

ESCAPE European **S**hrinking Rural Areas:

Challenges, **A**ctions and **P**erspectives for Territorial Governance

Applied Research

**Final Report – Annex 1
Policy Background**

Annex 1

This applied research activity is conducted within the framework of the ESPON 2020 Cooperation Programme.

The ESPON EGTC is the Single Beneficiary of the ESPON 2020 Cooperation Programme. The Single Operation within the programme is implemented by the ESPON EGTC and co-financed by the European Regional Development Fund, the EU Member States and the Partner States, Iceland, Liechtenstein, Norway and Switzerland.

This delivery does not necessarily reflect the opinion of the members of the ESPON 2020 Monitoring Committee.

Authors

Andrew Copus, University of Eastern Finland (Finland)

Thomas Dax, Bundesanstalt für Agrarwirtschaft und Bergbauernfragen (BAB) (AT)

Advisory Group

Project Support Team: Benoit Esmanne, DG Agriculture and Rural Development (EU),

Izabela Ziatak, Ministry of Economic Development (Poland),

Jana Ilcikova, Ministry of Transport and Construction (Slovakia)

Amalia Virdol, Ministry of Regional Development and Public Administration (Romania)

ESPON EGTC: Gavin Daly, Nicolas Rossignol, Andreea China, Johannes Kiersch

Information on ESPON and its projects can be found on www.espon.eu.

The web site provides the possibility to download and examine the most recent documents produced by finalised and ongoing ESPON projects.

© ESPON, 2020

Printing, reproduction or quotation is authorised provided the source is acknowledged and a copy is forwarded to the ESPON EGTC in Luxembourg.

Contact: info@espon.eu

ISBN: 978-2-919795-70-3

Final Report – Annex 1

Policy Background

ESCAPE

European Shrinking Rural Areas:
Challenges, Actions and Perspectives for
Territorial Governance

Version 21/12/2020

Table of contents

List of Tables	ii
List of Figures	ii
Abbreviations	iii
1 Introduction	1
2 The Shifting Context of Policy – An Overview.....	2
3 Rural Development.....	4
3.1 The Rise and Fall of the LFA Approach to Shrinking Rural Areas.....	4
3.2 The CAP Pillar 2 Approach – Sectoral and Lisbonised	6
3.3 LEADER	10
4 Cohesion Policy's approach to Shrinking Rural Areas.....	11
4.1 Geographical Targeting.....	11
4.2 Development Paradigm.....	12
4.3 Governance and Coherence	13
5 Smart Villages as a Response to Shrinking	14
5.1 Key Features of the EU Smart Villages Concept	14
5.2 Smart Shrinking as an implicit agenda?.....	16
5.3 Reflections.....	16
6 Functional Urban Areas and Functional Rural Areas.....	17
6.1 A new OECD regional typology.....	17
6.2 DG Agriculture's FRA initiative.....	18
References	20

List of Tables

Table 1: Key milestones of LFA Policy	4
Table 2: Key Phases of CAP Pillar 2	7

List of Figures

Figure 1: Timeline of European Policy for Shrinking Rural Areas in Context	3
--	---

Abbreviations

ANC	Areas of Natural Constraint
CAP	Common Agricultural Policy
EAGF	European Agricultural Guarantee Fund
EAGGF	European Agricultural Guarantee and Guidance Fund
EAFRD	European Agricultural Fund for Rural Development
EC	European Commission
FRA	Functional Rural Area
FUA	Functional Urban Area
EU	European Union
GDP	Gross Domestic Product
ICT	Information and Communications Technology
LEADER	Liaison entre actions de développement de l'économie rurale
LFA	Less Favoured Areas
MS	Member State
NUTS	Nomenclature of Territorial Units for Statistics
RDP	Rural Development Programme

1 Introduction

This document is not intended to be a balanced or comprehensive history of Rural Development and Cohesion Policy. It is purposely selective, with the ambition of helping to explain “how we got to where we are”, in terms of the relationship between these policies and the challenges faced by shrinking rural areas. In section 5 of the main report we learn that, in the view of at least one Commission official, “the toolbox is full”. However, we also learn from the case studies and interviews with Member State policy practitioners, that these policies are falling short in a variety of ways, and that there is scope for improvement. This is at least in part due to the complexity of the policy legacy, and thus a relatively concise account of the way in which EU rural and regional development policy has responded to rural demographic trends so far will, it is hoped, shed light upon why available tools have not been more effectively utilised.

