The ENRD Thematic Group on Smart and Competitive Rural Businesses was set up based on interest expressed by various stakeholder groups in the Rural Networks Steering Group. The first meeting was organised on 13 October 2016 (see Event’s Summary, 13 October 2016, Brussels), and the second meeting was held on 30 November 2016 (see Event’s Summary, 30 November 2016, Brussels).

The third meeting was organised with the support of one of the Thematic Group members (Marieke Kok) and hosted by Montapacking Company in Molenaarsgraaf (the Netherlands) on 23-24 January 2017.

“I offered to host the meeting, since I am very enthusiastic about the two business examples in our area (presented during the meeting). They are innovative and initiated by local rural entrepreneurs. In my opinion, those examples show how “wild ideas” can lead to innovative and competitive rural businesses. I really believe that when you visit such projects and experience yourself this will bring more inspiration than just reading about those cases.” (Marieke Kok)

‘Wild business ideas’ in rural Netherlands

During the first day of the Thematic Group meeting, the group visited two local enterprises: an innovative (non-farm) digital packaging company, and a farm business with new creative ideas for diversification1.

Montapacking is a technology-driven packaging company set up by a creative and motivated rural entrepreneur in Molenaarsgraaf, a rural area south of Rotterdam. The company is providing packaging services for a wide range of web-shops (on-line selling) worldwide. “I’ve been an entrepreneur since I was a child”, says Edwin van der Ham, owner and director of Montapacking.

Edwin comes from a farming family himself and he has a special connection to this rural area: he set up his company here because he thinks work mentality is good and because he simply loves this area, where most of his employees are also from.

1 See more information in the presentation: http://enrd.ec.europa.eu/sites/enrd/files/tg3_rural-businesses_montapacking-baan_0.pdf
Edwin believes that logistics is the future. The industry is continuously changing and it is crucial in the everyday life of customers. The company is revolving rapidly using digital technological innovations, and it became the fastest growing e-commerce company in the region. Montapacking also won the ‘Smartest Company’ award in the Netherlands in 2016.

Montapacking is continuously developing and optimising its services based on the analysis of ‘big data’ collected about all aspects of the company’s operation. It has its own ‘deep-learning’ software that analyses which people & departments are best for which type of work, and based on this the allocation of work and location of people are optimised. Montapacking is also working on the basis of ‘real-time interfaces’: ‘Most people only talk about real-time. But for us real time means real time.’, says Edwin.

The company invests a lot in the quality of its work and reliability of its services. They are in the high-range of packaging companies: 99.9% of its deliveries are delivered on time. As a demonstration of their belief in quality, they have one-sided contracts with their customers, meaning that any customer (web-shop) can cancel their service with them within a day.

While digitisation is at the heart of the industry and their company, Edwin believes in the power of human relations. “We believe in the cooperation of human and robotics” – he says. He also thinks that the attitude of an employee is what matters rather than the knowledge that can be learned. “We adjust our processes to the people and not the other way around” he stresses. 10% of his employees are people ‘distant from the labour market’. He employs them not for the compensation that the company receives from the state but because ‘it is nice and fun working with them’.

Edwin also presented the Glassfibre Molenwaard community project that his company is also supporting. As one of the fastest growing companies in the region, they realised that ‘if they invest in broadband, civil society can also benefit from it’. The broadband connection in this area has not been sufficient, therefore, a group of citizens started an initiative to organise their own broadband network. It is an open network, meaning that any providers can use it, that results in competition benefitting the consumers. The benefits will later be returned to the local civil society, as it is the owner of the network.

The group also visited Hazendonk Hoeve – the farm of a young entrepreneurial farmer, Matthijs Baan, who has explored diverse ways to modernise and diversify the business activities on the family farm.

“When he told me what he wanted to do, I wasn’t too happy…but he proved he knows what he is doing.”
(Matthijs’ Father, Farmer)

“"I had an idea based on a Finnish model,” explains Matthijs. Using EAFRD support and professional advice by an architect, he converted one of the farm buildings into a child daycare centre including an outdoor playground and activities with farm animals. The model was so successful, 20 jobs have been created and he has now opened a second facility.

