



FIRST EUROPEAN RURAL STARTUP PLATFORM

## Introduction and our First Campaign for Rural Startups

### What is FERSP? ←

The First European Rural Startup Platform (FERSP) is an EU-level initiative launched in May 2014 by experts with expertise on rural entrepreneurship, rural development (RD) policy formulation and agribusiness in various EU Member States. FERSP's primary objective is to boost rural entrepreneurship via the harmonised application of public and private financial instruments. FERSP is also an informal network of stakeholders sharing

the view that rural startups should be better highlighted and mainstreamed both in the relevant policy dialogue and in the startup ecosystem.

The founder of the FERSP is Mr Adam Ficsor, who was earlier the Head of Managing Authority for the Hungarian Rural Development Program (2007-2013), later he served as a minister in the Hungarian Government. Currently, he is a rural entrepreneur.

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### Rural startups? Absolutely! ←

Yes, we believe that rural Europe has a huge untapped entrepreneurial potential. Agriculture and food industry have become new focus areas for breakthrough innovations, and the special constraints and opportunities attached to the rural lifestyle and mindset bring new chances and ideas for innovation. Additionally, digital and income gap in rural Europe as well as

urban-rural connections bring along significant development potential. In sum, there are many business areas connected to agriculture and rural territories waiting for disruption by a new, innovative business model. FERSP strives for helping rural Europe realize this potential and rural startups to benefit from available private and public funding.

#### **FERSP's definition for rural startups**

*Rural startup: any startups located in the rural territories of any EU Member States, defined in the respective national Rural Development Programmes. Business models of rural startups usually but not necessarily reflect to rural needs.*

*Agro-startup: any startups active in the field of agriculture, food industry, including any phases of the food value chain as well as startups connected to agricultural biotechnology.*

## What is the rationale for public intervention? ←-----

The development of rural territories always required the active intervention of national, regional or local level governments and authorities. In the field of economic development, government intervention shall be based on the real needs of rural stakeholders and shall be targeted to those enterprises and entrepreneurs who can create the most added-value and generate sustainable economic growth. Rural startups are definitely among those who should be in the focus of government support programmes.

We do not think that European economic development should be dominantly based on

public intervention. We do think, however, that financing rural startups is a wise – usually wiser than the traditional – way of spending EU money. Rural startups face many challenges: the traditional startup ecosystem does not trivially cover this area, the digital gap creates huge opportunities on one hand, but a riskier environment on the other, and last but not least, the attitude towards innovative ideas is much more sceptical in a rural setting. All in all, there are huge opportunities but also certain handicaps, which can be eased by public intervention.

## So, is it a manifesto for a new EU Program? ←-----

Definitely not. Between 2014-2020, the EU legal framework is given: rural startups can be eligible for funding in the Rural Development Programs (RDPs) and in the Structural Funds, and also innovative financial instruments can be launched from rural development instruments. FERSP's objective is to influence the relevant authorities to use the new funding opportunities for creating an innovative and thriving entrepreneurial climate in rural areas.

We analysed the relevant EU legal framework and concluded that the easiest way to support rural startups is from RD funding.

Therefore, the first campaign of FERSP is targeted at regional and national level Managing Authorities (MAs) of Rural Development Programs in order to persuade them about the necessity of integrating startup measures in their programs.

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## What will be delivered in the first campaign of FERSP? ←-----

After preliminary studies, we wanted to understand the state of play of rural startups, therefore we launched a survey for Managing Authorities. The most important conclusions of the survey were twofold: although there is a willingness to take on startup measures, there are not too many concrete actions planned in the present versions of RDPs.

Based on our analysis of the situation as well as on the survey results, a set of recommendations has been elaborated. These recommendations offer a complete solution for a Managing Authority

intending to: integrate startup measures into the RDP.

A workshop with the most important stakeholders will take place in the European Parliament (EP) on 2 December. Here, the recommendations will be presented and the experiences from the survey will be discussed.

An ongoing coaching activity will keep alive the first campaign, in which we will offer advice for Managing Authorities and LEADER Local Action Groups to elaborate and launch startup measures based on our set of recommendations.

