STUDY

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EU Cohesion Policy in non-urban areas

Regional Development

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RESEARCH FOR REGI COMMITTEE

EU Cohesion Policy in non-urban areas

Abstract
This study looks at the role of EU Cohesion Policy in non-urban (rural) areas. It analyses the challenges of these areas and discusses the extent and thematic orientation of rural Cohesion Policy funding. The study then presents the relationship between Cohesion Policy and CAP, before giving an overview of the role of Cohesion Policy for healthcare. It also reflects on the implications of Cohesion Policy proposals post-2020 for rural areas, before providing final conclusions and recommendations for a long-term policy vision.

This document was requested by the European Parliament's Committee on Regional Development.

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DISCLAIMER

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LIST OF ABBREVIATIONS

CAP	Common Agricultural Policy
CF	Cohesion Fund
CLLD	Community-led Local Development
CP	Cohesion Policy
CPR	Common Provisions Regulation
CRII	Coronavirus Response Investment Initiative
EAFRD	European Agricultural Fund for Rural Development
ECA	European Court of Auditors
EMFF	European Maritime and Fisheries Fund
ERDF	European Regional Development Fund
ESIF	European Structural and Investment Funds
ESF	European Social Fund
FEAD	Fund for European Aid to the Most Deprived
GDP	Gross Domestic Product
GNI	Gross National Income
GVA	Gross Value Added
ICT	Information and Communication Technologies
IF	Intervention Field
ITI	Integrated Territorial Investment
JTF	Just Transition Fund
LAG	Local Action Group
LEADER	Liaison Entre Actions de Développement de l'Economie Rurale
MFF	Multiannual Financial Framework

MLG	Multi-Level Governance
NGEU	Next Generation EU
OECD	Organisation for Economic Co-operation and Development
OP	Operational Programme
PA	Partnership Agreement
PO	Policy Objective
RDP	Rural Development Policy
REACT-EU	Recovery Assistance for Cohesion and the Territories of Europe
RRF	Recovery and Resilience Facility
RTDI	Research, Technological Development and Innovation
SGI	Services of General Interest
SME	Small and Medium-sized Enterprises
TO	Thematic Objective

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EXECUTIVE SUMMARY

KEY FINDINGS

- Rural areas face social, structural and geographical challenges, but possess valuable inherent environmental, cultural and social assets.
- Cohesion Policy provides a long-term and dependable financial framework for rural areas, but urban areas have been allocated over three times as much Cohesion Policy funding as rural territories (€165.5 billion compared to €45.6 billion).
- Rural areas see the implementation of a lot of infrastructure projects, while in urban areas there are more projects in the areas of low-carbon economy and research and innovation.
- Policy coherence of Cohesion Policy with the EU's rural development policy – an important source of funding in many Member States – is challenging.
- Cohesion Policy plays an important role in funding healthcare infrastructure and services, but the amount going to rural areas is very limited. The role of Cohesion Policy funding as part of the COVID-19 response in rural is as yet unclear.
- Looking at CP post-2020, the future Policy Objectives allow addressing rural challenges, but thematic concentration requirements and territorial trends could result in rural areas being disadvantaged.

Characteristics of rural areas

Non-urban areas – which for this research study are defined as equivalent to rural areas according to the Degree of Urbanisation typology – cover more than 90% of the EU territory and are home to nearly 30% of the EU population. The structural transformations in rural Europe over the past three decades have resulted in an economic structure currently dominated by the tertiary sector. Yet, in several Member States, employment in the primary sector is still proportionally high. Intrinsic rural characteristics play an important role in shaping rural challenges and opportunities. Challenges can be categorised as social, structural and geographical. They are often correlated with each other and therefore policy approaches must address them in combination. Rural opportunities are based on endogenous rural assets. Rural areas can build on these in order to enable local development and to form the basis of a proactive policy approach. Yet, rural assets are unevenly exploited across the EU.

Cohesion Policy funding for rural areas

Urban areas (€165.5 billion) have been allocated over three times as much Cohesion Policy funding as rural territories (€45.6 billion). Across Member States, the share of Cohesion Policy Funds allocated to rural areas varies from less than 5% to more than 30%. Four countries did not explicitly allocate any Cohesion Policy Funds to rural areas. However, more than half of the funding is not assigned to any type of territory and can be used both in urban and in non-urban areas.

By the end of 2019, financial implementation appears more advanced in rural than in urban areas at EU level and in many Member States. One of the reasons could be the different thematic orientation.

However, there are wide differences among Member States, many of which have higher financial implementation in urban areas.

Member States prioritise different Thematic Objectives when implementing Cohesion Policy in urban and in rural areas. Rural investments are directed first and foremost to transport infrastructure, followed by support to environmental actions, and only then to SMEs. There is a tendency for Managing Authorities to use Cohesion Policy more actively for overcoming rural disadvantages related to their lower accessibility and connectivity, and less for nurturing unique and diverse local assets. The degree to which Cohesion Policy supports research and innovation, and therefore economic diversification, in rural areas is rather limited.

Measuring the effectiveness of Cohesion Policy entails many methodological challenges. The rare examples of studies looking at rural areas identify benefits mostly for areas close to urban centres. Cohesion Policy effects are most visible in the case of infrastructural measures and in terms of supporting wider 'good governance'.

Relationship between Cohesion Policy and Common Agricultural Policy

The EU's rural development policy, funded by the EAFRD, follows thematic priorities that are partially similar to Cohesion Policy, but with a strong agricultural bias. The EAFRD plays an important role in many Member States, often being the largest territorially-oriented ESI Fund.

Cohesion Policy and Rural Development Policy have similar implementation procedures, but are implemented in parallel. Partnership Agreements at strategic level ensure coherence and coordination and, while CLLD offers opportunities for complementarity on the ground, synergies remain challenging.

Cohesion Policy for healthcare in rural areas

Throughout the EU, the rural population has a higher percentage of self-reported unmet healthcare needs. Supply and demand of services, income distribution and proximity are key factors in determining general access to healthcare. Most countries with higher healthcare needs in rural areas still support mostly urban healthcare investments.

In the COVID-19 crisis context, evidence of CP-funded responses benefitting rural areas directly is very limited. Yet, capacity-building and community-led actions have proliferated, mostly funded by the EAFRD.

Proposals for post-2020 Cohesion Policy and implications for rural areas

The Policy Objectives of 2021-27 are able to address rural challenges, but thematic concentration requirements could result in rural areas being disadvantaged. Territorial trends also appear to disadvantage rural areas. The territorial focus on urban areas is likely to increase, without any equivalent plans for rural areas.

Yet, the policy fundamentals of the revised Commission MFF proposal and Recovery Instrument supporting a strengthening of the green transition and mainstreaming climate action in policies and programmes could be a positive element for rural areas due to their environmental assets. The territorial dimension of Next Generation EU is rather limited and its allocation method could disadvantage rural areas.

Conclusions

Rural areas face social, structural and geographical challenges, although to differing extents. Yet, in addition to agriculture and food production, their environmental, cultural and social assets are valuable resources for the low-carbon economy, (social) innovation, environmental services, and tourism and recreation.

Cohesion Policy provides a long-term and dependable financial framework for rural areas, while at the same time allowing flexibility for Member States and regions to tailor their spending in accordance with the specific characteristics of rural areas. Yet, it appears that the wider structural and socio-economic challenges in rural areas are not adequately addressed.

Cohesion Policy funding allocation to rural areas is only about a quarter of that to urban areas, but it ranges from no explicit rural funding in some Member States to over 30% in others. In terms of funded themes, rural areas see the implementation of a lot of infrastructure projects, while there are more projects in the areas of low-carbon economy and research and innovation in urban areas. Policy coherence of Cohesion Policy with the EU's rural development policy, which is an important source of funding in many countries, is challenging.

Cohesion Policy plays an important role in funding healthcare infrastructure and services, but the amount going into rural areas is seemingly very limited. The role of CP funding as part of the COVID-19 response in rural is as yet unclear.

Looking at Cohesion Policy post-2020, the future Policy Objectives allow addressing rural challenges, but thematic concentration requirements and territorial trends could result in rural areas being disadvantaged.

1. INTRODUCTION

Non-urban areas have traditionally been a key focus of the EU's territorial policies. They are targeted explicitly through the EU's Rural Development Policy (RDP) and implicitly under EU Cohesion Policy (CP) which has a broader territorial remit.

An important stimulus for supporting non-urban areas was the 2009 Lisbon Treaty which committed the EU to promote territorial (as well as economic and social) cohesion. This reinforced the EU goal of promoting convergence between territories, and the development of local territorial potential in all types of area.[1] The importance of territorially specific development is further recognised in Art. 174 of the Treaty on the Functioning of the European Union, referring, among others, to rural areas and regions which suffer from severe and permanent natural or demographic handicaps. Most recently, the European Commission (EC) released its roadmap for a 'Long term vision for rural areas', which is expected for the second quarter of 2021. It emphasises the economic and cultural importance of rural areas, albeit acknowledging that many people in these areas feel 'overlooked'.[2]

The EU's CP has long supported non-urban areas to a large extent, with many of the EU's non-urban territories falling into those regional categories receiving the largest amounts of funding.[3] The concept of territorial cohesion has strengthened the consideration of balanced territorial development. Territorial interdependencies have become increasingly important, requiring strengthened policy coordination, cooperation and integration.

Yet, territorial cohesion does not appear entirely compatible with other guiding principles of the EU policy framework. In particular, the Lisbon strategy, with its emphasis on jobs, growth and innovation, has shifted attention away from solidarity with disadvantaged regions towards economic growth and competitiveness. This has had clear consequences for the delivery of CP, whose thematic concentration obligations in 2014-20 saw a growing focus on priorities that – by their nature – are more relevant and easier to achieve in urban areas and their agglomerations. These include RTDI in particular, as most research activity takes place in urban areas, but also themes such as social inclusion or sustainable transport, which are in practice also often linked to urban contexts. In addition, there is the complex interaction between EU and national policies with their specific traditions, policy approaches and instruments.

In this context, the following study analyses the role of CP in non-urban areas and the way it enables such areas to build on their specific potentials. For the purposes of the study, non-urban areas are defined as equivalent to the rural areas in the *Degree of Urbanisation* typology and, in the remainder of the study, are called rural areas. After briefly setting out the adopted methodology (Section 2), Section 3 reviews the specific characteristics of rural areas in the EU and provides a critical assessment of their needs and inter-dependencies with urban areas. Section 4 provides an analysis of the relevance and implementation of different ESI Funds, and Section 5 discusses the relationship between CP and the EU's Common Agricultural Policy. Section 6 focuses on the role of CP for healthcare, with a focus on rural areas and taking into account the ongoing COVID-19 crisis. Section 7 considers the Commission proposals for post-2020 CP and their implications for rural areas, and Section 8 provides conclusions and some recommendations.

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1 Copus A and Hörnström L (2011) *The new rural Europe: towards rural cohesion policy*. Nordregio, https://www.diva-portal.org/smash/get/diva2:700357/FULLTEXT01.pdf

2 European Commission (2020d) *Roadmap for the adoption of a Communication on the Long Term Vision for Rural Areas*, Ref. Ares(2020)3866098 - 22/07/2020, file:///C:/Users/cxb08102/AppData/Local/Temp/090166e5d1ce67e6.pdf

3 Kah S (2018) Editorial. *European Structural and Investment Funds Journal*, 3, 195-197.

2. METHODOLOGY

This study makes use of a mix of quantitative and qualitative data. Quantitative data, mainly from Eurostat and the Commission's ESIF Open Data Platform, were key sources for the description of socio-economic characteristics of non-urban areas, the analysis of CP funding allocations and absorption and the role of CP for health investments. At the same time, qualitative data, in the form of both academic and policy sources, provided a complementary and vital source of evidence.

A key precondition to fulfil the study's objectives is the definition of non-urban areas. To ensure spatially-referenced classification, analytical applicability and availability of data, the study makes use of a typology developed by the EC Directorates-General for Regional and Urban Policy, Agriculture and Rural Development, Eurostat and the Joint Research Centre (JRC) together with the OECD called '*Degree of Urbanisation*'.[4] This territorial typology is based on units of analysis of the same size – 1 km^2 grid cells – and uses population density, minimum population size and contiguity criteria to define urban clusters and rural grid cells. The latter categorisation is then applied to local administrative units (LAU2) and, according to the proportion of urban clusters inside them, the *Degree of Urbanisation* typology defines three types of areas: cities/large urban areas (densely populated areas); towns and suburbs/small urban areas (intermediate density areas), and rural areas (thinly populated areas).[5]

For the purposes of the study, non-urban areas are defined as equivalent to the rural areas of the *Degree of Urbanisation* typology, and from here on are called rural areas. Urban areas are defined as equivalent to the two other types of areas: cities/large urban areas and towns and suburbs/small-urban areas. The *Degree of Urbanisation* typology is preferred in this study as a way to capture more granularity. Often, larger territorial units such as NUTS2 or even NUTS3 levels may mask (divergent) needs and trends within the more granular territories that comprise them. This is also important in terms of policy implementation, as this categorisation highlights the need both to integrate rural areas into regional development processes and also points to the existence of various urban-rural interactions crossing administrative boundaries. Finally, the chosen typology corresponds to the territorial dimension used in the 2014-20 programme documents and Annual Implementation Reports as defined in the Commission Implementing Regulation (EU) No 215/2014, and allows analysis of the territorial dimension of allocation and expenditure via the ESIF Open Data Platform. More detailed explanation of the *Degree of Urbanisation* typology is included in Annex 1.

A second key precondition for achieving the aims of this study has been the acquisition of data regarding CP programming and implementation in rural areas. Crucial in this case has been the requirements laid down by Art. 112 of the Common Provision Regulation (CPR) No 1303/2013 and Commission Implementing Regulation (EU) No 215/2014. These oblige Member States to programme and to annually report the implementation of funding (values of selected projects and expenditure incurred in those projects) for each combination of dimensions and dimension codes. This study makes use of the combination of data on programmed and reported values for each Member State and for all three of these dimensions: 'territorial dimension'; 'intervention field'; and 'thematic objective' dimension. Regulation (EU) No 215/2014 defines the specific sub-categories under each dimension and classifies them under 'dimension codes'.

- The '**territorial dimension**' includes seven territorial types and their respective codes. The first three of these codes are aligned with the Eurostat typology 'degree of urbanisation' used in

[4] https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Territorial_typologies_manual

[5] Based on the same building block – 1-km^2 grid cells – this methodology is applied on NUTS3 level to distinguish predominantly urban regions, intermediate regions and predominantly rural regions. In exceptional cases, where data is not available according to Degree of Urbanisation typology, this study makes use of NUTS3 level statistics.

this study: Code 01: Cities (Large urban areas); Code 02: Towns and suburbs (Small urban areas) and Code 03: Rural areas. The territorial dimension is completed by four other codes: Code 04: Macro-regional cooperation area; Code 05: Cooperation across national and regional programme areas; Code 06: ESF transnational cooperation; and Code 07: Not applicable, which is to be used if a project does not have a particular link with a physical location or population. The study acknowledges that the investments under Code 7 could also benefit rural areas, although without the possibility to quantify, and therefore faces some limitations in considering only Code 3 as relevant for rural areas.

- The EC collects information on '**thematic objectives**' both from Operational Programmes (OPs), based on the indicated priority axis, and from the annual financial reporting (under CPR Art.112). The primary source of data on thematic objectives for this study is the implementation reports but, as information is missing in some cases (as ESF funded projects are not obliged to report on thematic objective), we make use of the data from OPs.
- The '**intervention field**' dimension comprises 123 intervention field codes. The full list of the codes is included in Annex 2. Most of these intervention fields refer to actions that can fall under more than one thematic objective. In essence, this means that, often, an intervention field is supported through investments from multiple thematic objectives.

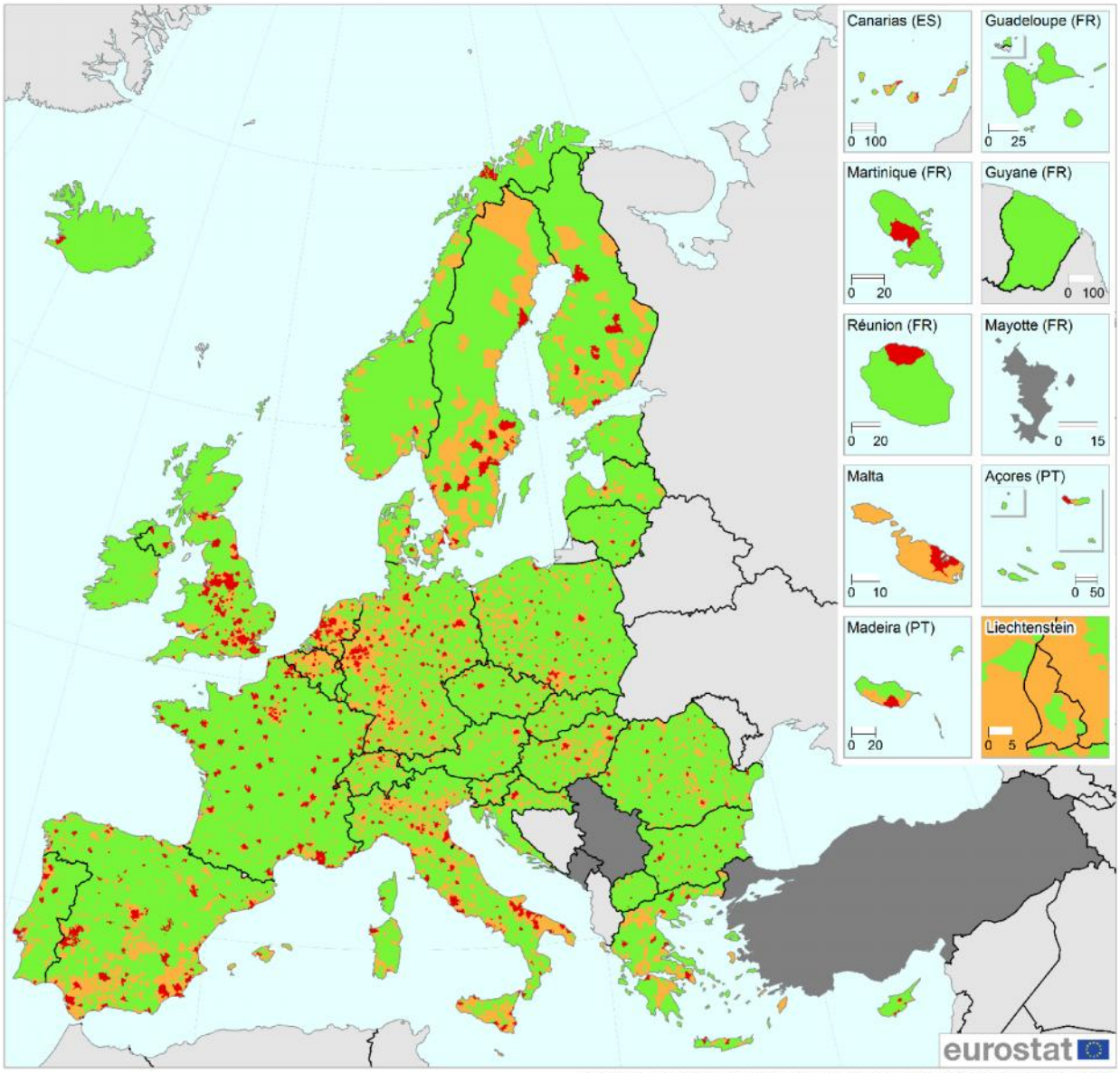
In terms of financial data, this report makes use of:

- **planned amounts**, corresponding to the total values, including EU and national contributions, planned for each OP by Managing Authorities;
- **decided/committed amounts**, corresponding to the total values, including EU and national contributions, of selected projects, following selection procedures for each OP, reported annually on a cumulative basis; and
- **declared amounts**, corresponding to the total eligible expenditure declared by beneficiaries to the Managing Authority, which will later be reimbursed by the EC after the corresponding co-financing rate is applied. These amounts are also reported annually on a cumulative basis.

The ESIF Open Data Platform allows the combining of categorisations in order to make a comparison between planned allocations, decided and declared expenditure by country and ESI Fund, and by type of territory, thematic objective and intervention field.[6]

[6] More information is available in Commission Implementing Regulation (EU) No 215/2014 and the Guidance Note on Nomenclature of Categories of Intervention and the Methodology for Tracking of Climate Change Related Expenditure under Cohesion Policy.

Figure 1: Degree of urbanisation for local administrative units level 2 (LAU2)



Note: Based on population grid from 2011 and LAU 2014. Denmark, Greece and Malta: local administrative units level 1 (LAU1).
Source: Eurostat, JRC and European Commission Directorate-General for Regional Policy

Source: Eurostat.

3. CHARACTERISTICS OF RURAL AREAS

KEY FINDINGS

- Rural areas cover more than 90% of the EU territory and are home to nearly 30% of the EU population.
- The structural transformations in rural Europe over the past three decades have resulted in an economic structure currently dominated by the tertiary sector. Yet, in several Member States, employment in the primary sector is still proportionally high.
- Intrinsic rural characteristics play an important role in shaping rural challenges and opportunities.
- Challenges can be categorised as social, structural and geographical. They are often correlated with each other and therefore policy approaches must address them in combination.
- Rural opportunities are based on endogenous rural assets. Rural areas can build on these in order to enable local development and to form the basis of a proactive policy approach. Yet, rural assets are unevenly exploited across the EU.

3.1. Main features

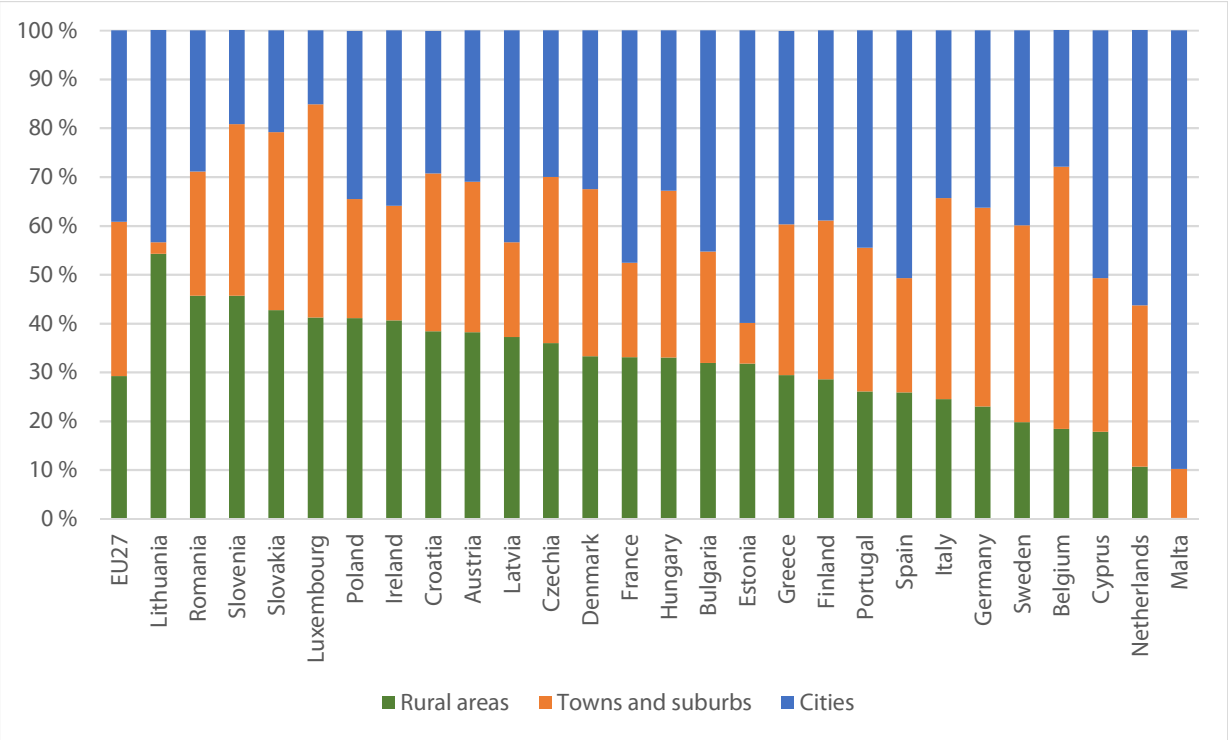
EU countries have experienced an increasing speed of urbanisation since the 1960s, albeit the rate of urbanisation has slowed since the 1980s. Yet, the majority of the EU27[7] population lives in urban areas, with a 39.2% share in cities, 31.6% in towns and suburbs, and 29.2% in rural areas (Figure 2: Distribution of population by degree of urbanisation).

There are considerable differences among the Member States concerning the relative share of their rural populations. Lithuania is the only country with a majority of rural population (54.3%). Several other countries, including Romania, Slovenia and Slovakia, had over 40% of their population living in rural areas in 2018. At the other end of the spectrum are the Netherlands, Cyprus, Belgium and Sweden with a share below 20%. Malta records the lowest share of its population living in rural areas (0.2%).[8]

[7] EU27 in this report refers to Member States in 2020, i.e. without the United Kingdom.

[8] Due to the small share of rural areas in Malta, statistics is not always available for this Member State. This is why the country may not be included in some of the figures in the remainder of this study.

Figure 2: Distribution of population by degree of urbanisation (%, 2018)



Source: Eurostat (online data code: ilc_lvho01), July 2020.

What is a rural area?

Rural Europe is highly diverse, both in terms of geographical patterns and of development level and socio-economic trends. Depending on their characteristic spatial features, different types of rural areas can be distinguished:[9]

- rural areas close to highly urbanised areas, usually with well-developed transport connections;
- predominantly coastal and mountain areas, often equipped for tourism, with reduced agricultural activities; and
- rural areas where access is difficult, often being mountainous/forest areas and islands, or highly remote areas with low connectivity to urban centres.