Glassfibre Molenwaard

Hazendonk Hoeve – Innovative Milk Farm

“Our philosophy is that if a customer finds a better service than ours, this means that we don’t deserve that customer.”
(Edwin van der Ham, Montapacking)

Logistics is the future…
Matthijs has continued to explore ways of modernising and innovating in the core business of the dairy farm. He attended a Business Masterclass (accelerator approach) organised by TG member Jan-Willem van der Schans at Wageningen University.

“The Masterclass was a trigger for me. I felt that I was more entrepreneurial than many of the people on the course, but they all seemed prouder of their products and ideas than I was of our milk. I kept asking myself what you can do that’s new with milk.” He is now exploring a new concept of marketing and selling directly from the individual cow to the consumer – a potential innovation in the local dairy sector.

There are many technical challenges to be overcome to make this idea a reality- for example how to process and package milk in such small batches. There may also be potential regulatory issues in the Dutch context because old laws from the 1960s do not take account of innovative techniques for treating milk. “Regulations need to enable small companies to compete,” he stresses.

Access to finance is another difficult issue. “Sometimes you need finance before you test the idea, to explore if it has potential. But you usually can’t get a subsidy without signed agreements with partners,” highlights Matthijs. He has had to overcome the scepticism of many potential collaborators who were not interested in his idea. “For many people it is a stupid idea. But usually, you don’t need many partners, you just need the right partner. I think I have found that now.”

Matthijs is now preparing an application for EAFRD funding under the physical investments measure of the Dutch RDP. “I am quite lucky that the timing of the call comes at the right time [in my business cycle]. Often that is not the case, as it also wasn’t for me when I first considered applying for funding. You have to be at the right place, at the right time. This makes accessing funds very difficult.”

In focus:
Rural businesses and the wider rural community

The TG meeting aimed at exploring, through specific examples, the linkages between rural businesses and the wider rural economy and community. Already during the earlier TG meetings, group members highlighted the importance of the right conditions and local environment for the development of local businesses (including not only access to digital technology, but also to basic infrastructure and services, available qualified human resources, community engagement, etc.). Two examples were presented and discussed during the meeting that demonstrate such linkages.

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3 http://www.wur.nl/nl/activiteit/Masterclass-Korte-ketens.htm
etownz\textsuperscript{5} is a digital research and development company based in Ireland. The company specialises in developing digital tools for the community development sector, and has been working in collaboration with National University of Ireland (NUI) Galway for over 2 years.

Although relevant to urban and rural communities, the etownz project has particular focus on rural business as it was developed in partnership with the Department of Rural Sustainability in NUI Galway. The resources will soon be trialled in some communities in Ireland.

etownz and its partners have developed a number of tools for community development including (i) a Community Development Framework, (ii) a knowledge library of community development solutions and (iii) an online dashboard to help communities coordinate local projects.

(i) As part of the framework, a two-tier categorisation system\textsuperscript{6} was developed that allows the structuring of ideas of people and opportunities in a community. A range of thematic areas for community action were identified, such as business and employment; education and skills; buildings, resources & infrastructures; etc. The framework also includes a 6-step action plan (that can be linked to any of the specific thematic areas):

1. Build a team
2. Build a list of local assets
3. Gain feedback and opinions from local stakeholders
4. Research relevant ideas
5. Prepare a community action plan
6. Showcase the results of the project to date

(ii) etownz also built an online knowledge library of community development opportunities. The knowledge library makes use of the categorisations highlighted above and allows experts from across the community / with an interest in community development to login and add relevant content such as case studies, solutions, useful links, terminology, key questions and so on. The best practice and ideas stored in the knowledge library can then be accessed by the public in a simple interface, allowing them to generate a report based on their particular (thematic) interests.

(iii) Finally, etownz have developed a ‘dashboard’, provided as an off the shelf solution to communities. The dashboard helps various stakeholders from across the community to coordinate local development projects in an efficient and effective manner.

etownz understands that when people with common goals come together locally they can achieve great things, often far greater than when people work in isolation. Developing local business groups and subgroups is an important element of achieving growth in a local economy. The etownz framework, knowledge library and dashboard provide an easy to understand structure, ideas and platform for communities to embrace local development in a structured manner.

