarian NRN and a total of 21 LAGs participated in the survey. These covered all of the statistical regions in the country and consequently give a reasonable reflection of the problems and needs of rural entrepreneurs in the whole of Hungary.

Technical Assistance and Information

For the majority of Hungarian LAGs surveyed, the most important need for local entrepreneurs is more information! More newsletters, leaflets, internet webpages, consultancy and information services would all help – provided of course that they deliver information in a timely way! A clear demand was also expressed for the publication of best practices/relevant experiences.

¹⁹ For example, see the 2010 report from the Irish NRN called *Stimulating the Agricultural and Rural Economy Through the Rural Development Programme* which can be downloaded from: <http://www.nrn.ie/general/2010/12/report-urges-greater-emphasis-on-enterprise-in-delivering-rural-development-programme/>

Information on relevant laws and policies was identified as the most urgent need of rural entrepreneurs in the Netherlands together with training in entrepreneurial skills, especially the preparation of business plans. It is anticipated that with better business plans it will be easier to get access to capital.

Guidance on the existing support systems and their regulations, including EU funds, are considered to be an important need in Sweden in order to support *both* new and existing entrepreneurs.

Education and Training in Entrepreneurship Skills

The most important training needs of local entrepreneurs identified by the Hungarian LAGs related to management, marketing and finance skills. However, the LAGs also stressed that it is important to organize trainings according to the specific needs identified at local level since these can vary significantly between regions and micro-regions. All the LAGs agreed on the need for a variety of different types of trainings, meetings or workshops - but opinions varied about who exactly should be the target group for training.

The Swedish LAGs were more focussed on the necessary target groups. They were clear that in order to change attitudes and create a positive entrepreneurial climate, it is necessary to train young people (even young children and school pupils) in an entrepreneurial way of thinking. The approach adopted should allow innovative ideas to be tested, enabling young people to realise their good ideas and to build their confidence as potential entrepreneurs.

Some LAGs pointed out that the needs of young entrepreneurs are not fully met at present since *"...in many schools the entrepreneurial pupils are more regarded as problematic compared to the 'well behaved' that not are questioning anything, but also are without any new ideas....This is about a shift in attitudes. We have to change the hierarchical authoritarian approach in many schools and societies to a more bottom-up approach where the ideas of individuals are welcomed"*.

One specific example (partly financed by the Swedish NRN) of how to better meet the entrepreneurial needs of young people was the 'entrepreneurship training camps' and conferences for youth and teachers held in Gotland in the summer of 2009. Called the "72-hours race to innovation", this initiative aimed to "provoke" small groups of innovators to "create" (with the help of a back office of several experts in different fields) innovative new enterprises on a specific theme within 72 hours.

Access to Capital

According to the Hungarian LAGs, local enterprises need more favourable credit opportunities or some kind of alternative solution for the problem of lack of capital. In particular, *"The entrepreneurs need a simpler and faster system with more favourable conditions. Some LAGs proposed a pre-financing system or personally tailored loan arrangements"*.

Some LAGs expected that the national rural network should play a role in contacting relevant financial institutes or organizations and initiate a dialogue between the entrepreneurial and bank sector.

Not surprisingly, the Dutch and Swedish LAGs also identified access to capital as one of the most important needs of rural entrepreneurs. The Dutch LAGs stressed the importance of helping entrepreneurs prepare good business plans and then guiding them through the process of securing finance, including assistance with meetings with the bank etc.

The Swedish LAGs expressed concern that rural businesses are often regarded as lacking credibility since they have limited collateral for securing loans. This problem is exacerbated since the bank system is seldom represented at a very local level so that the banking staff do not have sufficient local knowledge to assess a rural business idea. According to the Swedish

NRN, "...there is a market failure in the access to financing for rural investments. The Swedish Leader axis in the RDP does not allow any support direct to single private entrepreneurs. It is only possible to give project funding where there is a common interest for society and/or a whole group of businesses".

It was felt that there should be a system where local rural organisations can offer local knowledge to help the banks and other creditors in their assessment of investment proposals. It was also suggested that there should be more possibilities for 'local savings schemes' in order to build up a local base of risk capital that could, for example, be administered to private businesses via the LAGs. The NRN could play a role in supporting such initiatives by highlighting them and arranging conferences and seminars for the exchange of experiences.

Access to Networks

The Hungarian LAGs found networking to be a very important question and suggested that entrepreneurs need useful network systems at both national and international level, including the opportunity to develop thematic relations etc. The LAGs have many ideas for developing such a network system and the most frequently mentioned tools were contact lists, forums and meetings, a main website, preparation of guides, establishing trade associations and using various public relation tools.

The LAGs clearly expected that a national rural network should help with all aspects of building and operating a national and/or international network for entrepreneurs. Relevant tasks include publishing guidelines, leaflets and newsletters including the best practice of the international partners; organizing events, forums, meetings, conferences; field trips, and operating a main webpage.

Meanwhile, it was stressed by the Dutch LAGs that it is very important that in all processes and networks the entrepreneurs do really have the feeling that it is their network and that they see the 'added value' of being part of the network. If this exists then the commitment to networking will be much more sustainable and participants will be more willing to share information between each other (learning by sharing).

The need for building networks to overcome the lack of critical mass in rural areas was also a high priority expressed by the Swedish LAGs. Lack of critical mass can make it more difficult for entrepreneurs to get access to other entrepreneurs and to gain knowledge from advisors. For example, living at a distance from a university, business incubator or a thematic knowledge cluster forces entrepreneurs (and others) to work in different ways to get access to new knowledge and also to meet others with whom you can exchange experiences and ideas and also form strategic alliances. A lack of advisors, and other 'animators', that can assist with finding suitable networks was also cited as a specific problem.

The NRN could help by arranging seminars, web-based tools and other measures designed to facilitate and enhance match-making between entrepreneurs as well as support the establishment of animators and regional projects that support the creation of networks.

Appropriate Policy Development and Implementation

There were many different ideas linked with better policy-making expressed by the Hungarian LAGs. They expect more consultation, meetings and forums linked to better strategic planning to support local business development. The LAGs are frustrated by slow decision-making and want more rapid responses and faster decision-making on policy issues, furthermore they also expect more localised problem-solving and decision-making with less bureaucracy. This includes greater commitment to consensus-building on key issues.