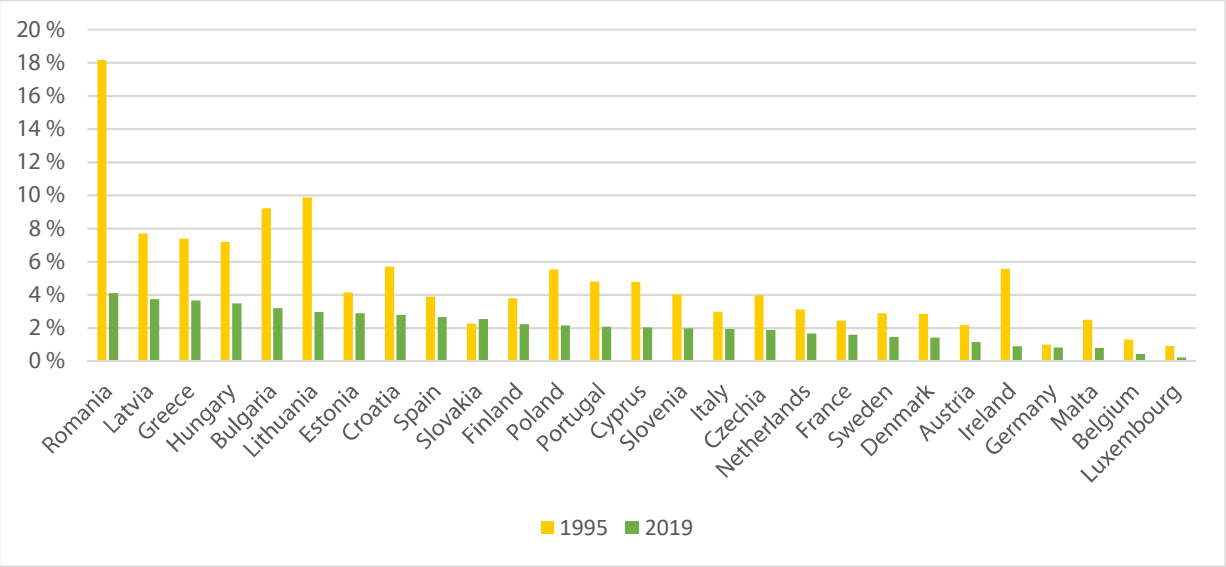
Apart from spatial characteristics, rural areas are often considered on the basis of their predominant economic activities. **The structural shift in rural Europe, ongoing since the 1980s, has led to a considerable growth of the secondary and tertiary sectors in rural areas, where the tertiary sector is now on average the largest of the three sectors across the EU27**.[10] The Gross Value Added (GVA) of the primary sector as a share of national GDP has decreased in all EU countries over the last two decades, apart from Slovakia, which experienced a slight increase (Figure 3). The drop of the GVA in the primary sector has been greater in Central and Eastern Europe, where it initially had a larger share. There is no doubt, however, that the primary sector activities, including agriculture, forestry and fishing, remain important rural activities in terms of land use and management of natural resources, and provide a basis for economic diversification. Farming in Europe is predominantly small in nature,

[9] To read more on the EU urban-rural typology including remoteness, please see https://ec.europa.eu/regional_policy/sources/docgener/focus/2011_01_typologies.pdf

[10] European Commission (2018b) *Rural areas and the primary sector in the EU*, https://ec.europa.eu/info/sites/info/files/food-farming-fisheries/farming/documents/eu-rural-areas-primary-sector_en.pdf

with two-thirds of the farms being less than five ha in size in 2016. An overwhelming majority of these (96% in 2016) are classed as being family farms (farm under family management where 50% or more of the regular agricultural labour force is provided by family members).[11] Larger farms (of 50 hectares or more) are rather more common in western and northern Europe, for instance in Luxembourg (52% of farms), France (41%) and Denmark (35%).[12]

Figure 3: GDP share of agriculture, forestry and fishing (%, 1995 and 2019)



Source: World Bank, https://data.worldbank.org/indicator/NV.AGR.TOTL.ZS, July 2020.

Before analysing the role that CP plays in Europe's rural areas, this section sets out the intrinsic rural characteristics, needs and opportunities. Rural accessibility, natural features and sectoral diversification trigger specific challenges, in both daily life / well-being and economic activities. Among these challenges are limited or less diverse employment opportunities, limited skills availability/human capital, lower income generation and poor access to services. They can be broadly categorised as social, structural and geographical.[13] The first part of this section discusses these challenges in more detail and compares their intensity in rural and urban areas. At the same time, rural areas possess distinctive assets, presented in the second part of this section. Lastly, this section provides an overview of interlinkages and dependences between urban and rural areas.

3.2. Social challenges

3.2.1. Demographic change

The overall share of population in rural areas has been slightly decreasing at EU level in the past decade, as was also happening in most EU Member States (Figure 4).

Depopulation is driven by long-term demographic developments, such as aging[14] and outmigration, and rural areas are specifically susceptible to the interplay of these two patterns. Case-studies have shown that outmigration is a result of both the territory's structural framework conditions, such as

[11] Cook E (Ed.) (2018) *Agriculture, Forestry and Fishery Statistics: 2019 Edition*. Publications Office of the European Union, https://ec.europa.eu/eurostat/documents/3217494/9455154/KS-FK-18-001-EN-N.pdf/a9ddd7db-c40c-48c9-8ed5-a8a90f4faa3f

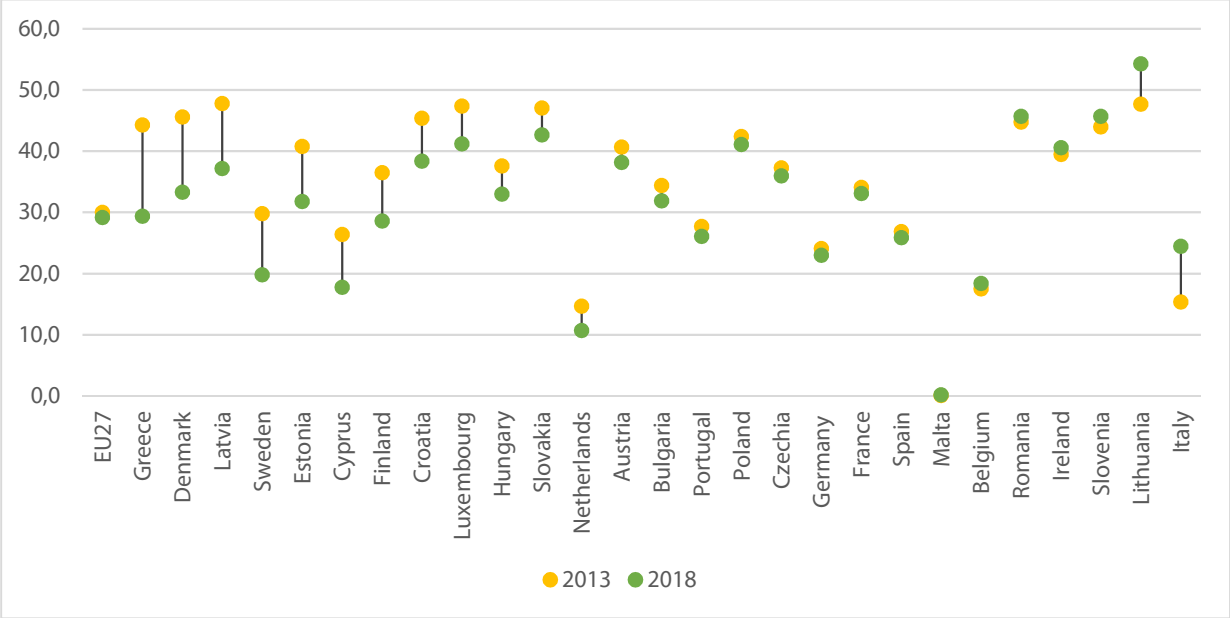
[12] *ibid*.

[13] Based on Copus A and Dax T (2010) *Conceptual Background and Priorities of European Rural Development Policy. Assessing the impact of rural development policies (incl. LEADER)*, RuDI, FP 7 Project no. 213034, http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.613.5207&rep=rep1&type=pdf

[14] Overall, aging population is a process observed in all EU countries, driven by a significant increase in life expectancy and lower birth rates.

labour market, infrastructure and accessibility, and the individual perception of these structures.[15] It could be assumed that these are also the main drivers of rural outmigration. **It is worth observing, however, the selective nature of outmigration**. Younger people are more likely to move within close proximity to a capital or other large city, and young and highly educated women in particular are among those leaving peripheral and rural regions, **resulting in an unbalanced population base in rural areas.**[16] These developments naturally have effects on the age structure in these areas as they experience more pronounced population ageing and, subsequently, result in a higher share of elderly population.

Figure 4: Share of population living in rural areas (%, 2013 and 2018)



Source: Eurostat (online data code: ilc_lvho01), August 2020.

The reverse trend – of increasing rural population – is observed as well, which in most cases is simultaneous with a general national population growth. Within individual countries, rural areas benefiting from population increase are usually those close to dynamic urban centres or with good transport connections with them.[17] **Overall, such dynamics indicate two parallel processes – one of concentration in urbanised areas, particularly in Northern, Central and Eastern Europe, and one of de-concentration in countries in Western and Southern Europe**.[18]

3.2.2. Poverty and social exclusion

Rural poverty is a result of factors related to the demographic challenge, but also to weaker labour market and lower education levels, as well as to geographical characteristics which make access to services more difficult and costly.[19] **While at EU level the average poverty rate is slightly higher in rural areas, there is a contrasting situation across Europe**.

[15] Johansson M, Rauhut D, Ponnikas J, Mustonen V, Timár J, Velkey G, Nagy T, Kugler J, Győrffy I, Nagy T and Kugler J (2011) Selective Migration and Unbalanced Sex Ratio in Rural Regions: targeted analysis 2013/15. SEMIGRA, Interim report. ESPON, https://www.espon.eu/sites/default/files/attachments/SEMIGRA_Interim-Report_with-Annex.pdf

[16] *Ibid*. and Copus and Dax (2010) *Op. Cit.*

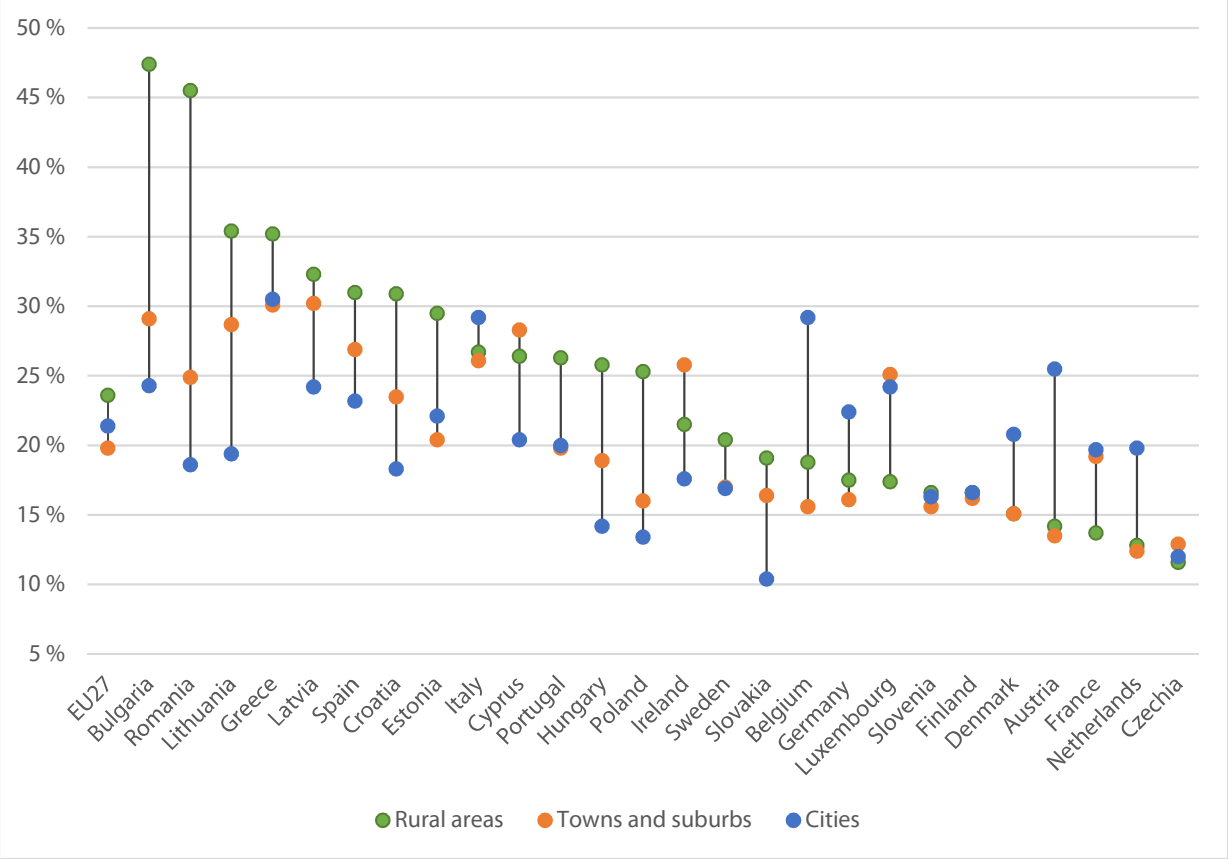
[17] Margaras V (2019) *Demographic trends in EU regions*, European Parliamentary Research Service, PE 599.333, January 2019, https://ec.europa.eu/futurium/en/system/files/ged/eprs-briefing-633160-demographic-trends-eu-regions-final.pdf

[18] Rowe F, Bell M, Bernard A, Charles-Edwards E and Ueffing P (2019) Impact of internal migration on population redistribution in Europe: Urbanisation, counterurbanisation or spatial equilibrium?

[19] Augère-Granier ML (2017) *Rural poverty in the European Union*, European Parliamentary Research Service, PE 599.333, March 2017, https://www.europarl.europa.eu/RegData/etudes/BRIE/2017/599333/EPRS_BRI(2017)599333_EN.pdf

The share of population at risk of poverty and social exclusion in rural areas reaches over 40% in some cases.[20] The peaks are in Bulgaria and Romania, followed by Lithuania and Greece with a share of slightly above 35% of their rural populations. Overall, poverty and social exclusion tend to be more prevalent in the rural areas of EU13 and southern EU members, with values often considerably higher than for their urban areas. Conversely, in many Western and Northern EU countries, the risk of poverty and social exclusion is often higher for people living in cities, which is an aspect that increases the attractiveness of their rural areas.

Figure 5: People at risk of poverty or social exclusion by degree of urbanisation (%, 2018)



Source: Eurostat (online data code: ilc_peps13), July 2020.

3.2.3. Unemployment divide

The issue of job creation in rural areas relates to the diversity of economic activities and the availability of skills. Likewise, unemployment should not be considered so much as an 'urban' or 'rural' phenomenon but rather as a phenomenon of economic structures and favourable conditions for economic activity.[21]

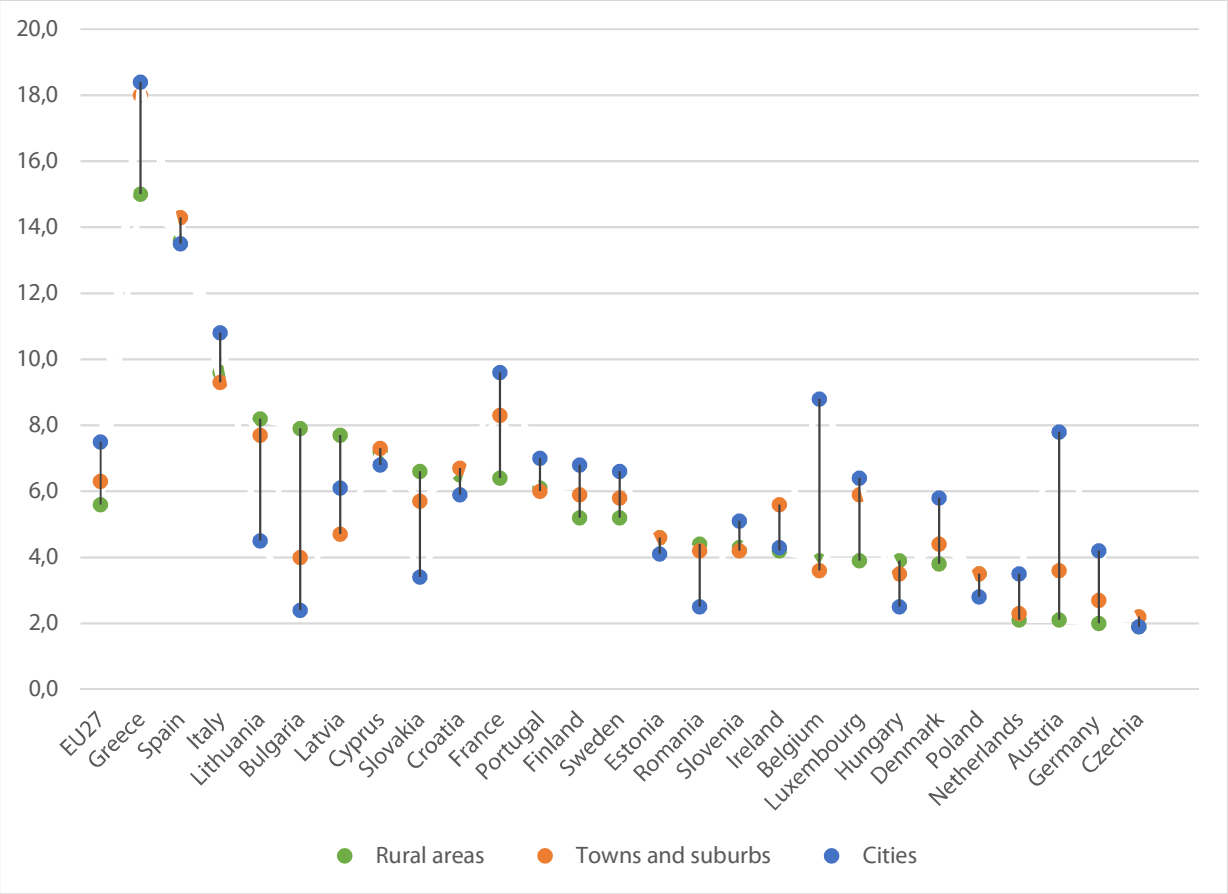
Comparing unemployment rates by degree of urbanisation, the average rate at the EU level is slightly higher in urban areas than in rural territories. Looking at the Member State level, however, there are significant differences. 11 EU countries recorded higher unemployment rates in their rural areas in 2018, with the largest divide between urban (city) and rural unemployment being in Bulgaria, Lithuania and Slovakia (Figure 6). Countries with high national unemployment rates record the highest unemployment rates in rural areas – reaching 14.8% in Greece and 13.9% in Spain, followed

[20] The EU uses a wide 'at-risk-of- poverty or social exclusion rate' (AROPE) indicator that is a combination of three sub-indicators: monetary poverty, material deprivation and low work intensity, and reflects the multidimensional aspect of poverty.

[21] Ecorys Netherland BV (2010). Study on employment, growth and innovation in rural areas (SEGIRA). *Main report, Rotterdam.*

by Italy and Lithuania. By contrast, Austria and Belgium experience much lower rural unemployment rates compared to their city counterparts.

Figure 6: Unemployment rate by degree of urbanisation (%, 2019)



Source: Eurostat (online data code: lfst_r_lfur2gacu), July 2020.

Integrating young people into the labour market is a challenge at EU level in general but has particular negative consequences for rural areas which experience a higher risk of losing their younger population. Within the age class from 25 to 29 years in 2017, unemployment in rural areas reached over 30% in the case of Greece and was above the EU average (10.2%) in Spain, Italy, Cyprus, Croatia, Bulgaria, Portugal, France, Slovakia and Latvia.

3.3. Structural challenges

Lower economic growth, lack of attractive employment opportunities, low productivity and skills shortages are some of the distinctive structural challenges present in many rural areas.

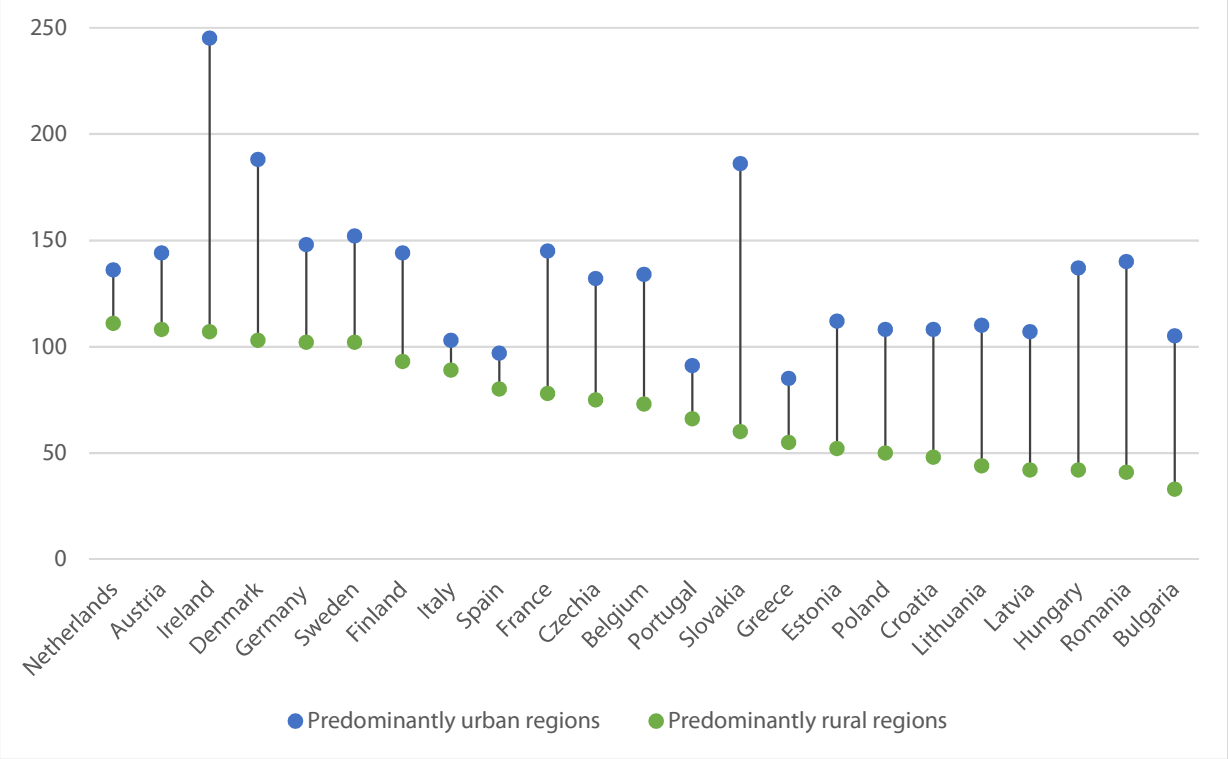
3.3.1. Lower economic growth

Across the EU, GDP per capita in predominantly rural areas is consistently lower than in predominantly urban areas, with a two-fold difference in some Member States (Figure 7). While this gap is present in all EU countries, it is especially pronounced in the EU13 and in Ireland. In contrast, such a divide appears minor in southern Europe and in the Netherlands. Evidence on low productivity in rural areas indicates a mix of factors including low educational attainment and job-related training, lower share of knowledge intensive businesses and low adoption of new technologies and ICT.[22] Typically,

[22] *Ibid.*

accessibility to high-speed broadband is more restricted which is a barrier for technological advancements. A thin economic base, which is unfavourable for knowledge transfer and competition, is among the factors for low innovation rates.

Figure 7: GDP per capita in Purchasing Power Standard as a percentage of EU27 average (2016)



Source: Eurostat (online data code: urt_10r_3gdp), July 2020.
Note: Data is unavailable for Cyprus, Malta, Luxembourg and Slovenia. Data for predominantly rural areas in Ireland is from 2014.

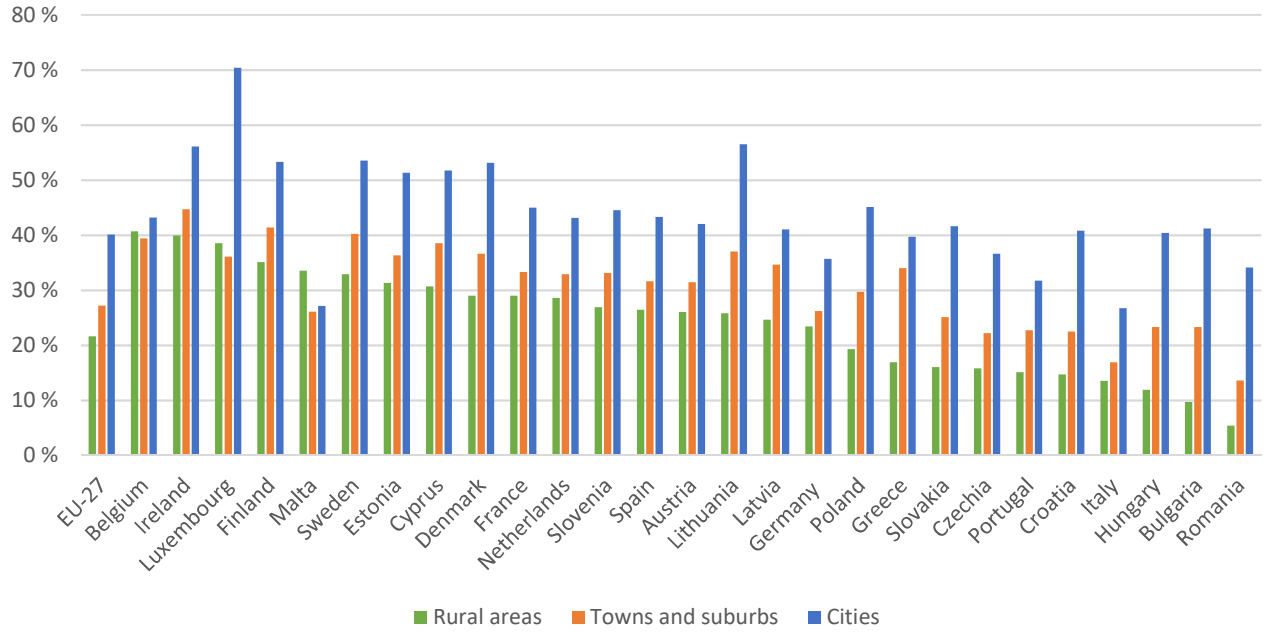
Structural challenges in rural areas are often associated with the relative importance of the primary sector in the rural economy. As indicated earlier (Figure 3), one of the most pervasive changes affecting rural economies in the last two decades has been the declining share of agriculture. This decline is evident by the drop both in the sector's share in GDP and by the working population, the latter happening at a slower pace. Yet, the importance of primary sector activities varies across Member States. In Belgium and Germany, the primary sector formed less than 2% of total employment in 2016, while in Romania, Bulgaria, Greece and Poland it ranged between 10% and up to 24% in Romania.[23]

Major issues for the agricultural sector are the lower added value of production, lower wages compared to other sectors,[24] and the aging of the farming population. Often, the share of workers employed in farming is highest in poorer and more peripheral areas where employment opportunities are less diverse. Strategies for economic diversification and non-agricultural opportunities are key in these territories in order to encourage young and educated people to remain in rural areas. **Structural changes relate to the development of distinctively rural activities such as environmental services, countryside recreation and tourism, and sustainable technologies.**

[23] European Commission (2018b) *Op. Cit.*
[24] European Commission (2020a) *Agriculture in the European Union - Statistical Factsheet*, June 2020, https://ec.europa.eu/info/sites/info/files/food-farming-fisheries/farming/documents/agri-statistical-factsheet-eu_en.pdf

3.3.2. Human capital

Figure 8: Population with tertiary education (levels 5-8) by degree of urbanisation (%, 2018)



Source: Eurostat (online data code: edat_lfs_9913), July 2020.