A wide range of EU policies impact upon demographic trends. Time and space require us to focus on the two most influential, i.e. Rural Development (latterly known as CAP Pillar 2) and regional development, or Cohesion policy. In the case of the first of these, as explained in the main report (Section 2), we recognise two broad phases, before and after the turn of the century. In the case of the latter, the narrative is more incremental. We will also mention the LEADER programme (which began as a “Community Initiative”, but was subsequently “mainstreamed”) and provide a brief account of “policy-driven analytical discourses”, including rural-urban interaction, smart specialisation, and smart villages. The final section of this annex provides a brief account of recent interest (CEC and OECD) in the concept of Functional Urban Areas (FUA) and Functional Rural Areas (FRA). The former is certainly relevant to the issue of rural shrinking.

2 The Shifting Context of Policy – An Overview

Looking back over the past half century, considering the “story” of shrinking in rural Europe, the changing technological, political and social context (both incremental long-term trends or more sudden events), the evolution of our understanding of rural development processes, and changing policy responses, are intimately interwoven. It is important to be aware of the many “feedback” links between context, concepts and policy. This is illustrated by Figure 1. This story helps to explain the legacy effects which are so prominent in the evidence from the case studies reported in Sections 4-5 of the main report.

The context of policy (upper half of Figure 1) includes external events, changing theoretical foundations, EU meta strategies and targets, and the surrounding policy driven discourse.

Key *external events* include the successive enlargements, and the economic and migrant crises. The changing *conceptual context* provides a “backdrop”, explaining why different forms of intervention have been chosen at different points in time. Two, partly overlapping, “layers” of discourse may be distinguished:

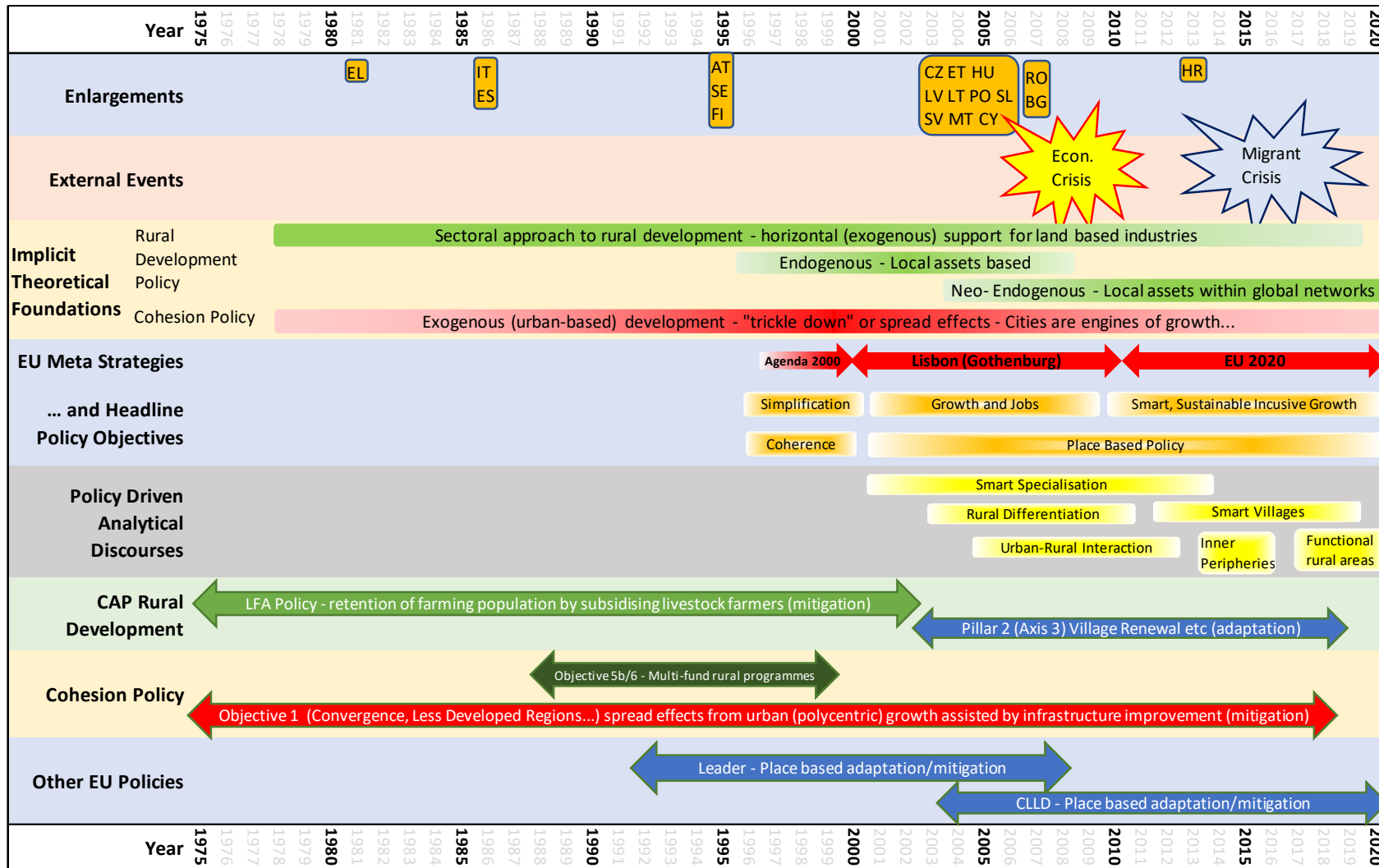
- The first layer – “implicit theoretical foundations” - derives ultimately from trends in academic thought and literature, and the education and professional training of policy practitioners. These are characterised by a degree of inertia – they evolve relatively slowly, and their influence is long-lasting.
- The second layer is the more ephemeral domain of “buzzwords” which is nourished by “applied” research sponsored by the policy community.

A helpful way to understand how the “implicit theoretical foundations” element has evolved is to use the “exogenous - endogenous” terminology as applied by the SEGIRA project team (ECORYS, 2010), who extended it outside the context of governance, and applied it to distinguish between different kinds of drivers for local development. Thus from 1975 to around 2005 the CAP supported the incomes of farmers (as the perceived mainstay of the local economy) in “Less Favoured Areas” (LFA) through the “*exogenous*” instrument of livestock headage payments. Ameliorating population decline was consistently cited as a key justification for this policy.

The meta-strategies of Agenda 2000, the Lisbon Strategy, and EU2020, had a wide-reaching impact upon policy development and implementation, and feature strongly in the story of interventions to address shrinking. At a lower level there were also a number of policy driven analytical discourses which cannot be ignored.

In this document we will seek to describe how the EU policies named in the lower three layers of Figure 1 responded to the needs of shrinking rural areas within the context of the events, thinking, and strategies shown in the upper part of the diagram. We will focus first on Rural Development Policy (CAP Pillar 2), followed by Cohesion Policy, and finally by a selection of discourses and initiatives which do not fit into the more formal policy framework, but which are very relevant to the needs of shrinking rural regions.

Figure 1: Timeline of European Policy for Shrinking Rural Areas in Context



3 Rural Development

It is hard to understate the complexity of the story of EU Rural Development policy, with its “twists and turns”. This is, in large part, the consequence of the presence of powerful interest groups, adept and agile in adapting to the changing policy context and societal goals. Our focus upon rural depopulation leads us to pay particular attention to Less Favoured Area (LFA) policy from the mid-1970s until the early years of the new century. From 2000 onwards we consider measures to support “wider rural development” within the context of the evolution of Pillar 2 Rural Development Plan (RDP) structures.