Continuous and effective communication is essential for informing and supporting these processes. Provision of more information, including the publication of special guidance and the dissemination of best practice examples is a clear need voiced by many LAGs.

Many Hungarian LAGs want administrative procedures for grant-making to rural entrepreneurs to be speeded-up and simplified with reduced processing times for applications and faster payments. The national rural network is expected to help review the application system in order to improve it.

Similar issues were also reflected in the comments of the Swedish LAGs consulted. When it comes to development of new policies there is a need to shorten the often long processing times for applications for support and thereby launching of projects. It is also a general opinion that the audit and security measures sometimes hinder creative development of new ideas by a heavy focus on avoiding administrative failures rather than to really do something that changes the negative economic and demographic trends in the rural society.

4.2 Support Tools for Rural Entrepreneurship

A total of 4 NRNs (Hungary, Estonia, Netherlands and Sweden) provided more detailed information on the tools currently being used to encourage and support entrepreneurship. The four networks all had very different ways of collecting answers for the questionnaire – some replies were based only on the perspective of the network support unit, others were more of a joint effort with stakeholders. Nonetheless, the examples provided still identified some key activities which could be replicated in other areas.

A full list of the tools identified by the four NRNs is included in Annex 2 at the end of this section. These tools can be further usefully grouped into the 'internal' and 'external' entrepreneurial environments described in previous sections as follows.

Tools for Developing and Supporting the 'Internal' Entrepreneurial Environment

These tools relate to developing individuals so as to encourage their entrepreneurial spirit with the appropriate skills to take their business ideas forward. The NRNs have identified the following areas as key challenges, the proposed best practice examples demonstrate activity that is supporting entrepreneurs to overcome these challenges.

- **Providing training courses in business management to ensure the creative, innovators in the area have the skills to successfully implement their new entrepreneurial ideas**

Axis 1 and 3 in the Swedish RDP are used to deliver training, networking and market development services to small rural entrepreneurs. The Swedish Federation of Voluntary Associations for Adult Education organise a series of study circles and training courses for local village development groups and their rural communities in order to encourage entrepreneurship. The Dutch Baronie LAG is also establishing an initiative to help entrepreneurs to develop management skills and involve them in existing networks.

- **Providing training courses in innovation, change management, risk and creativity to develop the entrepreneurial capacity of individuals, particularly young people**

Sweden has a national programme designed to encourage entrepreneurship in young people. With support from regional Youth Business Advisors they are encouraged to develop a business idea, write a business plan, start, run and close the business in a school year. This enables them to understand and learn the skills required to run an entrepreneurial business without taking on the financial risk.

- **Creating networks of entrepreneurs to provide mutual support and share best practice**

The Netherlands are implementing several projects through the current RDP which are focused on creating and supporting networks of entrepreneurs. The "Blauwe Lint" project has created a networking organisation for tourism business including joint promotion, branding and cooperation. This has been so successful a similar project has been established in "Waar Westerwolde" with support from the members of the original initiative. A project has also been established in the Netherlands specifically focused on women in enterprise to exchange knowledge and experience between existing and start up businesses.

The Dutch NRN has also highlighted a range of projects working with specific sectors, such as tourism, local products and the arts, which have brought together entrepreneurs to develop joint working initiatives across areas. Visit Sweden has established a similar project to support tourist entrepreneurs to develop a range of different projects, and Estonia and Hungarian LAG's have developed similar initiatives to develop joint business working around tourism and local food.

- **Providing on-going technical support specifically tailored to entrepreneurs to provide confidence that support will continue post set up**

The Dutch Leader Programme has supported the development of a 'Regional Institute of Entrepreneurs' which provides technical advice in a range of areas for new and existing businesses. Also from the Netherlands is the Project Hoogeland MKB which has focused on delivering support to entrepreneurs at different levels including networking, developing close working with the local municipalities, and tangible support to developing entrepreneurs focused on setting up small scale businesses in rural village settings.

The Swedish government has funded an advisory service for entrepreneurs with cooperative or social enterprise business ideas, and a regionally based service targeted specifically at female entrepreneurs.

Some Swedish Universities are also working alongside entrepreneurs to provide them with up to date research and information on business development and sector specific information.

The NRNs also highlighted the on-going role of existing agricultural and rural umbrella organisations and societies which continue to provide support to businesses within their specific sectors.

Tools for Supporting and Developing the Broader 'External' Entrepreneurial Environment

- **Better, more locally-led access to finance**

Sweden has a regional business funding organisation called Almi which complements the traditional banking sector providing funding specifically for small entrepreneurs and new start-ups. Similarly the Estonian Rural Development Foundation provides loans and guarantees for enterprises in rural areas, and Hungary has developed the new Hungary Micro-credit Programme providing access to loans for machinery, equipment, new services and tangible assets.

A further project has been developed in Hungary to provide funding to invest in equipment and premises required to support traditional processing methods. LAG

funding has also been targeted on a range of existing businesses and business start ups including grocery stores, fruit orchards, herbs and medicinal plants.

The Netherlands are also currently developing a 'Stimulating SMEs' project which will support innovative investments through a team of independent experts and a mentor who is linked in to the municipalities.

- **Tailoring the speed of funding approval and payment to the speed of business development**

The Swedish NRN identified a "youth cheques" scheme which works as an umbrella project owned and part administered by the LAG. The scheme provides quick and easy access to funding for young entrepreneurs to test out their entrepreneurial ideas.

- **A shift in the focus of funders from being risk averse and administratively burdensome, to effective risk management and an outcome orientation**

No project examples were identified under this specific need.

- **Harnessing local knowledge at all stages of policy formulation, delivery and evaluation**

No project examples were identified under this specific need.

- **Ensuring the broader community is understanding and supportive of entrepreneurial activity, including the risk of failure**

Although not specifically targeted at the development of entrepreneurs the Hungarian North Great Plain Regional Development Programme is implementing an Integrated Settlement project to enhance functions within towns. This is focused on improving local infrastructure and community cohesion, and the development of commercial services. Entrepreneurs could benefit from both the improved infrastructure and the communities improved understanding of economic development in their area.

