



Study on funding for EU rural areas

Executive Summary



Written by ÖIR, CCRI, and ADE
April 2024

EUROPEAN COMMISSION

Directorate-General for Agriculture and Rural Development
Directorate A – Strategy and Policy Analysis
Unit A.3 – Policy Performance

Contact dissemination: Unit A.3 – Policy Performance

E-mail: AGRI-EVALUATION@ec.europa.eu

Directorate D – CAP Strategic Plans II

Contact content: Unit D.1 – Rural areas & networks

E-mail: AGRI-EVALUATION@ec.europa.eu

European Commission
B-1049 Brussels

Study on funding for EU rural areas

Executive Summary

***Europe Direct is a service to help you find answers
to your questions about the European Union.***

Freephone number (*):

00 800 6 7 8 9 10 11

(*) The information given is free, as are most calls (though some operators, phone boxes or hotels may charge you).

LEGAL NOTICE

This document has been prepared for the European Commission however it reflects the views only of the authors, and the Commission cannot be held responsible for any use which may be made of the information contained therein.

More information on the European Union is available on the Internet (<http://www.europa.eu>).

Luxembourg: Publications Office of the European Union, 2024

PDF ISBN 978-92-68-11168-0 doi:10.2762/61363 KF-05-23-583-EN-N

© European Union, 2024

Study on funding for EU rural areas

Authors: Arndt Münch, Helene Gorny, Manon Badouix, Roland Gaugitsch, ÖIR; Janet Dwyer, Katarina Kubinakova, CCRI; Monika Beck, Patrick Van Bunnem, ADE; Francesco Mantino, CREA; Sanja Brkanovic, RegioGro.



Rue de Clairvaux 40, Bte 101
B-1348 Louvain-la-Neuve (Belgium)
Tel: +32 10 45 45 10
Fax: +32 10 45 40 99
E-mail: ade@ade.be
Web: www.ade.be



University of Gloucestershire
Francis Close Hall Campus
Swindon Road
Cheltenham GL50 4AZ (UK)



Austrian Institute for Regional Studies
Franz-Josefs-Kai 27
A-1010 Wien/Vienna (Austria)

April 2024

1. Aims of the study

The study on funding for EU rural areas examines **the contribution of the CAP 2014-2022 in addressing the needs and actions outlined under the Long-term vision for the EU's rural areas (LTVRA)**.

It explores the specific role of the common agricultural policy (CAP) 2014-2022 alongside that of other EU funds targeting rural areas in the 2014-2020 cohesion policy period, primarily ERDF/CF, ESF and EMFF. Moreover, this study provides a forward-looking glance at the CAP 2023-2027 period. The study principally covers the **relevance** and **coherence** of funding in addressing rural needs, and draws on studies published of **effectiveness** to provide key context for this assessment. This is achieved through the responses to seven evaluation study questions (ESQ) covering three evaluation criteria: **effectiveness, relevance, and coherence**.

The European Commission launched the LTVRA in June 2021, aiming to address the challenges faced by rural areas and seize opportunities from which they can benefit. It proposes two main routes to reach the vision's shared goals: the EU Rural Action Plan (COM(2021) 345 final), a set of actions undertaken by European Commission services, and the Rural Pact, a framework to enable and inspire other levels of governance and stakeholders to cooperate and mobilise to achieve the vision's goals. The LTVRA was adopted in June 2021; however, many of its identified needs and actions were already anchored in the goals of the CAP 2014-2022.

2. Method and approach

The study provides an analysis of the policy framework supporting rural areas, particularly the LTVRA as the European Commission's latest overarching communication for transforming rural areas, with a focus on relevant EU policy instruments and funding sources. In analysing the LTVRA, the study explores the roles of the CAP 2014-2022 as well as European cohesion policy 2014-2020 (ERDF, ESF, CF) and the common fisheries policy (via the EMFF). The role of the CAP in fostering rural development is also considered in the context of strategic frameworks, action plans or programmes for rural areas implemented by the Member States. Importantly, an inventory of the most LTVRA-relevant CAP measures and instruments is presented as a basis for the quantitative analysis of funding relevance and coherence.