3.1 The Rise and Fall of the LFA Approach to Shrinking Rural Areas

The key stages in the history of this policy are defined by a series of regulations, which set out its objectives, and specified the criteria for geographical targeting. These regulations are listed in Table 1. The origins of LFA policy lie in the post-war agricultural policy of the UK, in which the retention of population in upland areas was perceived as a function of the survival of traditional extensive livestock breeding systems. This logic was transferred to the LFA regulations, as is clearly evidenced by the quotations provided in Table 1. This logic is most applicable to the North and West of Europe, less so in the countries of the South. By the turn of the century LFA policy was in need of reform, for several reasons. These included the fact that imprecisions in criteria had allowed an increasingly large proportion of the MS area to be designated, so that costs were escalating, and the livestock rearing sector was increasingly dependent upon subsidies. At the same time depopulation of the uplands continued apace. As part of the Agenda 2000 reform LFA policy was subsumed into Pillar 2. By 2005 its socio-economic objectives were deemed to have been picked up by other Pillar 2 measures (see below), but it continued, with primarily environmental goals, changing its name to Areas of Natural Constraint (ANC). ANC policy is still an important element of Rural Development Programmes of a number of Northern Member States, and it seems likely that its original justification (retaining a farming population in uplands and other marginal areas) lives on in the collective policy consciousness of these countries.

Table 1: Key milestones of LFA Policy

Year	Milestone Description	Reference
1975	First LFA regulation – with the objective “to ensure the continuation of farming, thereby <i>maintaining a minimum population level</i> or conserving the countryside in certain less-favoured areas” (Article 1). This set up the compensatory payment system for farmers in the LFA, which continues today in a highly modified form as payments for Areas facing Natural Constraints (ANC).	European Council (1975) Directive 75/268/EEC ... on mountain and hill farming and farming in certain less-favoured areas, Official Journal L128/1, Brussels .
1985	Second LFA Regulation – which was intended to ensure that structural changes in farming “contribute to the <i>overall economic and social development</i> of each region concerned” (preamble)	European Council (1985) Regulation 797/85 ... on improving the efficiency of agricultural structures, Official Journal L93/1, Brussels .
1991	Third LFA Regulation – which had as its second objective “to <i>maintain a viable agricultural community</i> and thus help develop the social fabric of rural areas by ensuring a fair standard of living for farmers and by offsetting the effects of natural handicaps in mountain areas and less-favoured areas.” (Article 1)	European Council (1991) Regulation No 2328 / 91 ... on improving the efficiency of agricultural structures, Official Journal L218/1 Brussels .
1997	Fourth LFA Regulation – which had as its third objective “to maintain a viable agricultural community and thus help develop the social fabric of rural areas by ensuring a fair standard of living for farmers and by offsetting the effects of natural handicaps in less-favoured areas” (Article 1)	European Council (1997) Regulation 950/97... on improving the efficiency of agricultural structures, Official Journal L 14271 Brussels
1999	The 1999 Rural Development Regulation , which brought LFA policy into Pillar 2 of the CAP, and made the switch from headage to area-based payments, had as one of its objectives “the maintenance and reinforcement of viable social fabric in rural areas,” (Article 2).	European Council (1999) Regulation 1257/1999 ...on support for rural development from the European Agricultural Guidance and Guarantee Fund (EAGGF) and amending and repealing certain Regulations, Official Journal L 168/80 Brussels
2003	European Court of Auditors report on LFA policy . Pointed to ever increasing area designated but unclear evidence and lack of comparability between MS	European Court of Auditors (2003) SPECIAL REPORT No 4/2003 concerning rural development: support for less-favoured areas, together with the Commission’s replies, Official Journal C151/1, Brussels
2005	Rural Development Regulation broke the link between LFA/ANC policy and social objectives – because these objectives were now to be addressed by other measures within Pillar 2.	European Council (2005) Regulation 1698/2005... on support for rural development by the European Agricultural Fund for Rural Development (EAFRD), Official Journal L277/1, Brussels . See also Alan Matthews very helpful article here .