- **Developing better communication between national, regional and local actors to ensure the needs of entrepreneurs can be met**

No project examples were identified under this specific need.

4.3 Summary Conclusions

Developing both the external and internal entrepreneurial environment required to support and develop rural entrepreneurs is a fundamental part of creating a diverse range of entrepreneurial businesses. Getting the environment right is absolutely key to a rural areas success. The survey results and review of other work has identified the main areas of focus.

Firstly the needs for developing the 'internal' environment, providing existing and potential entrepreneurs with the skills and confidence required to take forward their ideas:

- Providing training courses in business management to ensure the creative, innovators in the area have the skills to successfully implement their new entrepreneurial ideas,
- Providing training courses in innovation, change management, risk and creativity to develop the entrepreneurial capacity of individuals, particularly young people,
- Creating networks of entrepreneurs to provide mutual support and share best practice,
- Providing on-going technical support specifically tailored to entrepreneurs to provide confidence that support will continue post set up.

Developing the external environment is somewhat more complex, with many issues being beyond the direct control of local areas. The key needs were highlighted as:

- Better, more locally led access to finance,
- A shift in the focus of funders from being risk averse and administratively burdensome, to effective risk management and an outcome orientation,
- Harnessing local knowledge at all stages of policy formulation, delivery and evaluation,
- Tailoring the speed of funding approval and payment to the speed of business development,
- Ensuring the broader community is understanding and supportive of entrepreneurial activity, including the risk of failure,
- Developing better communication between national, regional and local actors to ensure the needs of entrepreneurs can be met.

As can be seen from this snap shot of project 'tools' currently being implemented or under development in various member states, there are certain types of activity which are being supported across several countries.

From the perspective of developing the 'internal' environment for entrepreneurs there appears to be good support for establishing networks and providing technical support, including a number of initiatives developed around sector specific projects. Equally the provision of business management skills is fairly broad ranging however it is a little unclear whether these are tailored specifically towards entrepreneurs. Surprisingly however there are few examples of specific entrepreneurial training in any of the four countries which responded. This may be simply because these countries have not focused on this particular aspect, or because defining entrepreneurial training is more complex than that of training in business management.

Some aspects of the 'external' entrepreneurial environment are also well served with all respondents identifying a range of initiative in place for providing credit, loans and guarantees, some of which are specifically focused on rural areas and entrepreneurial start-ups. One example was also provided of an umbrella entrepreneurial grant fund which had speeded up the decision and claim payment procedures. There are still some 'external' entrepreneurial needs that have been identified by the NRNs, but as yet are not being met. These are most strongly associated with policy development and implementation.

5. Final Conclusions

The rural entrepreneur is difficult to define as they come in many guises – from the young women with a great idea in the classroom, to the experienced farmer. So, rather than attempting to define and identify entrepreneurs, it is arguably more effective to define the skills an entrepreneur requires and then identify individuals with part or all of those skill sets.

Both the survey work and the broader review highlighted the need for entrepreneurs to have two specific skill sets, one associated with robust business management, the other with entrepreneurial vision and creativity. Understanding these dual skills enables the identification of 'existing' entrepreneurs, and potential entrepreneurs, those individuals who possess one of the required skill sets however require additional support to develop the other.

The key target groups for support identified by the NRNs were young people, women, and subsistence of semi-subsistence farmers. This could be associated with the desire to minimise the outmigration of young people, the common levels of underemployment of woman in rural businesses, and the need to sustain small-scale farming as a significant sector in rural areas.

The target sectors were seen as food and farming, basic services, and tourism and leisure. These industries have a longer tradition in rural areas, and so the knowledge and skills base associated with them are stronger.

This would suggest that support to develop existing and potential entrepreneurs should be targeted at:

- Young people, particularly those still at school;
- Women, particularly those from farming families;
- Small-scale producers, particularly those who can add value to their products or diversify their farms.

The most significant factors which contributed to the development of new entrepreneurs were seen as an identified market demand for a product or service, a community which was open to entrepreneurial success and failure, and support from policy and project intervention.

Developing the appropriate entrepreneurial environments will encourage and enable these targeted entrepreneurs to develop and implement their business ideas, both within the target sectors and beyond.

The NRNs highlighted the challenges and needs of the 'internal' environment, providing existing and potential entrepreneurs with the skills and confidence required to take forward their ideas. These included:

- Providing accessible training courses in both entrepreneurial skills areas - business management, and creativity and innovation;
- Creating robust networks of new and existing entrepreneurs to provide mutual support, share best practice, and develop joint working around key project initiatives;
- Providing continued technical support specifically tailored to entrepreneurs.

The more complex issue of developing the 'external' environment must take place in parallel to provide all entrepreneurs with the greatest chance of success. The key needs were highlighted as:

- Better, more locally led access to finance that can respond quickly and effectively to the needs of the business sector;
- Less business start-up bureaucracy;

- Funding bodies more aligned with the risk management, outcome orientation of entrepreneurs;
- Harnessing local knowledge at all stages of policy formulation, delivery and evaluation,
- Ensuring the broader community is understanding and supportive of entrepreneurial activity, including the risk of failure;
- Developing better communication between national, regional and local actors to ensure the needs of entrepreneurs can be met.

Several current tools for developing entrepreneurs and the entrepreneurial environment were identified by participating NRNs. This highlighted good support for the establishment of business networks some specifically targeted at entrepreneurs, the provision of technical support in some cases through long standing rural organisations, and business management training. There were however few examples of entrepreneurial training and this could be an area that countries could work on collaboratively.

Some aspects of the 'external' entrepreneurial environment were also well served with several credit, loan and guarantee organisations identified. As access to capital was seen as a significant issue for many NRNs there could be some useful best practice to share. The area where little work appears to have taken place is around the issue of policy development and implementation. As far as policy tools assessment is concerned NRNs may have an important role to play in improving the policy delivery.