The project team applied a comprehensive mix of methods. This includes **document analysis, case studies**, a quantitative socio-economic **needs analysis** at regional level, and a regional and national **funding analysis** covering the principal EU funding sources for rural areas.

The **EU-wide literature review and document analysis** drew from the European Commission's evaluation database, document repositories of other EU institutions, online academic libraries and journals.

The **12 case studies** conducted by the project team covering both national and regional levels for the larger Member States, collected information on the Member State approaches to rural development. The selection of case studies included Bulgaria, Czechia, Germany, Ireland, Spain, France, Croatia, Italy, Austria, Portugal, Romania and Finland.

Within both the relevance and coherence analyses, an attempt was made to test whether CAP funding performance was linked to Member States' national and/or regional approaches towards rural policy and strategies for meeting rural needs. For this purpose, the typology indicated in the study terms of reference was elaborated and analysed, as follows:

- Member States with **holistic approaches** that have specific policies, schemes, or strategies targeting rural areas, via a mix of EU and national resources

comprehensively targeting rural needs beyond farming, with a territorial focus and differentiation, and funding sources integrated at regional or local level.

- Member States with **strong political commitment** to supporting rural areas but without an explicit holistic and integrated approach.
- Member States with **other approaches** relying more on themed or sectoral strategies or policies, where EAFRD Rural Development Programmes tend to be a key vehicle for addressing beyond-farming rural needs.

The analysis of needs leverages socio-economic and environmental data at NUTS3 level from sources such as Eurostat, OECD, CAP context indicators, the European Rural Observatory and the JRC urban data platform. This analysis provides insights into regional characteristics related to the needs specified in the LTVRA, by identifying the most at-need rural and intermediate regions. Special emphasis has been placed on remote and constrained rural areas. To this end these areas have been specifically identified to enable an in-depth discussion on the observed needs and funding allocated to them. In addition, the study assesses CAP and EU funding targeted at rural and intermediate regions¹, focussing on the 2014-2022 period and the 2014-2020 period for other EU funding. This analysis was done at NUTS3, highlighting funding distribution across the EU. It also includes a Member State level analysis for complementary insights.

The study has **limitations**. The effectiveness analysis is not intended to identify the impact of the CAP 2014-2022 in relation to the LTVRA needs, rather providing context on the overall effectiveness of the CAP in addressing those needs. The Member States chosen for the case studies reflect the overarching goal of this study to identify how Member States and regions are using CAP and other EU policies to support rural development in more or less integrated approaches. The approaches analysed in the case studies, as such, are not fully representative of rural development across the EU.

3. Main findings of the study

The CAP instruments with the EAGF and the 20 rural development measures funded under the EAFRD 2014-2022 are diverse in their scope. Examining the targeting of LTVRA needs through literature review and analysis of regulatory documents, this study distinguishes those elements of the CAP that **go beyond farming from those that target both farm and non-farm outcomes jointly, and those that primarily target agriculture**.

The needs of rural regions are varied and well-characterised via the action fields of the LTVRA (stronger, connected, resilient, prosperous). Rural regions are themselves diverse: while some are high performers with growing economies and population, many rural areas face significant challenges.

Demographic decline is widespread, with rural populations generally older and more likely to be affected by out-migration than more urban regions, particularly in the most remote rural settings. As population declines in these areas, so do investments in public services and infrastructure. Where populations are growing due to in-migration, this can also present challenges for social inclusion. A **digital divide** hinders access to the digital economy and limits opportunities for growth and empowerment in many rural areas. Access to **basic services and transport/mobility solutions** is also relatively scarce, especially in more remote rural areas.

Rural populations are challenged by the **effects of climate change** as droughts, floods and other severe climatic events increase rural vulnerability and hamper quality of life. Rural areas can play a key role in mitigating negative impacts through land use management and planning for sustainable development. Rural areas can further contribute to achieving net zero carbon emissions by 2050, e.g. woodland expansion, peatland and landscape restoration, grassland and forest management, biodiversity protection and

¹ According to EUROSTAT's urban-rural typology.

restoration, transition to more sustainable farming practices and systems, and renewable energy generation and use.