In the EU27, the share of people with tertiary education in cities (40.1%) is almost twice as high as in rural areas (21.6%) (Figure 8: Population with tertiary education (levels 5-8) by degree of urbanisation (%, 2018). In the context of farming in particular, the number of people with higher education tends to be low. A major issue is also the tendency of young people to leave rural areas to obtain education in urban centres, often not returning and thereby causing skill shortages, especially in knowledge-based industries. At the same time, the number of young people (between 15-34) not in education, employment or training reached 15% in EU rural areas in 2019 (13% in cities). This number was over 20% in Bulgaria, Romania, Greece and Italy. The general quality of education is considered lower in rural areas because of a poorer access to ICT and other equipment for vocational training and apprenticeships or lower qualification of educational staff.[25] The possibility to improve skills, knowledge and competences appears less exploited in rural areas with an average EU27 rate for adult participation in life-long learning in the age group 25-64 at 9% (13% in cities). Finally, there is a geographical aspect to the digital skills divide with 64% of adults living in cities having basic and above basic digital skills while the corresponding figure for those living in rural areas was only 49% in 2019.

3.4. Geographical challenges

A number of challenges that rural areas face are strongly linked to their geographical features. These are primarily seen in their remoteness and low population density, which are present to a different degree across rural Europe. Specifically, there is a differentiation between rural areas with a high or moderate urban influence, located in close proximity or well connected to urban centres, and those that are highly remote (in some countries predominantly peripheral) with little connectivity to urban locations.

[25] Augère-Granier ML (2017) *Op. Cit.*

Geographical disadvantages can considerably impact rural business competitiveness due to **remoteness from markets**, and reduced **access to business services, information technologies** (particularly internet access) **and capital**. Sparsity in particular creates barriers to the clustering of economic activity and to the diffusion of innovation.[26] Clearly, this challenge is exacerbated with the level of remoteness of the rural area.

Geographical challenges could also seriously affect the quality of life, especially when it comes to the availability and accessibility of public and private services. **Delivery of public services is more difficult in rural areas than in urban locations, and this tends to lead to lower provision rates.** Factors affecting rural service delivery relate to inherent geographical features and revolve around three main dimensions: distance; critical mass; and density.[27] Such factors include lack of economies of scale due to small and dispersed communities, increased transport costs due to remoteness, high levels of unproductive time (mostly related to travelling) and additional communications costs.[28] Certain public services tend to be especially exposed to these factors such as emergency ambulance services. The aging population structure in rural areas poses a further challenge to public service delivery. On the one hand there is a shift in the mix of demanded services, with increasing needs of the elderly population. On the other hand, as an individual's state of health tends to decrease with age, the annual cost of health services tends to rise significantly in rural areas.

Apart from the fact that rural areas are inherently more costly to supply with public services, empirical evidence shows a decreasing willingness of public authorities to subsidise their provision.[29] There is increasing demand on public revenues, budget cuts, cost control targets and struggle to do more with less, which results in a decreased number and/or quality of public services in rural areas. Increasingly, services such as healthcare and (higher) education are being made available in urban access points. The problem naturally tends to be more acute in less-developed regions or countries, which have lower income, or in most remote areas. The availability of infrastructure and services in rural areas, however, remains crucial for their economic development, quality of life and social inclusiveness.

3.5. Assets and potentials of rural areas

The trends described above affect the long-term prospects of rural areas. Lacking infrastructures, services and human capital hinder economic and social development and there is a risk of entering into a 'vicious circle of decline'. The more sparsely populated and economically inactive the areas become, the more they are at risk of dis-connectivity, decrease in public services, lack of private investment and depopulation. Rural areas, however, possess competitive advantages of their own. The latter form important potentials for diversified rural economic activity and for promoting counter-urbanisation processes.

One area of competitive advantage is **environmental assets** such as landscapes and biodiversity, which are basis for environmental protection activities and could be exploited for leisure and tourism. Such natural endowments have the potential to stimulate farm diversification and the emergence of SMEs in the tourist sector.[30] Rural areas also have the opportunity to offer distinctive regional products and organic produce, which has implications for farmers and processing industry, as well as for the development of the 'green' tourism. Finally, growth potentials based on rural environmental assets

[26] Copus A and Dax T (2010) *Op. Cit.*
[27] OECD (2010) *Strategies to Improve Rural Service Delivery*, OECD Rural Policy Reviews, OECD Publishing, Paris, https://doi.org/10.1787/9789264083967-en.
[28] *Ibid.*
[29] *Ibid.*
[30] Copus A and Dax T (2010) *Op. Cit.*

are linked to the utilisation of biomass for the development of the bioeconomy and to the production of renewable energy.

Traditional/rural culture and heritage is another example of a locally embedded resource to focus endogenous development. It plays an important role not only for strengthening social identity but could also be transformed into an asset for the cultural and creative industries and tourism.[31]

In more intangible terms, rural areas are well placed to develop strong **social capital** due to small and embedded local communities, trust and reciprocity. In economic terms, social capital is particularly supportive to business creation and networking. It is conductive to building partnerships and to the development and participation of voluntary and community sector organisations in local socio-economic development processes.[32]

Finally, rural areas offer certain advantages (compared to urban areas) in terms of **quality of life**. In a majority of Member States, rural areas record lower housing and living costs and less (air) pollution and environmental problems, lower crime rates, an attractive residential environment and less congestion. Such assets are an important prerequisite to increase the attractiveness of rural areas as a place for living.

Of course, while these assets are present to a greater or lesser extent in Europe's rural areas, they are not homogeneously exploited. To effectively utilise them, a combination of factors needs to be in place including capital endowments such as human capital and institutional arrangements.

3.6. Complexity of urban-rural relationships

Economic, demographic and environmental interlinkages increasingly shape complex and wide-ranging *urban-rural relationships*. The traditional distinction between urban and rural areas is increasingly blurred as people's life, work and consumption progressively takes place in both territories. Clearly, these interactions have different intensity across EU Member States and their impact could be both positive and negative for rural areas.

Understanding these changing relationships is crucial for building a suitable legislative and regulative environment and for creating an increasingly integrated urban-rural policy agenda. A typology of urban-rural interactions has been developed by the OECD, recognising five distinctive types of interaction. Table 1 summarises four[33] of these types and their sub-types, addressing key drivers.

[31] Ecorys (2010) *Op. Cit.*
[32] *Ibid.*
[33] The fifth type of interaction – 'multi-level-governance interactions' – is excluded from the table as it is more concerned with policy process than with the functional rural-urban relationships.

Table 1: Types and sub-types of urban-rural interaction, based on OECD classification

Type of Interaction	Sub-type	Key recent trends
1. Demographic linkages	(a) Urbanisation (rural-urban migration)	
	(b) Commuting and Counter-urbanisation	Longer distance commuting. Changing work practices (e.g. working from home). Improved infrastructure and broadband connectivity.
2. Economic transactions and innovation activity	(a) Consumer relationships	Commuting and rise of internet shopping reduces local consumption. Conversely, preference for clean and quality products increases local consumption and value-added for rural producers.
	(b) Exchanges of goods and (private) services between rural SMEs and nearby cities	Opposing trends of (mainstream) globalisation, trans-local networks, increasing food miles, and (minority) re-localisation, short supply chain etc. Rise in service sector.
	(c) Diffusion of knowledge and innovation between countryside and nearby cities	Improvements in broadband and other communications.
3. Delivery of public services	(a) Delivery of urban-based services of general interest (SGI) to rural households and businesses. Also access of rural areas to urban SGI access points	Drive for efficiency and cost effectiveness (associated with privatisation) but also rise of innovative delivery solutions.
	(b) Public transport availability in rural areas	Drive for efficiency and cost effectiveness (associated with privatisation). General reduction in public transport availability outside urban areas.
4. Exchanges in amenities and environmental goods	(a) Access to countryside for leisure and recreational use by urban residents	Increasing car ownership – increasing short break tourism. Reduction in 'within hinterland' tourism and leisure – main vacation abroad. Changing leisure tastes, improved transport.
	(b) Rural areas as sources of water supplies, carbon capture, waste treatment	Raising environmental awareness. Increased interest in carbon capture. Increasing volume of waste together with stricter rules about disposal.
	(c) Rural areas as sources of renewable energy	Much interest, substantial long-term potential, but short term risks due to market fluctuation.

Source: Adapted from Copus A, Shucksmith M, Dax T and Meredith D (2011)

In conclusion, **rural areas have numerous similarities in their socio-economic characteristics, combined with their particular geographical features. A key point here is that these characteristics cannot be considered in isolation but rather in combination with each other.** Even rural areas that have healthy demography, economic growth and employment could face challenges, for instance, to preserve their natural assets or lifestyle due to increasing urban sprawl. Additionally, rural areas are endowed with unique and diverse assets which can be turned into economic opportunities. Recent policy trends towards endogenous development and increasingly strengthened urban-rural relationships have been conducive for their effective exploitation although they remain unevenly exploited.

4. IMPLEMENTATION OF COHESION POLICY FUNDS IN RURAL AREAS

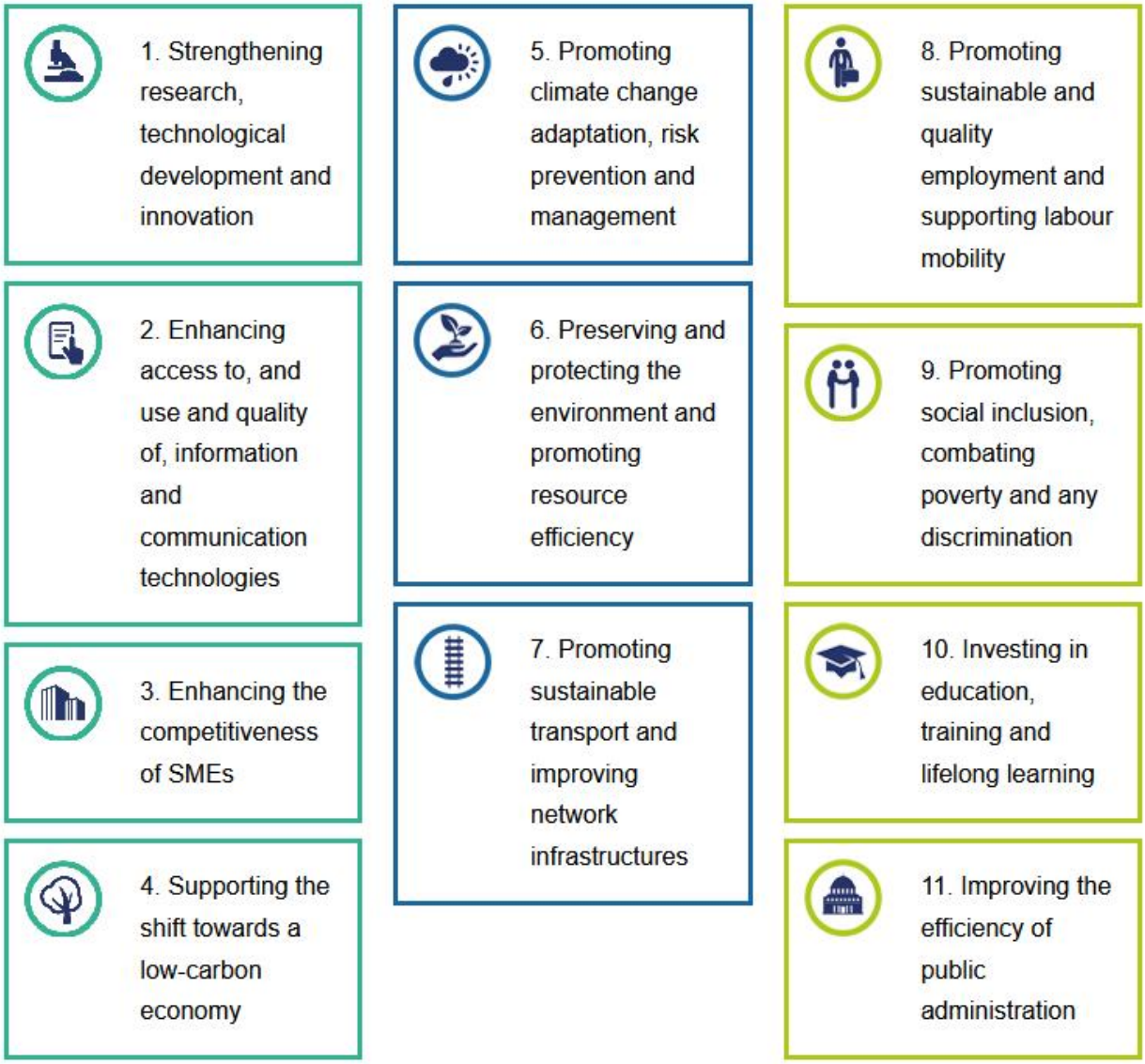
KEY FINDINGS

- Urban areas have been allocated over three times as much Cohesion Policy funding as rural territories (€165.5 billion compared to €45.6 billion).
- Across Member States, the share of Cohesion Policy Funds allocated to rural areas varies from less than 5% to more than 30%. Four countries did not explicitly allocate any Cohesion Policy Funds to rural areas. However, more than half of the funding is not assigned to any type of territory.
- By the end of 2019, financial implementation appears more advanced in rural than in urban areas at EU level and in many Member States. One of the reasons could be the different thematic orientation.
- Member States prioritise different Thematic Objectives when implementing Cohesion Policy in urban and in rural areas. Rural investments are directed mostly to transport infrastructure, followed by support to environmental actions, and only then to SMEs.
- There is a tendency for Managing Authorities to use Cohesion Policy more actively for overcoming rural disadvantages related to their lower accessibility and connectivity, and less for nurturing unique and diverse local assets. The degree to which Cohesion Policy supports research and innovation, and therefore economic diversification, in rural areas is rather limited.
- The response of Cohesion Policy to broad structural and socio-economic changes seems rather fragmented.
- Measuring the effectiveness of Cohesion Policy entails many methodological challenges. The rare examples of studies looking at rural areas identify benefits mostly for areas close to urban centres. Cohesion Policy effects are most visible in the case of infrastructural measures and in terms of supporting wider 'good governance'.

4.1. Cohesion Policy allocation by territory type

Assessing CP support from the point of view of its potential impact on rural areas is not straightforward, as none of the 11 Thematic Objectives (Table 2) funded by CP Funds target rural areas directly.

Table 2: Thematic Objectives in the 2014-20 programming period

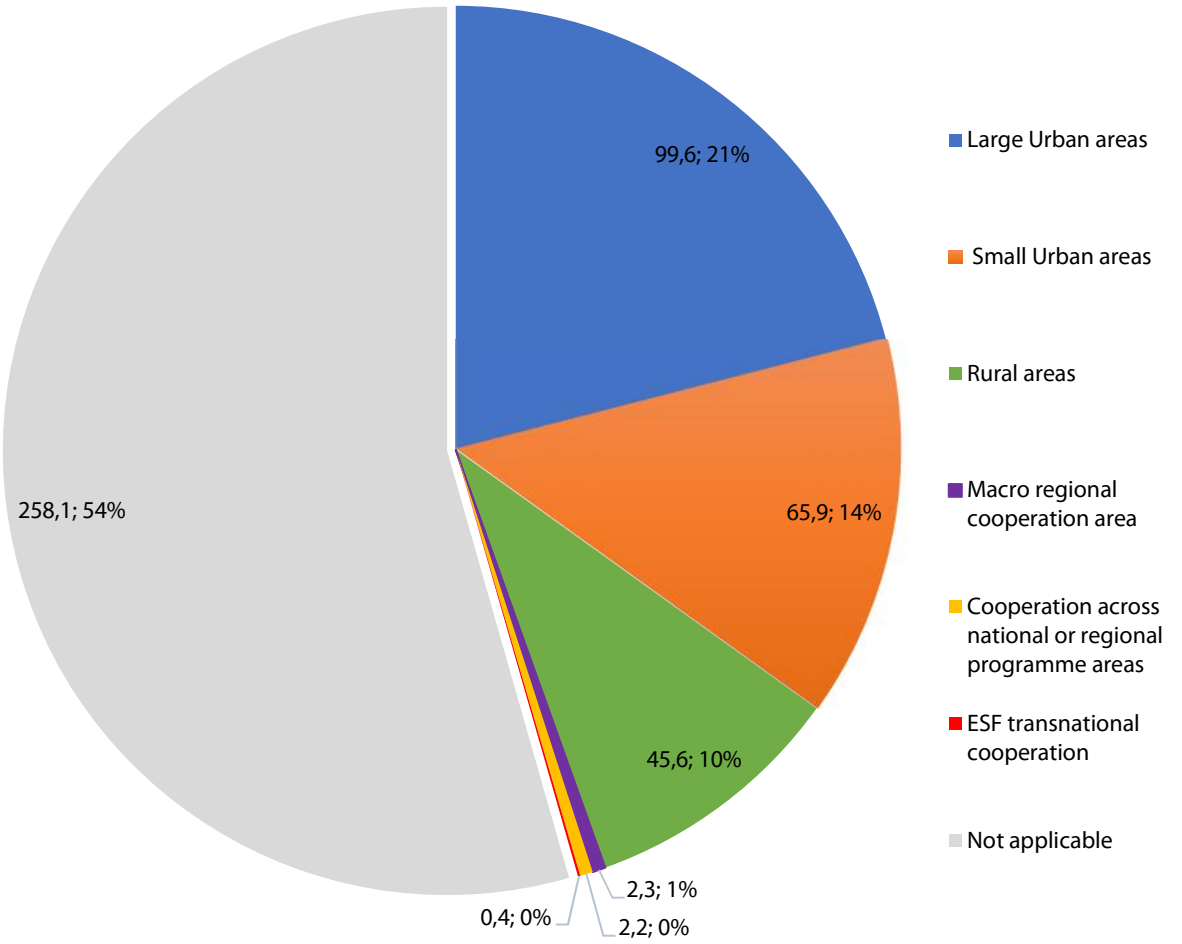


Source: European Commission

Yet, planning and implementation of CP Funds have a territorial dimension through the seven territory types introduced in the methodology section. On this basis, Figure 9 displays the aggregate allocations of the three CP Funds (ERDF, ESF and CF) that represent planned investment in these territory types, including EU and national contributions. Looking particularly at urban and rural allocations in the 2014-20 period, **urban areas have been allocated three times as much funding as rural territories**. €45.6 billion (10%) go to rural areas as opposed to €165.5 billion (33%) for urban[34] areas. Clearly, earmarking financing to a specific territory type is not always a straightforward task, as investments such as infrastructure projects could often benefit several types of areas. This could explain why Member States have not allocated 54% of the funding to any of the territory types. It can only be hypothesised that this funding benefits both urban and rural areas. Additionally, it is worthwhile to notice that investments have spill over effects. This could be especially beneficial for rural areas close to urban centres where the latter receive investments from CP.

[34] As a combination of large and small urban areas.

Figure 9: CP allocations 2014-20 by territory type (€ billion)



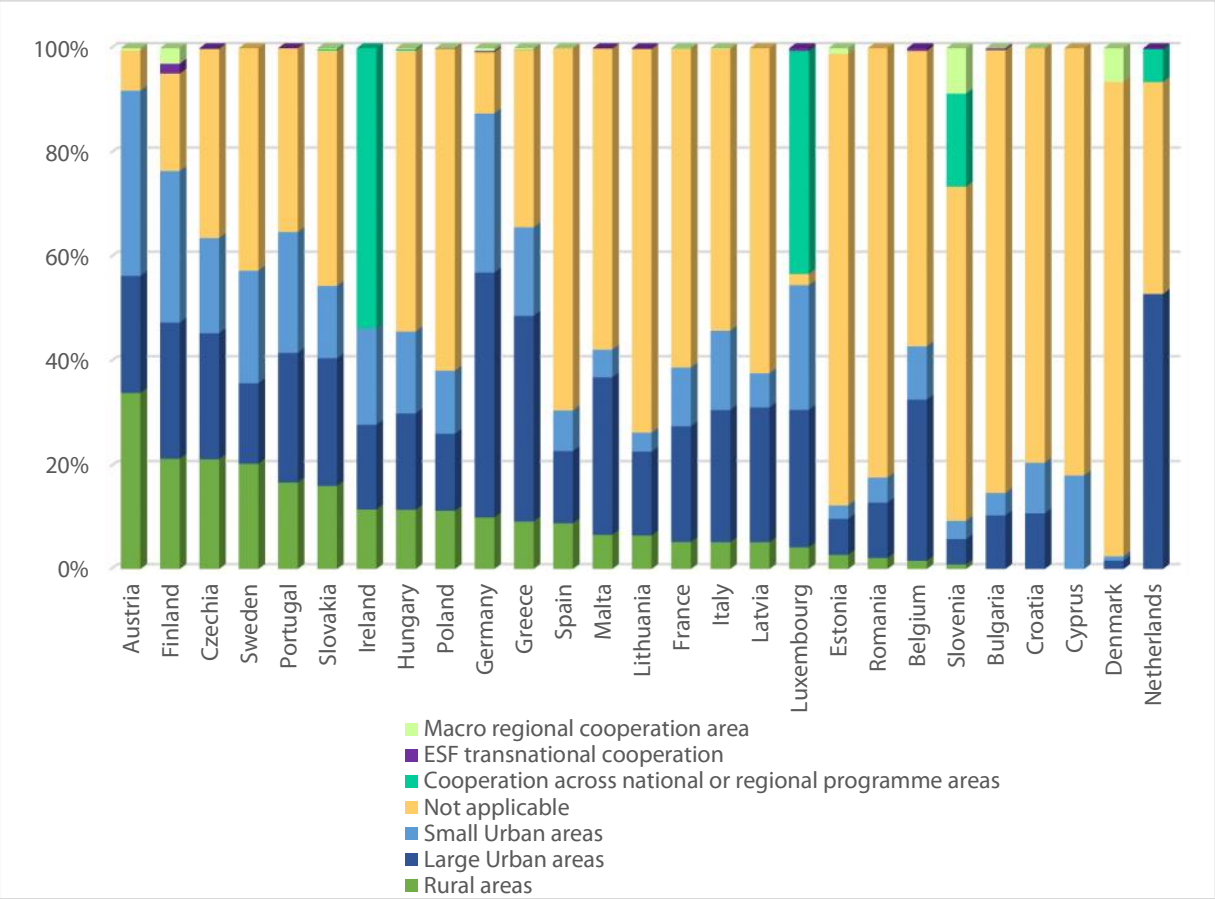
Source: Based on European Commission data
Note: Includes EU (ERDF, ESF, CF) and national contributions. The data is in current prices, July 2020. Regularly updated to reflect reprogramming

Within the three Funds, rural areas receive the largest share of funding from ERDF, over €31 billion, followed by ESF with over €8 billion and CF with nearly €6 billion. From a historical perspective, ERDF has been essentially the most important ESI Fund after the EAFRD for the support of rural areas. This has been the case since the 1990s, but its contribution has been fluctuating. ERDF funding for rural areas appears to substantially increase from 1993-99 to 2007-13 and then significantly decrease from 2007-13 to 2014-20.[35]

Across Member States, **Austria has allocated the largest share of its CP Funds to rural areas – 34% – followed by Finland and Czechia with 21%** (Figure 10). In contrast, Luxembourg, Estonia, Romania, Belgium, Slovenia and Bulgaria have allocated less than 5%. It should be noted that the majority of these countries did not consider the territorial dimension as relevant in planning the large part of their investments. Nevertheless, the prevalence of allocations to urban areas in these countries is clearly visible. Finally, the Netherlands, Denmark, Cyprus and Croatia did not plan rural investments in their programmes.

[35] Soldi R (2016) *Evolution of the Budget Dedicated for Rural Development Policy*, study for the Committee of the Regions, file:///C:/Users/cxb08102/AppData/Local/Temp/QG0516048ENN.en.pdf

Figure 10: Planned investment in 2014-20 by Member State and territory type (%)



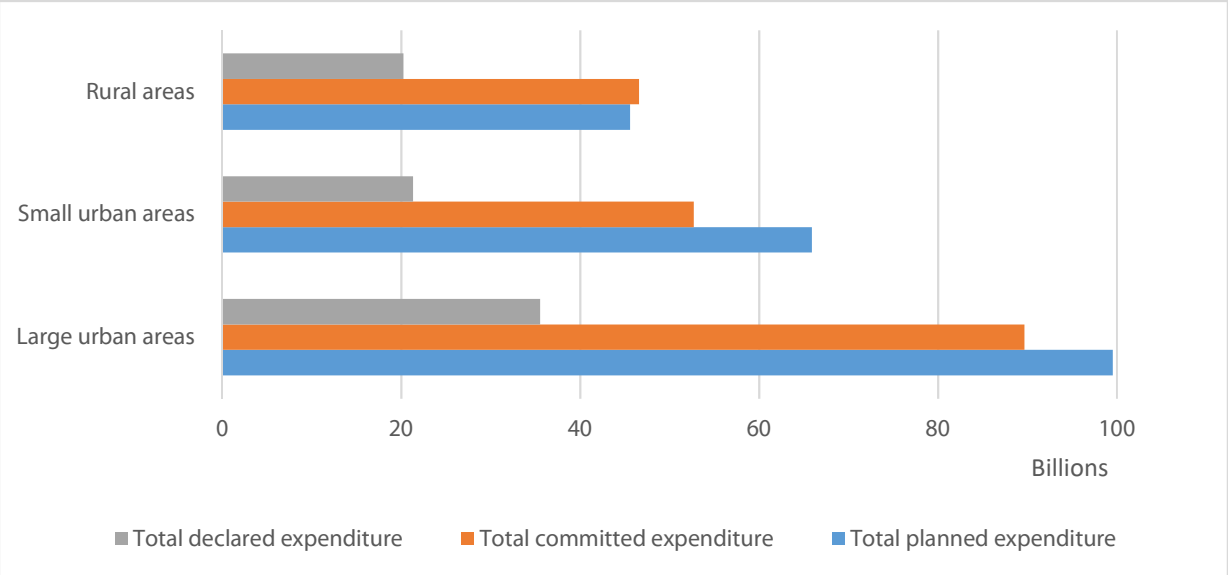
Source: Based on European Commission data, July 2020.

The remainder of this chapter focuses on the territorial types of interest for this study – rural areas and urban areas (large and small).