It was also noted that developing and supporting entrepreneurs and an entrepreneurial environment requires a long term commitment. Entrepreneurial success is not an overnight solution; change is incremental and requires on-going, sustained support. The innovation and creativity required to be entrepreneurial brings with it a higher level of risk, which inevitably leads to business failure. This must be accepted by funding bodies and any lessons learnt captured. However encouraging and supporting entrepreneurial activity will bring long term positive results to rural areas and the communities who live in them.

Annex 1: Questionnaire for Rural Entrepreneurship Context Analysis

This **Baseline Survey** will form part of a **Context Analysis** which was agreed at the 8th NRN meeting in Rome in March 2010 as the first important step towards starting the NRN Strengthening Rural Entrepreneurship Thematic Initiative. The Context Analysis will also include a review of relevant literature, plus some mini-profiles of rural areas and enterprises from different regions to a) illustrate the huge diversity of local circumstance and context that rural entrepreneurs operate in throughout rural Europe, and; b) identify some potential priorities for action.

One very important part of the Context Analysis is the listing (or “mapping”) of as many as possible of the existing policy “tools” for supporting the development of rural entrepreneurship in the Member States. This is a very valuable exercise which will produce a long list of “tools” that can then reduced to a short-list of the most successful/effective (or potentially effective) “tools” for NRNs to focus on jointly promoting.

All NRN support units are invited to complete this Baseline Survey, but you will all have a different levels of interest to participate in the Rural Entrepreneurship Thematic Initiative and therefore different levels of enthusiasm to complete this survey.

The survey therefore has 3 parts which get slightly more complex and time-consuming as you work through them. Obviously it would be great if you can complete all three parts, but we also know that you have got lots of other things to do. The most important thing is to get some feedback from as many Member States as possible. So it would be very helpful if you can at least complete Part 1. Many thanks!

- PART 1: Some Quick Questions** - a quick and simple check-list of questions that i) explore the concept of rural entrepreneurship and ii) identify the main challenges faced by rural entrepreneurs in your own country. It would also be great if you have the possibility to discuss the questions with your colleagues or even pick-up the phone and call some LAG managers to ask their opinion.
- PART 2: List of Support Tools for Rural Entrepreneurship** – this will take a bit more time, but we would like you to list as many examples as possible of existing policy “tools” for supporting and encouraging rural entrepreneurs – both new and established.
- PART 3: Needs Analysis for Rural Entrepreneurship** – this is the most complex part of the Baseline Survey and is based on some more in-depth questions about the needs of rural entrepreneurs. Some NRNs may have existing results from surveys and analyses that they can use. Others might be inspired to organise a meeting with the LAGs to discuss.

Please feel free to answer in co-operation or consultation with business associations or other representatives of entrepreneurs who are members of your network.

General Information on Your Network Unit

Country/Region	
Contact Person	
E-mail	
Telephone	

PART 1: Some Quick Questions

Section A: Overview

The aim of this first section is to reach a quick understanding of the concept of rural entrepreneurship and entrepreneurs in the context of the different Member States. On the following 3 pages you will be asked to tick a number of boxes to identify:

- Specific sectors/activities where the strengthening of rural entrepreneurship is a priority
- The characteristics of successful rural entrepreneurs
- Key factors contributing to the supply of new rural entrepreneurs
- Any specific social groups that should be targeted for the strengthening of rural entrepreneurship

A.1: Specific Sectors/Activities where the Strengthening of Rural Entrepreneurship is a Priority

What type of sectors/activities in your country/region require targeting with support for the development and strengthening of new and existing businesses or social actions? Please tick **one or more** of the boxes below. The list is indicative, please add more suggestions if you wish.

<input type="checkbox"/> Conventional Agricultural/Horticultural Enterprises
<input type="checkbox"/> Conventional Forestry Enterprises (timber and primary wood processing)

Rural Tourism

<input type="checkbox"/> Accommodation e.g. "bed and breakfast", camping, holiday cottages
<input type="checkbox"/> Catering e.g. farm restaurants, cafés
<input type="checkbox"/> Leisure and Recreation e.g. horse-riding, fishing, rental services (bicycles etc.)
<input type="checkbox"/> Rural Heritage and Culture e.g. farm museums
<input type="checkbox"/> Eco-tourism

Adding Value

<input type="checkbox"/> Retailing e.g. farm shops, vegetable box schemes etc.
<input type="checkbox"/> Small-scale Food and Drink Processing e.g. traditional artisan products
<input type="checkbox"/> Rural Manufacturing e.g. handicrafts, ceramics, furniture

Resource Use

<input type="checkbox"/> Renewable Energy Production
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<input type="checkbox"/> Organic Farming
--

Rural Services

<input type="checkbox"/> Conventional Agricultural/Forestry Services e.g. machinery rental, contract labour
<input type="checkbox"/> Construction/Building Work
<input type="checkbox"/> Training and Education
<input type="checkbox"/> Environmental Management e.g. tree-planting, stone-wall building
<input type="checkbox"/> Other Services e.g. domestic services, transport, child care etc.
<input type="checkbox"/> Information and Communication Technology (ICT) e.g. distance working etc.

Social Enterprise

<input type="checkbox"/> Social Farming e.g. health care, horticultural therapy etc.
<input type="checkbox"/> Community Owned Enterprises e.g. community-owned shops
<input type="checkbox"/> Organising Community Social or Cultural Events e.g. festivals, fairs etc.

Other sectors/activities to add:

A.2: Characteristics of Successful Rural Entrepreneurs

In your opinion what are the FIVE most important assets, talents or abilities of a successful rural entrepreneur? Please tick FIVE of the boxes below.

<input type="checkbox"/> Willing to take risks
<input type="checkbox"/> Good level of education
<input type="checkbox"/> Easy access to capital (either own capital or borrowed)
<input type="checkbox"/> Creativity
<input type="checkbox"/> Vision and the ability to identify possibilities
<input type="checkbox"/> Good management skills
<input type="checkbox"/> Owning land or buildings or both

<input type="checkbox"/> Social skills
<input type="checkbox"/> Ability to find new solutions
<input type="checkbox"/> The need to achieve!
<input type="checkbox"/> Inheritance of a family tradition of entrepreneurship
<input type="checkbox"/> Ability to communicate and network with other entrepreneurs
<input type="checkbox"/> Ability and willingness to cross over "normal boundaries"
<input type="checkbox"/> Other characteristics to add:

A.3: Key Factors Contributing to the Supply of New Rural Entrepreneurs

Score the factors below from 1-4, where the lowest score 1 is a not so important factor and the highest score 4 is a very important factor.