3.2 The CAP Pillar 2 Approach – Sectoral and Lisbonised

The complex history of CAP Pillar 2 during the first two decades of this century is perhaps best understood in terms of its “funding periods”, which form the basis of Table 2. It is perhaps a truism that its evolution through these stages was not driven by the needs of shrinking rural areas, but by a range of other issues, such as the implications of enlargement (not least the budgetary consequences), the constant emphasis upon jobs, growth and innovation associated with the Lisbon and 2020 Agendas, the rising awareness of environmental issues, and subsequently, climate change. It would be simplistic to say that rural demographic issues have been “sidelined” or “squeezed out”, but there is nevertheless an element of truth in that.

It is not our intention to rehearse the evolution of Pillar 2 by programming period. This would inevitably lead to a repetition of the content of Table 2. However, several key points are worth emphasizing:

- (i) The Agenda 2000 Reform marked the end of geographically targeted “integrated” (multi-fund) programmes for the development of shrinking rural areas (see below for further detail on Objective 1, 5b and 6). “Simplification” seems to have become more important than synergy. The increasing use of the concept of “coherence” (between Pillar 2 and Cohesion Policy) masked an increasing degree of independence. More elaborate joint planning documents at a MS level, in accordance with the Common Provisions Regulation (Reg 1303/2013), were accompanied by weaker coordination at regional or local levels.
- (ii) An increasingly sectoral approach within Pillar 2, strongly evidenced by the renaming of the fund “European Agricultural Fund for Rural Development”, was justified by the promotion of the concept of “multifunctionality”. In other words, support for farmers, it is claimed, is (indirectly) support for rural communities as a whole.
- (iii) The “Lisbonisation” of Pillar 2, especially as it was operationalised through evaluation targets relating to jobs and innovation, displaced the simpler goal of wider rural development, as evidenced by retention of population.
- (iv) Farm restructuring, competitiveness, and agri-environment elements of Pillar 2 have consistently accounted for a higher proportion of Pillar 2 expenditure than “wider rural development”.
- (v) The “devolution” of RDP design to the MS level, and the increasing flexibility allowed in terms of the balance of funding between different parts of the “menu” has resulted in increasing contrasts, in terms of the prioritisation of “wider rural development”, between MS, and between the East and West of Europe.

Table 2: Key Phases of CAP Pillar 2

Years (Funding Periods)	Headlines (capacity to address shrinking)	Approach to, and Prioritisation of Shrinking Rural Areas	Key References
<p>1995-99 <i>Counting the cost of Enlargement</i></p>	<ul style="list-style-type: none"> - Agenda 2000 planning - Preparing for the implications of eastward expansion of EU. 	<p>1995 Madrid Council recognised need for various reforms (including CAP) in preparation for Enlargement. 1997 Agenda 2000 Commission Communication – “For a Wider and Stronger Union” set out ideas for separating “accompanying measures” into Pillar 2., and MS Rural Development Programmes to coordinate measures.</p>	<p>European Commission (1997) For a Wider and Stronger Union, Bulletin of the European Union, Supplement 5/97</p>
<p>2000-06 <i>Genesis of Pillar 2</i></p>	<ul style="list-style-type: none"> - Pillar 1/2 separated. - Increased role of MS in RD planning and delivery - Integration at a regional level reduced. - Sectoralisation based on multifunctionality - Rising emphasis on agri-environment. <p>These shifts began to “squeeze out” territorial concerns about shrinkage, and constrained Pillar 2’s ability to respond.</p>	<p>Pillar 2 measures implemented within Rural Development Programmes (RDPs) at MS (or region) level, drawing from a menu of 22 rural development measures.</p> <p>The key part of the Regulation (1257/1999) for shrinking rural areas was Article 33 “Promoting the adaptation and development of rural areas”.</p> <p>Coordination of Pillar 2 with other Cohesion Policy shifted from (Objective 1 and 5b) region level to MS level.</p> <p>Shift away from integration towards sectoral emphasis in which local development benefits (incl. demographic) were assumed to depend upon the “multifunctionality” of agriculture. This was effectively a generic intervention logic.</p> <p>There was an increasing focus on agri-environment, especially in NW MS.</p> <p>Complicated funding arrangement through EAGGF (Guidance) in Objective 1 regions, and by EAGGF (Guarantee) elsewhere.</p>	<p>Regulation 1257/1999</p>