4.2. Implementation progress in rural and urban areas

Comparing overall planned EU spending and declared eligible expenditure in urban and rural areas by end of 2019, **financial implementation appears more advanced in rural than in urban areas** (Figure 11). Funding absorption in terms of declared expenditure is highest in rural areas (44% of planned amounts), followed by large urban areas (36%) and small urban areas (32%). Similarly, the commitment rate is highest in rural areas, to the point where it exceeds the initially planned allocations (102%). One of the main factors for these variations could be linked to the different prioritisation among the eleven TOs in the two types of areas. These differences are discussed in more detail in the subsequent parts of this chapter.

Figure 11: 2014-20 implementation progress of ERDF, ESF and CF in EU27 urban and rural areas (€ billion, 31 December 2019)

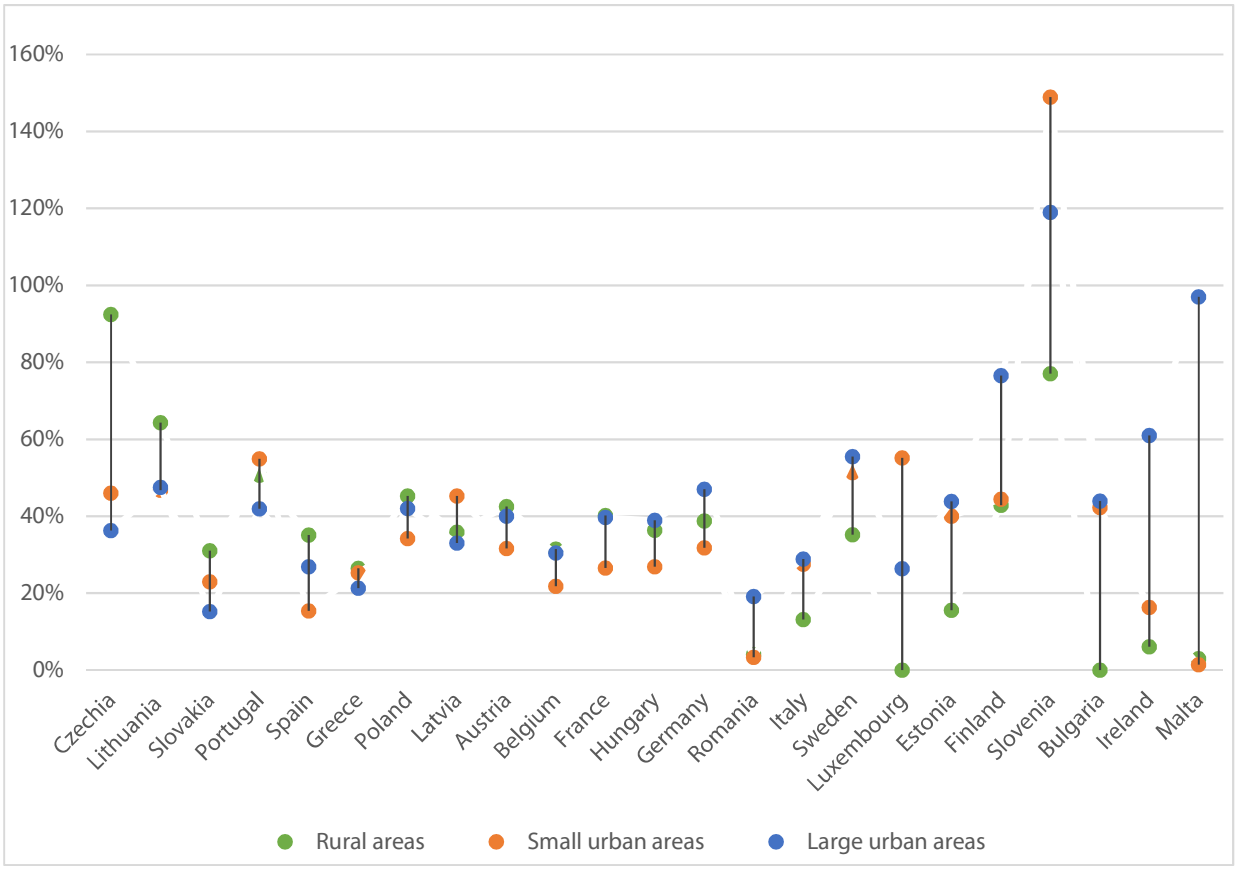


Source: Based on European Commission data, July 2020.

At Member State level, there are rather diverging trends in terms of financial implementation among rural and urban areas. Figure 12 **Error! Reference source not found.**presents countries in increasing order of the difference between rural and urban absorption, with countries where rural areas are doing better on the left and countries where urban areas have a higher absorption on the right. **Rural champions, where absorption rates are noticeably higher in rural compared to large urban areas, are Slovakia, Lithuania and Czechia**. Czechia has also the highest absorption rate in rural areas (92%) in the whole of the EU. Overall, higher absorption in rural areas compared to cities is also recorded in Portugal, Spain, Greece, Poland, Latvia, Austria, Belgium and France.

The opposite trend is especially pronounced in Malta, Ireland and Finland which, in comparison to their cities, record significantly lower absorption rates in the rural areas. In monetary terms, the highest amounts were absorbed in the rural areas of Czechia (ca. €6 billion), Poland (ca. €5 billion) and Portugal (ca. €2.5 billion). Countries such as Bulgaria and Luxembourg have not declared any spending in their rural areas as of the end of 2019, effectively having a 0% absorption rate.

Figure 12: Total declared eligible expenditure as share of planned total amounts per Member State and per type of territory (%, 31 December 2019)



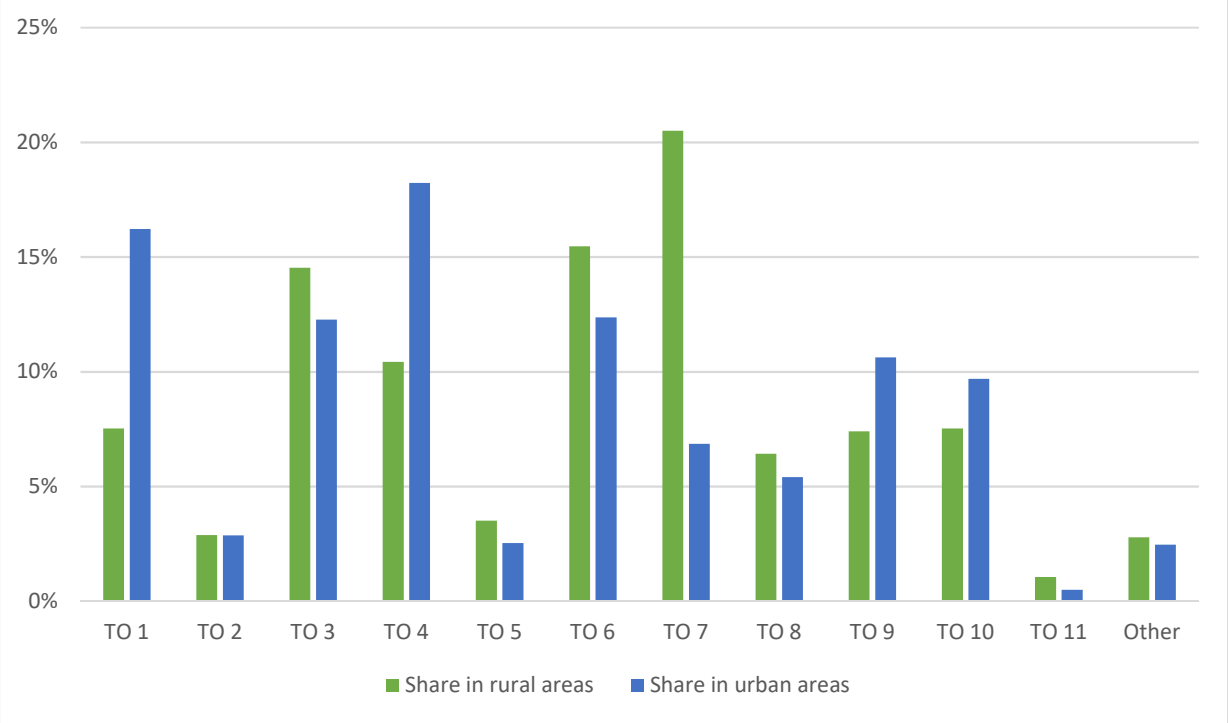
Source: Based on European Commission data, July 2020.
Notes: Cyprus, Denmark and the Netherlands are missing as these countries did not plan or declare any spending in rural areas. Croatia declared costs in rural areas, however, due to missing data on planned amounts, absorption rates cannot be calculated. For background data, see Annex 3.

4.3. Objectives and priorities of rural investments

EU Member States have the flexibility to allocate CP support to rural areas in accordance with the 11 TOs laid down in the legal provisions. These objectives are able to respond in varying degree to the structural, social and geographical characteristics identified in Section 1. This includes their ability to build on rural endogenous growth potentials. Reported data on the committed investments by the end of 2019 allows the tracking and comparison of rural and urban spending under each TO and intervention field among Member States and at EU level.

A key outcome is that Member States prioritise different objectives when implementing CP Funds in urban and in rural areas (Figure 13). At EU level, investments in rural areas address first and foremost transport and infrastructure demands, with TO 7 'Promoting sustainable transport and removing bottlenecks in key network infrastructures' ranking as number one in terms of monetary allocation of rural investments – 20% or slightly above €9.5 billion. In urban areas, Member States target the transition towards a low-carbon economy with committed investments in urban areas being largest in TO 4 'Supporting the shift towards a low-carbon economy' – 18% or nearly €26 billion. The importance placed on research and innovation, as measured by investment share in TO 1, clearly differs by territory type with the share in urban areas twice that in rural areas – 16% versus 8%. Promoting social inclusion and combating poverty (TO 9) is another area which Member States appear to prioritise noticeably more in urban than in rural areas.

Figure 13: Shares of TOs of committed CP funding in rural and urban areas (%)



Source: Based on European Commission data, July 2020. Note 1: 'Other' refers to investments to support Technical Assistance or operations falling under multiple TOs. Note 2: see Annex 4 for more detailed statistics.

Focusing on rural areas, CP Funds appear to support rural development predominantly through projects related to transport infrastructure, the promotion of resource efficiency and environmental protection, and support to SMEs. Transport infrastructure is certainly a prerequisite for economic growth and development and, for rural areas, it is vital in order to enable more balanced territorial development. In specific terms, investments in transport infrastructure are important for service supply (e.g. when provided by urban areas), for promoting tourism development or commuting to urban-based jobs. Increasing the accessibility of remote rural areas enhances their attractiveness both as a place to live and as a basis to develop economic activities. Therefore it could be also be conducive to tackling depopulation trends. It is, however, vital that the focus on 'hard' infrastructure is not excessive, as infrastructure is a prerequisite and not a source of economic growth per se. Additionally, CP Funds' support for environmental protection and resource efficiency potential indicates the enhancement of rural environmental assets. The development of environmental services and sustainable technologies, which are particularly relevant for rural areas, could be supported by this TO. In general, assistance to the rural economy is provided through support to SMEs.

In contrast to the large share of transport infrastructure investment, however, **spending on ICT infrastructure (as indicated by the ranking of TO 2) is very low**. This trend is problematic because of the strong need to close the urban-rural digital skills gap, to create favourable conditions for the (re)location of knowledge-based businesses and jobs, and generally to promote innovation. **The degree to which CP Funds support research and innovation in rural areas is rather limited**. This observation comes in the context of the comparatively lower share of the tertiary sector in rural areas of Member States, as well as the overall lower share of high-skilled jobs. This appears then to be a vicious circle where the two trends reinforce each other and which certainly has a negative effect on the potential for rural economic diversification and attractiveness for a high-skilled population. Similarly, the lower spending in the field of social inclusion and poverty is potentially alarming when

considering the identified high share of low-income population in the rural areas of some Member States. It should be noted, however, that poverty-related support actions could also be implemented, among others, through education (re-skilling) or employment investments.

Thematic objectives provide a broad picture on the development areas that CP Funds support in rural areas. To drill down and provide more precise information for the types of projects that are funded, the 'intervention field' dimension is analysed. As defined in Regulation (EU) No 215/2014, there are 123 intervention fields (IFs) ranging from business or health infrastructure, to developing the tourism potential of natural areas and the production of renewable energy from biomass. Most of these IFs refer to actions that can fall under more than one TO. In essence, this means that an IF is often supported through investments from multiple TOs.

CP Funds in rural areas are distributed across the majority of the 123 IFs. However, just 14 of them already constituted 50% of the spending committed by the end of 2019 in rural areas (Table 3).

Table 3: Rural CP investment in the 14 main intervention fields (€ million) and rural share (%, 31 December 2019)

Intervention field	Commitments in rural areas (in € million)	Share of committed rural investments as % of the aggregate commitments in urban and rural areas
001 Generic productive investment in SMEs	4,349	33
034 Other reconstructed or improved road	2,788	57
022 Waste water treatment	2,458	30
013 Energy efficiency renovation of public infrastructure, demonstration projects and supporting measures	1,612	20
024 Railways (TEN-T Core)	1,600	76
087 Adapt to climate change & prevent & manage climate risks	1,577	31
029 TEN-T motorways & roads - comprehensive network	1,566	89
115 Support to early-childhood, primary & secondary education	1,356	28
067 SME business development, entrepreneurship & incubation	1,210	24
026 Other Railways	1,081	53
109 Active inclusion	1,022	18
085 Biodiversity, nature protection & green infrastructure	989	45
118 Strengthening vocational education & training	957	23
094 Protect, develop & promote public cultural assets	951	23

Source: Based on European Commission data, July 2020.
Note 1: **Significantly more**, more, equal, **less**, **significantly less** in comparison to corresponding share in urban areas.
Note 2: See Annex 5 for the full list of intervention fields and committed CP Funds' investments in rural areas.

Key observations based on these 14 IFs and the proportion of investments directed to them are as follows.

- Most IFs relate to road, railway and motorway infrastructure, followed by investments to increase the productive potential of SMEs. These fields also receive the highest share of total rural spending.
- Other important investment priorities in rural areas relate to waste water treatment and the adaptation to climate change/managing climate risk. The latter could address specific rural challenges rooted in their geographical or sectoral characteristics.
- Education – both in terms of childhood and vocational education – and SME business development and entrepreneurship appear to be vital levers for rural development.
- Rural areas invest on an equal footing with urban areas in biodiversity, nature protection & green infrastructure. It could be assumed that investments in this field aim both to counteract certain challenges (e.g. biodiversity degradation) and to create new development potentials (e.g. access to a more diverse range of locally produced agricultural and wild foodstuffs).
- The recognition of the unique rural culture is translated into support to protect, develop and promote public cultural assets.
- Looking at the differences in the urban-rural investment prioritisation, infrastructure is the only field where the share of investments in rural areas is larger than in urban areas.
- Conversely, several IFs are significantly less important in rural than in urban areas. These are active inclusion and energy efficiency of public infrastructure, with an almost four times lower share of investments in rural areas.

Amongst the rest of the IFs, rural areas committed significantly more investments (70% or above of the aggregate CP Funds spending in urban and rural areas) to:

- Renewable energy: wind;
- Electricity (storage and transmission); and
- Institutional capacity of public administrations (ERDF).

In contrast, areas where urban spending has been significantly higher (share of 95% or above) are:

- Sustainable integration of youth into the labour market;
- R+I infrastructure (private, incl. science parks);and
- Cluster support & business networks (SMEs).

In conclusion, what stands out from this analysis and comparison is the tendency for managing authorities to use CP more actively for overcoming rural disadvantages related predominantly to their lower accessibility and connectivity, and less for nurturing unique and diverse local assets. A more efficient use of these assets could be a way to grasp new development opportunities, for instance through territorial cooperation and expanded business networks. Without doubt, the support provided to promote cultural assets and renewable energy signify an increasing 'placed-based' approach in the policy thinking. Overall, innovation and R&I investments remain rather muted, while innovation-based policies are likely to be particularly useful where they are directed at existing successful niches or at niches threatened with decline.[36] Social innovation in particular has been identified as a core aspect of rural development, and a driver of rural change.[37] However, the small

[36] ADE (2012) *Study on the role of the ERDF in regions with specific geographical features: islands, mountainous and sparsely populated areas*, Final Report: Volume 1, https://ec.europa.eu/regional_policy/sources/docgener/evaluation/pdf/eval2007/geographical_final1.pdf

[37] Dax T and Copus A (2016) 'The Future of Rural Development', in: *Research for AGRI Committee – CAP reform post-2020 – challenges in agriculture*, pp. 221-301, https://www.europarl.europa.eu/RegData/etudes/STUD/2016/585898/IPOL_STU(2016)585898_EN.pdf

share of spending in the field of R&I could also be conditioned on the higher administrative burden required to absorb funds in this domain. The response of CP to the very serious demographic challenges seems rather fragmented. In particular, the role of higher education institutions and of measures to integrate the youth into the labour market, as a means of retaining young people and attracting others from elsewhere, seems to be overlooked.

4.4. Effectiveness of Cohesion Policy in rural areas

There has been an ongoing debate about the effectiveness of CP since its introduction, not just for rural areas. Most of the studies and evaluations carried out suggest that CP has some form of positive impact, but measuring the effects of CP investments faces a number of significant challenges:

- inadequate data on ESIF (regional and thematic) funding (especially ex-post payments), and the challenges of providing an accurate regional disaggregation of spending data, especially in Member States where significant funding is channelled through multi-regional sectoral programmes, and where Cohesion Fund resources are allocated nationally rather than regionally;
- poor data on programme outputs, and weak reliability of data on actual achievements; even when data are available, they often cannot be aggregated at regional or even programme level due to the varied measurements and indicators used;
- a lack of consistent, historical, regional time-series data on socio-economic indicators;
- shifts between programming periods in terms of regional eligibility, funding allocations and thematic focus;
- the challenge of comparing actual achievements with a counter-factual, policy-off situation; and
- the divergent economic, social and institutional situation and developmental trajectories of EU Member States and regions.[38]

Assessing the effectiveness of CP specifically in rural areas is even more challenging, as examples of studies that distinguish between different types of territories are rare. Recent research found that CP enhances regional growth in rural areas, but this effect is most significant in rural areas close to urban agglomerations.[39]

There are a number of other examples in which the focus was laid implicitly on territories with a predominantly rural character. A 2012 study for the EC[40] looked at islands, mountainous and sparsely populated areas in six Member States. It concluded that ERDF and CF played a crucial role in these regions. In spite of the funding representing only a small part of public expenditure, CP provided a long-term stable financial framework. It allowed regions to develop projects, mainly infrastructural, that attracted other, domestic funding sources. Finally, the necessary programming process for CP

[38] Davies S (2017) *Does Cohesion policy Work? Meta-Review of Research on the Effectiveness of Cohesion policy*, European Policy Research Paper No. 99, https://www.eprc-strath.eu/public/dam/jcr:2059df3a-8ca9-47da-b0e0-786f31b52160/EPRP%2099.pdf

[39] Gagliardi L and Percoco M (2016) 'The impact of European Cohesion Policy in urban and rural regions', *Regional Studies*, 51 (6), pp. 857-868, https://www.researchgate.net/profile/Luisa_Gagliardi/publication/304917327_The_impact_of_European_Cohesion_Policy_in_urban_and_rural_regions/links/5796088b08aed51475e53d2c/The-impact-of-European-Cohesion-Policy-in-urban-and-rural-regions.pdf

[40] ADE (2012) *Study on the relevance and the effectiveness of ERDF and Cohesion Fund support to Regions with Specific Geographical Features – Islands, Mountainous and Sparsely Populated areas*, Final Report: Volume 1, https://ec.europa.eu/regional_policy/sources/docgener/evaluation/pdf/eval2007/geographical_final1.pdf

funding improved the strategic focus, partnership and stakeholder involvement, thereby contributing to 'good governance'.

A number of other researchers have also looked at regions with specific geographical features. These emphasise the increasing shift to interpret regional 'handicaps', such as remoteness, as 'assets' and the role of the ERDF to exploit them.[41] A recent 2019 study raised concerns about the changed policy priorities between 2000-06 and 2007-13, moving from a more redistributive mechanism favouring less-developed regions to growth-oriented objectives for all regions, which is to the disadvantage of (most) rural regions.[42] Also, as regional OPs tend to be developed at NUTS2-level or above, many ERDF OPs are designed at a level that is too aggregated to be able to recognise and address specific territorial characteristics. Hence, a more flexible governance systems for ERDF would allow geographical specificities to be better addressed.[43]

[41] Giordano B (2016) 'Exploring the role of the ERDF in regions with specific geographical features: islands, mountainous and sparsely populated areas', *Regional Studies*, Vol 51, Issue 6, https://www.tandfonline.com/doi/full/10.1080/00343404.2016.1197387

[42] Giordano B and Dubois A (2019) 'Combining territory and competitiveness in EU Regional Policy? Analyzing ERDF investment profiles in regions with specific geographical features', *Regional Studies*, Vol 43, Issue 8, https://www.tandfonline.com/doi/full/10.1080/00343404.2018.1495323

[43] ADE (2012) *Op. Cit.*

5. THE RELATIONSHIP BETWEEN COHESION POLICY AND COMMON AGRICULTURAL POLICY

KEY FINDINGS

- The EU's rural development policy follows thematic priorities that are partially similar to Cohesion Policy, but with a strong agricultural bias.
- The EAFRD plays an important role in many Member States, often being the largest territorially-oriented ESI Fund.
- Cohesion Policy and Rural Development Policy have similar implementation procedures, but are implemented in parallel.
- Partnership Agreements at strategic level ensure coherence and coordination and, while CLLD offers opportunities for complementarity on the ground, synergies remain challenging.

5.1. The role of the EAFRD and its relation to the ERDF

The EU's Rural Development Policy (RDP), i.e. the second pillar of the Common Agricultural Policy (CAP), is funded by the EAFRD. In order to implement EAFRD funding, national or regional Member State authorities formulate seven-year rural development programmes, similar to OPs in CP. For 2014-20, these programmes had to cover at least four of six rural development priorities. These priorities are closely aligned to TOs, although EAFRD investments are not as directly linked to them as those by CP Funds:

- fostering knowledge transfer and innovation in agriculture, forestry and rural areas;
- enhancing the viability and competitiveness of all types of agriculture, and promoting innovative farm technologies and sustainable forest management;
- promoting food chain organisation, animal welfare and risk management in agriculture;
- promoting resource efficiency and supporting the shift toward a low-carbon and climate resilient economy in the agriculture, food and forestry sectors;
- restoring, preserving and enhancing ecosystems related to agriculture and forestry; and
- promoting social inclusion, poverty reduction and economic development in rural areas.[44]

For 2014-20, Member States developed 118 rural development programmes which are supported by a total of just over €100 billion from the EAFRD. The funding for each country ranges from €11.4 billion in France to less than €1 billion in many smaller Member States (Figure 14). This does not just reflect the size of countries, but also the importance of the agricultural sector and of rural areas. Therefore it is useful to relate the EAFRD amount to the ERDF as the other territorially-oriented ESI Fund.

While EAFRD funding for the current period is overall just half of the ERDF (€199 billion) and also less than the ESF (€120 billion), its relative importance varies significantly in different Member States.

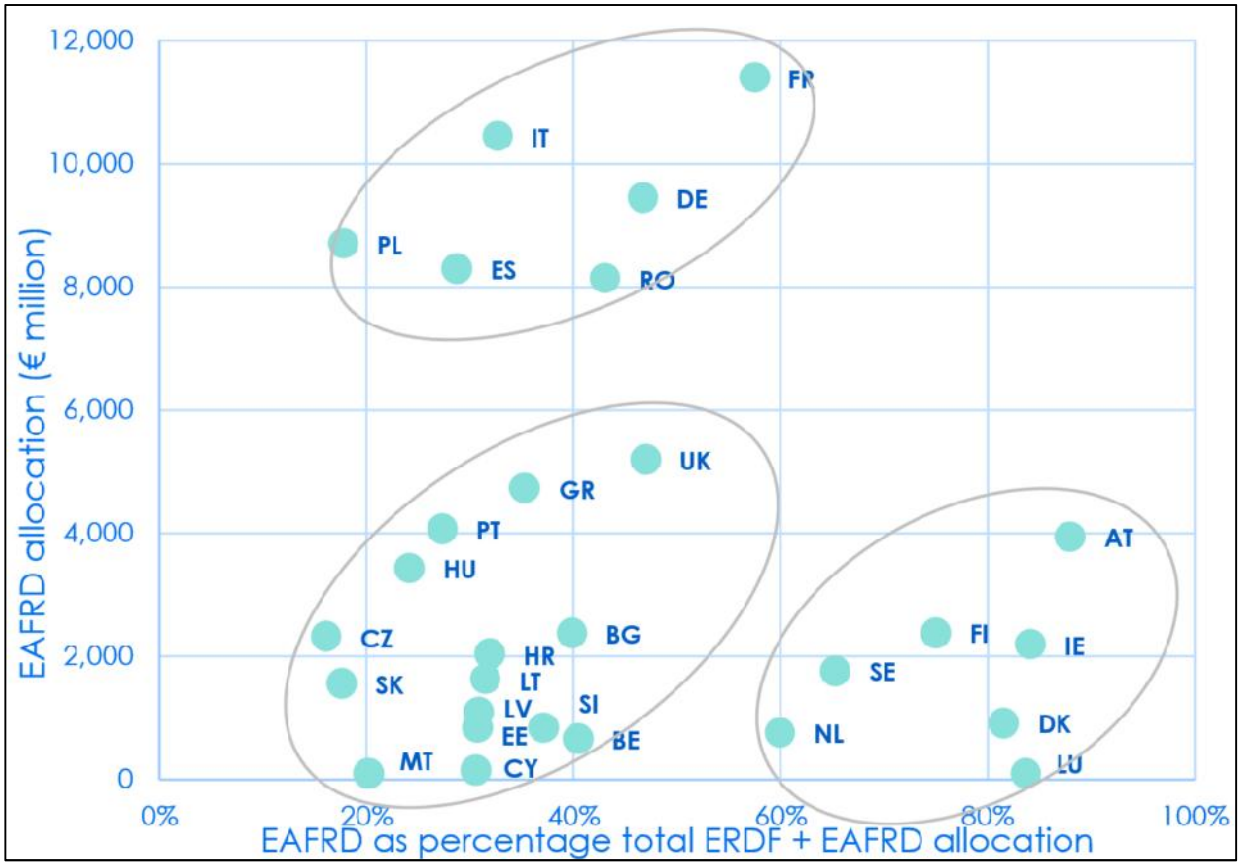
[44] https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32013R1305&from=EN

Figure 14 puts the size of EAFRD in relation to its relative weight compared to ERDF. Although absolute EAFRD allocations are very high in a number of countries, e.g. over €11 billion in France and over €10 billion in Italy, their relative importance in relation to ERDF varies significantly. In Austria, for instance, the relation of EAFRD to ERDF is over 7 to 1, while, at the other end of the scale, there is between 4 and 5 times more ERDF funding than EAFRD funding available in Czechia, Slovakia and Poland. The Figure allows to identify three distinctive clusters of countries:

- high EAFRD allocation, but medium (France) to low (Poland) relative weight;
- low EAFRD allocation and low (Czechia) to medium (Belgium) relative weight; and
- low EAFRD allocation, but medium (Netherlands) to high (Austria) weight.