Existing culture/tradition of entrepreneurship in society	1 <input type="checkbox"/> ---- 2 <input type="checkbox"/> ---- 3 <input type="checkbox"/> ---- 4 <input type="checkbox"/>
Existing tradition of entrepreneurship within individual families	1 <input type="checkbox"/> ---- 2 <input type="checkbox"/> ---- 3 <input type="checkbox"/> ---- 4 <input type="checkbox"/>
Outsiders moving into rural areas	1 <input type="checkbox"/> ---- 2 <input type="checkbox"/> ---- 3 <input type="checkbox"/> ---- 4 <input type="checkbox"/>
Openness in society towards new ideas (also allowing mistakes)	1 <input type="checkbox"/> ---- 2 <input type="checkbox"/> ---- 3 <input type="checkbox"/> ---- 4 <input type="checkbox"/>
Spin-offs from big business	1 <input type="checkbox"/> ---- 2 <input type="checkbox"/> ---- 3 <input type="checkbox"/> ---- 4 <input type="checkbox"/>
Good status of entrepreneurs in society (e.g. well respected)	1 <input type="checkbox"/> ---- 2 <input type="checkbox"/> ---- 3 <input type="checkbox"/> ---- 4 <input type="checkbox"/>
High level of educational standards	1 <input type="checkbox"/> ---- 2 <input type="checkbox"/> ---- 3 <input type="checkbox"/> ---- 4 <input type="checkbox"/>
The "pull" of market demand for new products/services	1 <input type="checkbox"/> ---- 2 <input type="checkbox"/> ---- 3 <input type="checkbox"/> ---- 4 <input type="checkbox"/>
The "push" of policy/project interventions (e.g. LEADER)	1 <input type="checkbox"/> ---- 2 <input type="checkbox"/> ---- 3 <input type="checkbox"/> ---- 4 <input type="checkbox"/>
<input type="checkbox"/> Other, please explain	1 <input type="checkbox"/> ---- 2 <input type="checkbox"/> ---- 3 <input type="checkbox"/> ---- 4 <input type="checkbox"/>

A.4: Target Groups for Strengthening Entrepreneurship

Should any of the following specific social groups be targeted with actions for the strengthening of rural entrepreneurship? Please ONLY TICK those boxes of relevance in your own country/region. If none of the groups are relevant then there is no need to tick any boxes.

<input type="checkbox"/> Youth
<input type="checkbox"/> Minority Groups
<input type="checkbox"/> Disabled/Special Needs
<input type="checkbox"/> Unemployed
<input type="checkbox"/> Women
<input type="checkbox"/> Subsistence and Semi-subsistence Farmers
<input type="checkbox"/> Community Leaders
<input type="checkbox"/> Other, please explain

A.5: Please give any additional comments/explanation on the above sections here:

Section B: Description of the Key Challenges for Rural Entrepreneurship

The aim of this section is to identify the main challenges that rural entrepreneurs are facing in your country/region. Please tick AS MANY BOXES as necessary.

Challenges	For Start-up Business	For Existing Business	For Social Entrepreneurship
2.1 Policy and Regulations			
• Excessive bureaucracy (EU, national or regional regulations) to set-up or develop businesses	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Poor access to land or other natural resources	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• No existing systems to support or advise entrepreneurs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Systems exist for supporting or advising entrepreneurs, but are poorly developed	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Administrative irregularities, unfair competition or even corruption	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Other, please explain	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.2. Culture and/or Society			
• Lack of entrepreneurial tradition/culture, including no “role models”	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Low population density i.e. lack of critical mass of entrepreneurs, limited markets etc.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Poorly developed entrepreneurial skills in rural areas	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Lack of skilled labour force	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Poor access to relevant education or training	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Other, please explain	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.3. Economic			
• Difficulties to get access to risk capital for investments (e.g. due to limited collateral for loans)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• General economic slow down	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Remoteness from key markets (e.g. urban areas)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Lack of infrastructure (e.g. transport, broadband and electricity)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Other, please explain	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.4. Environmental			
• Poor environmental quality (e.g. pollution of soil and/or water)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Urban expansion and competition for land	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Restrictions on land use due to environmental factors (e.g. flooding, landscape protection etc.)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
• Other, please explain	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

PART 2: List of Support Tools for Rural Entrepreneurship

This will take a bit more time and effort to complete, but please list as many examples as possible from your own Member State of existing “tools” for supporting and encouraging rural entrepreneurs – both new and established. The “tools” listed might be a variety of actions designed to provide advice, enhance access to capital, promote innovation, build business and/or technical skills, facilitate partnership building, increase access to professional services etc. There are many possibilities!

This “long list of existing tools” is clearly part of the current context that rural entrepreneurs work in, but it will also serve as the basis for:

- identifying any existing gaps in the available support for entrepreneurs, especially gaps in the existing RDP measures;
- developing a short list of more targeted (*smart*) tools for addressing the specific challenges faced by rural entrepreneurs in different Member States. Once they have been identified these *smart* tools can be developed and exchanged by and between NRNs according to the specific circumstances of different Member States;
- making recommendations for future improvements to rural development policy design and RDP implementation.