\textsuperscript{5} https://www.etownz.com/
\textsuperscript{6} This includes 10 main categories and 50 sub-categories or “Action Areas”.

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CoCotte Numérique is a multi-faceted regeneration project in the Murat District (France). CoCotte is a physical and virtual digital enterprise centre in a remote rural area, where rural communities “were longing to have different digital services”. In the service centre (or rural digital hub) people can go to have access to a wide range of different activities, such as teleworking centre and offices, training and business support for digital start-ups, various services (‘welcoming services’) for new entrepreneurs and a fab-lab. The ground floor of the nicely renovated space gives home to the advisory services, while on the upper floor various services (translators, expert services, secretarial services and co-working spaces) are set-up.

Clive Peckham explained during the session that in order to attract entrepreneurs, the provision of business-specific and digital facilities and services need to be coupled with more personalised services (e.g. support to find housing, education, social services, etc.). In other words, the focus has not only been the entrepreneurs, but also on the integration and support for their families.

Through the project, the rate of population decline was largely reduced. The project created new employment (61 jobs can be attributed to the project’s direct and indirect impact), it increased the number of children in local schools, as well as the investments in various services (such as housing), as new families (with specific needs) moved into the area.

Clive emphasised the importance of assessing the impact of rural digital hub projects (such as CoCotte Numérique). For instance, the ‘social return on investment’ (SROI method) could be used in order to measure the social impact of such projects. The challenge is that the SROI method is relatively resource-intensive.

During the current programming period, 21 Local Action Groups (LAGs) have been set-up in Scotland. Out of the 21 LAGs, 14 are active in both costal and internal areas and therefore are funded both through the European Fund for Rural Development (EAFRD) and European Maritime and Fisheries Fund (EMFF).

The current LEADER approach builds on the lessons learnt in the past programming period. In this period LAGs have more flexibility in terms of the kind of projects they support, the intensity of support they allow and project eligibility criteria. However, not all the LAGs are able to exploit this more flexible framework, and several of them need capacity-building and guidance.

The Scottish Government decided to provide baseline guidance in terms of what LEADER should support, establishing that 10% of LEADER support should go to co-operation activities, 10% to enterprise support and 10% to farm diversification initiatives. This guidance is not included in the RDP and is only indicative, with the aim to encourage LAGs to focus more cooperation and enterprise support actions.

In mid-December 2016, the Scottish Government commissioned a survey (implemented by the Scottish Rural Network) to better understand the thematic focus of Local Development Strategies of Scottish LAGs. Alistair Prior (Scottish Rural

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7 http://www.cocotte-numerique.fr/
8 This method is used in the ERUDITE Interreg project that Clive Peckham is also involved in.
Event’s summary, 23-24 January 2017

Network) presented some of the preliminary findings of the survey. According to the results, the main focus of LEADER projects approved up to now include:

- Businesses development in the food and drink sector,
- Support to initiatives related to leisure activities,
- Networking, training and support to rural communities and businesses,
- Initiatives on art (e.g. theatre and music),
- Development of services for the community,
- Initiatives supporting digitisation.

Several LAGs that answered the survey flagged a strong focus on business support. One of the strongest examples is the strategy of LAG Ayrshire that elaborated a range of specific objectives in its strategy with the aim of supporting small rural enterprises to create better employment opportunities.

<table>
<thead>
<tr>
<th>LAG: Ayrshire</th>
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<tbody>
<tr>
<td><strong>Objective:</strong> To realise the full economic potential of the area with more and better employment opportunities for its people provided through creating or enhancing small rural enterprises, creating new jobs and increasing the skills base.</td>
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</tbody>
</table>

**Key priorities:**

- Creating and supporting small and micro enterprises
- Creating and safeguarding jobs and start-ups
- Building business capacity and skills, e.g. through support networks or forums, business incubators and mentoring
- Facilitating and supporting farm diversification
- Identifying and developing new markets for new and existing products or services
- Foster entrepreneurship through small scale pilot initiatives to trial new rural business ideas

Alistair highlighted a **number of key questions** that needs to be explored further, including how practical and focused (‘hands on’) LAG strategies are; whether they can add value to existing enterprise support; how far LAGs are supporting each other and what kind of support they might need from National Rural Networks.