All the countries in the last group are comparatively small and are highly developed. Their high GDP per capita is partly a reason for their low ERDF allocation. However, the relative importance of EAFRD funding means that the EU's RDP has a high profile in some of these countries.[45]

Figure 14: European Agricultural Fund for Development (EAFRD) funding versus relative importance of EAFRD compared to ERDF (in € million)



Source: Kah S (2019b) *Regional policy perspectives on rural development policy*, European Policy Research Paper No. 117, Glasgow, November 2019.

However, the extent to which the EAFRD is used for actual rural development measures, rather than different forms of agricultural support, varies by country or even EAFRD programme (which can be regional rather than national). For their programmes, Member States could choose from a selection of

[45] Kah S (2019b) *Regional policy perspectives on rural development policy*, European Policy Research Paper No. 117, Glasgow, November 2019, https://www.eprc-strath.eu/public/dam/jcr:33bd8569-e03d-4005-bb99-023ebf281625/EPRP%20117%20-%20Regional%20Policy%20Perspectives%20on%20Rural%20Development%20Policy.pdf

20 possible measures. Some of these are more directly related to rural development, such basic services and village renewal or support for local development via LEADER (see below). However, the majority of measures have a strong agricultural element, supporting farming practices, agricultural RTDI etc.[46] It is important to note that, in spite of the 'agricultural bias' of RDP, there is a trend towards its increasing adoption of an integrated, multi-sectoral approach with multiple policy domains.[47]

5.2. The challenge of synergies

The EU's CP and RDP are intrinsically linked by their territorial dimension. Although there is formally a clear distinction between the two, the boundaries are often fuzzy, not least for the 'end-users', the potential beneficiaries. CP and the EU's RDP make use of similar implementation structures (e.g. national or regional managing authorities) and mechanisms (e.g. OPs) and some of their thematic priorities are overlapping.

Yet, CP and RDP are typically delivered independently from each other through parallel governance and delivery structures. This is also visible in the separate institutional responsibilities, both at EU and at national levels. Separate DGs – AGRI and REGIO – and, in most European countries, separate Government bodies are in charge of the two policy areas, taking the roles of programme managing authorities and other authorities. The separation of the two policies is partly due to their origins, with rural development having its roots in agricultural policies.

When looking at the interaction between different policies, it is important to distinguish between coherence, coordination, complementarity and synergies (Table 4). Different EU Member States and regions display these areas to different degrees in terms of rural policy and CP. In theory, different ESI Funds should work in synergy, using their diversity to respond to different needs, address a range of themes and make use of intervention forms that complement each other. In practice, there can be overlaps and unclear responsibilities, often exacerbated by 'silo mentalities' by actors at different governance levels.

Table 4: Forms of interaction between policies

Term	Summary definition
Synergy	The interaction of two or more agents, resources or activities such that the product is worth greater than the sum of the component parts (1+1>2).
Complementarity	Activities or policy efforts that build on the strengths and account for the limitations in each other (1+1=2).
Coordination	A process by which donors share information about or identify their respective resources, goals, processes and timelines to each other in order to reduce duplication and increase complementarity.
Coherence	Where two or more distinct policies or programmes are logically consistent and do not counteract each other.

Source: Ferry M, Kah S and Bachtler J (2016) *Maximisation of synergies between European Structural and Investment Funds and other EU instruments to attain Europe 2020 goals*, Report to the European Parliament's Committee on Regional Development, Brussels, p. 11.

For 2014-20, CP and the EU's RDP **have been brought closer together at the European level** by the introduction of a Common Provisions Regulation (CPR) covering all five Funds and the obligatory Partnership Agreement (PA).

[46] Commission Implementing Regulation (EU) No 808/2014 of 17 July 2014, Annex I, Part 5, https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32014R0808&from=en

[47] See for instance: OECD (2018) *Rural 3.0. A framework for rural development*, https://www.oecd.org/rural/rural-development-conference/documents/Rural-3.0-Policy-Highlights.pdf

First, at strategic level, the PAs act as national strategies, thereby ensuring coherence and coordination. They cover all five ESI Funds – not only CP programmes (ERDF, ESF, Cohesion Fund), but also, for the first time, EAFRD and EMFF. PAs followed on from the National Strategic Reference Frameworks in 2007-13, which did not cover rural development.[48] They contain an obligatory description of how the Member State is planning to ensure coordination between the different ESI Fund OPs. The PA is also linked to regular reporting requirements, with compulsory Progress Reports in 2017 and 2019 that informed on implementation progress of all relevant ESI Funds in each Member State.

Second, on the ground, the territorial instruments Community-led Local Development (CLLD) and ITIs (Integrated Territorial Investments) were introduced. While ITIs are in practice implemented mostly in urban areas, they also offer potential for rural areas[49] and the option of multi-funded CLLD is in fact of particular relevance for rural areas. CLLD is based on the established LEADER (*Liaison Entre Actions de Développement de l'Economie Rurale*) tool, which has been implemented since 1991. While LEADER is a distinctly rural tool co-funded by the European Agricultural Fund for Development (EAFRD), **CLLD allows Member States to make use of up to four ESI Funds**: in addition to the EAFRD and the European Maritime and Fisheries Fund (EMFF), the two Structural Funds ERDF and ESF – i.e. two of the three CP Funds – and EAFRD can all be implemented via CLLD. **CLLD can be supported by a single ESI Fund or by any combination of the four Funds, thereby providing a framework for synergies between CP and the CAP on the ground**. Similar to LEADER, each CLLD unit is led by a Local Action Group (LAG), a partnership of local public, private and community representatives responsible for the implementation of CLLD in their areas.[50]

However, the use of CLLD as a tool for synergies between CP and CAP is limited to those countries that decided to allow multi-funding by combining the EAFRD with ERDF and/or ESF. There are over 3,300 CLLD LAGs in the EU28, of which **558 in 11 Member States**[51] **combine EAFRD and CP funding**. Of particular note are Czechia, Slovakia and Slovenia, where all the countries' CLLD LAGs combine at least the EAFRD with ERDF, adding ESF (Czechia) or EMFF (Slovenia) in some cases.[52] Yet, even where CLLD LAGs make use of a range of different Funds and individual projects are funded from different sources, administrative procedures for each Fund remain separate. However, multi-Fund CLLD is a useful example of synergies – or at least complementarity – on the ground.

It has to be noted that **CLLD is not necessarily always implemented in rural areas**. In those 487 cases where the EAFRD is not used, but rather one or more of the other ESI Funds, the targeted territory can also be urban. However, most CLLD LAGs without any EAFRD funding are EMFF-funded so-called Fisheries Local Action Groups (FLAGs) operating in coastal areas, which are also often of rural character. An explicitly urban dimension to CLLD is limited to a few countries (e.g. Hungary, Portugal) or a limited number of individual LAGs (The Hague, Gothenburg).[53]

48 A number of countries, e.g. Austria, went beyond the requirements of the NSRF and made explicit reference to the EAFRD.

49 Ferry M (2019) *Integrated Territorial Investments as an effective tool of the Cohesion Policy*, In-Depth Analysis requested by the CONT Committee, European Parliament, https://www.europarl.europa.eu/cmsdata/162823/25032019_CONT_Briefing_ITI_Final.pdf

50 European Commission (2018a) *Guidance for Member States and Programme Authorities on Community-led Local Development in European Structural and Investment Funds*, EGESIF 18-033-00, 17 September 2018, https://ec.europa.eu/regional_policy/sources/docgener/informat/2014/guidance_community_local_development.pdf

51 Austria, Bulgaria, Czechia, Germany, Greece, Italy, Poland, Portugal, Slovakia, Slovenia and Sweden.

52 Servillo L and Kah S (2020) *Implementing CLLD in EU: Experiences so far*, Keynote Paper at ELARD conference 25-26 November 2019, Amarante / Portugal, https://leaderconference2019.minhaterra.pt/rwst/files/I119-CLLDX231219XSERVILLOXKAH.PDF

53 Kah S (2019a) *Implementing ERDF Through CLLD: Experiences So Far*, European Structural and Investment Funds Journal Volume 7, Issue 1 (2019) pp. 47-57.

6. COHESION POLICY FUNDING FOR HEALTHCARE INFRASTRUCTURE AND SERVICES IN RURAL AREAS

KEY FINDINGS

- Throughout the EU, the rural population has a higher percentage of self-reported unmet healthcare needs. Supply and demand of services, income distribution and proximity are key factors in determining general access to healthcare.
- €12 billion of CP Funds are invested into healthcare in 2014-20. Only 6.9% (€879 million) of these are explicitly targeting rural areas, compared to 40.9% (€5.2 billion) going to urban areas
- Most countries with higher healthcare needs in rural areas still support mostly urban healthcare investments.
- In the COVID-19 crisis context, evidence of CP-funded responses benefitting rural areas directly is very limited. Yet, capacity-building and community-led actions have proliferated, mostly funded by the EAFRD.

6.1. Healthcare provision in rural areas

There are significant disparities between urban and rural areas in the provision of healthcare services and infrastructure. Rural areas are often characterised by a higher share of elderly people, which creates a vulnerability which still needing workers in essential sectors (e.g. agriculture) with low income. On the other hand, younger people are attracted to cities in pursuit of education and job opportunities, which they cannot find in the less economically diverse, geographically remote, and digitally sparse rural regions. This includes opportunities in the healthcare sector. There is a need to make services more accessible in rural areas, especially considering the quality of life of elderly people.

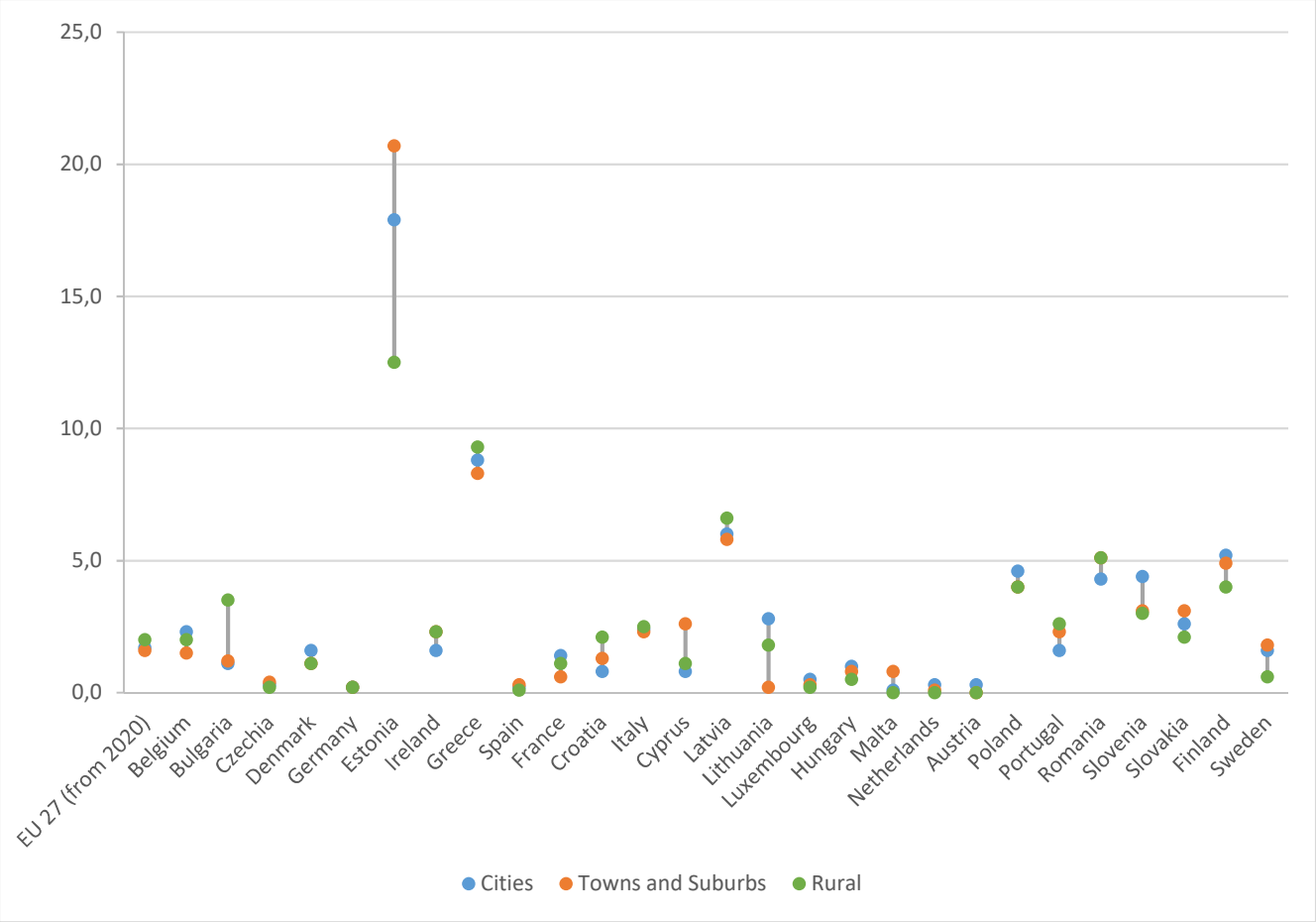
Aging population is one of the main factors contributing to increased health expenditure. This is paired with others like progress of treatment and technology-related costs.[54] Considering that rural areas have a higher share of elderly population and less availability of healthcare services, this presents an issue of unequal access to healthcare which can lead to significant socio-economic ramifications. The progressively deteriorating health of the population resulting from lack of healthcare access can generate significant economic losses, namely fewer people able to remain economically active. The integrated provision of healthcare services in rural areas is thus a core and prevalent challenge.

General access to healthcare is closely associated with the supply and demand of services, income distribution and proximity. According to Eurostat data on self-reported cases of unmet healthcare needs (Figure 15), population living in rural areas is less likely to seek medical services the further the services are located from them (see maps in annex 6 for details). Other factors, like relative cost and long waiting lists, also significantly influence the rural population's healthcare access. In some cases, the percentage of unmet needs is higher as a result of services being expensive than of distance (see annex 6), implying that income disparities are at least as relevant to the rural population as the distance to services. Healthcare services are frequently concentrated in urban areas, with more supply and diversification available. Rural population is thus more likely to have unmet healthcare needs (2%

[54] Holecki et al. (2020) *Realization of the EU's Cohesion Policy in Health Care in the Visegrad Group Countries in the Perspective 2014-2020,* Frontiers in Public Health, April 23rd, https://www.frontiersin.org/articles/10.3389/fpubh.2020.00133/full

in 2018 in comparison to 1.6% in towns and suburbs and 1.7% in cities). These urban/rural disparities are more significant in Member States that have recently joined the EU, like Romania, Bulgaria, and Croatia, and in those that have characteristically less developed rural regions, like Portugal and Greece. Exceptions are noted in, for example, Estonia and Lithuania where unmet healthcare needs are more prevalent amongst the urban population.

Figure 15: Share of population with self-reported unmet healthcare needs due to issues of affordability, distance and waiting lists per territorial dimension in the EU27



Source: Eurostat (2018), available at: http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=hlth_silc_21&lang=en (accessed on 30 July 2020).

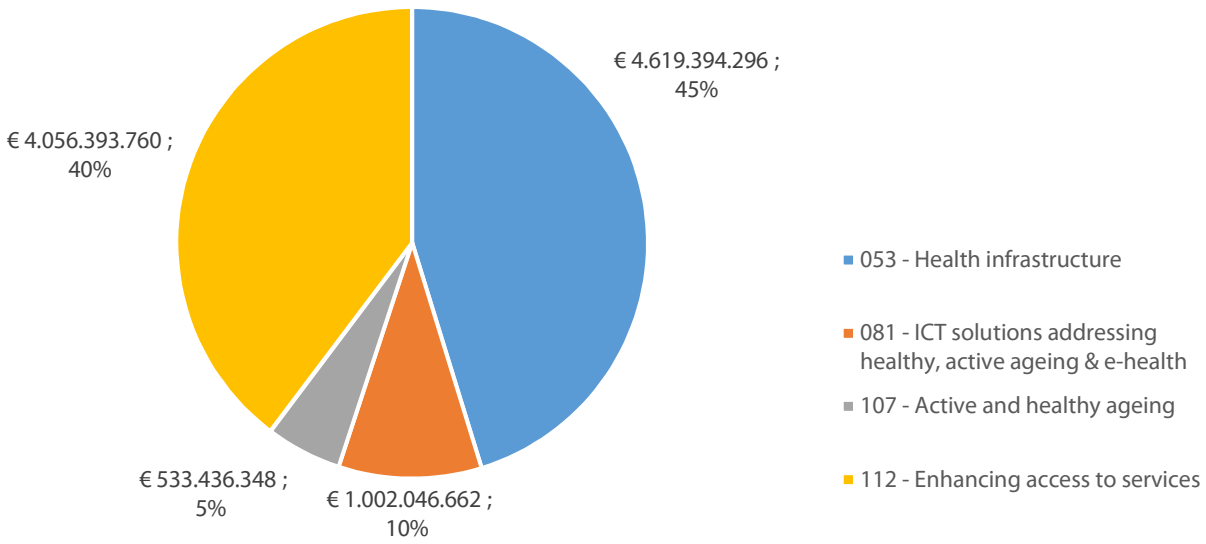
Associated with issues of proximity and availability of services is the lack of broadband and digital literacy in rural areas. Such infrastructure and tools have enabled a streamlining of administrative and healthcare-related services in urban areas, but their application and diffusion in rural areas remains hampered. According to a European Court of Auditors (ECA) report, in countries with large rural areas (e.g. France, Sweden, Bulgaria), only around 40% of the population have fast broadband, compared to around 70% of the EU's urban population.[55] Promoting these services and skills could, nonetheless, facilitate access to healthcare for the most isolated population, a particularly relevant consideration in the context of the COVID-19 pandemic and quarantine restrictions.

[55] https://euranetplus-inside.eu/eus-high-speed-broadband-leaves-the-countryside-behind/ and https://www.smart-rural-intergroup.eu/broadband-access-in-rural-and-mountainous-areas-in-the-eu/

6.2. Cohesion Policy allocations for healthcare in rural areas

With the aim of reducing socio-economic disparities between regions, the EU's CP allows for health sector investments. These are done in consideration of EU's health policy framework, including an assessment of needs and cost-effectiveness. These investments encompass different types of support for ageing population and deprived urban and rural communities, and in various healthcare-related areas. More specifically, health is eligible to receive support under several CP 2014-20 TOs, such as ICT (2), SMEs (3), Employment (8), Social Inclusion (9) and Institutional Capacity (11). Available data only permits the identification of allocations on the basis of both national and regional OPs. Health-related amounts are thus committed through four intervention fields and fall under different economic sectors such as education, employment, and R&D. These intervention fields are the codes in the legend of Figure 16 below.

Figure 16: Structural Funds' expenditure per health-related codes (€, %, 2019)



Source: 2014-2020 EU cohesion policy (ERDF-ESF) health allocations (timeseries), August 2020 https://cohesiondata.ec.europa.eu/2014-2020/2014-2020-EU-cohesion-policy-ERDF-ESF-health-alloc/48zj-4wmc

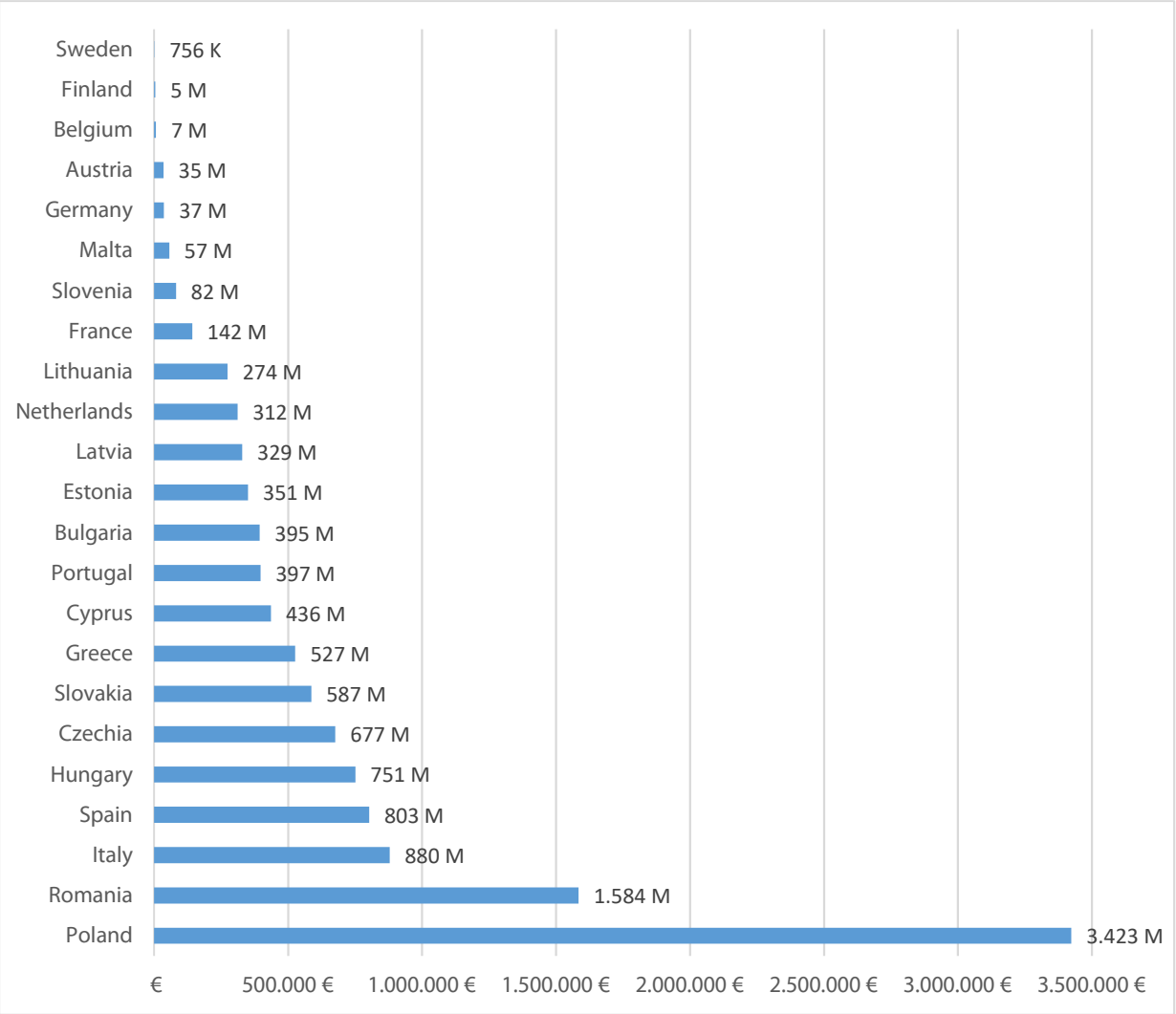
CP health investments are channelled through both ERDF and ESF, with ERDF funding areas mostly under Codes 053 and 081, as well as research and support to SMEs, and ESF Codes 107 and 112. ERDF is more applied to less developed regions. More developed countries and regions tend to invest in their healthcare mainly through their national budgets given lower EU available funding. Moreover, investment prioritisation in these regions is given to R&D and SME competitiveness.[56]

CP Funds health-related expenditure in 2019 was visibly higher for codes relating to health infrastructure and improvement of services (Figure 16). In this period, CP Funds committed to health amounted to over €12 billion, with €879 million going to rural areas (6.9%), and €5.2 billion (40.9%) to urban areas. Member States in Eastern and Southern Europe committed the highest share of Structural Funds (Figure 17), with Poland figuring significantly. Countries like Sweden, Finland and Belgium have considerably lower health-related commitments, mainly due to their low shares of available ESIF, with healthcare funding being a mostly national prerogative. Among the main areas of investment are

[56] ESIF for Health (2016) *Mapping of the use of European Structural and Investment Funds in Health in the 2007-2013 and 2014-2020 Programming Periods*, https://www.esifforhealth.eu/pdf/Mapping_Report_Final.pdf

development of community-based care, promotion of active and healthy ageing, improving access and quality of healthcare services, disease prevention, education, and e-health.[56]

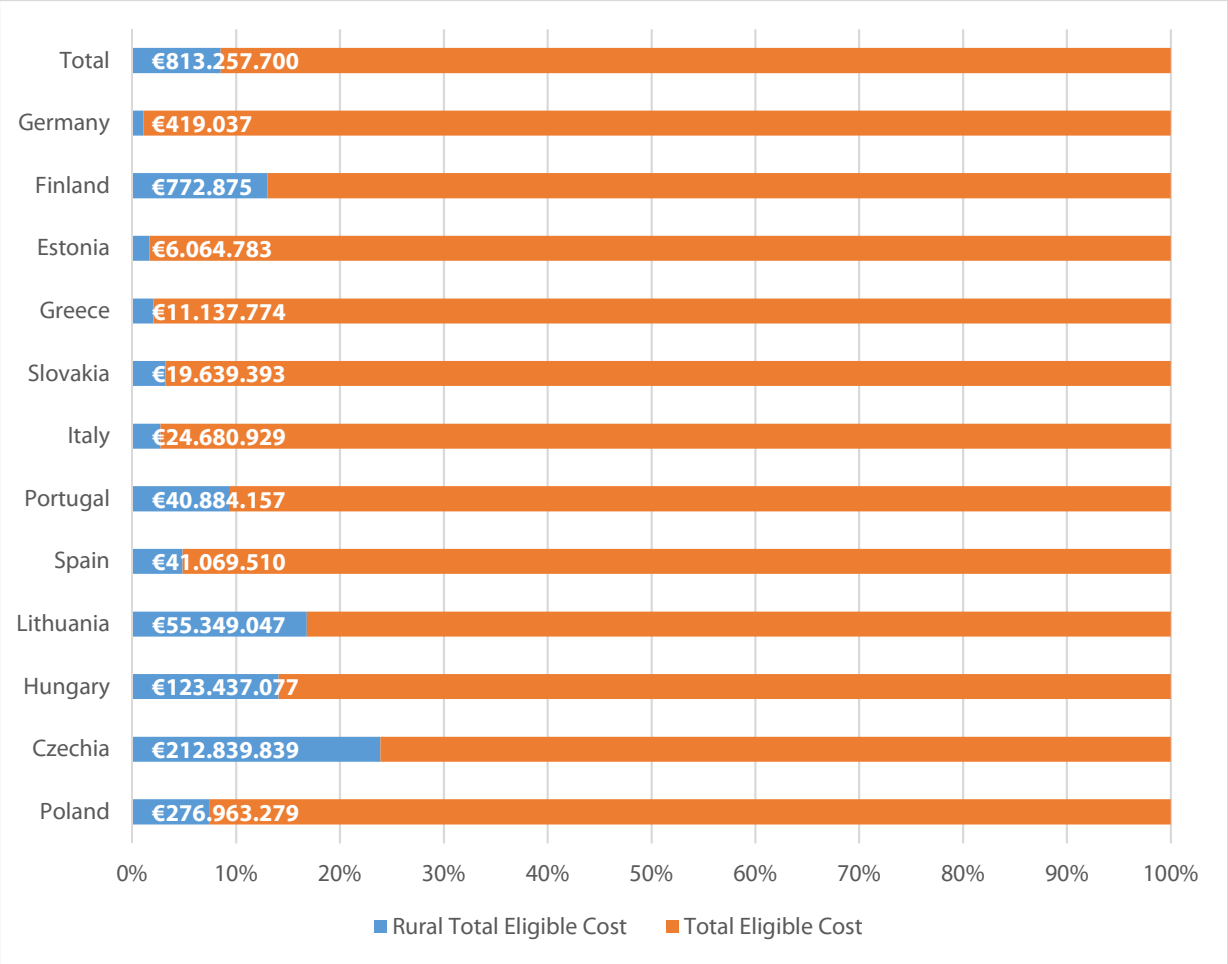
Figure 17: Distribution of health-related ESIF committed amounts (€, 31 December 2019)



Source: European Commission's ESIF Open Data Platform, July 2020.