Please use the table on the following pages to make a list of relevant tools in your country/region. The table is divided into 7 columns and 5 sections as follows:

Section	Tools that are...	Notes:
1	Implemented within the current RDP	The priority is to identify tools within the current 2007-2013 programme period
2	Proposed in the current RDP (but not yet implemented)	This will only be relevant to a few RDPs
3	Implemented within other EU programmes (e.g. as identified in Chapter 10 of most RDPs)	This includes: <ul style="list-style-type: none"> • the <i>European Social Fund (ESF)</i> - there are many potentially useful tools funded by the ESF for enhancing the skills and competences of rural entrepreneurs. Some of these may be general tools, whilst will be targeted particularly at agriculture and rural areas; • <i>European Regional Development Fund (ERDF)</i> - the ERDF can provide support for larger enterprises in rural areas
4	Implemented by national/regional authorities	In many Member States there will be a variety of funding sources from local, regional or national authorities
5	Implemented by others e.g. business associations, credit unions and other non-governmental associations	Numerous other actors may be involved with providing supporting to rural entrepreneurs with funding from a diverse range of sources

When completing the following table, please include a short description of the tool in Column 1 and then answer the questions in Columns 2-7. An example is included. Additional rows may be added to each section of the table as necessary.

Short description of the "tool" - what activities are carried out?	What is innovative and transferable?	Delivery Mechanism - how is it implemented?	Is the tool targeted at any specific sector? (see A.1)	Is the tool targeted at any specific target group? (see A.4)	What needs/challenges are addressed by the tool?
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1. Implemented Within the Current RDP					
<i>EXAMPLE - "Entrée" - website which gives financial, legal and practical advice on-line for new start-up businesses in rural tourism</i>	<i>A new way of delivering advice. Transferable to other areas with good internet access</i>	<i>LAG</i>	<i>Tourism</i>	<i>Start-up businesses</i>	<i>Access to professional advice independent of distance and time</i>

2. Proposed in the Current RDP (but not yet implemented)					

3. Implemented within Other EU-programmes (e.g. ESF and ERDF)					

4. Implemented by National/Regional Authorities					

5. Implemented by Others (e.g. business associations, credit unions and other non-governmental organisations)					

PART 3: Needs Analysis for Rural Entrepreneurship

Many people see successful entrepreneurs as tough individuals, working long hours on their own and making a success of their business idea despite various challenges and obstacles.

But it does not often work that way. Most successful entrepreneurs actually have networks of fellow entrepreneurs with whom to share experiences and advice. They need an assortment of professionals with specialized knowledge – for example, in law, accounting and marketing. And to keep the “flame burning” when things get really tough, they need to feel recognized and valued.

In other words, it takes a community to raise an entrepreneur. And creating such a community requires a long-term commitment and a broad-based strategy. In the context of rural development policy in the EU Member States there are many different stakeholders involved in building this community of entrepreneurs, including the LEADER Local Action Groups – many of which have been actively working with local rural entrepreneurs for many years.

This final part of the Baseline Survey is about using the accumulated knowledge and expertise of the LAGs. We would like some “grass-roots” comment and feedback from the LAGs to help clearly identify the *real* needs of the local rural entrepreneurs that they know. These needs may already be expressed in the local rural development strategies of the LAGs, maybe as an NRN you have surveyed the LAGs and have this information. In other cases, it will be necessary to talk or meet with a representative sample of LAGs

This is the most complex part of the Baseline Survey. Please feel free to adjust the work according to your own situation, work load and interest.

We think there are at least 5 general categories of “needs” (please add others you think are appropriate):

- **Technical Assistance and Information** – including services and information which are accessible to all rural entrepreneurs in terms distance and cost;
- **Education and Training in Entrepreneurship Skills** – to help build confidence, skills and the ability make informed choices about creating and managing all types of rural enterprise;
- **Access to Capital** – commonly expressed as one of the main concerns of all entrepreneurs;
- **Access to Networks** - for sharing experiences, ideas and resources; trading goods and services; collaborating on new ventures etc.;
- **Appropriate Policy Development** – policies that are sympathetic and supportive to the culture of entrepreneurship.

Please add any other categories of needs you have identified

Secondly, for each of these categories we would like to know:

1. What are the most important needs of local entrepreneurs identified by the LAGs?
2. Are these needs being met by the tools already listed in Part 2?
3. How could these needs be better met?
4. What specific actions by the NRN would help meet these needs?

	Technical Assistance and Information	Education and Training in Entrepreneurship Skills	Access to Capital	Access to Networks	Appropriate Policy Development
What are the most important needs of local entrepreneurs identified by the LAGs?					
Are these needs being met by the tools already listed in Part 2?					
How could these needs be better met?					
What specific actions by the NRN would help meet these needs?					

Annex 2: EAFRD-funded and Other Tools for Supporting and Developing Rural Entrepreneurship

Member State	'Tool'	Innovative and Transferable Aspects	Delivery Mechanism	Specific Sector	Target Group	Specific Needs Addressed
Networking Tools (tools marked with * are implemented within other EU programmes e.g. ERDF and ESF)						
Estonia (EAFRD)	LEADER example: Onion Way	A single brand to attract tourist to the area	LAG	Tourism, and through this also food and handicrafts	Enterprises in the area and tourists	A single tourism strategy for the whole region
	LEADER example: Genuine experiences in Lahemaa	Networking of tourism enterprises to develop natural/sustainable tourism and offer local food	LAG	Sustainable tourism	Enterprises in the network and tourists	'To stay small and cosy'
	LEADER example: Community kitchens in Saaremaa	The development of local small scale food processing	LAG	Small scale local food processing	Village communities	To encourage local people to start adding value to local food in small kitchens
Estonia*	Using 16 measures of the ERDF		Enterprise Estonia	All non-primary producing enterprises	Start up and existing businesses	
Hungary (EAFRD)	LEADER example: Establishing local products grocery stores	Establishing special stores for local products serving a micro regional demand	LAG	Micro-enterprises and local products	Micro enterprises	Market access for local producers
	LEADER example: Establishing traditional and peasant committees to coordinate grazing of local herds or flocks on unused land	Establishing the infrastructure for the operation of grazing co-ordination committees	LAG	Local farmers and animal husbandry	Farmers	The coordinated use of unused plots of land by local farmers
	LEADER example: Family day care units in villages	Establishing family day care units in small settlements which are not serviced by the public sector	LAG	Services	NGO's, businesses, private entrepreneurs, local people	Filling the gap in public service provision for families with young children

