

# Support systems for new activities in rural areas



LIAISON ENTRE ACTIONS  
DE DÉVELOPPEMENT  
DE L'ÉCONOMIE RURALE  
LINKS BETWEEN ACTIONS  
FOR THE DEVELOPMENT  
OF THE RURAL ECONOMY



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OBSERVATORY

## SUPPORT SYSTEMS FOR THE EMERGENCE AND DEVELOPMENT OF NEW ACTIVITIES IN RURAL AREAS

The aim of this guide is to help LEADER local action groups (LAGs) improve their systems for supporting new activities in their areas. It offers a practical overview of the entire range of support services that LEADER groups provide or could provide to project promoters.

The guide looks at the way these individual services have been linked together, in coordination with other agencies, to ensure that projects can overcome, step by step, the hurdles that they face at each stage of their life cycle.

Each of the main services is also the subject of a separate factsheet which summarises some of the common problems and bottlenecks faced by LEADER groups (and other agencies). It then provides some key points and guidelines for setting up or changing the service.

### WHAT ARE “NEW ACTIVITIES”?

A new activity should always be defined in relation to the local context, local needs and local opportunities. In local terms, a “new” activity is simply something that did not exist or was not normal in the area in question. It need not necessarily be new to other areas.

The “new activities” or “innovative” actions which are most important for LEADER groups are usually those which in some way have strong multiplier effects on the rest of the area or open up new possibilities of sustainable development. These can include:

- > networks of firms or collective projects bringing together local producers interested in setting up networks, organising joint marketing channels, creating quality labels, working together towards research and development of new products, etc.;
- > new public, semi-public or community initiatives which are more cost-effective but continue to involve some degree of subsidy or voluntary contribution (e.g. improvement of services for the population, creation of tourist infrastructures, leisure facilities, etc.)
- > start-ups by cooperatives, community businesses or, more conventionally, small and medium-sized private enterprises in sectors or activities which are underrepresented locally.

The creation of activities will not therefore be limited to the area of small and medium-sized private enterprises alone, even though these do play a very significant role in the rural economy.

### WHY THE SUPPORT “SYSTEM”?

There are two vital reasons for applying the term “system” to support new rural activities and the work carried out by LEADER groups in particular:

- > the first is that the LEADER programme is not just about grant management or training provision. It is about how to stimulate integrated local development. This requires development agencies to take an equally integrated approach to the support they provide. This guide will help LEADER groups pinpoint the main gaps in their own service provision and help carve out a series of steps to overcome them.
- > the second reason is based on the fact that LEADER groups rarely operate alone in their territories. By analysing the entire support system, organisations, assistance, etc. available for creating and developing new activities, it is possible to highlight where there are strengths and weaknesses and to arrive at a clear division of labour with other LAGs, other agencies and local actors.

One of the most important and powerful benefits of the LEADER programme is precisely this ability to mobilise internal and external alliances which avoid duplication, waste and conflict in order to have a snowball effect on local development

## WHAT IS THE PURPOSE OF THIS GUIDE?

- > To increase the capacity of LEADER groups to generate economically viable and sustainable new activities in their areas.
- > To help LEADER groups identify the main strengths, weaknesses and gaps in the support they and other agencies provide for new activities.
- > To provide methods for evaluating, on the basis of each project and for each stage of its implementation, what LEADER groups can do well and what they would be better to leave to other (private or public) agencies, whether within or outside of the area, in terms of support for new activities.
- > To develop a set of basic guidelines on the main support services to help LEADER groups check their own performances and make improvements where necessary.
- > To identify the areas in which LEADER groups can cooperate to share skills with each other and improve the effectiveness of the support system.

*This guide was written as the result of a seminar organised by the **LEADER** European Observatory in Elizondo, Navarre (Spain) on 6, 7 and 8 of February 1997. Some 70 people from 8 countries attended.*

*In preparation of the seminar and this publication, case studies were carried out on 5 LEADER groups - **Cederna-Garalur** (Navarre, Spain), **Galloway** (Scotland), **Ballyhoura** (Ireland), **Tarn des Montagnes** (Midi-Pyrénées, France) and **Serranía de Ronda** (Andalusia, Spain). The example of one non-LEADER organisation - **the Mission agro-alimentaire Pyrénées or MAAP** (France) - has also had a very significant influence on the approach and methodology suggested in the report.*

*The LEADER I dossier “**Support for small and medium-sized rural enterprises**” (LEADER Coordination Committee / AEIDL, 1994) was also a point of reference for this guide.*

*Finally, the **European Business and Innovation Centre network (EBN)** has also been extremely helpful in providing information and material both before and during the seminar and while this guide was being written.*

*The report itself was written by **Paul Soto** (Iniciativas Económicas y Ambientales, Spain), with help and comments from **Daniel Pujol** (Chambre Régionale d'Agriculture de Midi-Pyrénées, France), **Seamus O'Reilly** (University College Cork, Ireland), **Carlo Ricci** (Agriteknica, Italy), **Yves Champetier** and **Jean-Luc Janot** (LEADER European Observatory).*

## HOW TO USE THIS GUIDE

> The guide can be used in two ways:

- Firstly, it can be read from cover to cover in order to get an overview of the entire range of support services that could be provided by LEADER groups.
- Secondly, LEADER groups can go directly to the factsheets which deal specifically with their needs. Each factsheet describes certain frequently encountered problems, suggests possible solutions and also contains a concrete example of intervention.

> There are **24 factsheets** in total:

### **Part 1 - The support system**

- Specific support for each stage of the project's life cycle (**Factsheet 1.1**)
- Guiding principles (**Factsheet 1.2**)
- Four common pitfalls (**Factsheet 1.3**)
- How does the local area affect the support system? (**Factsheet 1.4**)
- How does the type of project affect the support system? (**Factsheet 1.5**)
- How does the nature of the partnership affect the support system? (**Factsheet 1.6**)
- How to design a support system (**Factsheet 1.7**)

### **Part 2 - Individual services**

- Front-line information and advice (**Factsheet 2.1**)
- Animation and outreach work (**Factsheet 2.2**)
- Training (**Factsheet 2.3**)
- Defining strategic orientation (**Factsheet 2.4**)
- Drawing up a business plan (**Factsheet 2.5**)
- External specialist support (**Factsheet 2.6**)
- Grants and finance (**Factsheet 2.7**)
- Space for working (**Factsheet 2.8**)
- Technological support (**Factsheet 2.9**)
- Joint promotion and marketing (**Factsheet 2.10**)

### **Part 3 - Various techniques**

- Example of a checklist for designing a support system (**Technical Factsheet 1**)
- The main ingredients of a production audit (**Technical Factsheet 2**)
- The main ingredients of a market study (**Technical Factsheet 3**)
- Example of a simplified checklist for a business plan (**Technical Factsheet 4**)
- Example of an aftercare checklist (**Technical Factsheet 5**)
- Advice on setting up a business centre (**Technical Factsheet 6**)
- Business and Innovation Centres (BICs) and their and Innovation Centre Network (EBN) (**Technical Factsheet 7**)

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## **Part 1**

# **The support system**



## FACTSHEET 1.1

### SPECIFIC SUPPORT

### FOR EACH STAGE OF THE PROJECT'S LIFE CYCLE

Each stage of a project's life cycle has different needs in terms of information and assistance, training and improvement of skills, office space and equipment, funding, technology and promotional and commercial tools.

#### THE VARIOUS STAGES OF A PROJECT

Projects for new activities, products and services nearly always follow a specific life cycle:

**Stage 1 - From the birth of an idea** as the result of a perceived need, problem or opportunity **to the preliminary definition of a project;**

**Stage 2 - From the preliminary project to the first adult steps required for the start-up of a new activity;**

**Stage 3 - From the start-up to maturity with viable and self-sustained development.**

At different stages of their life cycle, projects have different needs in terms of information and advice, trained and experienced labour, land and premises, finance, technology and marketing.

#### EXAMPLES OF THE TYPES OF SERVICES NEEDED AT EACH STAGE OF THE PROJECT'S LIFE CYCLE

**Stage 1 - From the need or opportunity to the preliminary project:**

- > Information, screening and first-stage advice;
- > Animation and detection of potential project promoters;
- > Training for capacity building and the generation of ideas;
- > Strategic information and orientation on sectors, markets, the characteristics of local production, etc.

**Stage 2 - From the preliminary project to the start-up:**

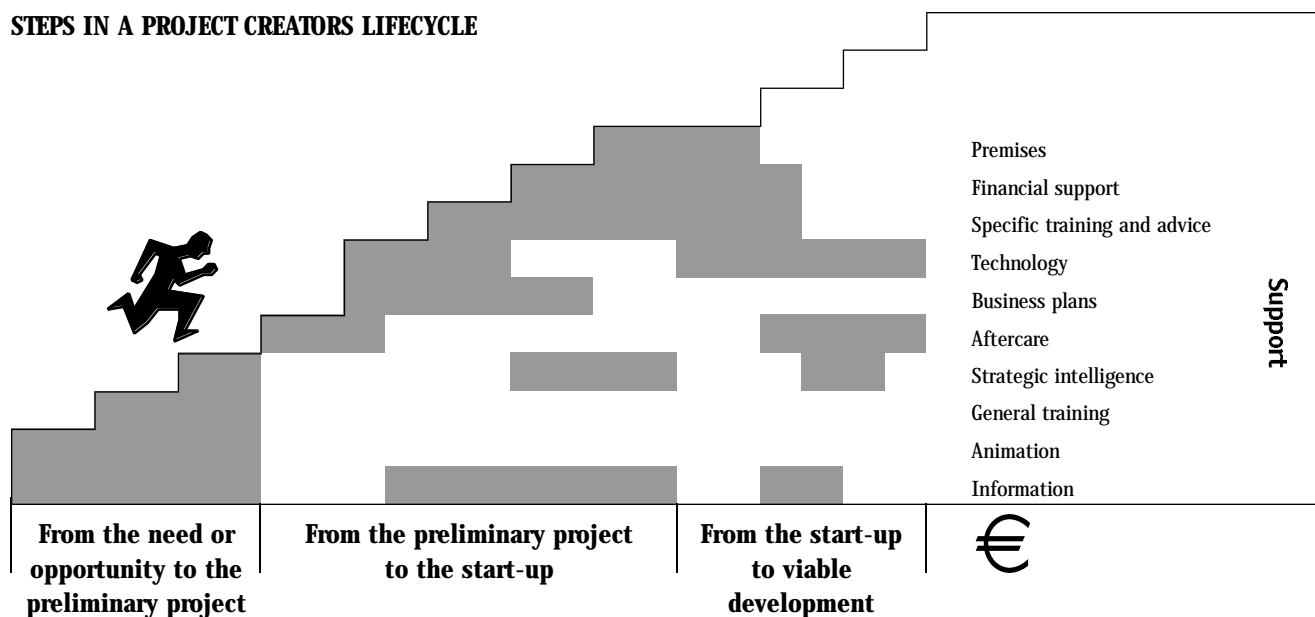
- > Preparing business plans/counselling;
- > Specialist advice and training;
- > Financial support;
- > Premises.

**Stage 3 - From the start-up to viable development:**

- > General follow-up and aftercare;
- > Specialist support and training;
- > Technological support;
- > Joint promotion and marketing.