Considering **economic performance**, many rural regions lag behind national average growth rates while just a few exceed them. Over the last few years, the contribution of these territories to EU GDP has been stable, with predominantly rural regions contributing 15.3% of EU GDP, in 2019. Per capita GDP in rural regions was 15% lower than the average for all regions, in 2021. Remote and constrained rural regions are most disadvantaged with average GDP 37% lower than that for all regions. However, rural regions (including more remote and constrained rural regions) grew faster than average between 2014-2021 per capita, with a real growth rate of 17% (and, respectively, 19%). Rural unemployment, especially among young people and women, is relatively higher than the EU average and employment opportunities are more limited, with a prevalence of seasonal work.

The analysis of the **funding mechanisms in rural areas** looks at CAP funding beyond farming at EU, Member State and regional level. The main findings covering the 2014-2022 period indicate that the expenditure linked to the selected measures for rural development beyond farming amounts to EUR 8.6 billion (total EU paid) between 2014 and 2021. This corresponds to approximately 9% of the total EAFRD EU expenditure². Rural development measures beyond farming (in terms of planned EU expenditure) accounts for EUR 18.3 billion or approximately 14% of total EAFRD planned EU expenditure. Funding for joint measures would add an additional EUR 68.8 billion³ or 54% of total planned EU expenditure with EUR 41 billion paid out⁴.

In terms of other EU funds, cohesion policy funds 2014-2020 (ERDF/CF, ESF) planned around EUR 35.1 billion (EUR 27.4 billion paid out) of EU expenditure to rural and intermediate regions between 2014 and 2021 from 12 thematic objectives. ERDF funding is applied by most Member States for rural regions. It is especially prominent in terms of investments in transport infrastructure and SME support. ESF support is only used by 15 Member States to support rural regions directly. In the Member States using ESF in rural regions, support to foster social inclusion and quality employment are most funded. EMFF to rural regions commitments for the same time period amounted to EUR 885 million with EUR 772 million paid out.

The study identifies 223 **constrained and remote rural regions** at NUTS3, accounting for approximately 54% of all rural regions and around 10% of all EU inhabitants. Constrained and remote rural regions consist of regions facing persistent demographic decline, low population density, having specific natural constraints, or with more than half of their population living above a 45-minute travel time to the closest city of at least 50 000 inhabitants. Support to remote and constrained rural regions amounts annually to around EUR 13.5 billion in EU funding, with the majority of this funding coming from the EAGF (EUR 7.9 billion) and the EAFRD (EUR 3.3 billion) in terms of annual EU expenditure. Additionally, approximately EUR 2.2 billion in average annual expenditure is supported via the cohesion policy funds, with most funding provided by the ERDF (EUR 1.2 billion).

² Rural development (EARDF) beyond farming includes the following measures: M07, M19, as well as sub-measures of M16 and M06.

³ Joint measures include: M03, M04, M06, M08, M09, M15, M16, and M13.1. For this sum, committed funding overall of M13 was used, as this is not available for M13.1. Excluding funding from M13 would reduce this funding volume to EUR 44.95 billion in committed EU expenditure.

⁴ Excluding funding from M13 would reduce this funding volume to around EUR 21.7 billion in paid out EU expenditure.

4. Conclusions on effectiveness of the CAP in addressing needs related to the LTVRA

The CAP 2014-2022 effectively addresses LTVRA needs particularly via **rural development measures supporting activities beyond farming**. M07 village renewal and M19 LEADER show a high effectiveness in addressing needs across all four blocks (stronger, connected, resilient and prosperous) of the LTVRA. However, these two measures are particularly effective in terms of fostering rural development related to the action block stronger rural areas. For connected rural areas, implementation constraints and limited budget have led to a limited effectiveness in the fields of digitalisation and mobility. Other (sub)measures also effectively contribute to the LTVRA: forestry support has shown positive effects for needs related to both resilient and prosperous rural areas, as have investment measures (M06.4 and M04.4).

On-farm rural development support maintains a relatively high effectiveness in addressing needs related to prosperous rural areas, with economic support to farms, which has been demonstrated to have spill-over effects on the rural economy. Concerning the CAP 2014-2022's support to non-agricultural start-ups or rural businesses, the measures M19 and M06.4 appear to be effectively targeting relevant needs. On-farm support also targeted environmental and climate aspects under the action field resilient rural areas, however, with potential effects likely only fully observable in the long-term.