Member State	'Tool'	Innovative and Transferable Aspects	Delivery Mechanism	Specific Sector	Target Group	Specific Needs Addressed
Hungary (EAFRD)	LEADER example: Development of tourism and accommodation facilities along local product routes	Connecting destinations through the theme of local products	LAG	Tourism and local products	Local municipalities, businesses, NGOs and private entrepreneurs	Joint marketing of destinations, settlements, accommodation and local products, and related infrastructure investments
Hungary*	Developing comprehensive tourism packages (specific example from South Trans-Danubia Regional Development Programme)	New services at important monuments, places of pilgrimage and other tourism destinations	National Development Agency (NDA) and Regional Development Agencies (RDAs) ²⁰	Tourism	NGOs, businesses, cooperatives, and church organisations	Underdeveloped tourism infrastructure and services related to destinations
	Integrated settlement development to enhance functions e.g. shopping streets in town centres	Renovation, increasing energy efficiency, actions to increase community cohesion	RDA (specific example from North Great Plain Regional Development Programme)	Settlement development and commercial services	SMEs	Improving local commercial activity by improving infrastructure and local cohesion
Netherlands (EAFRD)	LEADER example: "Blauwe Lint" – a network of tourism entrepreneurs	Joint promotion, regional branding, cooperation, partner in governmental decision making	LAG	Tourism	Start-up and existing businesses	Strengthening and synergising the sector
	LEADER example: "Waar Westerwolde" – a network of tourism entrepreneurs. Established with advice and support from "Blauwe Lint"	Joint promotion, regional branding, cooperation, local products and partner in governmental decision making	LAG	Tourism	Start-up and existing businesses	Strengthening and synergising the sector

²⁰ Note that programmes funded by the ERDF are generally not accessible in Hungary for applicants from settlements with a population density lower than 100/km² or with a population of less than 5000 (rural settlements by definition). However, developments in smaller towns in Hungary can impact upon rural settlements as defined in the NHRDP. In addition, LEADER settlements are defined as settlements with a population density of 120/km² or less, or a population of 10000 or less.

Member State	'Tool'	Innovative and Transferable Aspects	Delivery Mechanism	Specific Sector	Target Group	Specific Needs Addressed
	LEADER example: Touristic Recreational Oost-Groningen (TROG)	One shared SME business policy for Oost-Groningen	LAG	Tourism	Start up and existing businesses	Strengthening and synergising the sector, and regional adjustment
	LEADER example: Women and entrepreneurship	Exchange of knowledge and experience	LAG	All sectors	Start up and existing businesses	Strengthening and synergising the sector
	LEADER example: "De graanrepubliek" organisation of artists	Joint promotion, exhibitions and workshops	LAG	Art	Existing businesses	Strengthening and synergising the sector
	LEADER example: Regional marketing and branding for companies from the Groningen border country – 20 participating entrepreneurs paying between 1,500 - 3,000 euros	Regional branding and a network of entrepreneurs	LAG and the province of Groningen	All sectors	Start up and existing businesses, tourist and potential inhabitants	To promote the region and co-operate with German entrepreneurs across the border e.g. cross border cycling path
	LEADER example: Project development for regional branding in the Baronie LAG	Networking entrepreneurs, developing a shared strategy and developing projects	Led by the LAG	Tourism, local products, nature and cultural heritage	Groups of already well-organised entrepreneurs	To develop a good structure for professional support with several examples of best practice projects
	LEADER example: Project Hoogeland MKB Going – Good entrepreneurship in North Groningen www.mkbgoing.nl	A variety of support to entrepreneurs. Developing networks, municipality meetings, an idea generator – How do you support entrepreneurs in your village	LAG, association DBF and municipalities	SMEs in North Groningen	The project supports municipalities, entrepreneurs associations and individual entrepreneurs	To a) improve understanding and policy process at a municipality level, and; b) develop entrepreneurial networks for village entrepreneurs
	LEADER example: Networking entrepreneurs "Veenkoloniaal Goud"	Joint promotion, regional branding, cooperation, partner in governmental decisions	LAG	Tourism	Start up and existing businesses	Strengthening and synergising the sector

Member State	'Tool'	Innovative and Transferable Aspects	Delivery Mechanism	Specific Sector	Target Group	Specific Needs Addressed
	LEADER example: Co-operation between authorities and entrepreneurs networks on consumer exhibitions in Germany	The method of cooperation and regional branding	Local Authorities and the LAG	Tourism	Consumers, tourists, other authorities and entrepreneurs	To promote the region, and strengthening and synergising the sector
Sweden <i>(implemented by other agencies)</i>	Visit Sweden	Supporting tourism entrepreneurs in various projects e.g. local food as a tourist attraction	Visit Sweden	Tourism		

Access to Capital (tools marked with * are implemented within other EU programmes e.g. ERDF and ESF)

Estonia <i>(EAFRD)</i>	EAFRD Axis 1 measures: <ul style="list-style-type: none"> • Training and information services (111) • Setting up of young agricultural producer (112) • Modernisation of agricultural holdings (121) • Development of new products, processes and technologies in agriculture, food and forestry (121/124) • Improving the economic value of forests and agriculture and adding value to agricultural and forestry products (123) • Setting-up and development of producer groups (142) 		Agricultural Registers and Information Board	Agriculture and Forestry	Agricultural producers, processing industries and foresters	To reduce the investment needs, and support agricultural training and information services
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Member State	'Tool'	Innovative and Transferable Aspects	Delivery Mechanism	Specific Sector	Target Group	Specific Needs Addressed
	EAFRD Axis 3 measures: <ul style="list-style-type: none"> Diversification of the rural economy (311, 312, 313) ICT support in rural areas (321) 		Agricultural Registers and Information Board	Businesses diversifying out of primary production	Rural enterprises, tourism, farmers	
Estonia <i>(implemented by other agencies)</i>	Loans and guarantees	http://www.kredex.ee/1534	KREDEX – the credit and export guarantee fund	All non-primary production enterprises (i.e. not agricultural producers, fisheries and forestry)		
	Loans and guarantees	http://mes.ee/	Rural Development Foundation	Enterprises in rural areas		
Hungary <i>(EAFRD)</i>	LEADER example: Supporting investments related to the processing of local forestry of agricultural products using traditional methods	The use of traditional methods	LAG	Local products micro enterprises	Micro-enterprises	Access to funds for investment in equipment/ premises for traditional processing methods
	LEADER example: Investments in model fruit orchards using indigenous varieties	Employment creation with an educational and heritage preservation objective	LAG	Agricultural micro-enterprises and farmers	Agricultural micro-enterprises and farmers	Education and maintenance of cultural heritage re: indigenous fruit varieties
	LEADER example: Investment for processing local plants/medicinal herbs	Increasing the marketability of local medicinal plants	LAG	Medicinal plants, herb processing	Local micro-enterprises/private entrepreneurs	Opening a new market niche for local products
Hungary*	New Hungary Micro-credit Programme	Micro-credit for purchasing machinery, equipment, new services and tangible assets	National Development Agency (NDA) – under the Economic Development Operational Programme	Micro-credit for developing enterprises	SME's	Improving access to capital for SME's