**Member’s Perspective:**

**Digital research and community development**

*In an interview, Pat Kennedy (eTownz project, see above) tells his views*

**Pat Kennedy (PK):** I thought the group was very energetic with lots of valuable opinion being distilled quite quickly into the highest priority case studies. I thought the content was relevant, and the programme was good at quickly getting to group consensus on preferred case studies.

I got a lot of ideas and messages from the two-day event, the ones that stand out include: local business hubs come in many shapes and sizes and provide a wide range of services
in examples across Europe. These local business hubs are going to be an important tool in the development and realignment of the business economy in rural Europe. The local business innovation hubs will need to be scalable, multi service and leverage the existing assets where they can in the community.

**PK:** eTownz digital tools enable community development in its broadest sense but there is a very specific categorisation for local business development. The eTownz digital tools can have a number of benefits to rural business development including:

- Help share good ideas quickly and efficiently with other communities where the solution fits.
- Help create a ratings system for communities so they can be compared and relevant interventions assigned.
- Help provide a step by step programme, which helps local business groups understand the status quo and help gather the relevant information to prepare a community led-plan of action to grow the local economy.

The eTownz digital dashboard can provide great support to local business groups as it helps them build & manage teams, register local business assets and gain understanding of local ideas and opportunities which helps groups build better communities

**PK:** Indeed, eTownz is a digital product and probably best to say that it “supports” local development initiatives, to help people find direction and implement change locally. Like all tools, eTownz needs to be used, so eTownz digital tools can only work when there are local stakeholders with common goals who are willing to work together to make their community better.

**PK:** We plan to divide the eTownz project into streams namely:

a) **eTownz Knowledge Library.** We plan to provide open (free) access to a “knowledge hub” in due course allowing it to become a resource for community development practitioners in Ireland and across the world. The knowledge library requires additional work to log more solutions and case studies. We are currently looking for research partners to work with to help us capture and log the ideas and expertise. There are a handful of additional technical upgrades to the system we would also like to make should funding opportunities arise.

b) The **eTownz dashboard** will be run as a separate stream and we will be selling this as off the shelf tool for community development groups in the coming year. We are already talking to some communities and councils in Ireland and would hope to provide this as a service to other communities across Europe this year. The logical framework we have developed means that communities can be easily compared to each other and actions can be more tailored to specific needs of the communities who use it.

**PK:** The local business innovation hubs I think are very important. They are seen to work in many areas. I think a useful exercise would be to attempt to categorise/classify community hubs and once this is done, relevant case studies could be matched against them. If they were properly classified a very simple resource pack could be created for any community, which would help them understand the benefit and steps required to set up a hub in their area. The low-level hubs should be free to set up and develop gradually to meet the local needs.
Capitalising on the experience of the members

The working groups of the meeting focused on identifying the most relevant rural business and business support examples among those sent by the members of the group (collection of examples was circulated to members prior to the meeting). The discussion also focused on the key points of interest and information gaps (and key questions). The overall aim was to identify examples to be developed into detailed case studies. Through the discussion five main thematic areas were identified: digital hubs, accelerators, alternative financing, broadband infrastructure, and the role of LEADER.

Examples of rural digital hubs have been identified as being particularly relevant for supporting rural businesses. It has been recognised that these hubs are not only relevant in terms of making best use of digital opportunities, but also to develop basic services available for businesses and improve interactions within the wider rural community.

Hubs often integrate a range of activities related to (accelerator-type) business support. It is important to understand (map) what kind of activities the hubs are doing.