No area or project is ever the same. The skill of the development worker lies precisely in knowing the types, levels, timing and sequence of support that is needed in each case.

#### STEPS IN A PROJECT CREATORS LIFECYCLE





The next step is to orchestrate the supply or provision of support according to the project's needs. These services are either provided directly by the LAG or, in many cases, by other public or private bodies.

The aim should never be to substitute for project promoters but simply to ensure that they are able to follow a series of accessible and well marked steps on their path to self-sustained growth and development.

Some services are best provided on a one-off basis, at the beginning, middle or end of project life-cycles. Others are required continuously throughout the entire process. At any one point, therefore, a project will probably be using a number of different services, possibly from different agencies.

One of the advantages of the LEADER groups is that they are able to design individual support packages or itineraries that really respond to the needs of project promoters.

## FACTSHEET 1.2

# GUIDING PRINCIPLES

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**The creation of a support system is the result of joint cooperation between all the organisations and people involved in helping the start-up of new activities.**

- > The main ingredient involves **listening to the project promoter**, adapting solutions to each case by coordinating all the means necessary for the project to succeed.
- > For the development worker, the key word is "**accompany**". This involves a two-way partnership and commitment - never top-down direction or substitution.
- > For the project promoters, the key words are **motivation, commitment and determination**. It is possible to create new activities out of mediocre ideas, so long as there are good project promoters behind them. However, a new activity will almost certainly fail, even if the original idea is brilliant, when the promoters are not sufficiently committed, prepared or united.
- > The commitment to be **on site** and **with the promoters** is far more important than the formal organisation or geographical structure of the support system. For example, some organisations that operate from a central office can have a far more immediate relationship with the project promoters than others that operate from a series of supposedly decentralised locations.
- > It is important to set **time limits** and **concrete objectives** for each step of the project in order to be able to control the key human and material resources required to achieve each objective. That is why many support agencies prefer to call themselves *task forces* or *missions ad hoc*, which are less cumbersome to manage and allow greater flexibility in terms of focusing on the real needs of the project at specific stages of its development.
- > After initial creative brainstorming, it is important to be **realistic** about the time and cost of implementing objectives. It is not unwise to take the most pessimistic time-scale.
- > Even though it is worth dividing project life cycles into a series of well-identified and achievable steps or objectives, one of the watchwords of the entire process is **continuity**. There is no point taking projects to a particular point only to watch them fall off the precipice afterwards.
- > The full project life cycle, from idea to maturity, is likely to take between **3 to 5 years**:

- from 6 months to around 2 years (depending on the complexity of the project) to get from the first brainwaves to take-off;
- around 2 to 3 years before projects start to break even or generate a surplus (it is always wise to budget for losses during the first two years of project life cycles).

- > Given failure rates of 50% for small firms in the first five years of their existence, there is growing recognition of the importance of systematic aftercare and involvement throughout project life cycles. However, this should in no way be taken to mean artificially propping up or subsidising projects: **it is essential to have a clear withdrawal or exit strategy**.

- > Nevertheless, one of the major problems of monitoring the effectiveness of support systems is that the time-scales for project life cycles mentioned above are considerably longer than the duration of LEADER and other development programmes. This creates a pressure to cut costs on aftercare and other more advanced services which only produce long-term results.

Each LEADER group will have to find a balance between short term results, such as the number of jobs created and the private investment leverage, and the long-term effects on the development of the area.

- > LAGs often have considerable experience and ability to support projects during the first phase of their life cycles and certain aspects of the second phase (particularly grant allocation). However, in most cases they are singularly inexperienced or ill-equipped for dealing with the last phase of project life cycles. This means that in this case they will act more like brokers and negotiate public and private support.

- > The support system can be seen to require **three types of job profile**:

- local grass-roots workers (information officers, animators, etc.);
- experienced generalists, with a vision and solid training, capable of orchestrating the entire system in a given area;
- specialists, most often located outside the area, who can be used whenever necessary to help resolve certain specific technical problems.

- > Finally, it is impossible to overstate the importance of imbuing support systems with economic realism and professionalism: the biggest innovation is that which is viable over the long term and is autonomous and sustainable.



## **FACTSHEET 1.3**

### **FOUR COMMON PITFALLS**

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**The lack of economic realism and continuity of the system, the attempt to "follow fashion" and the competition between support structures are all pitfalls to be avoided if the creation of new activities is to be effectively supported.**

#### **1) THE LEMMINGS SYNDROME**

Under this scenario, LEADER groups and other agencies put all their energy into the services which they know best. They rapidly achieve certain results, especially in terms of information and animation, training and the mobilisation of financial resources, etc., even if it means not taking into account the commercial prospects of the activities they create. Unless market and other needs have been foreseen and covered, local people may be led up the cliff and left to fall off it.

#### **2) LACK OF CONTINUITY**

This is a less serious, but no less deadly, version of the first pitfall: LEADER and other public or private agencies manage to cover most of the needs of project promoters but there are a series of gaps or discontinuities into which the projects constantly fall. In some cases this may mean a lack of technical expertise; in others, the need for training for project promoters being underestimated, etc.

#### **3) FOLLOWING THE FASHION**

Another problem which often threatens LAGs is that a new service like financial assistance or the joint marketing of local products is taken on simply because it is fashionable and, therefore, fundable. However, in many cases the service has little real impact on development because needs which are sometimes simple, more immediate and more relevant have not been taken into account beforehand (e.g. needs in terms of training, improvement in production quality, etc.).

#### **4) INSTITUTIONAL COMPETITION**

Unfortunately this is a fairly common and extremely wasteful scenario. Instead of coming to an agreement about a clear division of labour, public and private agencies basically compete with an almost identical range of services for the best projects, even if it means bewildering the promoters. Having "won" a project there may or may not be a clear support strategy for the rest of the life cycle.



# HOW DOES THE LOCAL AREA AFFECT THE SUPPORT SYSTEM?

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**The area's characteristics will considerably influence the choice of support system.**

The following factors are particularly decisive:

### 1) GEOGRAPHICAL SIZE

In the context of LEADER, this varies from around 100 km<sup>2</sup> in certain islands to over 7 000 km<sup>2</sup> in some northern Objective 6 LEADER areas (e.g. 38 800 km<sup>2</sup> for the Inlandslaget area in Sweden).

### 2) DEMOGRAPHY

#### > Population

Some LEADER areas have a population as small as 5 000 (e.g. 5 481 inhabitants for the Maestrazgo in Spain), whereas the most populated areas reach almost 100 000 inhabitants (95 715 inhabitants for the Livradois-Forez in France).

This is far smaller than the minimum of 300 000 people required for agencies such as Business and Innovation Centres (their average catchment area has around one million people).

It is vital to be clear at the outset that the fairly small populations of LEADER areas place a severe limit on the services that they can afford on their own.

#### > Population density

This ranges from under 4 people per km<sup>2</sup> in some LEADER areas (0.7 people per km<sup>2</sup> in Inlandslaget) to over 150 in others (e.g. some areas in Northern Portugal).

#### > Demographic structure

In some Irish LEADER areas, the population of under 25s exceeds 54% (in Wicklow it even reaches 60%). This figure is lower than 25% in many areas in Central France (15% in the Haut-Allier area, Auvergne) and Central Spain (11% in the Molina de Aragon-Alto Tajo area in Castile-La Mancha). There is certainly an important correlation between the number of young people in an area and its attitude to risk.

The area's size and population will have a fundamental effect on determining both the number of support staff and the need to have outreach workers or offices, with or without the collaboration of other agencies.

It is just as necessary to find innovative solutions for designing support systems in low-density rural areas. However, it is worth noting that:

- > for animators who accompany a project during its start-up, what is important is the close and monitored relationship with the project promoters and the relationship and coordination with the various partners and organisations who are going to intervene in the various stages of the project (specialists, training centres, financial organisations, relevant authorities, research centres, if necessary);
- > technical support which is more specific to the later stages no longer requires such regular contact. It can be provided from further away, with less personal involvement.

### 3) UNEMPLOYMENT AND SOCIAL EXCLUSION

Unemployment in LEADER areas can vary from less than 5% (e.g. Clervaux-Vianden in Luxembourg) to more than 30% in some Spanish areas.

The extent of unemployment, combined with other forms of social exclusion of certain groups of the local population, very often has a considerable effect on the definition of the main targets of the support system.

### 4) DEPENDENCE ON AGRICULTURE

This varies from under 3% of the working population in some German LEADER groups to more than 70% in some Greek areas. The level of dependence on agriculture considerably influences the type of activity likely to be developed, the people affected and the methods of aftercare necessary.

### 5) THE DEGREE OF SPECIALISATION

Some areas have a very diversified economy (the case of many LEADER areas in Northern Italy), whereas others are specialised in one or more key industrial sectors. Areas also differ in their industrial strategy: some emphasise building on core strengths whereas others are more concerned with diversifying out of declining sectors.

## **6) PROXIMITY TO LARGE URBAN CENTRES**

Some LEADER areas can almost be considered as commuter suburbs of large conurbations and in certain cases are therefore able to benefit from the services available in towns (a partnership has been formed in this way between the Montana de Navarra LEADER group and the BIC in Pamplona). Others may be situated several hours by road from the nearest service centre, which obliges them to be more independent.

## **7) AVERAGE EARNINGS PER INHABITANT**

This can vary from under half the European average (certain LEADER areas in Greece, Spain and Portugal) to 20% more (certain areas in Northern Europe).

It is worth noting that the last two factors affect the supply of rather than the demand for support services: wealthier areas with large service centres are obviously likely to be fairly well covered by other public agencies or the private sector.

## **8) THE LEVELS OF QUALIFICATION OF THE LOCAL POPULATION**

Levels of qualification can vary considerably from one area to another. The traditional gap existing in this field between rural areas and urban areas has tended to have decreased considerably everywhere, but depending on the infrastructures and teaching efforts made in each country, significant differences still remain between the various regions of Europe.

Because of unemployment in the cities, and also because of the more attractive image of rural areas, many people are now interested in staying in the countryside or going back there as soon as possible. Similarly, many rural areas are managing to attract skilled people with significant experience. The return of these people can open up new opportunities for the area, because many "repatriated" people are responsible for setting up independent businesses.

## **9) THE LOCAL POPULATION'S DYNAMISM AND ATTITUDE TO RISK**

Paradoxically, this is sometimes inversely proportional to the level of development or income: some communities which have become used to a relatively high standard of living from one or two staple industries, for example, have enormous difficulties in responding to change or taking initiatives. On the other hand, relatively poor areas, with a tradition of "making ends meet" by all kinds of activities, may prove to have enormous resources of energy and inventiveness.

# HOW DOES THE TYPE OF PROJECT AFFECT THE SUPPORT SYSTEM?

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**Agri-food projects, projects targeting specific groups of the population, projects to diversify existing companies... Each type of project tends to have different objectives, characteristics and legal constraints. The same conditions have to be taken into account when the support system is being designed.**

It is possible to distinguish at least five main types of projects and project promoters:

### 1) FARMERS AND AGRI-FOOD PROJECTS

These are particularly intensive in up-stream animation and group building and tend to require in-depth technical training (e.g. in terms of improving production, processing and marketing).