In terms of the rural share of funding for healthcare (Figure 18 below), this is not a consideration of all Member States. Only 12 of the 27 Member States have rurally committed amounts in healthcare-related fields. The Figure considers the amounts of rural healthcare commitments (left-aligned in euros) as a share of the total amounts committed to healthcare. Among these, the most recent Member States still figure prominently in rural healthcare commitments, while Germany and Finland commit far less investment in the sector. Considering the discriminated distribution of ERDF and ESF, ERDF is more commonly utilised for health-related commitments, and in rural and less developed areas where more funding is available. A notable exception is Lithuania, where ESF is used predominantly in rural areas. Conversely, Austria has exclusively used ESF for its health investments in urban areas. When compared with Figure 15) on self-reported unmet healthcare needs, it is possible to observe that countries with high rural healthcare shortcomings still predominantly prioritise spending on urban healthcare (e.g. Latvia, Croatia, Greece). There are other countries (e.g. Slovenia, France, Czechia) that have higher urban unmet needs and a mostly urban-targeted ESIF healthcare funding. Out of those countries where unmet healthcare needs are higher in rural areas, only Portugal actively committed more ESIF to rural rather than to urban healthcare.

Figure 18: Countries targeting health-related CP investments at rural areas (€) and their share of all health-related CP investments (%, 31 December 2019)



Source: European Commission's ESIF Open Data Platform, July 2020.
Note: Excluding Territorial Cooperation.

6.3. COVID-19 responses through Cohesion Policy

In the context of the outbreak of the COVID-19 pandemic in Europe from early 2020, rural areas are in a unique position. While geographical remoteness has played a role in the lower number of cases in many of these regions, the lack of access to healthcare facilities and the higher share of elderly population means these areas can be especially vulnerable to an outbreak. In development terms, the digital gap between urban and rural regions remains significant, with only 35% of rural households having internet access compared to 85% of urban ones.[58] The limited broadband availability hinders the capability to introduce not only digital healthcare solutions, essential in supporting the population in isolation, but also capabilities for remote working and socialising that can be important in times of quarantine and economic uncertainty.

Other challenges include structural concerns of remote areas, like access to clean water, and food security and nutrition being at stake given limited mobility and the relevance of migrant workers for the agricultural sector. In more economic terms, seasonal internal or international migration to rural areas, due to an increase demand for workers in the agricultural sector, is common. In Estonia, for example, farms often rely on Ukrainian seasonal skilled labour. The COVID-19 crisis has severely impacted this seasonal migration, resulting in potential losses for the planting season and putting rural areas at a disadvantage. Furthermore, stricter controls on cargo trade can place additional

burdens on rural food businesses already dealing with labour shortages, and disruptions on the logistics and food supply chain.[57]

There are further concerns related to the general slowdown of aggregate demand in some primary sectors on a global level,[58] which is expected to hit rural economies especially hard given their high reliance on such sectors (e.g. agriculture, mining, tourism). Lower levels of diversification in rural areas, and higher dependency on exports of primary goods and imports of non-primary materials in comparison to urban areas, will bring further challenges in the aftermath of COVID. The urban-rural gap has the potential of widening further after the crisis, particularly in terms of GDP per capita, productivity levels and service delivery.[58] Boosting the institutional and financial capacity of local communities in rural areas is therefore influential in determining their ability to show resilience in the face of COVID-19.

The responses to COVID-19 have been varied, both at EU level and in individual countries. In April 2020, the EU launched the Coronavirus Response Investment Initiative (CRII). With the objective of providing support to Member States in effectively tackling the COVID-19 crisis and its impacts, all existing EU budget resources were mobilised through this initiative. This includes:

- providing liquidity through the current 2014-20 programme's ESIF cash reserves (€37 billion);
- making COVID-19-related expenditures eligible under CP rules, with flexibility in reallocation of financial resources, and special attention to crisis-related actions; and
- enlarging the scope of the natural disaster-oriented EU Solidarity Fund.

This was later complemented by a new set of measures (CRII+), which included further flexibility in:

- thematic concentration;
- transferring between the ERDF, ESF and CF and between different regional categories; and
- enabling 100% co-financing rates for the 2020-21 accounting year.

Moreover, simplified procedures were put in place with regard to programme implementation, the use of financial instruments and audit. Other measures included an expansion of the activities encompassed in the Fund for European Aid to the Most Deprived (FEAD) and the EMFF. These packages aimed to provide support to the most vulnerable sectors, namely healthcare, the labour market, and the most affected territories. Health actions, in particular related to the financing of medical equipment, testing and the support of vulnerable groups, are expected to increase due to these initiatives.

Throughout the EU, there have also been many domestic/nationally-funded initiatives, such asthe creation of an Anti-Epidemic Protection Fund and an Economy Protection Fund in Hungary to support priority/vulnerable sectors like tourism, health, food, agriculture, construction, logistics, transport, film and entertainment industries. Some countries are also those making use of relaxed State aid rules, like Lithuania, where €8.5 million was made available to dairy farmers affected by the COVID-19 crisis in the form of direct grants.

However, information about the use of ESI Funds to curb the effects of the pandemic is still limited, not least due to the early stages in which many projects are likely to be. In particular, it is still unclear how many projects have emerged that are linked to COVID-19 for rural area support. Examples of CP-

[57] Torero Cullen M (2020) *Coronavirus, Food Supply Chain Under Strain, What to do?*, Food and Agriculture Organisation of the United Nations, March 2020, http://www.fao.org/3/ca8308en/ca8308en.pdf; OECD (2020a) *COVID-19 and the Food and Agriculture Sector: Issues and Policy Responses*, Tackling Coronavirus (COVID-19), Contributing to a Global Effort, 29 April 2020, https://read.oecd-ilibrary.org/view/?ref=130_130816-9uut45lj4q&title=Covid-19-and-the-food-and-agriculture-sector-Issues-and-policy-responses

[58] OECD (2020b) *Policy Implications of Coronavirus Crisis for Rural Development*, OECD Policy Responses to Coronavirus (COVID-19), http://www.oecd.org/coronavirus/policy-responses/policy-implications-of-coronavirus-crisis-for-rural-development-6b9d189a/#back-endnotea0z4

funded initiatives either do not have any explicit territorial dimension or implicitly support investments in urban areas. This is the case for R&D support, which, by its nature, is more likely to benefit agglomerations as this is where most research actors are based. Some ERDF-funded project examples can be found in Portugal, where funding is used for medical research (e.g. 'Research 4 COVID-19') and for the mobilisation of technical and scientific resources,[59] and in Italy, where an ERDF project has enabled the creation of new sensors that allow healthcare staff to monitor patients suffering from COVID-19.[60]

Examples of ESIF support that is specifically addressing rural concerns are currently limited to EAFRD-funded measures. Table 5 below provides a few examples that have specifically aided rural areas in tackling COVID-19.

Table 5: Rural COVID-19 responses co-funded by EAFRD

Country	Responses in rural areas
Belgium	*Talentenbank* (2012), a LEADER project in Aarschot, rural Flanders. It aims to match local talents with the needs of the community. With the pandemic, the fostering of community solidarity became a focus of the project. 700 volunteers were engaged in this. Moreover, digital solutions were promoted, namely the integration of online applications.
Estonia	Business loans to rural companies are co-funded by €200 million from the EAFRD.
Hungary	Work Harvest, a website to help match jobseekers with agricultural companies in need of workers. Led by the Hungarian Ministry of Agriculture and the Hungarian National Rural Network, the project was co-funded with €55,000 from the EAFRD.
Spain	The LEADER LAG GALSINMA in the Sierra Norte de Madrid region tried tackling the consequences of the virus through actions like the distribution of masks, checking up on vulnerable population through phone calls, etc.
	The LEADER LAG Valle del Jerte's in Extremadura has led several initiatives to curb the impact of COVID-19 in the local community. A working group of villages, citizens, agricultural cooperatives, and tourism operators was created to produce masks, provide shelter for vulnerable people and direct workers for shortages in the agricultural sector.

Looking at the wider impact of the crisis, the emerging initiatives also encourage a rethinking of healthcare services and the economy in general for the post-crisis era. Solidarity and community actions have flourished during lockdown. With rural areas especially relying on tight community networks to self-organise, such initiatives can be useful to promote rural communities' cohesion and well-being.[58] Similarly, capacity-building initiatives, as well as the adaptation of business models to the new digitally-based context, have been a focus in fostering economic resilience, particularly necessary in rural areas. Emphasis has been placed on the stimulation of networks between urban and rural areas to strengthen supply chain links, distribution channels and the provision of services. These urban-rural linkages might also strengthen with the spread of remote distributed work.

[59] Interreg Europe (May 2020) *COVID-19 response by ROP of Centro*, Portugal, https://www.interregeurope.eu/improve/news/news-article/8555/covid-19-response-by-rop-of-centro-portugal/

[60] European Commission (2020b) *Medical sensors boost response to Italy's COVID-19 crisis*, March 2020, https://ec.europa.eu/regional_policy/en/newsroom/news/2020/04/04-01-2020-medical-sensors-boost-response-to-italy-s-covid-19-crisis

Strong rural communities are able to build resilience to external shocks. There are opportunities for mobilising local networks, with social capital initiatives seemingly successful in rural areas, particularly when supported by other entities. There is greater awareness of the need to bridge the digital divide between rural and urban regions, given their connection to quality basic services like health and education. Furthermore, there is greater consideration of rural economies in this context. Local products and destinations are being promoted. Also, the reshoring of strategic industries and the increased emphasis on a just transition towards a low-carbon economy for rural communities are key opportunities emerging from the COVID-19 crisis, and form part of a long-term EU vision for rural areas.[61]

In light of these responses and emerging opportunities, it is important for policy to consider certain points including: the importance of context-specific and evidence-based solutions; integrated multilevel governance and intersectoral policy (e.g. food, health, sustainability); and social protection for the most vulnerable. Investments in digital infrastructure, remote services and also supporting the long-term resilience and sustainability of rural communities are priorities. Finally, the strengthening of value chains provide continuity in the face of emergency situations and the considered inclusion of rural areas in public investment initiatives that enhance infrastructure and service access are key areas that can foster both rural and urban resilience.

[61] European Commission (2019a) *The Just Transition Mechanism: making sure no one is left behind*, https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal/actions-being-taken-eu/just-transition-mechanism_en

7. EC PROPOSALS FOR POST-2020 COHESION POLICY: IMPLICATIONS FOR RURAL AREAS

KEY FINDINGS

- The Policy Objectives of 2021-27 are able to address rural challenges, but thematic concentration requirements could result in rural areas being disadvantaged.
- Territorial trends also appear to disadvantage rural areas. The territorial focus on urban areas is likely to increase, without any equivalent plans for rural areas.
- Key elements of the revised Commission MFF proposal and Recovery Instrument, such as supporting a strengthening of the green transition and mainstreaming climate action in policies and programmes, could benefit rural areas due to their environmental assets.
- The territorial dimension of Next Generation EU is rather limited and its allocation method could disadvantage rural areas.

7.1. Implications of thematic and territorial changes

The EC presented its proposals for the forthcoming programming period 2021-27 in May 2018. Implications for rural areas derive from changes to both the thematic and territorial orientation of CP.

In terms of themes, the thematic concentration obligations in 2014-20 already resulted in a growing focus on topics that are, by their nature, more relevant and easier to achieve in urban areas and their agglomerations. These include particularly RTDI, as most research activity takes places in urban areas, but also themes such as social inclusion or sustainable transport, which are in practice also often linked to urban contexts.

For 2021-27, the EC proposed a smaller but broader menu of five Policy Objectives (POs) to replace the current 11 TOs:

- PO 1: A smarter Europe – innovative and smart economic transformation;
- PO 2: A greener, low-carbon Europe;
- PO 3: A more connected Europe – mobility and regional ICT connectivity;
- PO 4: A more social Europe – implementing the European Pillar of Social Rights; and
- PO 5: Europe closer to citizens – sustainable and integrated development of urban, rural and coastal areas through local initiatives

The relevance of these POs for rural areas varies. The EC's DG REGIO prepared so-called Policy Papers for four of the POs (PO 4 deals with issues predominantly relevant for the ESF+). In these, the EC makes suggestions for investment areas and delivery mechanisms. Yet, the Policy Papers for the prioritised POs 1 and 2 make hardly any reference to rural areas. There is no mention of rural areas at all in the Policy Paper for the 'smart' PO 1[62] and only a brief mention of the importance of smart energy systems

[62] European Commission (2019b) *Thematic policy paper – Policy Objective 1. A smarter Europe by promoting innovative and smart economic transformation*, 19 June 2019.

in rural areas in the Policy Paper for the 'green' PO 2.[63] PO 3 on connected Europe and, particularly, PO 5 (Europe closer to citizens) appear to be more relevant for rural areas. PO 3 highlights the existing disparities between rural and urban areas with regard to digital connectivity, identifying this as one reason for demographic decline. It asks for ERDF investments to focus on closing the digital gap between urban and rural areas.[64] The most visible mention of rural areas is in PO 5, which explicitly emphasises the rural dimension of CP. The 'cross-cutting Policy Objective'[65] 5 covers, for instance, territorial instruments such as ITIs (Integrated Territorial Investments) and, particularly relevant for rural areas, CLLD.[66]

However, Member States are not entirely free to allocate their funding to POs of their choice. There are **thematic concentration obligations that could result in rural areas being disadvantaged**. The majority of the ERDF will be concentrated on the innovation (PO 1) and low-carbon economy (PO 2) objectives, requiring minimum allocation ranging from 55% in less developed regions to 85% in more developed ones (Table 6). Yet, these are the POs for which the Policy Papers make little direct reference to rural areas. As discussed above, POs 3, 4[67] and especially 5 appear to be more relevant for rural areas but the concentration requirements leave little flexibility for Member States to allocate funding to these. This is the case especially in more developed regions, where a maximum of only 15% from ERDF can be allocated to POs 3, 4 and 5.

Table 6: Thematic concentration of ERDF support 2021-27

Country Group	PO 1: Smarter Europe (minimum share)	PO 2: Greener, low-carbon Europe (minimum share)	Maximum remaining allocation for POs 3, 4 and 5
GNI above 100% (more developed regions)	PO 1 + PO 2 = min. 85%	30%	15%
GNI 75-100% (transition regions)	40%	30%	30%
GNI below 75% (less developed regions)	25%	30%	45%

Source: European Council (2020) Special meeting of the European Council (17-21 July 2020) – Conclusions, p. 37. Note: GNI = gross national income.

In the 2019 Country Reports of the European Semester,[68] the EC provides investment guidance on CP funding for 2021-27 for each of the 27 Member States. Annex D of each report systematically makes investment recommendations under each of the five POs (see Annex 7).

Looking at the recommended priorities for investment, any consideration of targeting rural areas for specific actions remains rather general. There are only a few cases where rural areas are referred to specifically as targets for investment, with other geographical or economic categorisations prevailing, e.g. lagging or outermost regions. Confirming the statements made in the Policy Papers, most mentions of rural areas are associated with PO 5. Out of the 21 Member States that are explicitly asked to direct investment to rural or peripheral areas, 20 are asked to do so in PO5. This is followed by PO 3, which focuses on mobility and ICT connectivity, and PO 2, focused on energy transition and

63 European Commission (2019c) *Thematic policy paper – Policy Objective 2. A greener, low-carbon Europe by promoting clean and fair energy transition, green and blue investment, the circular economy, climate adaptation and risk prevention and management*, 26 June 2019.

64 European Commission (2019d) *Thematic policy paper – Policy Objective 3. A more connected Europe by enhancing mobility and regional ICT connectivity*, 12 June 2019.

65 https://ec.europa.eu/regional_policy/sources/informing/dialog/2019/2019_02_28_urban_territorial.pdf

66 European Commission (2019e) *Thematic policy paper – Policy Objective 5. Europe closer to citizens and tools for integrated territorial development. Sustainable and integrated development of urban, rural and coastal areas and local initiatives*, 29 June 2019.

67 PO 4 is to be addressed predominantly by ESF+.

68 https://ec.europa.eu/info/publications/2019-european-semester-country-reports_en

sustainable solutions. Member States are least asked to specifically target rural areas under PO 1 (a smarter Europe) and PO 4 (a more social Europe).

Across the recommended prioritisations specifically for rural areas, the main themes include: supporting digital connectivity through high and very-high speed broadband and other ICT-related infrastructure and skills (e.g. Lithuania, Latvia, Italy, Portugal); and bridging urban-rural disparities and supporting local development and capacities (e.g. infrastructure and services) (e.g. Spain, Hungary). This aligns with the two main POs mentioning rural areas, PO 3 and PO 5. Under these POs, topics like the creation or improvement of transport links (e.g. Greece, France, Poland) and boosting CLLD (e.g. Germany) and the capacity of local authorities to access and manage funds (e.g. Czechia, Estonia) are also included. In addition, under PO 1, increasing the offer and uptake of digital services (e.g. Spain, Lithuania, Portugal), boosting the entrepreneurial ecosystem (e.g. Bulgaria, Sweden, Slovenia) and facilitating access to finance (e.g. Italy) are seen as the main areas of concern for rural areas. In PO 2, recommended investments are mainly related to green infrastructure (e.g. Bulgaria) and efficient electrical and wastewater installations (e.g. Cyprus, Latvia). Examples under PO 4 include tackling socio-economic disparities related to education, healthcare, and housing (e.g. Hungary).

However, not only the thematic, but also **territorial trends appear to disadvantage rural areas**. The explicit emphasis of the urban dimension of CP in 2014-20 will not only continue, but the compulsory minimum ERDF allocation of 5% to integrated sustainable urban development is envisaged to increase to 6% for 2021-27 (with European Parliament proposals asking for 10%). Although there is currently no similar minimum allocation for rural areas, the European Parliament has been asking for at least 5% of ERDF resources to be allocated to integrated territorial development in rural areas, or rather 'non-urban areas with natural, geographic or demographic handicaps or disadvantages or which have difficulty accessing basic services'.[69]

Finally, the proposals for the future ESIF framework were particularly sobering in terms of coherence and synergies between CP and RDP. The funding for rural development will not only be reduced significantly compared to 2014-20, but RDP is proposed to be in practice decoupled from CP. If the EAFRD will no longer be included in the Common Provisions Regulation (while the EMFF remains part of it), this would mean the loss of strategic integration of rural and regional policies. Also, Partnership Agreements would no longer cover EAFRD programmes and are optional for Member States with fewer than three programmes, or a total allocation below €2.5 billion.[70]

Multi-Fund CLLD will continue but the proposal to return to it being called LEADER if only EAFRD is used puts reasonable doubt on whether the CLLD approach will continue to be rolled out as a tool for synergies across ESI Funds on the ground. There are indications that those Member State and regions that have made use of multi-Fund CLLD will continue to do so and some, like Tyrol in Austria, will extend the range of ESI Funds by adding ESF+ funding. It is likely that other Member States and regions will join them. Still, the approach requires significant administrative effort and some countries have already decided not to make use of multi-Fund CLLD in 2021-27 (e.g. Denmark, Finland).

As part of the European Green Deal Initiative, the 2021-27 period will also see the introduction of a Just Transition Fund (JTF), which will support territories facing serious socio-economic challenges arising from the transition towards climate-neutrality. The JTF is endowed with €17.5 billion, which can be used to fund projects in the areas of social support, economic revitalisation and land restoration. However, some of its resources will come from reallocating funding from ERDF and ESF+. The EC has identified eligible regions in each Member State, which are required to so submit 'territorial

[69] Council of the European Union (2020) *Interinstitutional File: 2018/0197(COD)*, 19 June 2020.
[70] https://data.consilium.europa.eu/doc/document/ST-15429-2018-ADD-1/en/pdf

just-transition plans' in order to access funding.[71] Although some regions eligible for the JTF are cities or urban agglomerations, such as Katowice in Poland or Taranto in Italy, many of the eligible regions are predominantly rural, such as the northern parts of Finland and Sweden or the Greek islands.[72] Therefore, the JTF can have a potentially positive impact on rural areas.

7.2. Next Generation EU

The COVID-19 outbreak has also considerably impacted the MFF post-2020 negotiations. The global health crisis has led the EC to revise its 2021-27 budget proposal in May 2020 and provide additional economic resources in the form of a Recovery Instrument – 'Next Generation EU' (NGEU). Within the latter, it is proposed to channel a significant share of the recovery through CP via the REACT-EU initiative, while the Recovery and Resilience Facility aims to enhance the overall economic, social and **territorial** cohesion.

Based on the new EC proposals, in July 2020, the European Council reached an agreement on the EU Recovery Instrument and the MFF 2021-27. Table 7: Comparison between EC revised proposals (MFF & NGEU allocations) and European Council agreement in 2020 provides an overview of the position of the two institutions in 2018 prices.

Table 7: Comparison between EC revised proposals (MFF & NGEU allocations) and European Council agreement in 2020

	EC MFF & NGEU proposals, May 2020	**European Council Conclusions, July 2020**
Overall budget size (in current prices), including NGEU	€1,850.0 billion	€1,824.3 billion
Recovery and Resilience Facility	€560 billion via grants (€310 billion) and loans (€250 billion). Frontloaded by the end of 2024. At least 60% of the grants to be committed by the end of 2022.	€672.5 billion via loans (€360 billion) and grants (€312.5 billion) Frontloaded by the end of 2023. 70% of the grants to be committed in 2021 and 2022 and 30% in 2023.
REACT-EU	€50 billion from NGEU in 2021 and 2022, and €5 billion in 2020, made available to ERDF, ESF and the European Aid to the Most Deprived by adapting the current MFF.	€47.5 billion from NGEU in 2021 and 2022. -
Just Transition Fund (JTF)	€40 billion (€10 billion from MFF and €30 billion from NGEU)	€17.5 billion (€7.5 billion from MFF and €10 billion from NGEU)
EAFRD	€15 billion reinforcement from NGEU	€7.5 billion reinforcement from NGEU

Source: Own elaboration based on European Commission and European Council.

Key reflections on the role of the amended MFF and NGEU for rural areas are as follows:

[71] Cameron A, Claeys G, Mideos C and Tagliapietra S (2020) *A Just Transition Fund – How the EU budget can best assist in the necessary transition from fossil fuels to sustainable energy*, European Parliament, https://www.europarl.europa.eu/RegData/etudes/STUD/2020/651444/IPOL_STU(2020)651444_EN.pdf

[72] European Commission (2020c) *Overview of Investment Guidance on the Just Transition Fund 2021-2027 per Member State (Annex d)*, https://ec.europa.eu/info/sites/info/files/annex_d_crs_2020_en.pdf

- **The increase of CP funding through REACT-EU is potentially beneficial for rural areas but to a varying degree**, as in many countries the spatial incidence of the pandemic was largest in densely populated areas. The support to rural areas via REACT-EU is conditioned on an adequate evaluation of whether the socio-economic impacts of the pandemic are necessarily strongest where the health crisis hit hardest or elsewhere. Overall, the exclusion of a 'bridging support' from REACT-EU in 2020, as per the Council's amendment, reduces the availability of immediate support and is concerning, particularly given the uncertainties surrounding the beginning of CP 2021-27 implementation.
- **The policy fundamentals of the proposals in favour of strengthening the green transition and mainstreaming climate action in policies and programmes could be a positive element for rural areas.** The green transition focus, among other areas, could have a key role in the energy transition towards a low-carbon society. Increasing the focus on green transition therefore could be conductive for investing more in endogenous rural assets. Additionally, the EC's proposal encourages a better exploitation of culture and tourism, which are also sectors were rural areas possess assets and could be further supported.
- **Another positive consideration for rural territories is the enhanced focus on addressing youth employment and child poverty within the ESF+**. Among the legislative changes in the revised EC proposal in May 2020 was an increased requirement of at least 15 % (as opposite to 10 % of the original EC 2018 proposal) of ESF+ resources to target actions and structural reforms to support young people in those Member States with an above Union average rate of people aged 15-29 not in employment, education or training. As was indicated in section 3.3.23.3.2, the percentage of such groups in the rural areas of several Member States is significantly above EU average and this could benefit from the concentration of resources. It is important to note, however, that this requirement was once again reduced to 10 % by the European Council.
- **On a more critical note, considerations of the territorial dimension in the distribution of NGEU is rather limited and this appears at odds with the general policy discourse about balanced recovery and fostering convergence.** The main effort in this regard is made via the inclusion of the GDP per capita criterion in the allocation key of the REACT-EU. EC provisions and Council conclusions, however, do not specify territorial or sectoral allocation requirements for the distribution of this initiative within Member States. While this gives more flexibility, it could well result in concentration of funding in a limited number of and/or economically strong regions and to the detriment of rural areas. While the latter may not have had the largest incidence of the virus, they have been strongly vulnerable to the socio-economic impacts, especially those with high share of low-income population. The pandemic also emphasised the high rural exposure to the effects of a health crisis due to reduced access to healthcare. A territorial dimension and involvement of regional and local governments also seem absent in the framework of the RRF anchored in national Recovery and Resilience Plans and the European Semester. This could similarly result in overlooking the rural potentials and needs. At the same time, the aim of the RRF to strengthen economic resilience is highly relevant for rural areas, which in some cases are fully reliant on sectors that are exposed to climate change (e.g. agriculture) or pandemics like COVID-19 (e.g. tourism).
- **The reinforcement of the EAFRD is clearly positive** for rural areas, in spite of the reduced amount agreed by the European Council.