Member State	'Tool'	Innovative and Transferable Aspects	Delivery Mechanism	Specific Sector	Target Group	Specific Needs Addressed
Sweden (EAFRD)	Umbrella programme to support youth projects with small global grants of 'youth cheques'	Easy administration supported by the LAG and fast decision making	The LAG owns the umbrella project and helps with the administration	No specific theme	Young people from 15 - 25	Quick and easy funding to test an idea
	Start-up funding for young farmers	Easily transferable	RDP regional administration board	Agriculture	Young farmers up to 40	Facilitating the start-up of new farmers or a younger generation taking over from parents
	The regional business funding organisation 'Ami'		Regional advisory and funding service	All sectors	All sectors	Compliments the banking system to support small entrepreneurs and new start-ups

Technical Assistance

Estonia (EAFRD)	Advisory Service		Economic Development Centres in counties	Entrepreneurship	Enterprises, NGOs, municipalities	
Netherlands (EAFRD)	LEADER example: Regional Institute of Entrepreneurs	Professional advice for start-up or struggling businesses	LAG	All sectors	Start up and existing businesses	Access to professional advice
	LEADER example: Stimulation programme for SME's (Stipo)	Support for innovative investments, a coach is linked to the municipality and a team of independent experts is available	LAG and the Chamber of Commerce	SMEs	Existing businesses	Encouraging innovation
	Supporting entrepreneurs with management skills and networking	Advice and coaching from experienced entrepreneurs	Baronie Kempenland	All rural entrepreneurs		Knowledge transfer between new and existing entrepreneurs

Member State	'Tool'	Innovative and Transferable Aspects	Delivery Mechanism	Specific Sector	Target Group	Specific Needs Addressed
Sweden <i>(implemented by National/ Regional Authorities)</i>	Advice and funding support for social enterprises	State-funded regional service	The Coompanion regional advisory offices	Social enterprises	All sectors	Advisory service for new social enterprise business start ups
	Specific support to female entrepreneurs	State-funded regional service	The County Administration Boards	All sectors	Women	Advisory service tailored to meet the needs of women
	Municipalities have their own rural development advisor	Locally-based, tax-funded, advisory service		All sectors	Rural entrepreneurs	Local knowledge about business opportunities, markets and skills
	The Board of Forestry offers a variety of business and production advice and services	Regional, tax-funded, advisory service		Forestry	Foresters and forest entrepreneurs	
	Some regional universities work on entrepreneurship in cooperation with entrepreneurs	Connecting the theory and practice of entrepreneurship		All sectors	All sectors	Connecting research activity and practical business implementation
Sweden <i>(implemented by other agencies)</i>	The Rural Economy and Agricultural Societies offer advice and support for entrepreneurs	A traditional consultancy advisory service	Consultancy services on demand	All rural entrepreneurs	All sectors	Business development
	The Federation of Swedish Farmers offers a business development service and has delivered a range of RDP projects	A traditional consultancy and advisory service	Consultancy service on demand	Rural entrepreneurs	Members of the Federation (i.e. anyone owning land/property in a rural area)	Business Development
	The Federation of Football Associations support clubs to use sport as a rural development tool	The project "One Football Association in every village – football for all"	Advisory service to local clubs to help them participate in the RDP	Sport	Local Football Associations	Using sport as a tool for rural development

Member State	'Tool'	Innovative and Transferable Aspects	Delivery Mechanism	Specific Sector	Target Group	Specific Needs Addressed
Education and Training (tools marked with * are implemented within other EU programmes e.g. ERDF and ESF)						
Estonia*	ESF Programmes to increase the supply of qualified workers, and develop a labour market policy		Estonian Unemployment Insurance Fund			
Hungary (EAFRD)	LEADER example: Demonstration space to show renewable energy 'in action'	Demonstrating the use of renewable technology to raise awareness and encourage uptake	LAG	Renewable energy	Local municipalities, businesses, NGO's, private entrepreneurs	Demonstration of renewable energy, education.
	LEADER example: Model medicinal plant garden/visitor centre	Displays and education on local medicinal plants and their uses	LAG	Local products and indigenous herbs	NGO's, businesses and private entrepreneurs	Education about local medicinal herbs and their uses
Hungary*	Employment Programmes for the unemployed and parents with young children	Social enterprise childcare services for unemployed parents participating in re- training programmes, preparing employers to employ employees from minority and disadvantaged groups	National Development Agency (NDA) – under the Social Renewal Operational Programme	Employment	Unemployed, minority and disadvantaged groups, social enterprises	Improving the employment opportunities of the unemployed
Sweden (implemented by National/ Regional Authorities)	Ungt foretagande – youth businesses, is a training and advisory service targeting school pupils to train them in entrepreneurship	The training lets young people test a business idea during the school year in a very real business environment (i.e. develop a business plan, start, market, run and close the business)	Special Youth Business Advisors and animators based in every region	All sectors	Young people in school	Training in running a business and testing entrepreneurial skills in a low risk environment
Sweden (implemented by other agencies)	The Federation of Voluntary Associations for Adult Education arranges study circles in project management		Study circles and training courses	Local development	Local village development groups and other rural inhabitants	