5. Conclusions on relevance of the CAP in addressing the LTVRA

CAP 2014-2022 interventions target a large array of themes and related needs outlined in the LTVRA, but not all, and some less generously or frequently than others. Evidence from other studies suggests that such targeting is associated with greater effectiveness in the domains of prosperous and resilient rural areas, as well as within LEADER across all domains, although many needs, especially in relation to larger investments, persist.

The targeting of LTVRA needs by CAP objectives and interventions is important to support a shift towards a result-oriented CAP. However, particularly in view of a reducing budget, better targeting of LTVRA needs may equally mean concentrating CAP interventions on a reduced number of needs, and ensuring coherent mobilisation of other sources of support alongside the CAP. The findings of the study have shown, for example, that particularly CAP digitalisation and mobility support beyond farming has faced implementing difficulties and low uptake.

The cluster analysis shows how more CAP 2014-2022 resources are devoted to addressing needs in rural territories where those needs are greatest, across all four LTVRA themes. Needs under resilient rural areas related to environment, climate and agricultural issues and under prosperous rural areas linked to the farm sector are most generously targeted, but non-farm measures notably target quality of life and social issues, too, particularly under the "stronger" theme.

Member States use different mixes of measures to address the LTVRA needs. Case studies identified a wide variety of different applications of EAFRD measures to promote LTVRA rural development goals and meet specific rural needs. CAP is clearly relevant to rural areas for Member States with holistic rural strategies or a strong commitment to rural areas, but it is equally relevant in the other cases. EAFRD funds may be more efficiently targeted where more holistic approaches and commitment exist, but the challenges to efficient targeting in some Member States without such approaches seem more often to reflect weak governance and administrative capacity, than inappropriate targeting or lack of relevance. For Member States without more holistic or integrated strategies, CAP rural development programmes serve as the main guide for effective targeting of wider rural policies, fulfilling a key role in identifying and meeting needs.

6. Conclusions on coherence of the CAP and other funding in addressing the LTVRA

The conclusions on **coherence** provide responses to the **complementarity of the CAP and other EU support** for rural areas, as well as the CAP and **national funding** for rural areas, in addressing the themes of the LTVRA.

The assessment of funding mixes targeted at rural regions reveals a heterogeneous picture, varying per Member State. In most EU-27 Member States, EAGF and the EAFRD provided the largest share of LTVRA-relevant rural funding in terms of actual annual EU expenditure. In Member States with a higher share of transition or less-developed regions, where more ERDF and CF are available, these funds play a more important role than elsewhere. But for most Member States, EU support to remote and constrained rural regions predominantly came from EAGF and EAFRD, followed by ERDF.

In terms of employment and social inclusion, ESF in particular shows good complementarity with EAFRD where it is mobilised, but it is not widespread: only 15 out of the 27 Member States use the ESF to support rural regions directly. ERDF targeted larger infrastructure needs (such as in transport infrastructure and SME support) in some rural areas, complementary to the more bottom-up and small-scale investment approach implemented via EAFRD, but again, there are many rural areas which receive relatively low ERDF funding. The regions with targeted EMFF spending tend to be urbanised. As such, aside from multi-funding CLLD implementation, limited synergistic interactions between the EAFRD and EMFF are observed in the study.

The analysis finds generally a deeper integration of CAP and other EU funding sources in Member States implementing holistic strategies or frameworks for rural areas, going beyond demarcation prominent in most other Member States. The support under the **national and regional policy schemes** is seen as coherent with all four LTVRA blocks of actions, yet somewhat concentrated on stronger and connected rural areas and mainly on some of the needs identified.