### 2) PROJECTS PROMOTED BY SPECIFIC POPULATION GROUPS

Many LAGs encourage initiatives among certain target groups (women, young people, the long-term unemployed, etc.). Once again an enormous amount of up-stream confidence and capacity building is required. It is important to be totally realistic about the time, cost and levels of support required to generate economically viable and sustainable projects.

### 3) NEW SME START-UPS

These are the classic bread and butter businesses of most development agencies. However, there is a major difference between support systems for self-employed tradesmen who sell simple services on the local economy and medium-sized companies that have to survive on national or international markets (*see the LEADER dossier entitled "Support for small and medium-sized rural enterprises", LEADER European Observatory / AEIDL, 1994*).

### 4) NEW ACTIVITIES BY EXISTING ENTERPRISES

These generally require very specific expertise which the firm in question will normally have in-house or contract in from the private sector. The main role of LAGs in these cases is to act as brokers in orchestrating outside support or facilitating the mobilisation of public funds.

### 5) MIXED PROJECTS

LEADER groups are increasingly involved in a series of innovative initiatives which test out the frontiers of public, private and community sectors (this is often the case of projects linked to the environment or to services for the community). Very few people or agencies have much concrete expertise in this area and it is one of the fields in which LEADER groups have the opportunity to pioneer new approaches with potentially wide-ranging social implications.

However, it is important to take account of certain basic principles:

- a) the support strategy for mixed projects depends principally on the **objectives** of the project itself: certain mixed projects aim mainly to mobilise private funds for essentially collective services (nursery, home help, etc.); in other cases, it involves creating conditions which are favourable to the emergence of new activities which are normally the responsibility of the private sector (tourist infrastructures, leisure facilities, etc.);
- b) it is then important to plan an **exit strategy** adapted to the project's needs and objectives: for example, long term public financial assistance may be justifiable in the case of a nursery or home-help service, but projects intended to create new private activities must normally be able to be self-funding in the long run;
- c) it is essential to assess the cost-benefits of mixed projects, **to compare the positive effects that the project can have with the negative ones (in terms of substitution, delocalisation) that it can create**: a mixed project to create leisure facilities can wipe out existing or potential private initiatives. In this case public funds will be mobilised unnecessarily and simply replace the jobs eliminated in the private sector;
- d) as in the case of new private activities, the creation of mixed activities almost always involves taking **demand** into account as much as supply. Public-private projects are often justified by the fact that neither the public nor private sector can alone generate sufficient demand to justify the project's costs. Mixed projects often, therefore, require significant marketing (involving training, animation, advertising), so as to benefit from public and private demand and to ensure the project's profitability. It may be that a gardening business, for example, is only viable if it simultaneously holds public contracts for the maintenance of open spaces belonging to the municipality and private contracts (maintaining gardens of holiday homes, hotels, etc.);



- e) as far as **supply** is concerned, setting up a mixed project often involves suitably distributing public and private human and material resources. This is, for example, the case of a publicly-owned building which has been converted into a cultural centre thanks to private donations and is managed by an association which covers part of its operating costs by providing a cafeteria, organising exhibitions, cultural events, etc.;
- f) whether from local, national or European funds, the **public contribution** can take the form of subsidies, contributions to operating costs (salaries, rent, charges), etc. Most often, the highest proportion of public contributions is used during the initial stages of the project, in the form of the provision of buildings or other collective properties to the operator, whether an association or private entrepreneur. Generally, the public sector then tends to reduce its commitments to a minimum;
- g) finally, the **legal status** of the mixed initiatives may vary considerably from one project to another (limited liability company, association, cooperative, etc.), the main thing being to find the right decision-making balance between the financial backers and the operators.

The directory “**Innovative actions of rural development**” (\*) gives several examples of methods tried out by local action groups and involving both public and private partners.

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(\*) *LEADER European Observatory / AEIDL 1997*

## HOW DOES THE NATURE OF THE PARTNERSHIP AFFECT THE SUPPORT SYSTEM?

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**The composition, objectives and strategic priorities, the way the LAG and its technical team are organised, will all have a major influence on the kind of support system that is provided.**

### TWO TYPES OF APPROACH

From the outset, the LEADER group must define the mission that it has set itself:

- > should it give itself the simple task of managing subsidies? In this case, the technical team will be an administrative team responsible for processing files;
- > should it give itself the broader task of trying to stimulate the development of the area? In this case, the LAG may choose to directly manage all the services involved in the support system itself or play a role of coordinating its own services with those of other agencies

### THREE TYPES OF PARTNERSHIP

In the case of the LEADER partnership, the main influences do not only depend on the formal representation or control of the key decision-making bodies, but also on informal factors such as who initiated the partnership and who are the most dynamic or vocal members.

Broadly speaking, there are three main types of partnership (see the dossier "**Organising local partnerships**", LEADER European Observatory / AEIDL, 1997):

1. Many LEADER groups have very close links with the **public sector** (regional and local authorities and the various services that are dependent on them). This status gives them access to considerable resources. Some LAGs even form part of a development support system set up by regional authorities.
2. Many other LAGs have strong roots in **community organisations**. In general, their activities tend to favour animation, training and capacity raising directed at disadvantaged groups or areas.
3. Few LEADER groups have originated from or are controlled by the **private sector** (although nearly all of the groups have some form of private sector representation). They are often more concerned with solving the needs of existing businesses than encouraging start-ups.

### TWO TYPES OF ORGANISATION

The range of organisational forms and sizes of LEADER groups is very large. Nevertheless, there are two extremes:  
> on the one hand are the free standing organisations in which LEADER may be one of a number of programmes (*this is the case of the Serranía de Ronda group in Spain which has 7 core staff and can draw on 8 workers in satellite organisations*);

- > on the other hand, some large public institutions simply set up specialist departments and/or subcontract part of the programme to other agencies (e.g. 1 full-time employee and 1 half-time employee in the Foundation that coordinated the LEADER programme in N.W. Friesland in the Netherlands).

In general, the LAGs have fairly small organisations: in Spain (which has 25% of LEADER groups), the average number of staff directly attributable to LEADER is 4.

The basic team normally includes a manager, a secretary-receptionist, an employee in charge of accounts and project files and one other person.

Salaries vary enormously from the amounts needed to pay the living costs of committed local activists to the amounts needed to retain expensive private consultants. In general, however, they appear to be gravitating towards the levels paid in the public sector for people with equivalent levels of responsibility.

Staff generally come from a training, research, community or public sector background. There are relatively few people with private sector experience.

In this context, it is obviously important for LEADER groups to be realistic about the support they can provide.

This is in stark contrast to other types of support structures: *for example, Business and Innovation Centres normally have a core staff of around 9 people (a manager with at least five years' business experience, 5 specialist advisors and 3 administrative staff). Salaries are meant to match the rates paid by the private sector.*

*20-25% of the total budget is spent on contracting in specialist advice.*

*These Centres normally manage an enterprise hotel of around 5000 m<sup>2</sup>.*

*They may manage or have special access to risk capital. However, they do not manage a global grant or have access to their own funds for grant giving.*



**The only satisfactory way of developing an effective strategy for the LEADER support system in any given area is to obtain a direct understanding of two main characteristics:**

- > **the real needs of local firms and potential project promoters;**
- > **the availability and gaps in existing local support services.**

This understanding requires formal enquiries and, above all, close and regular contact with project promoters (see the *LEADER I* dossier “**Support for small and medium-sized rural enterprises**”, *op. cit.*).

### QUESTIONS FOR LEADER MANAGERS

Before any decision is made on the creation or development of a support service or technique, LEADER managers should identify the strengths and weaknesses:

- > of their own in-house services;
- > of the services provided by other agencies.

Before moving on to recommendations for their own organisation and for joint action, they may first find it useful to obtain answers to the following mundane but vital questions:

- what are the profiles, qualifications and experience needed by staff in order to provide a really professional service?
- > **what are the investment and running costs of an efficient service?**
- > **how much time and resources should be devoted to each project in order to stimulate self-sustaining and durable initiatives?**
- > **what are the time-scales required to start achieving genuine results?**
- > **what quantitative and qualitative outputs and results can be expected?**

*Technical Factsheet 1 provides a checklist to facilitate the study of these questions.*

### ANALYSING EXISTING SERVICES

Analysing the strengths and weaknesses of the services providing technical assistance in existence in the area will be a deciding factor in the positioning of the LAG and in the type of organisation that it decides to set up.

In most areas, a number of organisations, agencies and institutions operating in the field of activity creation already existed before LEADER. For example, employment

services support the creation of independent activities for the unemployed, agricultural development services provide technical assistance for farmers, organisations such as Chambers of Commerce and Industry deal with people setting up businesses and existing businesses, local, provincial and regional development agencies assist in company start-ups, training centres, “escuela-taller” (school-workshops) help to restart traditional activities, etc.

Analysing the strengths and weaknesses of these services will also be essential for determining where the shortcomings are, and in which areas LEADER can bring an increase in value.

### STAFF PROFILES AND EXPERIENCE

- > In the first stages of project life cycles general interpersonal skills, direct experience of the area or target group and personal commitment to local development are often more important.
- > Skill requirements tend to become more technical and specific as projects mature.
- > It is vital that first-stage animators have experience of and take into account the realities and constraints of the more specialised technicians who will intervene in the later stages.

### IN-HOUSE, OUT-HOUSE

- > The specific nature of the skills required at each stage also affects the degree to which support services are provided in-house or out-house.
- > The core skills of most LEADER groups are generally used in the first and second stages of project life cycles. Groups should concentrate on what they do best and recognise where they need outside help.
- > The technical skills necessary for the later stages are both too specific and too costly for an agency serving an area of less than 100 000 inhabitants.
- > The LAG must decide where cut-off points are, share costs and information for the more expensive skills and, wherever necessary, mobilise partners likely to be able to provide the most suitable solution.
- > One of the main advantages of LEADER is that it provides a mechanism for stimulating coordination and cooperation between a wide range of local actors and agencies concerned with development.

## **THE IMPORTANCE OF PUBLIC FUNDING**

- > As a general rule, the support services for the first two stages of a project require more public funding.
- > Once the project begins to generate its own resources, it is possible to ask for progressively higher private contributions.
- > The final objective of many services in the last stage of a project's life cycle, particularly in terms of collective marketing systems, is for the project to become totally self-sufficient.

In this case, they cease to be support services as such and develop into new activities in their own right, e.g. the sale of commercial services to groups of companies.

## **THE EXPECTED RESULTS**

- > The expected results can generally be estimated with reasonable precision during the last stages of project support: e.g. achievement of the objectives of the business plan or effectiveness of a promotional campaign, their effects on employment or sales, etc.
- > However, it has traditionally been far harder to find precise measures for services such as first-stage capacity building. Nevertheless, even at this stage, there is a move towards methods which involve clearly defined time limits and targets.
- > In general, a project's life cycle varies between 3 to 5 years, with the snowball or multiplier effects of actions carried out in one LEADER programme most often not taking effect until the next programme.

## **Part 2**

# **Individual services**



## FACTSHEET 2.1

### FRONT-LINE INFORMATION AND ADVICE

The perception that LAG staff have of their role in terms of information and advice is crucial: members of staff can either behave like administrators or, on the other hand, welcome project promoters, be real “development agents” and from the outset play an active role as project supporters, which is decisive for the effectiveness of the entire support system.