In the context of the meeting discussion, the relevance of rural digital hub examples, such as **Ludgate Hub** (Ireland), **Hellodigital** (Scotland) and **CoCotte Numérique** (France) were highlighted.9

A set of questions in relation to this was identified:

<table>
<thead>
<tr>
<th>Setting up the hub</th>
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<tr>
<td>• How hubs and new services within these are set up?</td>
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<tr>
<td>• How the hubs are financed? Where financing is coming from?</td>
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<tr>
<td>• How do you assess and chose the right solution for your area?</td>
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<table>
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<tr>
<th>Operating the hubs</th>
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<tr>
<td>• What activities are the hubs doing?</td>
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<td>• How do you make physical hubs come to life?</td>
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<tr>
<td>• How the hub is governed? Who is involved in running it?</td>
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<tr>
<td>• What competences are required to operate a hub?</td>
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<tr>
<td>• How to make the most out of digital hubs (open innovation approach)?</td>
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<tr>
<td>• Is improving digital skills part of the approach?</td>
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<table>
<thead>
<tr>
<th>Impact of the hubs</th>
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<tr>
<td>• What broader and longer term results the hubs have?</td>
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<tr>
<td>• How digital technology and infrastructure are used to reverse local decline?</td>
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<tr>
<td>• How to measure results (in particular the social return)?</td>
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9 For more information on the Ludgate Hub and Hellodigital examples see Event’s Summary of the 2nd TG meeting.
Accelerators proved to be one of the most promising methods to generate new ideas with (potential) rural businesses, and to give them a kick-start. A number of innovative accelerator approaches have been identified during the work of the Thematic Group to date (see also previous Events’ Summaries).

One of the main points of interest with regard to accelerators has been their longer-term impact. It has been recognised that accelerators can be effective tools in giving inspiration to businesses and help starting their work, however, their longer-term impact in terms of continuous business support and follow-up is less obvious.

The most relevant projects highlighted within the collection of examples have been:

- The **Agricultural Business Accelerator** in Greece, that involves the training of groups of start-up companies in business and accelerating them to develop their own product and better reach the market. The project was operated through a network of investors and also secured some form of funding for the best ideas.

- The **Academy on Tour** project is a business accelerator with an innovative methodology. The initiative involves an inspirational tour on a specific topic, where a limited number of entrepreneurs have been put on a bus together with experts to provide them with information, networking, education and individual coaching. During the different stops, entrepreneurs visited inspirational business examples.

- The **Masterclass** (City of Rotterdam in cooperation with neighbouring municipalities, the Netherlands) offered an ‘accelerator’ masterclass programme that consisted of seven meetings where farmers got inspired by each other, by examples brought in from the outside and by interaction with business model innovation experts.

A set of questions/points of interest were raised with regard to accelerators:

- **Setting up accelerators**
  - What kind of preparation is needed?
  - Since the accelerator process doesn’t include a ‘research phase’, how one can assess project feasibility?
  - How to identify the people who have a business idea?

- **Operating accelerators**
  - How accelerators are being organised in practical terms?
  - How do you identify the entrepreneurs needs? (pull or push)
  - How to stimulate agile businesses? How to encourage innovation?
  - How to make this process funded? How accelerators can be audit-proof?

- **Impact of accelerators**
  - How accelerator activities are followed up? What longer-term impact they may have?
  - How is it ensured that innovation is continued?
  - How to assess the ways in which the accelerator approach shaped the ideas of potential businesses?
  - How it can be justified ‘value-for-money’ to those who finance it?
Alternative business financing (i.e. moving away from dependence on public grants) has been an interest of the thematic group members from the start. In particular, how businesses can be supported through community/crowd funding. Several of the innovative businesses identified through the Thematic Group work have not received or received only limited public funding. Financing is particularly important at the project start-up phase (seed funding) to kick-start the process.

In this context, two projects from the collection of examples provided by the members were considered to be particularly relevant, however it was highlighted that alternative finance would need to be explored in a wider context than the two examples:

- The small pilot micro-grant scheme of GrowBiz in Scotland provided a grant of approximately €580 for a variety of needs of businesses. The seemingly insignificant amount proved to be highly beneficial for rural businesses, in particular those at an early stage.

- Two participatory financing platforms dedicated to agriculture and food have been recently established in Belgium. The method of citizens financing attracted 8% of Belgians to invest in such projects.

A set of questions/points of interest were raised with regard to alternative financial schemes:

- How to set up community finance schemes?
- What are the main incentives for people to get involved?
- What (initial) resources are needed to set-up and manage such a system?