Years (Funding Periods)	Headlines (capacity to address shrinking)	Approach to, and Prioritisation of Shrinking Rural Areas	Key References
<p>2007-13 <i>Reinforcement of the sectoral approach</i></p>	<ul style="list-style-type: none"> - Pillar 2 structured into “Axes” - MS must allocate at least 10% expenditure to “Wider Rural Development”. - E-W contrast develops in the prioritisation of RDPs. - The generic intervention logic combines multifunctionality and remuneration for public goods. - Establishment of EAFRD underlines sectoral approach and weak (top down) integration with other Structural Funds. 	<p>The number of measures is extended to 34 (+ LEADER) These are divided into 3 “axes”, focused on farm structures, the environment, and “wider rural development”. LEADER considered as Axis 4. MS develop own RDPs but are constrained to allocate 10% of funding to Axis 3 Contrast in balance of RDPs (in terms of Axes) emerges. Western and Northern MS weighted towards Axis 2 (environment) Eastern and Southern spend more on Axis 1 (farm structures) and Axis 3 (wider rural development). Compensation for public goods delivered by agriculture joins multifunctionality as generic intervention logics. EAGGF superseded by EAGF and EAFRD as funds for Pillar 1 and Pillar 2 respectively. The title of the Pillar 2 fund underlines the fact that support for rural areas was primarily to be channelled through the farming sector. It also underlined the independence of RD programmes from Pillar 1 (and other Structural Funds), with which it was only necessary to show connections at a national level (regional level in some MS).</p>	<p>European Commission (EC) (2008) Factsheet: EU rural development policy 2007–2013</p>

Years (Funding Periods)	Headlines (capacity to address shrinking)	Approach to, and Prioritisation of Shrinking Rural Areas	Key References
<p>2014-20 <i>Good intentions of balanced territorial development squeezed by environment and climate change</i></p>	<ul style="list-style-type: none"> - First strategic objective reflects the “Lisbonisation” of Pillar 2. - Third strategic objective has potential to address needs of shrinking rural areas... - However relatively low allocation to Priority 6 in most MS, and crude targeting objectives probably weakens effectiveness. - Overall, the focus on environment and climate change has tended to “drown out” the needs of shrinking rural areas. 	<p>Pillar 2 has 3 Strategic Objectives: Investing in Rural Jobs and Growth... Ensuring the sustainable management of natural resources, and climate action... Achieving a balanced territorial development of rural economies and communities...</p> <p>21 measures re-organised into 6 “priorities” Most directly relevant to Shrinking is Priority 6 “Social Inclusion and Economic Development”.</p> <p>This further breaks down into 3 “focus areas”, concerned with diversification, SMEs and job creation, local development (including LEADER) and ICT (accessibility, quality and use.) No minimum spending limits for priorities.</p> <p>P6 accounts for 15% of planned expenditure across the EU – compares with 44% for P4 (Ecosystems in agriculture and forestry) and 20% for P2 (Farm viability competitiveness, sustainable forest management).</p> <p>>20% for P6 in BG, RO, DE, SE and HU. In all these (and most other MS) focus area 6b (LEADER and Village Renewal) has the largest share of funding. P6 accounts for 10% or less in 9 MS. Targets set for the rural population benefitting from improved services, covered by local development programmes, and benefitting from improved ICT infrastructure.</p>	<p>Priority and Focus Area summaries, together with various other documents are available from the ENRD.</p>