COMMON PROBLEMS AND BOTTLENECKS	RECOMMENDATIONS AND GUIDELINES
<ul style="list-style-type: none"> <li>&gt; The local community is unaware of where and how to get support.</li> </ul>	<ul style="list-style-type: none"> <li>&gt; The media should be used extensively to back up LEADER actions, but also to publicise all the other systems existing in the area. Media coverage should coincide with the main calls for tenders (if the LAG uses this method to encourage projects) and other support activities.</li> </ul>
<ul style="list-style-type: none"> <li>&gt; Potential entrepreneurs are not given the priority they deserve. This can have effects on the rest of the support system. For example:               <ul style="list-style-type: none"> <li>• the office is remote and unfriendly;</li> <li>• there is too much form filling and bureaucracy;</li> <li>• staff do not manage to gain the community's trust.</li> </ul>               Result: many promoters of quality projects discontinue their efforts.             </li> </ul>	<ul style="list-style-type: none"> <li>&gt; The strategic importance behind welcoming potential project promoters is a key issue for staff awareness.</li> <li>&gt; In-house training is important. Wherever possible, support workers should be “out with the potential projects” rather than waiting passively for the candidates to come forward with grant applications (<i>see Fact - sheet 2.2</i>).</li> </ul>
<ul style="list-style-type: none"> <li>&gt; On the other hand, eagerness to help may generate expectations about projects which are non-starters and waste an enormous amount of time and resources downstream. Staff can lose credibility after two or three successive failures.</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Front-line office staff responsible for welcoming potential project promoters need to be absolutely clear about what LEADER can do and what it cannot do (eligibility, profitability criteria, etc.). If the project is not eligible, for example, staff should refer the case to other competent agencies, and ensure that the project is going to be followed up.</li> </ul>
<ul style="list-style-type: none"> <li>&gt; “Generalist” advisers are more concerned with throughput and fast, quantifiable results than the long-term effects on the local economy.</li> <li>&gt; There are no clear guidelines about when to call in outside specialist support. As a result, generalist in-house workers try to cover an excessively wide range of subjects in insufficient depth.</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Simple checklists enable the generalist advisers to make an initial appraisal of the long-term potential of the proposed project: type of activity, economic and social impact, etc.</li> <li>&gt; The same procedure can be used to evaluate which type of out-house support is necessary.</li> </ul>
<ul style="list-style-type: none"> <li>&gt; Advice workers and agencies duplicate and compete with one another. There is no coordination and it is difficult to find the right office or person.</li> </ul>	<ul style="list-style-type: none"> <li>&gt; It is important to try to reach agreements with other agencies so that each concentrates on its core services while obtaining as wide a geographical and social coverage as possible (1).</li> </ul>

(1) The **Galloway** LEADER group (Scotland) has managed to create five different one-stop entry points to its support system, at relatively low cost to its core budget, by agreements that it has concluded with two local associations (these inform the public about LEADER in return for a small grant) and the Galloway and Dumfries Enterprise Board (its two Business Shops provide information on LEADER in return for the LAG providing information on other Enterprise Board services).





## FACTSHEET 2.2

### ANIMATION AND OUTREACH WORK

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**If the emergence of new activities is to be given top priority, project animation and outreach work will involve organisational choices as well as particular attitudes and skills.**

LEADER groups operating over relatively large areas often create a network of local development workers or animators based in particular areas (*the Navarra LAG, for example, employs 8 development workers covering catchment areas of between 5 000 and 16 000 people each, depending on population dispersion*).

COMMON PROBLEMS AND BOTTLENECKS	RECOMMENDATIONS AND GUIDELINES
<ul style="list-style-type: none"><li>&gt; After an initial burst of enthusiasm, development workers lose direction and sink into carrying out a series of mundane tasks that they themselves have generated.</li></ul>	<ul style="list-style-type: none"><li>&gt; One of the core skills of development workers is to know how far they can go on their own and when and where to call in outside professional advice. This is one of the main difficulties of their job.</li><li>&gt; Many LAGs divide their work into “missions” or task forces with specific objectives and time-scales.</li></ul>
<ul style="list-style-type: none"><li>&gt; The costs of running decentralised offices can often be exorbitant compared to the results obtained.</li></ul>	<ul style="list-style-type: none"><li>&gt; It may be easier to be out and with the project than to be in decentralised offices.</li></ul>
<ul style="list-style-type: none"><li>&gt; Administrative and financial procedures and the demands of programmes can often pull local action groups into more passive and routine bureaucratic work, away from providing support for new development projects.</li></ul>	<ul style="list-style-type: none"><li>&gt; In some cases, multidisciplinary outreach teams can count on specific budgets to help the projects they support move towards clear and tangible results.</li><li>&gt; Outreach work and animation should be clearly integrated into other LEADER functions such as grant giving, shared workspace and training.</li><li>&gt; Development workers should play a continuous role in the follow-up and aftercare of projects. Their responsibility should not begin with the opening of an administrative file and should not end when a project promoter receives a grant.</li></ul>
<ul style="list-style-type: none"><li>&gt; Development workers and agencies can often duplicate each other and compete for projects.</li></ul>	<ul style="list-style-type: none"><li>&gt; LEADER often has a key role to play in encouraging co-ordination between different development workers and agencies (community workers, social workers, professional bodies, etc.) and enabling them to clearly divide their tasks depending on their skills, geographical location, etc.</li></ul>

COMMON PROBLEMS AND BOTTLENECKS	RECOMMENDATIONS AND GUIDELINES
<ul style="list-style-type: none"> <li>&gt; In many cases, development workers are strong on enthusiasm and interpersonal skills but are weak on economic experience and training. There is a risk of encouraging investment in projects which have little real chance of success.</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Animators need the backup of regular strategic guidance, both from within the LAG and from outside specialists, to be able to ask the right question are posed and that people are being motivated towards potentially viable activities.</li> <li>&gt; Development workers not only need high-quality training in communication and group work but also in economic issues. There is a need to pool training materials and methodologies in these areas.</li> <li>&gt; Development workers should ideally form part of multi-disciplinary teams.</li> </ul>
<ul style="list-style-type: none"> <li>&gt; There can be little relationship between the day-to-day work of the animators and the strategic priorities of the business plan.</li> </ul>	<ul style="list-style-type: none"> <li>&gt; The LAG's role is to translate the strategic priorities of the business plan into operational objectives. Every effort should be made to work towards clear targets for specific time limits.</li> </ul>
<ul style="list-style-type: none"> <li>&gt; There is little enthusiasm in encouraging the creation of new activities.</li> </ul>	<ul style="list-style-type: none"> <li>&gt; The local initiative of potential entrepreneurs can be stimulated through the following actions:             <ul style="list-style-type: none"> <li>&gt; competitions for ideas or projects;</li> <li>&gt; distribution of factsheets listing good practices and detailing successful projects;</li> <li>&gt; "business creation breakfasts";</li> <li>&gt; an "innovation trophy";</li> <li>&gt; a campaign in the local press;</li> <li>&gt; animation of groups of entrepreneurs ("entrepreneur clubs");</li> <li>&gt; etc.</li> </ul> </li> </ul>

*N.B.: The "**Innovative actions of rural development**" directory published by the LEADER European Observatory describes several animation approaches carried out by local action groups.*

## FACTSHEET 2.3

# TRAINING

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Training is one of the LEADER support services that is usually required throughout project life cycles. Generally speaking, training needs change as the project evolves: in the first stages, training programmes, confidence raising or capacity building tend to be the twin sisters of the various methods for animating new economic activities. At later stages, training needs tend to become increasingly specific, technical and individualised. In fact, the boundary between training and technical assistance becomes very blurred.

COMMON PROBLEMS AND BOTTLENECKS	RECOMMENDATIONS AND GUIDELINES
<ul style="list-style-type: none"> <li>&gt; In some countries, training programmes have an extremely bad image with companies, who associate them with adjusting unemployment figures and funding training agencies.</li> </ul>	<ul style="list-style-type: none"> <li>&gt; The LAG's training strategy has to be based on a direct evaluation of the needs of firms and local people, and not as a means of easy access to funding.</li> </ul>
<ul style="list-style-type: none"> <li>&gt; Many LAGs have targeted training programmes at specific groups of the population: women and young people (Galloway and Navarre), redundant businessmen (Galloway), university graduates (Mendikoi, Basque Country, Spain).</li> </ul> <p>Nowadays, there is a wide range of standard methods and training packages for job seekers, people going back to work, self-employed people and for people wishing to set up small businesses. Unfortunately, many of these programmes are organised in contexts where job opportunities are practically non-existent and where the structural disadvantages (lack of infrastructures, no spirit of initiative, etc.) are particularly severe.</p>	<ul style="list-style-type: none"> <li>&gt; Training is not an isolated process nor an end in itself, but a coordinated step in a series of support measures in the same way as information, advice, financial support, etc.</li> </ul> <p>Training should be integrated into the rest of the support system and focus resources on the key blockages in the development process.</p> <ul style="list-style-type: none"> <li>&gt; It is worthwhile trying to establish realistic benchmarks for the time and resources that are usually needed to build the capacity of different groups to undertake viable new economic initiatives.</li> <li>&gt; The training strategy is designed in conjunction with local employers from both the public and private sectors.</li> </ul>
<ul style="list-style-type: none"> <li>&gt; The risk, skill and personal commitment involved in creating one's own job are often underestimated. Training is too short and imparted by people with little real experience.</li> </ul>	<ul style="list-style-type: none"> <li>&gt; It is usually best to organise a series of short, intensive and highly professional modules, which together form the building blocks of a training itinerary.</li> <li>&gt; One hour of structured direct experience is usually worth ten of formal training. LEADER provides the opportunity to take people to other experiences and bring other experiences to the home base, particularly by supporting placements.</li> </ul>

COMMON PROBLEMS AND BOTTLENECKS	RECOMMENDATIONS AND GUIDELINES
<p>&gt; Additionally, in many areas, the only professional training programmes on offer focus on passing exams or obtaining recognised qualifications, but do not provide any local opportunities.</p>	<p>&gt; The content of courses and training programmes should be made to measure, in order to meet the specific needs of new activities.</p> <p>&gt; Within the overall strategy, three types of training can often be distinguished depending on how advanced the project is:</p> <ul style="list-style-type: none"> <li>• general training to organise activities (in the initial stages of project life cycles), develop attitudes, raise confidence, motivate actors and generate the consensus required for development (e.g. seminars, conferences, visits, etc.);</li> <li>• training aimed at project promoters (in the first and second stages of project life cycles). This involves improving their skills in areas such as drawing up business plans, creating a joint marketing approach, etc.;</li> <li>• the specific skills required for individual projects (in the second and third stages of project life cycles). These can be taught through one-to-one coaching, although this is an extremely expensive solution. Once again, a potential solution is to pool resources between LEADER groups and other agencies.</li> </ul>
<p>&gt; Often, the availability of training is scattered and consists of a wide range of courses on a myriad of fashionable subjects blended with real long-term needs.</p>	
<p>&gt; The relationship between training and other parts of the local development support system is not always evident.</p>	
<p>&gt; There are few mechanisms for sharing information on and the costs of top-class professional trainers.</p>	
<p>&gt; There is often a gap between the short-term training needs identified by employers and the local community and the long-term training process needed to take up the challenges facing the area.</p>	<p>&gt; Some LEADER groups use a part of the budget aimed at training to make the local community and employers aware of the future challenges and resulting long-term training needs.</p>
<p>&gt; Training is not really tuned into the realities facing the company.</p>	<p>&gt; Some factors are essential in order for training to be effective:</p> <ul style="list-style-type: none"> <li>• the choice of trainers involved in the day-to-day realities facing the areas they are teaching about;</li> <li>• a detailed preparation of each seminar (choice of subject matters, choice of teaching methods, etc.);</li> <li>• the use of “active” methodologies (case studies, role-play exercises, use of videos, etc.);</li> <li>• sending participants preparatory documents for seminars;</li> <li>• the organisation of short modules, able to be followed on their own and not requiring attendance of other modules.</li> </ul>

## FACTSHEET 2.4

### DEFINING STRATEGIC ORIENTATION

Defining then asserting what one wants to do and how to do it - the strategy - supposes that each project promoter envisages possible objectives, retains some of them, puts them in order of priority, determines the paths to be followed to achieve them, identifies the ways and procedures to be used, works out a timetable, etc. This is a complex operation, which is decisive for working out the resulting business plan and involves far more than simply gathering and processing the data, requiring considerable thought on the part of the project promoters with the help of able operators.