- How do you maintain or develop very small-scale support?
- How to choose whom to support?
- What kind of financial tools are out there? What kind of financial tools can be used in combination with EAFRD? How to combine different financing tools?
- How do you enable high-risk financing?
- How GrowBiz overcame funding challenges?

- To what extent these flexible small financial tools (such as GrowBiz) can boost innovation?
- What awareness raising is needed in relation to community/crowd-funding type of financing?
The primary focus of the thematic group has been on ‘how broadband and digital technology is used for business development’, i.e. once it is in place in a rural area (see for instance the use of rural digital hubs). However, it has been recognised that accessibility to fast rural broadband is still a major issue in many of the Member States. Therefore, the relevance of projects that provide alternative solutions to set up fast broadband connection, where large broadband companies do not have an interest, has been highlighted. Two projects are particularly relevant in this regard:

- The **Village Network Cooperative of North-Western Kuhmo** (in Finland) has set up with strong local-up involvement a ‘self-constructed’ net (150 km core networks in 6 weeks), through the active involvement (including voluntary cooperation work) of local citizens (36,500 hours of voluntary input).

- **Broadband Molenwaard** (a project implemented in the area of the thematic group meeting location) is a citizen-based initiative to set-up rural broadband accessible to all citizens (open network). The initiative has been organised by locals, with the involvement of local businesses.

A set of questions/points of interest were raised with regard to the setting up of alternative (community-based) solutions for making broadband available in rural areas:

- Who takes the initiative?
- Who is involved in the initial financing? How to initiate and finance the process
- How to start the process / motivate stakeholders (including local companies) to get involved?
- What community involvement is needed?

**The role of LEADER**

LEADER has been recognised as one of the main RDP instruments to support rural businesses (see also presentation of Alistair Prior above); and it is the subject of the Thematic Group RDP analysis. One of the points of interest of the group has been how to make LEADER a more effective tool to support rural businesses. In this context, within the collection of examples, the LEADER2030 process in Finland (already described in previous Event’s Summaries as well) has been of particular interest:

The goal of the **LEADER 2030** process has been having a new vision for Finnish LEADER post-2020. The initiative, run by the Finnish Rural Network, has engaged a wide range of stakeholders, including people from LAGs, the Ministry, Paying Agency and regional Managing Authority, research and representatives of municipalities. The LEADER2030 process is expected to contribute to the planning for the next RDP period.

Some of the key questions on how to make LEADER a more effective tool for rural businesses concerned:

- How to engage all sectors of the rural society?
- How to strengthen links between LEADER and entrepreneurship? How to support/finance business initiatives?
- How to spread the method and findings? What are the specific processes (e.g. LEADER2030) which lead to more concrete outcomes?
Next steps in Thematic Work on Smart and Competitive Rural Businesses

The following activities are ongoing or still to be realised:

- **RDP analysis** to identify useful approaches to business development.
- **Final Thematic Group meeting** (foreseen for 18-19 May 2017, Finland)
- **Good practices** on rural business development through RDP projects, presented in communication tools (including the RDP project database and publications)
- **Case studies** on specific issues of interest for members (including digitisation and broadband and accelerators)
- **Factsheets & Recommendations**

On the 30th of March the ENRD organises a seminar in Brussels about “revitalising rural areas through business innovation”. It builds on many of the ideas and examples identified in the thematic group and is designed to further develop and share some of the key messages among a wider group of around 150 rural policy makers, implementers and practitioners.

The Contact point is developing two publications on the theme of ‘rural businesses’:

**EU Rural Review 24 – Supporting Rural Businesses**

The publication will explore the emerging trends and opportunities as well as forms of enabling business environment and business support which can help farmers, entrepreneurs and other rural stakeholders to take advantage of modern rural business opportunities. The publication will build on the work of the thematic group, as well as the experience of its members.

**EAFRD Project Brochure – Rural Businesses**

The projects selected for this edition of the EAFRD Projects Brochure are divided into two main sections:

- business support creating the environment in which rural businesses can develop and be successful (e.g. access to advisory services, support to digital access and access to working spaces),
- business support to individual businesses to develop their activities and improve the competitiveness (e.g. support to agri-food businesses, support for diversification and for social enterprises).