

Rural Development Programme for England (RDPE)

Guidance Note No. 004

Support for Rural Micro Enterprises – Version 3.1



European Agricultural Fund for Rural Development: Europe investing in rural areas

1.0 Background

- 1.1 In the South West region RDPE funding is available to support micro enterprises (defined by the European Union as having a workforce of less than 10 FTEs; and either less than 2m Euros annual turnover, or less than 2m Euros annual balance sheet). This funding is available from RDPE Measure 312 – Support for the creation and development of micro enterprises.
- 1.2 This note gives guidance on the targeting of micro enterprise support in order to help meet the aims of the SW Regional Implementation Plan's Business Support investment theme. Additional guidance will be provided during Autumn 2009 on support within the Community and Social Enterprise investment theme with the specific aim "...to help improve access to services and opportunities in rural areas." The dividing line between these sources of support will not always be hard and fast. However, enquiries should be directed to the Rural Enterprise Gateway whose staff will advise on the appropriate route.
- 1.3 'Rural' refers to settlements with a population of less than 10,000. However, investments in larger towns may be eligible if the main impact is in the rural hinterland and the micro enterprise is based in, or has strong connections with, a rural area (e.g. a specialist retail outlet set up for the benefit of, and with the involvement of, farmers).

2.0 Priorities for funding

- 2.1 **Support is targeted at the creation and development of micro businesses (including community and social enterprises) whose investments demonstrate strong links (synergy) with farming or forestry; increase the adoption of renewable energy; and/or are engaged in the provision of basic services in rural areas within the context of measure 321.** In all cases, the first step is to explore potential support from non-RDPE sources or from RDPE Axis 1 Measures, only looking to the Axis 3 Measure 312 when those options have been exhausted. Subject to that proviso, the following are just some examples of Measure 312 proposals which would meet the priorities for micro enterprise support:-

- a rural waste plastics contractor collecting/processing agricultural waste and wishing to improve efficiency and reduce carbon footprint;
- a collaborative venture (other than a farm shop) to retail products from a range of farm, forestry and food businesses;
- a furniture maker using, and promoting, sustainably produced and mainly local timber with known provenance;
- a smallholding converting traditional buildings for countryside education;
- a non-farm micro business investing in wood-fuelled renewable energy generation for long term economic and environmental gain;
- businesses and groups involved with the woodfuel supply chain but not eligible for Axis 1 support;
- an agricultural contractor introducing or expanding an important, specialist service;

- providers of environmental services to farming and forestry, including those essential to the delivery of Axis 2 initiatives (e.g. stone hedgers, woodland services).
- A business, social enterprise, charity or other formally constituted group that is engaged in the provision of basic services that are within the context provided for by measure 321 (basic services for the economy and rural population).

2.2 Hotels, pubs, restaurants, etc, which simply undertake to put local food on menus will not be a priority for funding. Provision of residential accommodation will not generally be supported.

2.3 Any proposal should demonstrate innovation, collaboration or other wider benefits. (Separate guidance is available on 'wider benefits').

2.4 In all cases the investment should involve the creation or development of the micro enterprise. Support should also promote entrepreneurship and create employment opportunities.

3.0 Rationale for Measure 312 targeting

3.1 RDPE should not be seen as the sole source of help for all rural businesses. Without targeting, other potential funders may signpost all things rural to RDPE and divert their funds to other priorities (including urban).

3.2 The proposed approach will generate strong links between Axes, as desired by the EU, Defra and the South West Regional Implementation Plan (RIP).

3.3 A significant proportion of the Measure 312 funding comes from Voluntary Modulation. We have made a commitment to deliver benefits back to farm businesses from VM funded investments, where possible.

3.4 Renewable energy will contribute to the low carbon economy which is high on the government's and Europe's agendas, and is relevant to at least five of the nine overarching principles for the South West Regional Implementation Plan for RDPE.

4.0 Eligible costs and Intervention rates

4.1 The following costs are eligible:-

- capital investment,
- start-up revenue costs,
- market research and feasibility studies,
- marketing support, product development, branding and design costs,
- technical support to help new micro enterprises become established and to help them consolidate and expand.

- 4.2 The grant rate awarded will be the minimum needed to enable the project to go ahead. Although the legal maximum is now 100%, the grant awarded will depend on factors such as return on investment. Awards in excess of 50% are likely to be in the minority. The total grant payment is subject to 'de minimis' state aid rules which limit the total of such grants received over 3 years to 200,000 Euros. However, until December 2010 an increase to 500,000 Euros can be allowed if the applicant's business is being adversely affected by the global recession. (You are advised to seek guidance via REG on the criteria which apply to this temporary increase to 500,000 Euros).
- 4.3 As an alternative, micro enterprises seeking sums of grant aid in excess of the *de minimis* ceiling can apply for up to 20% of eligible costs. In such cases there is no arbitrary ceiling to the total level of grant.