COMMON PROBLEMS AND BOTTLENECKS	RECOMMENDATIONS AND GUIDELINES
> Too many resources are spent on short-term allocation and training without a clear strategy for channelling the energy and ideas that emerge towards the projects which have real potential for success.	<p><i>The Mission Agro-Alimentaire des Pyrénées (France) recommends a 7-stage process for turning ideas into realities (1):</i></p> <ol style="list-style-type: none"> <li>1. Ensure that there are qualified advisors present who can pose the right problems at very early stages of project life cycles.</li> <li>2. Carry out an audit or x-ray of local production and resources.</li> <li>3. Carry out a market study (2).</li> <li>4. Imagine and contrast different possible scenarios.</li> <li>5. Define and choose the best project in the context.</li> <li>6. Carry out small-scale test runs.</li> <li>7. Evaluate the test run, make changes and launch the project on a larger (but ideally still modest) scale.</li> </ol>
> The strategy for the activity to be created is defined (with or without outside experts) "after the event", when it is too late or at least when it is extremely difficult to change direction.	
> Strategy and hard economic knowledge of the market place is confused with theory. Many LAGs have commissioned enormous academic studies which are of little use in practice.	
> There is little or no relationship between what are often extremely general strategic principles in the business plan and operational tactics.	
	<p>Carrying out a small-scale test run is particularly important. Too many projects only superficially carry them out, or do not carry them out at all.</p> <p>In the case of a totally new or inexperienced project promoter, completion of these tasks can take between 6 months and 2 years, depending on the availability of resources and the complexity of the project.</p> <p>Many LAGs and development agencies (such as the Tarn-des-Montagnes LEADER group and the Mission Agro-Alimentaire des Pyrénées, France) emphasise the importance of the amount of "grey matter" to be mobilised at the beginning of the projects</p>

(1) See the LEADER dossier "**Developing local agricultural resources: the experience of LEADER I**" (LEADER European Observatory / AEIDL, 1995).

(2) For more details on the application of these last two points to the tourism sector, see the "**Methodology guide for evaluating a territory's touristic potential**" (LEADER European Observatory / AEIDL, 1996)



**Drawing up a business plan has become one of the fundamental tools for supporting new activities and setting up of small businesses. Formally many business plans tend to resemble one another but significant differences may appear in the way in which the plans are implemented and how useful they really are for project promoters. This highlights the importance of defining the strategic guidelines beforehand.**

<b>COMMON PROBLEMS AND BOTTLENECKS</b>	<b>RECOMMENDATIONS AND GUIDELINES (*)</b>
<ul style="list-style-type: none"> <li>&gt; In some cases, there is a real danger that business plans are treated simply as bureaucratic forms to fill in so that the figures add up and justify a grant.</li> <li>&gt; Personal problems and conflicts are underestimated.</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Business plans can be used as participatory educational tools on a one-to-one or group basis.</li> </ul>
<ul style="list-style-type: none"> <li>&gt; It is not uncommon to find sales figures have been “made up” by simply calculating sales as arbitrary market shares, determined on the basis of sales figures needed to achieve financial stability.</li> </ul>	<ul style="list-style-type: none"> <li>&gt; If one is embarking on a fairly new area that could have important multiplier effects on the local economy, it is advisable to carry out production audits and market studies.</li> <li>&gt; Whereas the internal logic of a business plan can be dealt with by a generalist, the market and technical data often need to be checked by a specialist.</li> </ul>
<ul style="list-style-type: none"> <li>&gt; There is little direct experience of the production process; figures for revenues and expenses (inputs and outputs) are therefore unreliable.</li> </ul>	<ul style="list-style-type: none"> <li>&gt; It is often essential for project promoters to carry out small-scale test runs before embarking on major investments.</li> </ul>
<ul style="list-style-type: none"> <li>&gt; Business plans are too technical and complicated for the type of project. They put local actors off.</li> </ul>	<ul style="list-style-type: none"> <li>&gt; It is always possible to use simplified business plans for small projects (bed and breakfasts, self-employed tradesmen, etc.).</li> <li>&gt; The format of the business plan should be negotiated with other agencies and banks so that the final output can be used by project promoters for a whole range of applications.</li> <li>&gt; The business plan should also be designed so that it helps the project promoter and support agency in ongoing management control and aftercare (regular checks of forecasts against outcomes).</li> </ul>
<ul style="list-style-type: none"> <li>&gt; Advisors substitute project promoters and write the plan for them.</li> <li>&gt; In their desire to achieve results, advisors lose their objectivity and are over-optimistic.</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Project promoters should always have the responsibility of collecting the basic information and writing the business plan. The adviser usually acts as a sounding board: he picks up on internal problems and contradictions and points the project promoter to sources of information (the “mirror” function).</li> </ul>



COMMON PROBLEMS AND BOTTLENECKS	RECOMMENDATIONS AND GUIDELINES
<p>&gt; There is no systematic system for providing aftercare or follow-up to groups.</p> <p>&gt; At the other extreme, the support may drag on for a very long time without tangible results.</p>	<p>&gt; Monitoring and aftercare should be built into the advice system and costed accordingly.</p> <p>&gt; It is worth coming to a clear (sometimes written) agreement with project promoters about responsibilities, time-scales, outputs and any payments.</p> <p>&gt; A calendar of regular meetings and work to be done in between should be fixed.</p> <p>&gt; The average time spent advising each project obviously depends on the knowledge and ability of the promoters and on the complexity of the project (1).</p> <p>&gt; Support staff should agree clear tasks, targets and timetables with project promoters. The business plan should be used together with other specific tools (e.g. records of output, sales, stocks, sales contacts, etc.) to monitor the degree to which objectives have been achieved.</p> <p>&gt; During the aftercare period, there should be at least one yearly contact in order to monitor and evaluate progress. Collective projects may take many months of full-time resources over several years.</p> <p>&gt; Projects promoted by disadvantaged or very inexperienced groups may require extremely intensive systematic, hands-on aftercare (e.g. quarterly, monthly, weekly or even daily at certain crucial times).</p> <p>&gt; The frequency and duration of aftercare meetings is usually less important than the serious preparation that has to go on in between.</p>

**(\*) Technical factheet 4 is an example of a simplified checklist for a business plan. Technical factsheet 5 is an example of an aftercare checklist.**

*(1) In the case of the Galloway LAG, for example, one to two hours is normally considered sufficient for helping people to prepare their business plans for “small” business grant applications.*

*Business and Innovation Centres (BICs) tend to organise a programme of half-day meetings every three weeks for between 6-8 months. This enables advisors to deal with a portfolio of between 10 and 18 cases. The average time spent on providing expert advice is about 25 days.*

*The Mission Agro-Alimentaire des Pyrénées (France) estimates between 6 and 12 months for launching a new project (it handles around 30 files each year - divided between the director and two advisers -, many of which are joint projects).*

## FACTSHEET 2.6

### EXTERNAL SPECIALIST SUPPORT

The lack of access to high-level specialist advice can be a major obstacle for rural entrepreneurs. However, LEADER groups vary considerably in the importance they attach to this problem (1).

COMMON PROBLEMS AND BOTTLENECKS	RECOMMENDATIONS AND GUIDELINES
> In some countries, high-quality external specialists are not available or are simply not known in many rural areas.	> Sharing information on outside experts is one of the ways in which LEADER groups can cooperate at regional, national and even transnational levels.
> The support available is often too general, theoretical and academic to be of practical use.	> Rates charged by consultants should reflect their access to accumulated and live information. It may be cheaper to pay more for first-class information than less to learn what you already know.
> The cost of external consultants is often exorbitant compared to the budgets available.	> It can be useful to set aside a budget for contracting in outside consultants (2). > The organisation of a "talent pool" can serve to meet the needs of both general advice and specific training (3). Using "business angels", retired businessmen who charge between a quarter and a third of the cost of normal consultants, is also very practical, and is becoming more and more common in Europe. > Students, other trainees, even local residents can also be used to reduce the costs of external field work.
> Bad experiences in the past mean that local development workers try to be a "jack of all trades" and end up advising on matters of which they have little genuine knowledge.	> The <b>"Methodology guide for evaluating a territory's touristic potential"</b> (LEADER European Observatory / AEIDL, 1997) includes a useful checklist on how to choose and evaluate outside consultants.

(1) In the context of LEADER I in Spain, the proportion of the business plan set aside for carrying out studies and using outside help was limited to 5%. Realising that this work was often too academic or too general, this type of service was incorporated into the running costs of "LAG Operations" in LEADER II, representing a maximum 15% of the total budget of LEADER groups.

In some LEADER 5b areas, on the other hand, up to 80% of the LAG's business plan was set aside for "immaterial investments" in the context of LEADER I, concerning design, manufacturing techniques, product marketing and the organisation and setting up in networks of producers and companies.

(2) Business and Innovation Centres (BICs) and other development agencies (the Mission Agro-Alimentaire des Pyrénées, for example) spend between 20-25% of their total budget on this.

(3) BICs and other agencies use "talent pools": they form of a group of professional consultants with whom beneficial rates are often negotiated. Some LEADER groups use the services of regional development companies or BICs to take advantage of this.

The Galloway LEADER group (United Kingdom) has set up a team of 16 "business angels". The Noordwest Friesland LAG (Netherlands) uses 6 senior consultants who offer their services at very low rates. Tarn-des-Montagnes (France) uses multidisciplinary task forces to deal with product design, marketing and production technology.



## FACTSHEET 2.7

# GRANTS AND FINANCE

Grant management is actually an extremely complex and skillful activity. Speed, flexibility and the effectiveness of LEADER groups in this area is what distinguishes them from more remote agencies and establishes their credibility with the local population.