## "OK, I am a representative of a Managing Authority for a Rural Development Program, so what should I do?" ←-----

Regarding the 2014-2020 programming period, several key decisions have already been made by national and regional authorities. The outcomes of the survey in FERSP's first campaign show that there is not enough attention on rural startups in the majority of rural development programs. Nevertheless, the flexibility of programmes as well as the strengthening of the startup ecosystem in the EU makes it both possible and necessary to put further emphasis on rural startups by authorities in charge.

At the end of the day, it is a question of attitude to run entrepreneurial, innovation-oriented measures: a Managing Authority must be entrepreneurial and innovative itself. The framework is there: in most cases many startup-oriented measures can be launched within the approved RDP. Experimenting and piloting are also possible.

The FERSP Recommendations for RD Managing Authorities will be presented in our December Brussels Workshop, but here we give you a brief overview of them:

- 1.** It is possible to finance innovative start-up ventures from the Rural Development funds, so all MAs should analyse the potential it means for their territories and be open to include measures aiming at it.
- 2.** A general barrier analysis should be conducted at RDP level for most measures as regulators tend to include eligibility criteria which disqualify innovative startups from funding (e.g.: requirement for many years of existence for a Small or Medium Sized Enterprise, which can be justified in many cases, but there should be a special exemption if a start-up demonstrates an innovative business model; another example is the case when the regulator defines a list of eligible activities for the business set-up aid, which ruins the innovation as it is unpredictable for a regulator what kind of industries can be enhanced or even disrupted by an innovative start-up).
- 3.** RAP: a Rural Accelerator Program should be set up with the combination of measures. The acceleration activity can be financed from the measure "Knowledge transfer and information actions" (Article 14 of EU regulation 1305/2013) as training and skills acquisitions activity. Professional, experienced accelerators could be involved through tendering. The most important step is to connect this activity with the measure "Farm and business development, business start-up aid for non-agricultural activities in rural areas" (Point 1/a/ii of Article 19 of EU regulation 1305/2013) as those should be granted with the start-up aid who successfully go through the professional acceleration process.
- 4.** At a later stage of programming it is highly advisable to use the possibility of Financial Instruments in line with Article 37 of EU regulation 1303/2013 to set up a venture fund focused on investment in high-growth, innovative companies along the agri-food chain. Hopefully, some of the earlier accelerated ventures reach a level of maturity by this time that they are ready to absorb venture capital. This action has a significance mainly because it is able to draw the attention of the wider venture capital and investor community towards the sectors of rural economy.
- 5.** If a MA hesitates about the necessity of the above-mentioned measures, it is a great opportunity to test them as a pilot programme at the level of a local community based on the capacity of a voluntary LEADER Local Action Group.

All in all, you should definitely get in touch with us, we are here to help you with every possible means. We are driven by the belief that a revolution of rural startups can change rural Europe and it is the most innovative answer on some of the major issues facing our continent.

## "I am not from the government but I am part of a startup ecosystem and I do think that our ecosystem should be more open towards rural territories, what can I do?" ←

Now, it is time to convince the local authorities to act. We are in the beginning of a new programming period of EU funding. The funds have not been committed, yet.

Of course, it is possible to launch rural startup programs without the backing of public funding and we are happy to help you in that as well. Our major recommendation is the Rural Accelerator

Program, which can run without public funding, too. But we believe that governments should take their part and help this process.

We are happy to hear your views and recommendations. We would like to help you in convincing your local, national, regional authorities and we are open to share our professional experience with you. Do not hesitate to contact us!

## What's next? ←

Now, we are focusing on the first campaign which was described above. Besides, we are working hard to build a network of stakeholders as well as a knowledge base of rural entrepreneurship, focusing specifically on rural startup issues.

We really believe that setting up some rural accelerators would be of help and our next campaign will focus on mainstreaming this concept.

## How to contact us? ←

FERSP is an informal network, but we are contracted with the rural entrepreneurship consultancy VAMOSInno to serve as a secretariat to our project, so we have the

capacity to actively collaborate in every issue promoting our agenda.

The best way to contact us is via e-mail:

**[adam.ficsor@fersp.eu](mailto:adam.ficsor@fersp.eu)**