7. Recommendations

The study finds that while the LTVRA is very diverse, needs under resilient and prosperous rural areas are well targeted by the CAP and particularly EAFRD beyond farming, often through bottom-up approaches and small-scale delivery, in which LEADER plays a crucial but not exclusive role. On the other hand, more structural and complex needs under stronger and connected rural areas are targeted with less funding and fewer measures, albeit with notable relevance (again particularly through LEADER, but also other non-farm and hybrid elements). In this regard, **EAFRD interventions targeting rural development beyond farming should be strengthened, to safeguard adequate funding to effectively target LTVRA needs.**

Channelling measures via national strategies, measures and tools, has been found to foster improved commitment to meeting rural needs. Thus, **improving integration of CAP support with national or regional support schemes has the potential to increase effectiveness**, particularly for more complex needs, and **holistic policy approaches improve the targeting of CAP and other EU funds in rural areas.**

While various synergies with EAFRD and other ESIF are found in the case studies, strong EAFRD complementarity seems most clear for ERDF infrastructure investments and ESF social inclusion support. Namely, the ESF demonstrates effective complementarity, particularly in terms of employment and social inclusion, for those Member States that use the fund to address rural needs. Similarly, the ERDF focuses on the larger infrastructure requirements in rural regions, complementing the predominantly bottom-up and small-scale investment strategies facilitated through the EAFRD. However, the analysis also found that funding from ESF is not comprehensively used to target rural regions. **A much**

greater integration between CAP support and other EU funding is recommended, across a wider range of goals and measures, to plan and strengthen ERDF/CF and ESF support, especially to remote and constrained rural areas. This should apply particularly at local level, and within and beyond the LEADER/CLLD measure.

The use of multiple funds, like ITIs or CLLD/LEADER, can enhance the relevance and coherence of support by enabling better targeting via a broader panel of needs. However, multi-funding approaches require greater coordination and may incur a higher administrative burden. Therefore, **it is essential that especially local actors are equipped with sufficient implementing capacities to enable effective delivery of these instruments.**

Rural areas in the EU-27 and among Member States feature a remarkable diversity both in terms of their needs and strengths. Yet, findings indicate that only a few Member States recognise rural areas with specific characteristics (such as in terms of remoteness or other constraints) in their policy frameworks. **It is recommended to use multiple, differentiated adapted definitions of rural areas, particularly for remote regions.** This approach fosters a more detailed understanding and characterisation, thereby enhancing the targeting of needs.

Place-based approaches beyond LEADER/CLLD can be a useful tool to better target rural area needs and plan appropriate interventions. However, Member States need technical capacity to develop and implement strategic frameworks for rural areas, and this is not widely evident. For example, at local level, municipal actors in more deprived rural regions may not have been able to access CAP funding in the same way as actors in more developed rural regions, which may be attributed to more limited administrative capacities. In order to ensure that more deprived rural areas can access CAP funding, **the use of specific instruments or earmarking (e.g. territorially targeted funding, specific calls, etc.) for funding in these areas is recommended.** In addition to this, **capacity building especially for local actors in the delivery of EU funding, particularly in more deprived rural regions is recommended.** Continuing support to managing authorities and other bodies via **initiatives such as those within the Rural Pact, can further be used to improve implementation and knowledge sharing.**

GETTING IN TOUCH WITH THE EU

In person

All over the European Union there are hundreds of Europe Direct information centres. You can find the address of the centre nearest you at: https://europa.eu/european-union/contact_en

On the phone or by email

Europe Direct is a service that answers your questions about the European Union. You can contact this service: – by freephone: 00 800 6 7 8 9 10 11 (certain operators may charge for these calls), – at the following standard number: +32 22999696, or – by email via: https://europa.eu/european-union/contact_en

FINDING INFORMATION ABOUT THE EU

Online

Information about the European Union in all the official languages of the EU is available on the Europa website at: https://europa.eu/european-union/index_en

EU publications

You can download or order free and priced EU publications from: <https://publications.europa.eu/en/publications>. Multiple copies of free publications may be obtained by contacting Europe Direct or your local information centre (see https://europa.eu/european-union/contact_en).

EU law and related documents

For access to legal information from the EU, including all EU law since 1952 in all the official language versions, go to EUR-Lex at: <http://eur-lex.europa.eu>

Open data from the EU

The EU Open Data Portal (<http://data.europa.eu/euodp/en>) provides access to datasets from the EU. Data can be downloaded and reused for free, for both commercial and non-commercial purposes.



Publications Office
of the European Union

doi:10.2762/61363
ISBN 978-92-68-11168-0