COMMON PROBLEMS AND BOTTLENECKS	RECOMMENDATIONS AND GUIDELINES (*)
> In certain cases, grant giving can become the sole reason for being of LEADER groups. The group looks for a niche that is not covered by other agencies (based on size or geographical coverage) and simply concentrates on doling out grants to as many projects as possible.	<p>&gt; In many rural areas, it may be a priority to develop methods of financial engineering that meet the specific problems of new activities:</p> <ul style="list-style-type: none"> <li>• formulae for applying seed, start-up and development capital for initiatives with no funds;</li> <li>• other methods of matching capital outlays to project income (leasing, factoring, etc.);</li> <li>• systems for mobilising local savings (1).</li> </ul> <p>Low or no interest loans, which are sponsored by a local mentor.</p> <p>Some agencies have created risk capital funds with or without financial partners. Even if relatively modest, these funds can become levers for other investors and credit organisations.</p> <p>&gt; Each group has to engineer a balance of funding projects with short-term quantifiable results and more risky, proactive services directed at priority groups and sectors (2).</p> <p>&gt; As with other support services, such as animation and training, financial support must be coordinated and integrated into the rest of the support strategy. In other words, it is no use funding projects run by people who have been inadequately trained and have no idea or means of marketing their products.</p>
> Short-term quantifiable criteria, such as the immediate impact on job and private investment leverage, take overwhelming precedence over more complex variables such as the demonstration and multiplier effects on the local economy.	
> The initiatives most likely to produce short-term outputs are those with a certain amount of resources and experience. This means that there is a tendency to neglect projects proposed by disadvantaged groups of the population.	
> A contradiction can appear between dedicating a large amount of resources to animating projects among disadvantaged groups or project promoters with no funds of their own, and communities where there is no mechanism for dealing with their lack of personal capital with which to match grants.	
> The criteria for selecting projects and allocating grants have little in common with the strategic priorities of the business plan.	

(\*) *The ways of using the Structural Funds in these various cases are explained in the Official Journal of the European Communities (OJ L 146 of 5 June 1997).*

(1) *In France, for example, the "Plates-formes d'Initiative Locales" - saving funds - lend to local people and projects at zero-interest.*

(2) *According to the BICs, they would have to turn down between 50 and 90% of potentially viable projects if they did not have access to some form of venture capital.*

*N.B.: The dossier "From strategy to action: project selection" (LEADER European Observatory / AEIDL, 1998) gives examples of financial support mechanisms in the context of LEADER.*



## FACTSHEET 2.8

### SPACE FOR WORKING

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Various LEADER groups have been trying to develop a model of managed workspaces that is particularly suited to rural areas (1). These buildings can range from business incubator for new start ups to “Business and Innovation Centres” which provide firms located inside and outside the centre with a complete range of support services.

COMMON PROBLEMS AND BOTTLENECKS	RECOMMENDATIONS AND GUIDELINES (*)
<ul style="list-style-type: none"> <li>&gt; Given the amount of funds they require, the main risk of all managed workspace schemes is that they can easily become funding rather than market led.</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Clarify the objectives of the managed workspaces. Costs and subsidies will normally be higher when there are heavily interventionist economic or social objectives (e.g. excluded groups and areas or problem sectors, etc.).</li> </ul>
<ul style="list-style-type: none"> <li>&gt; The barriers to the creation of new activities may have little to do with the availability or cost of premises and more to do with other factors, such as the lack of markets.</li> <li>&gt; It is not unusual for projects involving managed workspaces to start up in a context where there is actually a surplus of premises.</li> <li>&gt; The orientation of managed workspaces may be dictated by secondary objectives such as:               <ul style="list-style-type: none"> <li>• the desire to make use of or to rehabilitate an existing building;</li> <li>• the desire to find a more equitable distribution of floor space by increasing supply at village level (decentralised workspaces).</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>&gt; Carry out a survey of needs in terms of space for existing firms and potential project promoters (e.g. price, size, location, physical characteristics, interest in common services, etc.).</li> <li>&gt; An analysis of the existing supply in terms of floor space, in order to detect the real gaps in the market, is also recommended.</li> </ul>
<ul style="list-style-type: none"> <li>&gt; The amounts spent on constructing new buildings may be exorbitant.</li> </ul>	<ul style="list-style-type: none"> <li>&gt; It may be possible to solve this problem by making small improvements to existing premises.</li> </ul>
<ul style="list-style-type: none"> <li>&gt; In terms of businesses housed, the centre may not reach the minimum size necessary to make a sufficient contribution to costs.</li> </ul>	<ul style="list-style-type: none"> <li>&gt; The location and characteristics of the building may not meet the real needs of new activities.</li> </ul>
<ul style="list-style-type: none"> <li>&gt; Orientate the workspace towards the real needs of new activities in the area.</li> </ul>	
<ul style="list-style-type: none"> <li>&gt; Rents and charges are often set to fill the building.</li> </ul>	
<ul style="list-style-type: none"> <li>&gt; The centre turns into a collection of an odd assortment of heavily subsidised projects which are unable to move out and on.</li> </ul>	

COMMON PROBLEMS AND BOTTLENECKS	RECOMMENDATIONS AND GUIDELINES
<p>&gt; Rather than generating new activities and resources for the support system, the project ends up becoming a drain on both the energy and the finances of the local action group.</p>	<p>&gt; Consider other options for supporting new activities. It may be far more cost effective to provide people setting up new activities with additional grant aid than to try and find solutions to their problems by finding premises for them.</p>

*(\*) Technical factsheet 6 provides some advice for people thinking about setting up a business centre.*

## FACTSHEET 2.9

# TECHNOLOGICAL SUPPORT

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Some LEADER groups use small structures are able to adapt the advantages of state-of-the-art technology to local needs. In this respect, product design and financial engineering are two testing grounds for project promoters that are likely to be the subject of cooperation between local action groups.

COMMON PROBLEMS AND BOTTLENECKS	RECOMMENDATIONS AND GUIDELINES
<ul style="list-style-type: none"> <li>&gt; Very few LEADER groups have the capacity to provide technological back-up to new activities. Equipment, staff and training tend to be both expensive and very specific. These can normally only be recouped over a far larger area than that covered by most LEADER groups.</li> </ul>	<ul style="list-style-type: none"> <li>&gt; The main technological support required is one-off advice and in some cases testing, quality control and small improvements in product and process adaptation.</li> <li>&gt; Some collective private or public projects have set up their own technological advice systems which can be used for small firms from the same sector (1).</li> <li>&gt; Training centres, technical colleges, "school-workshops", etc. can often be used.</li> </ul>
<ul style="list-style-type: none"> <li>&gt; Many rural areas are far away from training centres (universities, institutes of technology, specialised private companies, etc.).</li> </ul>	
<ul style="list-style-type: none"> <li>&gt; Despite their considerable human and technical resources, these centres often have little capacity for effectively dealing with a host of very specific requests concerning small adjustments to products and processes, for example.</li> </ul>	<ul style="list-style-type: none"> <li>&gt; The key factor seems to be the technologists' ability to listen to and communicate with project promoters in order to adapt existing technology to local conditions.</li> <li>&gt; It is essential that any facilities are demand rather than technology led and are not there just for the sake of it.</li> <li>&gt; The equipment required varies according to each sector of activity but need not necessarily be that extensive or expensive (2).</li> </ul> <p>The LAG can help carry out audits of the real technology needs of firms in their area and locate internal and external sources of expertise. There is a role for possible cooperation between LEADER groups.</p>

1) This, for example, is the case of some of the cheese cooperatives in the French Pyrenees or the Union of Cooperatives of the Jerte Valley in Spain, or even vocational training centres in the Farm Products Network in France (see the directory "**Innovative actions of rural development**", LEADER European Observatory / AEIDL, 1997).

2) For example, between ECU 50 000 and 120 000 for small laboratories and testing facilities for meat and cheese production in projects in the French Basque Country.





## FACTSHEET 2.10

# JOINT PROMOTION AND MARKETING

Many LEADER groups devote considerable resources to schemes for the joint promotion of particular products, especially in the tourism and agri-food sectors (1). However, few groups have advanced to joint marketing.

COMMON PROBLEMS AND BOTTLENECKS	RECOMMENDATIONS AND GUIDELINES (*)
<ul style="list-style-type: none"> <li>&gt; The first step is often to form a group or association of producers. However, in many cases, the only thing the group has in common is that all the members come from a particular area. Quality criteria are not established in advance.</li> <li>&gt; As a result, the quality and capacity of some partners may be very low and actually harm the image of others. However, once an organisation is established to defend the interests of its members, it becomes very difficult to impose quality controls retrospectively.</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Any groupings of promoters should be based around clear quality differences.</li> <li>&gt; Where possible the criteria for taking part should be established in advance.</li> <li>&gt; As a first stage, the LEADER group should carry out an external audit of the commercial strengths and weaknesses of its project promoters.</li> </ul>
<ul style="list-style-type: none"> <li>&gt; This makes it very difficult to establish a distinctive image or brand.</li> </ul>	<ul style="list-style-type: none"> <li>&gt; The message and the target public of the promotion is unclear.</li> </ul>
<ul style="list-style-type: none"> <li>&gt; The group must be clear about the message, the target segment of the population and the channels of distribution.</li> </ul>	
<ul style="list-style-type: none"> <li>&gt; The mechanisms and distribution channels for translating promotion into sales have not been thought through.</li> </ul>	
<ul style="list-style-type: none"> <li>&gt; As a result, large amounts of money can be spent on glossy generic publicity, without any clear results.</li> </ul>	
<ul style="list-style-type: none"> <li>&gt; The same is true with other systems such as local shops, local exhibition centres and organisation of and assistance with fairs.</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Initial expenditure may be a very high percentage of turnover and may receive 100% public funding. However, there should be a clear exit strategy for the public sector.</li> <li>&gt; The possibility of joint marketing systems can usually only be explored in cooperation with other areas (2).</li> </ul>
<ul style="list-style-type: none"> <li>&gt; The cost of marketing in long distribution channels goes beyond the capacity of most LEADER areas alone. Indeed, there are very few areas capable of bringing together a sufficient number of producers to cover the costs inherent in this type of marketing.</li> </ul>	

(1) Good examples are the Navarre Tourist Consortiums and the Navarre Association of Craft Food Producers.

(2) In this respect, the experience of Saveurs des Pyrénées raises a series of issues that should be explored (\*):

- > it is an association of 17 agri-food producers. Its catchment area is the entire French side of the Pyrenees, with a population of 300 000;
- > the association charges a 7% commission on the sales of its members;
- > with a turnover of ECU 1.8 million, it manages to cover 70% of its running costs (including three full-time staff) and estimates that it needs a turnover of ECU 2.5 million to break even.

(\*) see the directory **"Innovative actions of rural development"** and, for Saveurs des Pyrénées, the dossier **"The collective organisation of a sector for the local valorisation of agricultural resources - the example of cheese processing"**, LEADER European Observatory / AEIDL, 1997).