- Finally, taking into account the likely struggles to programme, commit and disburse EU CP funds in some Member States, **the rapid absorption necessitated by the temporary function of REACT-EU, on top of the ordinary CP funding, could be challenging**. Additionally, countries would be in the situation of planning and implementing their programmes in line with the ambitious green and digital transition, while coping with the socio-economic effects of the crisis and supporting their industries to recover. Considering both the need of rapid absorption and the urgent crisis management needs, Member States may be more prone to rely on existing priorities and structures in order to ensure faster absorption rather than to make ambitious shifts in their longer-term strategic thinking.

8. CONCLUSIONS AND RECOMMENDATIONS

KEY FINDINGS

- Rural areas face social, structural and geographical challenges, although to differing extents. Yet, in addition to agriculture and food production, their environmental, cultural and social assets are valuable resources for the low-carbon economy, (social) innovation, environmental services, and tourism and recreation.
- Cohesion Policy provides a long-term and dependable financial framework for rural areas, while at the same time allowing flexibility for Member States and regions to tailor their spending in accordance with the specific characteristics of rural areas. Yet, it appears that the wider structural and socio-economic challenges in rural areas are not adequately addressed.
- Cohesion Policy funding allocation to rural areas is only about a quarter of that to urban areas, but it ranges from no explicit rural funding in some Member States to over 30% in others.
- In terms of funded themes, rural areas see the implementation of a lot of infrastructure projects, while there are more projects in the areas of low-carbon economy and research and innovation in urban areas.
- Policy coherence of Cohesion Policy with the EU's rural development policy, which is an important source of funding in many countries, is challenging.
- Cohesion Policy plays an important role in funding healthcare infrastructure and services, but the amount going into rural areas is seemingly very limited. The role of Cohesion Policy funding as part of the COVID-19 response in rural is as yet unclear.
- Looking at CP post-2020, the future policy objectives allow addressing rural challenges, but thematic concentration requirements and territorial trends could result in rural areas being disadvantaged.

8.1. Conclusions

Rural areas face social, structural and geographical challenges, although to differing extents. Challenges are triggered by intrinsic rural characteristics, such as remoteness and accessibility, although not solely these, and, most importantly, there is often a process of cumulative causation. Compared to urban areas, rural areas show a development gap in terms of innovation, human capital, and service provision. The fact that urban areas appear to be more attractive places to live and work has a strong effect on already existing long-term rural demographic problems. At the same time, rural areas possess considerable unique characteristics compared to urban areas. In addition to agriculture and food production, their environmental, cultural and social assets are valuable resources for the low-carbon economy, (social) innovation, environmental services, tourism and recreation. Recently, the COVID-19 crisis has also shown that the social capital in rural areas is a strong asset on which to build resilience and respond to external shocks.

The analysis of CP funding in rural areas has shown that allocation to rural areas is only about a quarter of that to urban areas. Across Member States, the share of CP Funds allocated to rural areas varies from less than 5% to more than 30%. Four countries did not explicitly allocate any Cohesion Policy Funds

to rural areas. However, more than half of the funding is not specifically assigned to any type of territory.

CP has provided a long-term and dependable financial framework for rural areas within which Member States and regions can develop a range of projects targeting their rural areas, especially in hard infrastructure, environmental protection/resource efficiency and support to SMEs. It is likely that, in countries with limited domestic policy measures for rural areas, the relative importance of CP has been even greater, both in strategic policy terms and in providing funding for key projects. CP also provides flexibility for Member States and regions to tailor their spending in accordance with the specific characteristics of rural areas.

Thematic orientation in CP differs between rural and urban areas, with a predominant concentration on infrastructure projects in the former areas and a focus on investments for the shift towards a low-carbon economy and research and innovation in the latter. The infrastructural focus in rural areas could be seen as a natural first response to connect and bring rural areas closer to surrounding (urban) territories. It is important to note, however, that infrastructure is a facilitator for long term development and does not in itself constitute sustainable economic development. Support to transport and infrastructure also allows larger amounts of funding to be spent quickly, which could be an explanation for the generally more advanced implementation of CP in rural compared to urban areas (at EU level). The study, however, observes that rural funding is concentrated in a limited number of intervention fields. This casts doubt on whether CP has, in practice, adequately addressed broader structural and socio-economic challenges observable across rural Europe.

Policy coherence of CP with the EU's rural development policy, which in some countries has more financial resources than the ERDF, is challenging. Strategic tools such as the Partnership Agreements and implementation frameworks such as CLLD offer opportunities to work across ESI Funds.

CP plays an important role in funding healthcare infrastructure and services. Yet, while about €12 billion of CP Funds have been allocated to healthcare measures in the current programming period, only 6.9% of these have explicitly targeted rural areas, while five times more funding is going to urban areas. Unmet healthcare needs are a specific rural challenge that has become more visible in the ongoing COVID-19 crisis. Evidence of CP-funded responses benefitting rural areas directly is very limited.

Looking at CP post-2020, the future Policy Objectives are able to address rural challenges, but thematic concentration requirements could result in rural areas being disadvantaged. At the same time, territorial trends also appear to disadvantage rural areas. The territorial focus on urban areas is likely to increase, without any equivalent plans for rural areas. Key elements of the revised Commission MFF proposal and Recovery Instrument, such as supporting a strengthening of the green transition and mainstreaming climate action in policies and programmes, could benefit rural areas due to their environmental assets. However, the territorial dimension of Next Generation EU is rather limited and its allocation method could disadvantage rural areas.

8.2. Recommendations

8.2.1. Recommendations for post-2020 Cohesion Policy

Reversing long-term negative trends and enhancing local assets in rural areas is a significant policy challenge, both at domestic and EU levels. Based on the findings from this study, the following recommendations for CP in 2021-27 can be made.

- **The aim of territorial cohesion needs to be compatible with CP's objectives and thematic concentration requirements**. The current prioritised objectives are better suited to urban areas than rural areas and current proposals for post-2020 CP reinforce these patterns. More flexibility in terms of concentration obligations across POs would give Member States options to target rural issues more directly, if they choose to do so. In particular, increased investments in PO 4 and PO 5 would allow a stronger focus on, for instance, activities related to inclusion, human and social capital, innovative social services, integrated territorial development, etc.
- **The territorial orientation of CP Funds should be increased**. Over consecutive programming periods, CP has gradually lost large parts of its territorial orientation. Evidence of this is also seen in the fact that the majority of funding is not assigned to any territorial category. In the current implementation system, spatial differentiation is only made by assigning regions to more developed, transition and less developed categories. Within these categories, Member States are free to target territories as they choose to, allowing them to exclusively fund urban areas if they wish.
- **Programming arrangements need to be able to take into account rural-specific challenges.** OPs tend to be developed at a higher territorial level that is too aggregated to allow for specific rural characteristics to be sufficiently recognised and addressed. Programme partnership structures should allow rural stakeholders to have their interests represented.
- **Integrated territorial development through the use of territorial instruments should be encouraged**. CLLD, but also ITIs, are tools that can increase capacities for local participation and promote 'asset-based' rural development. However, the administrative effort, especially when combining different ESI Funds (e.g. multi-Fund CLLD), needs to be reasonable in order to make these tools attractive.
- **The findings of the study support the proposal to include a minimum allocation of ERDF resources to rural areas**. This would allow recognition of their distinctive challenges (social, structural or demographic) and of the potential of urban-rural partnerships. This earmarked funding could mirror the current (5%) or future (6%) minimum allocation to urban areas.
- **Encourage programme managers to develop strategies that build on rural assets**, e.g. related to culture and natural resources. This could include renewables or the bioeconomy, but also tourism. This also implies changing the perception of rural characteristics as advantages instead of disadvantages.
- **Ensuring coherence, coordination and – ideally – synergies with other EU and domestic policies and strategies** is essential, not least to the limited leverage of CP funding. At EU level, this especially relates to the EU's CAP and RDP, but also innovation policy, social policy, the EU's Digital Strategy, etc. The same is the case for relevant domestic policies in Member States (e.g. regional, rural, fisheries, digital and welfare policies), particularly in those countries with well-established frameworks that often significantly outstrip EU sources.

- Finally, the **inclusion of territorial allocation criteria for the new REACT-EU initiative** is encouraged. This could ensure that the resources are targeted to the geographic areas where these are most needed, not only in terms of health impact but also in terms of capacity to weather the socio-economic implications and build resilience. Furthermore, the implementation of REACT-EU should allow Member States to address those challenges exacerbated by COVID-19 without creating an additional administrative burden. However, it needs to be recognised that there might be a trade-off between targeting urgent recovery needs and the fulfilment of ambitious 'green economy' objectives.

8.2.2. Long-term policy thinking on the development of rural areas

The perception of rural areas has been changing over the past decades. The perception that rural territories are underdeveloped and lack capacity to contribute to economic growth has been evolving to the recognition that rural areas have valuable assets and offer opportunities beyond their role in the primary sector. This has resulted in 'neo-endogenous' development concepts, which highlight both the importance of enhancing local assets and their interplay with external forces such as globalisation and digitalisation. Within this framework, it is important to build local institutional capacity that is able to mobilise internal resources and enable participation in external development processes.[73] External shocks, such as climate change and COVID-19 have exposed rural areas to new challenges, which have required national and EU solutions and resources. As a result of these diverse transformations and forces, rural development rationales have become much more complex over time and necessitated a strategic and holistic re-think for long-term rural policy, exemplified by the 'Rural Policy 3.0' framework developed by the OECD.[74]

Looking specifically at the role of CP in rural areas, the case can be made that support should move from 'hard infrastructure' interventions towards 'softer' ones, providing business and innovation support, e.g. in the field of green technology. Yet, there is a place for infrastructural measures in addressing concrete rural needs, for instance in the area of digitalisation by increasing broadband coverage, but also in terms of healthcare infrastructure. However, infrastructural support needs to go hand in hand with other measures, e.g. for businesses and public services (e.g. in the area of health) making use of the newly created or upgraded infrastructure, and for developing the necessary skills (e.g. digital capabilities). This exemplifies the need for coherence and coordination across policy areas, ideally creating synergies. The effectiveness of CP implementation is conditioned on an integrated and coordinated policy approach that addresses rural needs and assets in combination. Such an integrated approach must aim to respond to the wider structural and socio-economic challenges in rural Europe instead of implementing separate sectoral measures. Support for education and life-long learning is needed to ensure that the rural population possess the skills to allow them to benefit from emerging new sectors. Strengthening social and educational services can also contribute to addressing the demographic decline in many rural areas.

There is a need to move from a 'passive' policy logic, driven by a compensation or adaptation of what appears as rural problems, to a more 'active' one in the sense of developing and exploiting the distinctive characteristics and assets of rural areas. Such a change would give a more significant role to rural areas in contributing to European objectives, such as smart, sustainable and inclusive growth, food safety and security, social inclusion, and climate change, among others.

There is no 'one size fits all' approach for rural areas. Policy needs to deal with the unique combinations of structural, social and geographic characteristics, and therefore requires tailored place-based

[73] Perpar A and Udovc A (2012) *Development Potentials of Rural Areas – The Case of Slovenia*. INTECH Open Access Publisher.
[74] OECD (2018) *Op. Cit.*

approaches. These would provide rural areas with the opportunity to specialise in 'asset-based' niches and counteract their inherent difficulties in developing a diversified economy (e.g. lack of economies of scale). However, place-based approaches need to be complimentary to the larger development strategies, implemented at regional and national level.

Enhancing local institutional capacity will be crucial in order to enable local participation and cooperation/coordination across governance scales. This would necessitate solutions to overcome the essential paradox in which rural areas, which have the greatest need to devise development strategies, are often those with the lowest capacity to do so. Consistent and simultaneous commitment at multiple governance levels would be required. Along similar lines, developing the capacity of local actors to participate in, and benefit from, exogenous development processes (technological developments, international trade, etc.) through urban-rural, inter-regional and international interactions would be equally important.

Fundamentally, there is a strong need to tackle the disconnection between the development of rural areas and regional policy implementation. This would require strengthening the 'territorial view' on rural areas as opposed to the 'land-use view'. Consequently, there would be an increasing need to integrate policies at EU level, especially between CP and CAP, and also across national policy domains at the national level. Yet, recent reforms have seen a progressive separation of strategic thinking and policy responsibilities for regional and rural policies at EU level. This is a retrograde trend that reduces the potential for synergies and complementarities. In so far as possible, Member States need to do what they can at national, regional and local levels to maximise the coordination of CAP and CP funding.

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ANNEXES

Annex 1

Methodology adopted to define non-urban areas in the context of this study.

This study uses the Degree of Urbanisation classification as revised in 2011.[75] This classification is based on a 1 km² population grid and local administrative units (LAU2).[76]

In a first step, a combination of bottom-up[77] (created by Member States) and top-down (disaggregated by JRC) 1 km² population grids are created covering all LAU2 in the EU. In a second step, the Degree of Urbanisation classifies each grid cell into one of the three following types of clusters, according to their population size and density:

- High-density cluster/urban centre: contiguous grid cells of 1 km² with a density of at least 1,500 inhabitants per km² and a minimum population of 50,000;
- Urban cluster: cluster of contiguous grid cells of 1 km² with a density of at least 300 inhabitants per km² and a minimum population of 5,000; and
- Rural grid cell: grid cell outside high-density clusters and urban clusters.

In a second step, LAU2 are then classified into one of three type of areas:

- Densely populated area (Cities): at least 50% lives in high-density clusters; in addition, each high-density cluster should have at least 75% of its population in densely-populated LAU2s; this also ensures that all high-density clusters are represented by at least one densely-populated LAU2, even when this cluster represents less than 50% of the population of that LAU2;
- Intermediate density area (Towns and suburbs): less than 50% of the population lives in rural grid cells and less than 50% live in high-density clusters; and
- Thinly-populated area (Rural areas): more than 50% of the population lives in rural grid cells.

There are two types of updates that are made in this classification: updates because the LAU2 boundaries have changed, taking place annually, and updates because the population distribution has changed, taking place every five years. Such administrative changes could naturally result in changes to the type of areas (e.g. switching from town to city or other way round).

A word of caution is that, as LAU2 vary considerably in area, this methodology will lead to a closer match between a high-density cluster and densely populated LAU2 in countries with small LAU2 than in those with large LAU2. To alleviate such distortion, the results of the classification have been consulted with National Statistical Institutes.

[75] More information on the classification is available here: https://ec.europa.eu/regional_policy/sources/docgener/work/2014_01_new_urban.pdf

[76] LAUs may refer to a range of different administrative units, including municipalities, communes, parishes or wards.

[77] In the case of Croatia, Denmark, Sweden, Finland, Austria, the Netherlands, Slovenia, Switzerland and Norway.

Annex 2

List of codes for the intervention field dimension as per Annex I of the Commission Implementing Regulation 215/2014

I.	**Productive investment**
001	Generic productive investment in small and medium – sized enterprises ('SMEs')
002	Research and innovation processes in large enterprises
003	Productive investment in large enterprises linked to the low-carbon economy
004	Productive investment linked to the cooperation between large enterprises and SMEs for developing information and communication technology ('ICT') products and services, e-commerce and enhancing demand for ICT
II.	**Infrastructure providing basic services and related investment**
	Energy infrastructure
005	Electricity (storage and transmission)
006	Electricity (TEN-E storage and transmission)
007	Natural gas
008	Natural gas (TEN-E)
009	Renewable energy: wind
010	Renewable energy: solar
011	Renewable energy: biomass
012	Other renewable energy (including hydroelectric, geothermal and marine energy) and renewable energy integration (including storage, power to gas and renewable hydrogen infrastructure)
013	Energy efficiency renovation of public infrastructure, demonstration projects and supporting measures
014	Energy efficiency renovation of existing housing stock, demonstration projects and supporting measures
015	Intelligent Energy Distribution Systems at medium and low voltage levels (including smart grids and ICT systems)
016	High efficiency co-generation and district heating

	Environmental infrastructure
017	Household waste management (including minimisation, sorting, recycling measures)
018	Household waste management (including mechanical biological treatment, thermal treatment, incineration and landfill measures)
019	Commercial, industrial or hazardous waste management
020	Provision of water for human consumption (extraction, treatment, storage and distribution infrastructure)
021	Water management and drinking water conservation (including river basin management, water supply, specific climate change adaptation measures, district and consumer metering, charging systems and leak reduction)
022	Waste water treatment
023	Environmental measures aimed at reducing and / or avoiding greenhouse gas emissions (including treatment and storage of methane gas and composting)
	Transport infrastructure
024	Railways (TEN-T Core)
025	Railways (TEN-T comprehensive)
026	Other Railways
027	Mobile rail assets
028	TEN-T motorways and roads — core network (new build)
029	TEN-T motorways and roads — comprehensive network (new build)
030	Secondary road links to TEN-T road network and nodes (new build)
031	Other national and regional roads (new build)
032	Local access roads (new build)
033	TEN-T reconstructed or improved road
034	Other reconstructed or improved road (motorway, national, regional or local)
035	Multimodal transport (TEN-T)

036	Multimodal transport
037	Airports (TEN-T)
038	Other airports
039	Seaports (TEN-T)
040	Other seaports
041	Inland waterways and ports (TEN-T)
042	Inland waterways and ports (regional and local)
	Sustainable transport
043	Clean urban transport infrastructure and promotion (including equipment and rolling stock)
044	Intelligent transport systems (including the introduction of demand management, tolling systems, IT monitoring, control and information systems)
	Information and communication technology (ICT) infrastructure
045	ICT: Backbone/backhaul network
046	ICT: High-speed broadband network (access/local loop; >/= 30 Mbps)
047	ICT: Very high-speed broadband network (access/local loop; >/= 100 Mbps)
048	ICT: Other types of ICT infrastructure/large-scale computer resources/equipment (including e-infrastructure, data centres and sensors; also where embedded in other infrastructure such as research facilities, environmental and social infrastructure)
III.	**Social, health and education infrastructure and related investment:**
049	Education infrastructure for tertiary education
050	Education infrastructure for vocational education and training and adult learning
051	Education infrastructure for school education (primary and general secondary education)
052	Infrastructure for early childhood education and care
053	Health infrastructure
054	Housing infrastructure

055	Other social infrastructure contributing to regional and local development
IV.	**Development of endogenous potential**
	Research and development and innovation
056	Investment in infrastructure, capacities and equipment in SMEs directly linked to research and innovation activities
057	Investment in infrastructure, capacities and equipment in large companies directly linked to research and innovation activities
058	Research and innovation infrastructure (public)
059	Research and innovation infrastructure (private, including science parks)
060	Research and innovation activities in public research centres and centres of competence including networking
061	Research and innovation activities in private research centres including networking
062	Technology transfer and university-enterprise cooperation primarily benefiting SMEs
063	Cluster support and business networks primarily benefiting SMEs
064	Research and innovation processes in SMEs (including voucher schemes, process, design, service and social innovation)
065	Research and innovation infrastructure, processes, technology transfer and cooperation in enterprises focusing on the low carbon economy and on resilience to climate change
	Business development
066	Advanced support services for SMEs and groups of SMEs (including management, marketing and design services)
067	SME business development, support to entrepreneurship and incubation (including support to spin offs and spin outs)
068	Energy efficiency and demonstration projects in SMEs and supporting measures
069	Support to environmentally-friendly production processes and resource efficiency in SMEs
070	Promotion of energy efficiency in large enterprises
071	Development and promotion of enterprises specialised in providing services contributing to the low carbon economy and to resilience to climate change (including support to such services)

072	Business infrastructure for SMEs (including industrial parks and sites)
073	Support to social enterprises (SMEs)
074	Development and promotion of commercial tourism assets in SMEs
075	Development and promotion of commercial tourism services in or for SMEs
076	Development and promotion of cultural and creative assets in SMEs
077	Development and promotion of cultural and creative services in or for SMEs
Information and communication technology (ICT) — demand stimulation, applications and services	
078	e-Government services and applications (including e-Procurement, ICT measures supporting the reform of public administration, cyber-security, trust and privacy measures, e-Justice and e-Democracy)
079	Access to public sector information (including open data e-Culture, digital libraries, e-Content and e-Tourism)
080	e-Inclusion, e-Accessibility, e-Learning and e-Education services and applications, digital literacy
081	ICT solutions addressing the healthy active ageing challenge and e-Health services and applications (including e-Care and ambient assisted living)
082	ICT Services and applications for SMEs (including e-Commerce, e-Business and networked business processes), living labs, web entrepreneurs and ICT start-ups)
	Environment
083	Air quality measures
084	Integrated pollution prevention and control (IPPC)
085	Protection and enhancement of biodiversity, nature protection and green infrastructure
086	Protection, restoration and sustainable use of Natura 2000 sites
087	Adaptation to climate change measures and prevention and management of climate related risks e.g. erosion, fires, flooding, storms and drought, including awareness raising, civil protection and disaster management systems and infrastructures
088	Risk prevention and management of non-climate related natural risks (i.e. earthquakes) and risks linked to human activities (e.g. technological accidents), including awareness raising, civil protection and disaster management systems and infrastructures

089	Rehabilitation of industrial sites and contaminated land
090	Cycle tracks and footpaths
091	Development and promotion of the tourism potential of natural areas
092	Protection, development and promotion of public tourism assets
093	Development and promotion of public tourism services
094	Protection, development and promotion of public cultural and heritage assets
095	Development and promotion of public cultural and heritage services
	Other
096	Institutional capacity of public administrations and public services related to implementation of the ERDF or actions supporting ESF institutional capacity initiatives
097	Community-led local development initiatives in urban and rural areas
098	Outermost regions: compensation of any additional costs due to accessibility deficit and territorial fragmentation
099	Outermost regions: specific action to compensate additional costs due to size market factors
100	Outermost regions: support to compensate additional costs due to climate conditions and relief difficulties
101	Cross-financing under the ERDF (support to ESF-type actions necessary for the satisfactory implementation of the ERDF part of the operation and directly linked to it)
v.	**Promoting sustainable and quality employment and supporting labour mobility**
102	Access to employment for job-seekers and inactive people, including the long-term unemployed and people far from the labour market, also through local employment initiatives and support for labour mobility
103	Sustainable integration into the labour market of young people, in particular those not in employment, education or training, including young people at risk of social exclusion and young people from marginalised communities, including through the implementation of the Youth Guarantee
104	Self-employment, entrepreneurship and business creation including innovative micro, small and medium sized enterprises

105	Equality between men and women in all areas, including in access to employment, career progression, reconciliation of work and private life and promotion of equal pay for equal work
106	Adaptation of workers, enterprises and entrepreneurs to change
107	Active and healthy ageing
108	Modernisation of labour market institutions, such as public and private employment services, and improving the matching of labour market needs, including through actions that enhance transnational labour mobility as well as through mobility schemes and better cooperation between institutions and relevant stakeholders
VI.	**Promoting social inclusion, combating poverty and any discrimination**
109	Active inclusion, including with a view to promoting equal opportunities and active participation, and improving employability
110	Socio-economic integration of marginalised communities such as the Roma
111	Combating all forms of discrimination and promoting equal opportunities
112	Enhancing access to affordable, sustainable and high-quality services, including health care and social services of general interest
113	Promoting social entrepreneurship and vocational integration in social enterprises and the social and solidarity economy in order to facilitate access to employment
114	Community-led local development strategies
VII.	**Investing in education, training and vocational training for skills and lifelong learning**
115	Reducing and preventing early school-leaving and promoting equal access to good quality early-childhood, primary and secondary education including formal, non- formal and informal learning pathways for reintegrating into education and training
116	Improving the quality and efficiency of, and access to, tertiary and equivalent education with a view to increasing participation and attainment levels, especially for disadvantaged groups
117	Enhancing equal access to lifelong learning for all age groups in formal, non-formal and informal settings, upgrading the knowledge, skills and competences of the workforce, and promoting flexible learning pathways including through career guidance and validation of acquired competences

118	Improving the labour market relevance of education and training systems, facilitating the transition from education to work, and strengthening vocational education and training systems and their quality, including through mechanisms for skills anticipation, adaptation of curricula and the establishment and development of work-based learning systems, including dual learning systems and apprenticeship schemes
VIII.	**Enhancing institutional capacity of public authorities and stakeholders and efficient public administration**
119	Investment in institutional capacity and in the efficiency of public administrations and public services at the national, regional and local levels with a view to reforms, better regulation and good governance
120	Capacity building for all stakeholders delivering education, lifelong learning, training and employment and social policies, including through sectoral and territorial pacts to mobilise for reform at the national, regional and local levels
IX.	**Technical assistance**
121	Preparation, implementation, monitoring and inspection
122	Evaluation and studies
123	Information and communication

Annex 3

Total declared eligible expenditure as a % of planned total amounts per Member State and per type of territory by the end of 2019

Countries	(a) Rural areas, %	(b) Small urban areas, %	(c) Large urban areas, %	% point difference between (a) and (c)	Total amount declared on national level (€)	Total amount declared in rural areas (€)
Czechia	92.4	46.0	36.2	56.2	10,723,810,366	5,682,472,714
Lithuania	64.3	46.8	47.5	16.8	3,506,252,418	327,231,578
Slovakia	31.0	23.0	15.2	15.8	5,097,976,398	850,918,272
Portugal	50.7	54.9	41.9	8.8	12,751,934,127	2,306,059,265
Spain	35.1	15.4	26.8	8.2	11,058,982,963	1,230,371,540
Greece	26.5	25.3	21.3	5.2	6,436,572,207	485,747,604
Poland	45.3	34.2	42.0	3.3	36,845,199,841	4,609,258,440
Latvia	35.8	45.2	33.0	2.8	1,936,994,284	95,735,518
Austria	42.5	31.6	40.0	2.6	1,081,713,707	422,669,070
Belgium	31.5	21.8	30.4	1.1	1,551,630,226	22,649,892
France	40.1	26.5	39.7	0.4	11,523,463,352	576,676,591
Hungary	36.3	26.9	38.9	-2.6	10,153,508,458	1,057,384,775
Germany	38.7	31.7	47.0	-8.3	13,710,387,156	1,177,411,009
Romania	4.1	3.3	19.1	-15.0	7,229,657,947	23,090,989
Italy	13.2	27.5	28.8	-15.7	15,888,027,294	350,359,713
Sweden	35.2	51.3	55.5	-20.3	1,467,526,804	239,961,996
Luxembourg	0.0	55.2	26.3	-26.3	41,434,619	0
Estonia	15.5	40.0	43.8	-28.3	2,181,465,982	19,983,490
Finland	42.8	44.4	76.5	-33.7	1,337,350,546	240,048,848
Slovenia	77.0	148.9	118.9	-41.9	1,574,837,420	26,219,326
Bulgaria	0.0	42.2	43.9	-43.9	3,484,448,772	0
Ireland	6.0	16.3	61.0	-54.9	639,074,470	12,407,404
Malta	3.0	1.4	97.0	-94.0	394,904,014	1,706,205
Croatia	n/a	n/a	n/a	n/a	2,662,899,651	758,291

Source: Based on European Commission data, July 2020.