## **Part 3**

# **Various techniques**



# TECHNICAL FACTSHEET 1

## EXAMPLE OF A CHECKLIST

### FOR DESIGNING A SUPPORT SYSTEM

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#### A) ASSESSING THE SITUATION

<b><i>Assessing situation</i></b>	In-house strengths and weaknesses	Out-house strengths and weaknesses in the area	Out-house strengths and weaknesses outside the area	Recommendations > own organisation > cooperation
1. Information, screening and first-stage advice				
2. Outreach work				
3. Training and capacity building				
4. Strategic orientation and information				
5. Business plans and counselling				
6. Specialist advice and training				
7. Financial support				
8. Premises				
9. Aftercare and follow-up				
10. Technology support				
11. Joint promotion and marketing				

**B) ASSESSING RESOURCES REQUIRED (\*)**

<b><i>Resources required</i></b>	Number of staff - profiles and experience	Investment and running costs	Time and resources per project	Time-scales	Outputs and results
1. Information, screening and first-stage advice					
2. Outreach work					
3. Training and capacity building					
4. Strategic information and orientation					
5. Business plans and counselling					
6. Specialist advice and training					
7. Financial support					
8. Premises					
9. Aftercare and follow-up					
10. Technology support					
11. Joint promotion and marketing					

(\*) This table can be used either to calculate the cost of the means used or to be used for the whole support system or as a follow-up to work out the means used for a specific project..

## TECHNICAL FACTSHEET 2

# THE MAIN INGREDIENTS OF A PRODUCTION AUDIT

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**The main purpose of a production audit is to gain all the essential technical information about the conditions of production in a particular area in order to be able to evaluate its comparative advantages (strengths and weaknesses) in relation to other areas.**

### A. NATURAL RESOURCES AND RAW MATERIALS

- > Volumes and types of products/resources
- > Varieties and other differential characteristics
- > Accessibility to markets
- > Seasonal fluctuations
- > Yields
- > Inputs required
- > Prices

### B. PRODUCTION PROCESSES AND COSTS

For each main stage or step of production:

- > A brief description
- > Equipment and technology required
- > Outputs and yields
- > Requirements for labour
- > Other inputs
- > Time taken

### C. PROJECT PROMOTER(S)

It is useful to produce a map for each project promoter covering:

- > Personal characteristics and motivation
- > Experience
- > Resources
- > Production characteristics (in the case of collective projects)
- > Common interests and potential conflicts

*More detailed questionnaires and checklists can be found in the “**Methodology guide for evaluating a territory’s tourist potential**” (op. cit.).*



# **EXAMPLE OF A PRODUCTION AUDIT: TROUT FARMING IN THE FRENCH PYRENEES**

## **1. INTRODUCTION**

### **1.1 Objectives**

12 trout farmers initially came together to eradicate certain illnesses affecting their fish. They were interested in exploring the viability of a quality label and organising the joint promotion and marketing of their products. In order to do this, they first decided to commission a production audit.

### **1.2 The producers involved**

A list of the 12 producers and their names.

## **2. PRODUCTION**

### **2.1 The characteristics of the trout farms**

Age, size, employment, production cycle covered, volumes and sales. Together, the 12 producers have a total output of 2100 tonnes and a turnover of ECU 7 million. However, there are major differences, with two of the largest producers being responsible for 80% of total sales.

### **2.2 Technology and production process**

Quality of the water, machinery and equipment, duration and main phases of production, food and other inputs, health and safety aspects.

## **3. COMMERCIALISATION**

### **3.1 Products**

Portioned rainbow trout accounts for 50% of sales.

### **3.2 Distribution channels**

Approximately one third of sales are through supermarkets, one third through wholesale distributors and 22% through other fish farms. The breakdown is proportional to the size of the farms.

### **3.3 Prices**

Price ranges and margins for each product depend on the distribution channel used. There are major differences between producers.

## **4. PRODUCER ATTITUDES TOWARDS THE COLLECTIVE PROJECT**

### **4.1 Interest and motivation**

All are interested in a quality label, but for different reasons: some would like to gain more independence from intermediaries, others are looking for a way of achieving the volumes required by the supermarkets.

### **4.2 Expectations and objectives**

Producers indicated that they gave more importance to joint promotion and marketing, followed by joint production to cover certain gaps in product ranges. They gave less importance to collective systems for technical assistance.

### **4.3 Producer criteria for a quality label**

The different factors to be taken into account were ranked in order of importance: water quality, length of the production cycle, low population density, quality of feed and water, fat content, etc.

### **4.4 Main criteria for promotion**

The producers valued the aspects they thought should be used to differentiate their products from 1 to 5. Coming from a mountain area and using natural processes was seen as more important than geographical identity (i.e. the Basque Country).

### **4.5 The joint project**

The organisation, volume, turnover, products, equipment, staff and legal form.

### **4.6 Producer commitment to the project**

In time and money.

## **OUTPUT**

A 28-page easy to read report with plenty of graphics and concrete examples provides the key information necessary for creating a group of producers.

## **BUDGET**

> Half-day senior consultant .....	ECU 390
> Junior consultant (7 days) .....	ECU 2730
> Travel .....	ECU 625
> TOTAL .....	ECU 3745

## TECHNICAL FACTSHEET 3

# THE MAIN INGREDIENTS OF A MARKET STUDY

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### A. DEMAND

1. Size of the market (volume and value) in different countries, regions and the local area.
2. Breakdown of each market into major products (substitutes and complements).
3. Price and quality differences between products.
4. Main forms of packaging and presentation.
5. Main channels of distribution and prices and formats in each.
6. Consumer or customer profiles.
7. Changes and trends in all of the above.

### B. SUPPLY AND COMPETITION

1. Main players, their products, turnover, profits and ownership.
2. Market share of the main players (by product, distribution channel and geographical market).
3. Strengths and weaknesses of the main players.
4. Competitive strategy of the main players (product differentiation, cost cutting, technological innovation, distribution, etc.).
5. Changes and trends in all of the above.

### COMMON PROBLEMS AND BOTTLENECKS

- > Two of the main weaknesses of many market studies are:
  - they concentrate on demand and underestimate or ignore competition;
  - they rely exclusively on desk research.
- > The quality of the existing market data varies enormously between countries. Nevertheless, to be directly useful to companies, it is nearly always necessary to complement desk research with fieldwork.
- > One of the best and least expensive methods of obtaining first-hand knowledge is through selective sampling of wholesale and retail outlets (rather than direct sampling of consumers).
- > Many projects also make extensive use of students and trainees to reduce interview costs.
- > Sector studies normally cover the same ground as production audits and market studies (in slightly less detail), but at the same time provide an analysis of competitive relationships between suppliers and customers of the sector and the way this affects the value added chain.
- > Production audits, market studies and sector studies provide the key inputs for the business plan.

# EXAMPLE OF A MARKET STUDY FOR PYRENEEN TROUT FARMERS (FRANCE)

## DESK RESEARCH

*This covered all the points mentioned above.*

*The main conclusions were:*

- > trout consumption represented about 6% of the total fish market in France;
- > demand had grown very rapidly, but the image of the product had degenerated from being a high-quality natural food to one of the most commonplace fish on the market;
- > as a result, many supermarkets used it as a loss leader to attract customers;
- > the main growth area was for portioned trout in individual packs.

## THE FIELD STUDY

*This involved 40 trout retailers and distributors and covered supermarket chains, individual fishmongers and fish wholesalers.*

*This allowed information to be gathered in the following areas:*

- > sourcing (number of suppliers and frequency of deliveries);
- > daily volumes, seasonality and trends in policy towards suppliers;
- > quality standards and levels of satisfaction with existing products;
- > perceived differences in the quality of Pyreneen trout (50% of retailers and distributors thought the differences were insignificant; nevertheless they were interested in a label if there was a real difference in quality);
- > prices and margins (margins were worryingly tight in the fastest growing areas. A substantial number of distributors would be prepared to pay up to 10% more for guaranteed quality);
- > distributors' recommendations as to the criteria and methods to be used by the quality label;
- > reactions of distributors to the different quality labels;
- > distributors' recommendations as to the best ways of promoting the quality label.

## OUTPUT

*A 40-page easy to read report with plenty of graphics and concrete examples.*

## BUDGET AND STAFF

- > One-day senior consultant .....ECU 780
- > Junior consultant (20 days) .....ECU 7810
- > Travel .....ECU 1250
- > TOTAL .....ECU 9840

## THE COLLECTIVE PROJECT

*The production audit and market study were used as the building blocks for the final development plan for Pyreneen trout farmers. The plan covered the following areas:*

- > the quality label and the recommended system for controlling quality;
- > target customers;
- > the recommended product range;
- > prices and margins;
- > volumes of production;
- > marketing and promotional strategy;
- > the organisation of production;
- > technology required;
- > investments;
- > the promotional and marketing budget;
- > a three-year forecast of income and expenditure;
- > the recommended legal structure.

*Methodology: two one-day meetings with the 12 producers to discuss the conclusions of the production audit and market studies. Three day-long meetings to discuss and prepare the final plan for the collective project. Two days to prepare the final report.*

## OUTPUT

*A 27-page easy to read report with plenty of graphics and concrete examples.*

## BUDGET AND STAFF

- > Senior consultant (7 days) .....ECU 2660

## OTHER COSTS

- > Graphics for the report (1 day) .....ECU 780
- > Legal expert (1 day) .....ECU 780
- > Design of the label .....ECU 1095
- > TOTAL .....ECU 2655

*Overall, it took 6 months from the commissioning of the work to a keys-in-hand, ready-to-launch project.*

*Daily rates could be reduced by using student placements, but the supervision costs and the time taken would increase.*

*The key variable is not so much the daily rate (which varies depending on the country and area), but the quality of the results in relation to the budget and the total time taken.*

## TECHNICAL FACTSHEET 4

# EXAMPLE OF A SIMPLIFIED CHECKLIST (\*) FOR A BUSINESS PLAN

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### 1. THE PROJECT PROMOTERS

- 1.1. The project's title
- 1.2. Name, address and telephone number of each of the project promoters.
- 1.3. Name, address and telephone number of the project's representative.
- 1.4. What are the promoters trying to achieve with the project? (Tease out the main complementarities and contradictions and possible conflicts of interest between producers).
- 1.5. Age and experience of each of the project promoters (this should be accompanied by a curriculum vitae).
- 1.6. The main strengths and weaknesses in terms of training and experience.
- 1.7. What are the proposals for dealing with these weaknesses?

### 2. THE PROJECT/PRODUCT/SERVICE

- 2.1. Description of the product/service or project.
- 2.2. How does it differ from what already exists?
- 2.3. How does the price compare to what is available at present?
- 2.4. How does the quality compare to current supply?

### 3. THE MARKET

- 3.1. Size of the market and its distribution (by product, location, distribution channel).
- 3.2. Trends in the main market segments.
- 3.3. Who is the product/service aimed at (age, socio-economic group, location)?
- 3.4. What is the target market share? How can this be justified?
- 3.5. The main competitors and their products.
- 3.6. What are their key strengths and weaknesses?

### 4. DISTRIBUTION AND MARKETING

- 4.1. Target distribution channels (wholesale, retail, etc.).
- 4.2. Margins and commissions for each channel.
- 4.3. Resources to be devoted to marketing and sales.
- 4.4. How will the product/service be promoted and how much will this cost (taking into account the creation of a corporate image).

### 5. PRODUCTION

- 5.1. Target volumes of production and corresponding time-scales.
- 5.2. Description of the main stages of the production process.
- 5.3. Raw materials (including energy, packaging, etc.) required at each stage and length of each stage.
- 5.4. Minimum volume of production, stock of raw materials and finished product.

### 6. TECHNOLOGY

- 6.1. Equipment required at each stage of the production process (justify the choice).
- 6.2. Cost.
- 6.3. Is transport required and how much will this cost?
- 6.4. Office or administrative equipment and furniture required. Cost.

### 7. PREMISES

- 7.1. Type, size and location of premises.
- 7.2. Cost.

### 8. HUMAN RESOURCES

- 8.1. Staff required at each stage of the production process (numbers and skills required).
- 8.2. How much will this cost (basic wages, shifts, overtime premiums, taxes, social security, etc.)?
- 8.3. Indirect administrative and technical staff (numbers and skills required).
- 8.4. How much will this cost?
- 8.5. Amount of time to be devoted to marketing and sales and cost of this.
- 8.6. Who will manage the project and how.
- 8.7. Precise role of each project promoter. Are they happy with their respective roles?

## 9. TAX AND LEGAL OBLIGATIONS

- 9.1. What legal form has been chosen for the project and why?
- 9.2. Permits and licenses required. How long and how much will it cost to obtain these?
- 9.3. Safety at work.
- 9.4. Respect of the environment.
- 9.5. How will tax, legal, insurance and other issues be dealt with and how much will this cost?
- 9.6. Administrative start-up costs of the project.

## 10. INVESTMENT AND FINANCE

- 10.1. Total fixed investment for the project.
- 10.2. Needs in terms of working capital.
- 10.3. How much will be financed by own capital?
- 10.4. How much will be financed by loans or other financial investments (kind: leasing, factoring, etc.)?
- 10.5. How much will this cost?
- 10.6. Proportion expected from grants.

## 11. THREE-YEAR FINANCIAL FORECASTS

- 11.1. Revenues and expenses.
- 11.2. Cash flow.
- 11.3. Balance sheet.
- 11.4. Ratios (margins, profitability, break-even point, etc.).

**It is important to contrast “optimistic” and “pessimistic” forecasts.**

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*(\*) This is only a brief example of a checklist. The EBN network of Business and Innovation Centres (BICs) have more complete business planning tools. As such, the Cap Alpha BIC (Montpellier, France) has developed a software package entitled "BPAO" ("Computer-Assisted Business Plan"). One of the advantages of this tool (available in English, French, Spanish and Italian) is that it enables the contents and the container of the business plan to be managed independently, and for it to be adapted to the project, the company, etc. (**Contact:** Cap Alpha BIC F-34940 Montpellier CEDEX 9. Tel.: +33 3 67 59 30 00).*

## TECHNICAL FACTSHEET 5

### EXAMPLE OF AN AFTERCARE CHECKLIST

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#### 1. PROJECT:

#### 2. DATE/PERIOD:

#### 3. REPRESENTATIVE:

#### 4. PRODUCTION

Target

Result

Product 1

Product 2

Product 3

Product...

Comments: *"because of shortages of ..., we have produced ..% less of product 1 than predicted."*

Action recommended: *"look for alternative suppliers of ... in ... and ...."*

#### 5. SALES

Target

Result

Product 1

Product 2

Product 3

Product...

Target

Result

Local

Regional

National

Export

**Sales could also be broken down by distribution channel or even distributor.**

Comments: *"local sales of product 1 have taken off, whilst demand for the others is far more sluggish."*

Action recommended: *"reorientate promotion and continue to search for a new supplier."*

#### 6. STOCKS

Target

Result

Product 1

Product 2

Product 3

Product...

Comments: *"we are completely out of stock of product 1, but stocks of the other products are becoming alarmingly large given our warehouse capacity."*

Action recommended: *"review volumes of production; if necessary, explore the possibility of renting a new warehouse."*

#### 7. PROMOTION AND MARKETING

Target

1. Expenditure

2. Change distributors in ... and ...

3. Adverts in 4 specialist reviews

4. Tastings in regional supermarkets

Result

1. 65%.

2. OK in ..., still under negotiation in ...

3. Only 3.

4. Delayed until next month.

Comments: *"we delayed promotion because of being out of stock of product 1 and because we wanted to shift the emphasis of our publicity to the other products."*

Action recommended: *"increase the promotion of products 2 & 3 by ..."*

#### 8. TECHNOLOGY

Target

1. Buy a new vacuum packer.

2.

Result

2. OK?

Comments: *"..."*

Action recommended: *"explore the possibility of a ... machine to cut the costs of product 1."*

## **9. PERSONNEL**

Target

1. Make sure there is cover for employee X on annual leave.

Result

1. OK.

Comments:

Action recommended:

## **10. PROFIT, MARGINS AND CASH FLOW**

Target

1. Profit...
2. Cash flow

Result

1. Down ..% on what was expected: margins are much lower on product 1 due to the higher costs of raw materials.
2. Down partly for the same reason and because we paid off the loan with X Bank earlier than predicted.

Comments:

Action recommended:

## **11. FINANCE**

Target

1. Renegotiate the loan with...
2. LEADER grant.

Result

1. OK.
2. Contract signed on ...  
Receipt of first advance on...

Comments:

Action recommended:

## **12. MISCELLANEOUS**

Ideally, the summary sheet should be backed up with a predicted versus actual profit and loss account, cash flow statement and balance sheet. The actions recommended for one period become the targets for the next.

## TECHNICAL FACTSHEET 6

### ADVICE ON SETTING UP A BUSINESS CENTRE

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**If a "business centre" or "business incubator" type structure is to be set up, the following guidelines should be considered:**

- > The location, surroundings and the quality of the building are of paramount importance to the viability of the centre.
- > The minimum size for a sheltered workplace to cover costs is normally assumed to be 3000m<sup>2</sup> (the average size of Business and Innovation Centres is nearer 5000 m<sup>2</sup>).
- > The recommended duration of stay is normally 2-3 years and certainly no more than 5 years.
- > Contracts and leases should be as flexible as possible (easy in - easy out).
- > It is usual to recommend that rents be set at average market prices over the entire period of stay. Rents are often lower during the first years and then rise to more than market rates at the end to encourage firms to move on.
- > Some schemes work on the basis of a revolving fund with firms being offered the option to buy the property at the end of their stay. The resources generated are then ploughed back into providing space for other firms.
- > There needs to be a clear and simple way of monitoring and charging for the use of energy, etc.
- > The space within the centre should be organised in as flexible a way as possible. Easily removable wall or partition systems can allow for a range of spaces depending on needs. In some business centres, no more than 10% of total floor space is allocated to one firm.
- > However, there needs to be a clear division between office space, industrial activity and the space for common activities (canteen, exhibition rooms, etc.). Great care needs to be taken to separate out noisy activities.
- > The level of staffing depends on the range of common services provided. The minimum usually includes a common secretary and a centre manager.
- > Apart from services relating to the use of the building (cleaning, maintenance, security, etc.), the main common services are:
  - office services (reception, secretarial support, photocopying, etc.);
  - normal administrative and accountancy services (tax, legal, etc.);
  - training programmes and activities;
  - technical support (advice on commercial matters, technology, etc.);
  - support for promoting the businesses housed in the centre.
- > These services are normally charged at cost. Even so, they cannot usually break even without also serving firms outside the centre.
- > The main common facilities or spaces are generally: a car-park, a reception, meeting and conference rooms, canteen facilities, exhibition rooms, laboratories, shared workshops and equipment (especially computers).
- > Again, to cover costs and meet the area's needs, these facilities must also usually be offered to outside firms.





## BUSINESS AND INNOVATION CENTRES (BICs) AND THEIR EBN NETWORK

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**Initially set up to provide assistance to businesses in areas undergoing industrial restructuring and financially-disadvantaged areas of the European Union, BICs have become a proven local economic development tool, able to adapt themselves to any area. In the case of rural industrial companies, BICs can prove to be a valuable resource to complement LEADER.**

The concept of a "Business and Innovation Centre (BIC)" was launched in 1984 by the Directorate-General for Regional Policy and Cohesion (DG XVI) of the European Commission.

The BIC's "philosophy" is in some ways comparable to that of LEADER and LEADER groups: it *"allocates public and private resources to initiatives which, through their innovative nature and the economic opportunities they present, enable wealth and jobs to be created and activities to be diversified. It also promotes SME access to the international market and to cooperation"*.

Like many LEADER groups, BICs are supported by public-private partnerships, but their support mission is above all targeted at innovative industrial or service companies.

The operating area of the BICs is also far more extensive than that of the LAGs: with its average catchment area covering approximately one million people, the BIC's field of action covers the whole region. This is reflected in the location of the BICs, most often in regional or provincial capitals.

In fact, LEADER groups and BICs have different but complementary functions: the former have a "generalist" mission in the area, whereas the latter are more involved with individual companies which have very specific needs (in terms of production technology, marketing strategy, etc.). In concrete terms, a LAG is going to direct an industrial company with ambition and needs in terms of technical assistance which exceed the expertise and support that it can mobilise itself in its own area to the BIC in its region.

In its basic form, a BIC is a small team of skilled men and women whose aim is to help SMEs succeed and therefore contribute to local economic development. However,

many BICs have a more complex structure and offer, at beneficial conditions, a whole range of support services for the creation and development of businesses and projects: information, advice, training, business planning, financial engineering, technological expertise, marketing, accommodation (in the form of short-term workshops, business incubators, enterprise hotels), etc.

Most of the BIC's income is from providing services to local authorities (25%) and to businesses and entrepreneurs (55%). The average contribution from the European Union to the BIC's funding is approximately 20%, except during start-up (the first two years) where it can reach 40% (in Objective 2 and 5b areas) to 50% (in Objective 1 and 6 areas).

The success of the BICs can be measured according to the average survival rate of their customers: 95% of the businesses survive longer than 5 years, whereas the European average is less than 50%.

Spread out throughout the European Union and in existence in some Central and Eastern European countries, the 140 BICs that are operational in 1998 are part of the EBN network ("European Business and Innovation Centre Network"), which aims in particular towards the harmonisation of know-how, the exchange of experiences and interregional cooperation between companies.

Based in Brussels, the EBN provides different services: publications, promotional tools, the organisation of technical seminars, special events, specific searches, databanks, etc. The network also has an Internet site:

**<http://www.citizen.be/EBN>**

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## OTHER LEADER II TECHNICAL DOSSIERS (\*)

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### DIRECTORIES (1)

"Community actions and rural development"

"Innovative actions of rural development"

### LEADER EUROPEAN OBSERVATORY FILES (2)

"Innovation and rural development"

### METHODOLOGY GUIDES (2)

"Methodology guide for the analysis of innovative actions"

"Methodology guide for the analysis of local innovative needs"

"Evaluating a territory's touristic potential"

"Transnational cooperation between rural areas"

### "INNOVATION IN RURAL AREAS" COLLECTION (2)

Notebook No.1 "The collective organisation of a sector for the local valorisation of agricultural resources: the example of cheese processing"

Notebook No.2 "Organising local partnerships"

Notebook No.3 "From strategy to action: project selection"

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(\*) Available in 7 languages (English, French, German, Spanish, Italian, Portuguese and Greek). List updated on date of publication of this document. Certain language versions may be out of print.

(1) BEF 1800 incl. tax (approx. ECU 45)

(2) BEF 300 incl. tax (approx. ECU 7.5)



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