Notes: Cyprus, Denmark and the Netherlands are missing as these countries did not plan or declare any spending in rural areas. Croatia declared costs in rural areas, however, due to missing data on planned amounts, absorption rates cannot be calculated.

Annex 4

Distribution of committed Cohesion Funds' investments across TOs in urban and rural areas

Thematic Objectives	Rural areas, €	% from total	Urban areas, €	% from total
1. Strengthening research, technological development and innovation	3,502,689,658	8	23,047,573,932	16
2. Enhancing access to, and use and quality of ICT	1,340,454,369	3	4,077,102,915	3
3. Enhancing the competitiveness of SMEs	6,764,529,888	15	17,424,751,858	12
4. Supporting the shift towards a low-carbon economy in all sectors	4,852,204,383	10	25,900,181,569	18
5. Promoting climate change adaptation, risk prevention & management	1,634,626,852	4	3,593,293,034	3
6. Preserving & protecting the environment & promoting resource efficiency	7,199,804,432	15	17,575,928,620	12
7. Promoting sustainable transport	9,542,207,770	20	9,740,131,953	7
8. Promoting sustainable & quality employment & supporting labour mobility	2,989,946,034	6	7,686,231,018	5
9. Promoting social inclusion, combating poverty and any discrimination	3,445,958,050	7	15,098,292,318	11
10. Investing in education, training & vocational training for skills & lifelong learning	3,503,144,155	8	13,756,082,837	10
11. Enhancing institutional capacity of public authorities	486,237,263	1	703,961,486	0
Others	1,297,594,071	3	3,493,888,724	2
Grand Total	**46,559,396,925**		**142,097,420,264**	

Annex 5

Cohesion Funds' investments in all intervention fields and investment share in rural areas from the aggregate commitments in the two areas, by the end of 2019

Intervention fields	Committed investments in Rural areas, €	Share of committed rural investments from the total investments committed in urban and rural areas, %
001-Generic productive investment in SMEs	4,349,468,910	33
034-Other reconstructed or improved road	2,788,453,138	57
022-Waste water treatment	2,458,425,548	30
013-Energy efficiency renovation of public infra. & demo.	1,612,262,118	20
024-Railways (TEN-T Core)	1,600,342,547	76
087-Adapt to climate change & prevent & manage climate risks	1,576,503,306	31
029-TEN-T motorways & roads - comprehensive network (new)	1,565,992,235	89
115-Support to early-childhood, primary & secondary education	1,355,955,134	28
067-SME business development, entrepreneurship & incubation	1,209,923,886	24
026-Other Railways	1,081,164,571	53
109-Active inclusion	1,021,676,256	18
085-Biodiversity, nature protection & green infrastructure	989,182,793	45
118-Strengthening vocational education & training	957,494,283	23
094-Protect, develop & promote public cultural assets	950,692,622	23
102-Access to employment & labour mobility	939,952,219	23
051-Education infrastructure for primary & gen. Secondary	890,077,376	31
055-Other social infrastructure	784,221,895	17
047-ICT: V-high-speed broadband (access/local loop; >100 Mbps)	767,443,552	56
010-Renewable energy: solar	748,417,152	56
025-Railways (TEN-T comprehensive)	726,141,112	70
002-Research and innovation processes in large enterprises	704,220,332	21
033-TEN-T reconstructed or improved road	625,043,168	71
056-Investment in SMEs directly linked to R+I activities	599,756,063	24
066-Advanced support services for SMEs	583,840,437	19
031-Other national and regional roads (new build)	552,683,060	36

112-Enhancing access to services	527,741,098	30
064-R+I processes in SMEs (vouchers, process, design)	519,157,439	14
072-Business infra. for SMEs (incl. industrial parks & sites)	513,365,740	30
058-Research and innovation infrastructure (public)	505,565,481	10
020-Water infrastructure for human consumption	492,904,510	28
052-Infrastructure for early childhood education and care	480,400,413	38
083-Air quality measures	468,517,426	36
068-Energy efficiency & demo. projects in SMEs	457,418,262	26
090-Cycle tracks and footpaths	456,748,595	23
017-Household waste mgmt. (incl. minimise, sort, recycle)	440,730,638	34
121-Preparation, implementation, monitoring and inspection	385,892,510	20
106-Adapting of workers, enterprises & entrepreneurs to change	369,719,097	18
091-Develop & promote tourism potential of natural areas	360,984,080	45
057-Invest. in large companies linked to R+I activities	353,223,920	28
097-Community-led local development strategies (ERDF)	335,067,645	48
096-Institutional capacity of public administrations (ERDF)	312,703,651	92
011-Renewable energy: biomass	302,247,761	53
117-Enhancing equal access to lifelong learning	287,944,828	11
053-Health infrastructure	285,581,433	8
014-Energy efficiency renovation of housing stock & demo	282,616,107	10
061-R+I activities in private research centres incl. Networks	278,455,107	19
104-Self-employment, entrepreneurship & business creation	276,511,601	22
043-Clean urban transport infrastructure & promotion	262,138,741	2
105-Equality between men & women in all areas	254,133,283	23
089-Rehabilitation of industrial sites and contaminated land	253,896,673	15
054-Housing infrastructure	250,275,220	24
062-Tech-transfer & university-SME cooperation	245,332,111	6
005-Electricity (storage and transmission)	237,801,744	69
078-e-Government services & applications	237,439,744	13
021-Water management & drinking water conservation	222,178,183	28

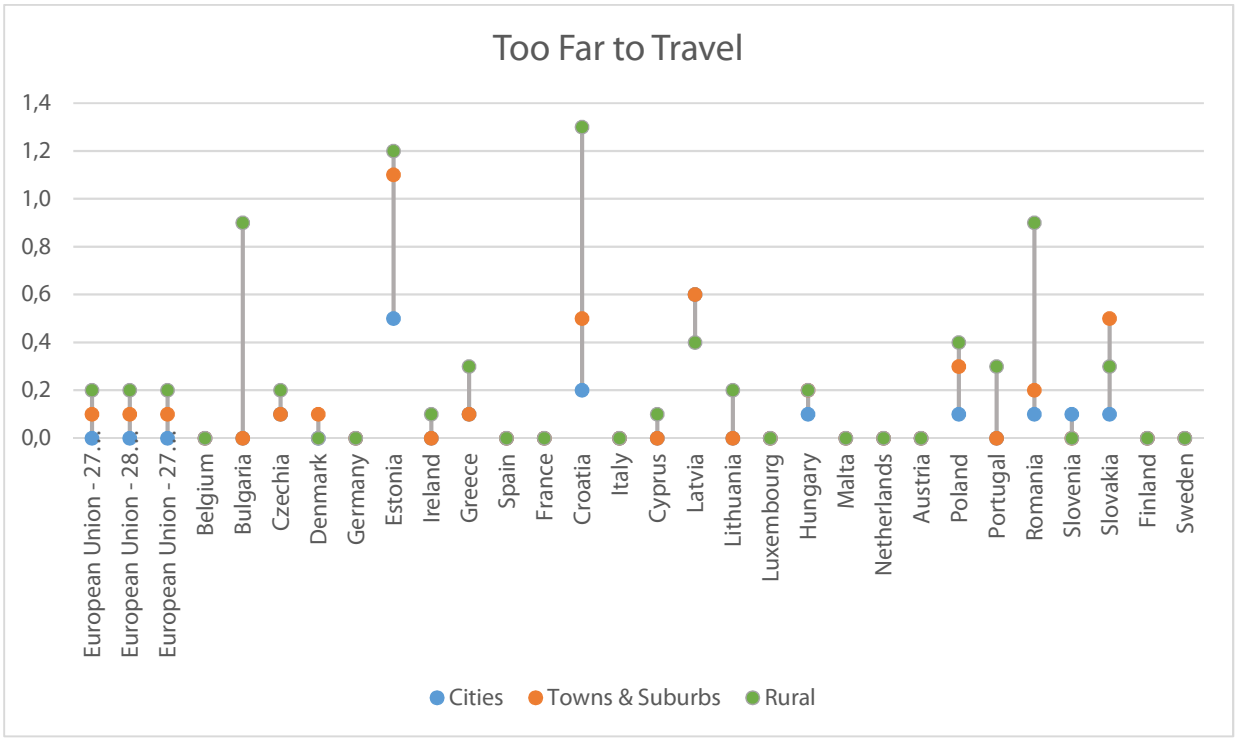
030-Secondary road links to TEN-T road network (new build)	221,415,370	30
060-R+I activities in public research centres	211,128,590	6
069-Support to enviro-friendly production processes in SMEs	208,694,200	28
049-Education infrastructure for tertiary education	200,217,271	18
092-Protect, develop & promote public tourism assets	182,612,105	24
116-Access to tertiary & equivalent education	173,390,178	17
065-R+I processes, tech-transfer & cooperation in firms on LCE	170,118,439	16
070-Promotion of energy efficiency in large enterprises	161,487,274	24
012-Other renewable energy (hydro, geo, etc.) & RE integration	154,264,526	25
119-Investment in institutional capacity	147,220,661	20
016-High efficiency co-generation and district heating	144,800,181	12
088-Prevent & manage non-climate related natural risks	134,275,889	25
018-Household waste mgmt (incl. Mechanical, Bio, thermal & landfill)	133,133,620	14
113-Promoting social entrepreneurship	129,154,829	25
093-Development and promotion of public tourism services	127,675,456	38
027-Mobile rail assets	112,762,962	18
046-ICT: High-speed broadband (access/local loop; >/= 30 Mbps)	112,628,676	32
075-Development and promotion of tourism services in or for SMEs	109,517,255	26
086- Protection, restoration and sustainable use of Natura 2000 sites	102,823,590	69
028-TEN-T motorways and roads - core network (new build)	98,205,323	14
110-Integration of marginalised communities such as the Roma	95,730,685	30
044-Intelligent transport systems	91,605,502	9
114-Community-led local development strategies	89,408,317	53
050-Education infrastructure for VET & adult learning	88,756,066	10
036-Multimodal transport	86,357,369	19
095-Develop & promote public cultural & heritage services	79,363,299	28
019-Commercial, industrial or hazardous waste management	77,350,091	59

079-Access to public sector info. (incl. E-tourism, e-culture)	75,578,095	23
108-Modernisation of labour market institutions	66,938,505	44
082-ICT Services & applications for SMEs	59,256,355	10
074-Development and promotion of tourism assets in SMEs	57,057,078	16
080-e-Inclusion, e-Accessibility, e-Learning & e-Education	51,986,079	7
063-Cluster support & business networks (SMEs)	50,235,980	5
048-ICT: Other types of ICT infrastructure	44,025,048	12
081-ICT solutions addressing healthy, active ageing & e-Health	40,297,214	8
023-Env. measures aimed to reduce/avoid GHG emissions	29,612,664	6
039-Seaports (TEN-T)	27,470,360	5
107-Active and healthy ageing	25,639,287	25
103-Sustainable integration of youth into the labour market	25,605,109	4
123-Information and communication	25,355,356	23
040-Other seaports	23,318,327	10
015-Intelligent Energy Distribution Systems (incl. smart grids)	21,115,340	8
073-Support to social enterprises (SMEs)	21,030,406	26
032-Local access roads (new build)	20,485,628	22
122-Evaluation and studies	19,757,268	28
009-Renewable energy: wind	18,951,565	95
059-R+I infrastructure (private, incl. science parks)	17,352,632	4
111-Combating all forms of discrimination	17,235,691	8
071-Firms specialised in LCE & climate service	15,351,352	16
077-Dev. & promotion of cultural & creative services in SMEs	14,374,544	9
045-ICT: Backbone/backhaul network	13,301,289	55
004-Coop. between large & SMEs in ICT products & services	10,665,408	9
003-Productive invest. in large enterprises linked to LCE	6,204,826	14
101-Cross-financing under ERDF (support to ESF-type actions)	5,879,665	8
076-Dev. & promotion of cultural & creative assets in SMEs	5,321,747	7
120-Capacity building for ESF stakeholders	4,914,248	12
084-Integrated pollution prevention and control (IPPC)	2,851,164	14
038-Other airports	2,104,217	100

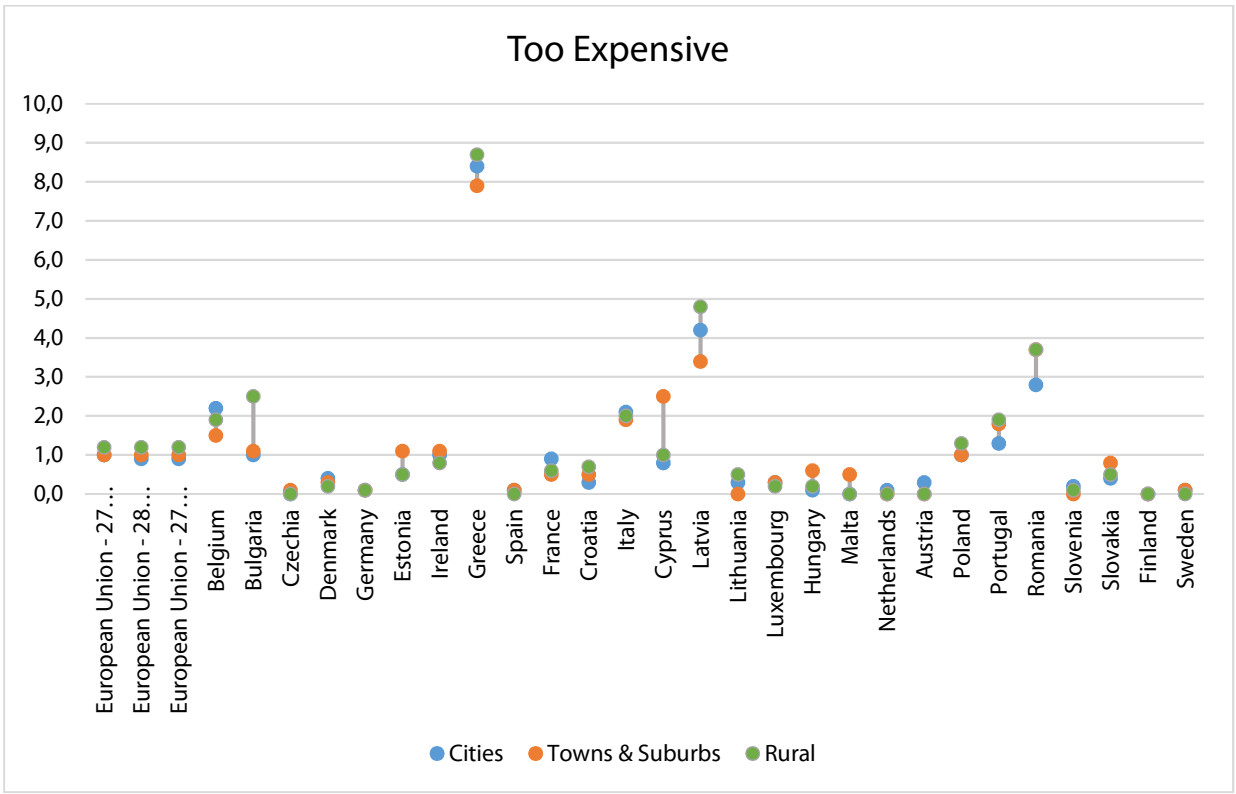
Note: The names of the dimension codes are as per the data uploaded by the ESIF Open Cohesion Portal. To see full names, use Annex 2.

Annex 6

Share of population over 16 years of age with self-reported unmet healthcare needs due to distance to healthcare services and due to financial burden of services in accordance with territorial dimension.



Source: Eurostat (2018).



Source: Eurostat (2018).

Annex 7

Policy actions in rural areas recommended in 2019 Country Reports of the European Semester (Annex D on Cohesion Policy Funding 2021-27)

Country	Recommended policy actions by Policy Objective (PO)
Belgium	**PO 3:** Promoting sustainable multimodal urban, urban/rural and rural mobility. **PO 5:** Improve multimodal sustainable mobility in urban and rural areas.
Bulgaria	**PO 1:** Encourage the entrepreneurial ecosystem, in particular outside Sofia. **PO 2**: Improve air quality e.g. through green infrastructure in urban and rural environments. **PO 5:** Reduce urban-rural divide by supporting functional areas, like those affected by the transition from the carbon-intensive industry; Address access to education, employment, health, and social vulnerability issues in the most deprived regions (e.g. addressing the needs of elderly people in rural areas, innovative approaches considering the diversity of the population).
Czechia	**PO 3:** Remove regional disparities in road Trans-European Transport Network accessibility, especially in the south and north-eastern part of the country. **PO 4:** Address educational disparities between schools and regions. **PO 5:** Reduce inequalities between regions and within urban areas by developing economic activity poles and creating the necessary linkages with the surrounding areas; Boost rural areas' development and provide capacity building for local authorities, local players, and grass-root organisations.
Germany	**PO 5:** Develop urban-rural cooperation, especially around growing major cities; Increase planning capacity of public administrations, especially by developing or creating specialised common capacities, namely for the roll out of broadband in small and rural municipalities; Foster integrated social, economic and environmental local development, cultural heritage and security, including for rural and coastal areas also through community-led local development.
Estonia	**PO 3:** Enhance digital connectivity in both urban and rural areas. **PO 5:** Reduce urban-rural socio-economic divide by: - Addressing the needs of the regions and territories that are lagging (special focus on East Viru); - Strengthening the capacity of local authorities to develop sound integrated territorial strategies and to assess and select projects.
Greece	**PO 2:** Increase islands' electricity efficiency, sustainability and interconnections to phase out costly and polluting local fossil fuel based generation; Support wastewater infrastructures for agglomerations with 2,000 to 15,000 population equivalent; Develop targeted actions to provide assistance to small municipalities. **PO 3:** Support the redesign of the coastal shipping network to create regional nodes that improve the accessibility of islands. **PO 5:** Develop targeted actions for capacity-building in small municipalities. Small remote islands: - Small-scale ports infrastructures to improve connectivity with neighbouring bigger islands and/or the mainland; - Small scale wastewater treatment, water reuse and water production infrastructures; - Small-scale local transport based on renewable energy sources. Small remote islands and mountainous areas:

	) Integrated local renewable energy systems with smart grids and smart energy storage facilities;) High speed broadband connectivity;) Digitisation of services;) Promotion of sustainable alternative tourism development strategies.
Spain	**PO 1:** Develop and promote interoperable e-government and e-services, in particular in remote and outermost regions, and including joint provision of services in border areas. **PO 2:** Invest in the collection and treatment of wastewater in less developed regions and regions with specific needs, such as the islands. **PO 3:** Improve accessibility and interconnectivity of the Canary Islands as outermost region; Deploy very high capacity broadband networks for backward regions (including the outermost), eliminating the urban-rural coverage gap. **PO 4:** Strengthen primary and integrated care, including through investments in infrastructure and e-health, in particular in lagging regions, with a view to reducing health inequalities. **PO 5:** Foster the integrated social, economic, cultural and environmental local development of the inner areas, areas affected by depopulation and low density, and of the islands.
France	**PO 2:** Increase the share of renewable energy in the cooling systems and in the electricity sectors in the outermost regions; Support actions in line with the 'Clean Energy for EU Islands' initiative (Corsica); High priority investments in outermost regions in wastewater management. **PO 3:** Priority investment (through ERDF) for outermost regions in digital and physical (transport links) connections. **PO 4:** Provide outreach measures, in particular for the inactive people, especially in outermost regions; Provide support to prevent early school leaving, especially in outermost regions; In the outermost regions, contribute to building new and improving existing education and health infrastructures; Facilitate mobility of learners, education and training staff, especially in outermost regions; **PO 5:** In remote rural and coastal areas, improve management of natural resources in the frame of an integrated strategy; In the outermost regions enhance and protect biodiversity, support clean energy and public transport, and improve the environment in cooperation with neighbouring islands/territories.
Croatia	**PO 2:** Invest in the collection and treatment of wastewater in agglomerations above 2000 population equivalent; Ensure sustainable and clean energy addressing in particular energy self-reliance of islands. **PO 3:** Invest in the commuter port infrastructure on the islands and floating stock in cases with a public service contract. **PO 4:** Ensure inclusive quality education at all levels, in particular for vulnerable groups and in less developed areas; Reduce territorial disparities in social outcomes; Tackle geographical obstacles in healthcare access and address gaps in healthcare infrastructure and shortages in workforce, based on mapping of needs. **PO 5:** Reduce inequalities between regions and urban-rural divide by fomenting endogenous potential of lagging regions (e.g. Eastern Croatia), addressing

	geographical specificities (islands), boosting economic activity and creating linkages with leading poles; Support community building by integrated territorial development strategies in rural/sparsely populated areas; Reinforce role of economic centres as drivers of regional growth (e.g. university centres, urban-rural linkages).
Italy	**PO 1:** Facilitate access to finance and address regional disparities through a balanced use of grants and financial instruments in less-developed regions. **PO 2:** Address water access, reuse, treatment, drinking water and leakage in the less developed regions; Support waste prevention, reuse and recycling with adequate infrastructure, and target upper stages of the waste hierarchy, such as separate waste collection systems, in the less developed regions. **PO 3:** Build very-high capacity broadband networks, tackling urban-rural broadband coverage gap. **PO 4:** Upgrade education equipment and infrastructure in all levels of education, in particular in less developed regions; Enhance high quality, accessible and affordable social services and their infrastructure, taking into account regional disparities and the rural/urban divide, also in access to innovative technologies and new care models. **PO 5:** Need to improve the quality of services in inner areas confronted with demographic challenges and poverty.
Cyprus	**PO 2:** Promote small-scale electricity generation based on renewable energy sources, notably in rural areas; Transition towards circular economy and improve waste management, according to the 'Clean Energy for EU Islands' Initiative; Investment needs have been identified to mitigate climate change effects and enhance biodiversity, also in rural areas. **PO 5:** Promote the integration of smaller urban centres in the urban network, including urban-rural linkages; Promote circular economy, sustainable tourism, culture and cultural heritage and alternative economic activities in mountainous and rural areas, in the context of sustainable integrated development plans.
Latvia	**PO 2:** Increase e-services provision and their uptake, with special focus on rural areas, elderly people and in a cross-border context; Complete drinking water and wastewater treatment schemes, principally in rural areas. **PO 3:** Deploy very-high capacity networks, eliminating coverage gaps in rural and less populated areas. **PO 5:** Address the needs and potential of lagging regions in economic and social development.
Lithuania	**PO 1:** Promote e-services provision and their uptake by citizens, with special focus on rural areas and the older population. **PO 3:** Improve the access to Trans-European Transport Networks, the connectivity of the peripheral regions and cross-border mobility; Deploy very-high capacity networks, eliminating coverage gaps in rural and less populated areas. **PO 4:** Support acquisition of key competences (e.g. digital skills) with a focus on reducing territorial and social disparities. **PO 5:** Address the needs and potential of lagging regions in economic and social development.

Hungary	**PO 4:** Promote access to affordable, sustainable and high-quality childcare, including through infrastructure, with focus on rural areas; Tackle housing exclusion and regenerate deprived urban and rural areas. **PO 5:** In case of small and medium cities, polycentric development and urban-rural linkages should be more heavily supported to tackle depopulation, accessibility of jobs, infrastructure and services; Invest in rural areas of lagging regions by addressing their infrastructure gap and other identified development needs; Support non-urban areas by focusing on endogenous local development based on existing assets.
Austria	**PO 5:** Support urban-rural development; Foster integrated social, economic and environmental development in urban and surrounding rural areas.
Poland	**PO 3:** Remove regional disparities in road TEN-T accessibility, especially in the north of Poland; Improve accessibility of peripheral, rural and cross-border areas by public transport; Deploy ultra-fast broadband in the market failure areas. **PO 5:** Reinforce urban-rural linkages, in particular through investments in smart and innovative solutions addressing mobility challenges; Mitigate the impact of demographic changes and poverty, especially in rural areas.
Portugal	**PO 1:** Increase the range of digital services provided and taken up by citizens, with special focus on rural, remote and outermost regions and on vulnerable groups of the population. **PO 3:** Improve accessibility and interconnectivity of the outermost Regions of Madeira and the Azores. **PO 5:** Enhance access to basic services, favour urban-rural linkages and innovative solutions to enhance the endogenous potential of these areas and favour the sustainable attractiveness of the territories.
Romania	**PO 3:** Support development of urban transport systems in less-developed regions, (e.g. light rail, metro & tram, cycling infrastructure); Support white spots in densely populated areas or surroundings of urban areas and in rural areas. **PO 5:** Support integrated territorial strategies in structurally challenged areas, e.g. the counties of Vaslui, Teleorman and Mehedinti; Support specific territorial initiatives aimed at the reconversion of the economy in regions affected by industrial decline and mining, such as the Jiu Valley (considering results of the Coal and Carbon-Intensive Regions in Transition Initiative).
Slovenia	**PO 1:** Upgrade entrepreneurial support ecosystem, especially in less developed regions at NUTS 3. **PO 5**: Foster the integrated socio-economic development in urban and rural areas, and in particular to support services to build an inclusive society, especially focusing on socio-economically deprived persons/areas.
Slovakia	**PO 5:** Invest in lagging rural areas by addressing their infrastructure gap and other identified development needs.
Sweden	**PO 1:** Encourage the development and implementation of tailored smart specialisation systems (…) in the Islands and the Northern Sparsely Populated Areas to support them to catch up and scale up their investments; Further encourage regional growth processes and promote research and innovation capacities, supporting existing cluster and network structures (…) in the middle-income regions and Northern Sparsely Populated Areas.

Source: https://ec.europa.eu/info/publications/2019-european-semester-country-reports_en

This study looks at the role of EU Cohesion Policy in non-urban (rural) areas. It analyses the challenges of these areas and discusses the extent and thematic orientation of rural Cohesion Policy funding. The study then presents the relationship between Cohesion Policy and CAP, before giving an overview of the role of Cohesion Policy for healthcare. It also reflects on the implications of Cohesion Policy proposals post-2020 for rural areas, before providing final conclusions and recommendations for a long-term policy vision.

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