3.3 LEADER

One of the earliest founded and most enduring “Community Initiatives” was LEADER, which pioneered a “neo-endogenous” approach to local development. Many Local Action Groups (LAGS) have prioritised tackling the issue of rural shrinking. In some MS, LEADER has been the key (EU funded) response to depopulation, while Pillar 2 has focused upon environmental and competitiveness issues. In the most recent planning period the promotion of multi-fund Community Led Local Development (CLLD) has coincided with the “mainstreaming” of LEADER as part of Priority 6 of Pillar 2. These seemingly mixed messages have been associated with a slow take-up of the multi-fund option.

4 Cohesion Policy's approach to Shrinking Rural Areas

Although the story of EU's regional (Cohesion) policy has, since the 1990's, been structured by the same funding periods which featured in the evolution of CAP Pillar 2, there is a sense in which the former has exhibited a greater degree of continuity, or rather incremental change. This means that it is more appropriate to structure this discussion of its changing relationship with shrinking rural areas in terms of key aspects of Cohesion Policy, rather than in terms of discrete stages of development. The aspects that we have chosen are: (i) Geographical Targeting, (ii) Development Paradigm and (iii) Governance and Coherence.

4.1 Geographical Targeting

The approach to geographical targeting of EU Cohesion policy was originally formulated between 1988 and 1999. During this period regional policy was structured by five (later 6) Objectives, of which four were targeted on designated regions. The key objectives for shrinking rural areas were 1, 5b and, (following the accession of Sweden and Finland in 1995) Objective 6. Objective 1 was targeted on NUTS 2 regions with a GDP per capita of less than 75% of the EU average. At that time this designation included both shrinking rural regions (such as the Highlands and Islands of Scotland) and urban areas affected by structural change. Objective 5b covered NUTS 3 regions with a relatively low GDP per capita, but which also met two out of three additional criteria: (a) a high share of employment in agriculture, (b) low agricultural incomes, and (c) a low population density or a significant depopulation trend. Objective 6, provided assistance for regions with a population density of less than 8 persons per square kilometre. Objective 1 has endured, through to the present day (but now called "Less Developed" regions).

Objective 5b and 6 were discontinued for the 2000-06 programming period, to be replaced initially by Objective 2, "regions facing major changes in the industrial services and fisheries sectors, rural areas in serious decline and disadvantaged urban area", and in subsequent periods by various "transitional", "phasing in" and "phasing out" categories.

A review of the sequence of [eligibility maps](#) shows that the majority of shrinking rural areas in the East and South of the EU have been designated within the Objective 1/Less Developed category for the entire period since 1988. Many of the shrinking rural regions in other parts of the EU have gradually passed from Objective 5b to 2, and (if their GDP per capita is between 75% and 90% of the EU average) into the Transitional category, or (GDP per capita >90%) the "More Developed" category.

The significance of the fact that the most severely shrinking regions have consistently received the "highest" designation in terms of Cohesion Policy targeting is that it means that they have been the recipients of relatively high levels of funding. On the other hand, the crudeness of GDP per capita as an allocation indicator, and the low level of "granularity" of NUTS 2 regions are less helpful. Funding allocations to NUTS 2 regions can have very different impacts upon

shrinking rural areas, depending upon what the money is spent on, and what kind of development is envisaged. This leads us to the second theme.

4.2 Development Paradigm

In very broad terms the difference between the underlying approach of Structural Fund policy of the last decades of the 20th century, and that of the first two decades of the 21st century, is that a philosophy of addressing disadvantage has been (at least ostensibly) replaced by a focus upon realising local and regional potential. Since 2000 there is a sense in which it has been slightly politically incorrect for interventions to address territorial handicaps, rather than unlocking potential. This has gone hand in hand with “Lisbonisation”, and a focus upon “jobs, growth and innovation”. More specifically, DG Regio has strongly espoused the principles of “place-based policy” (Barca *et al* 2012), which (like neo-endogenous rural development) seeks to build upon local territorial assets and capacities. The emphasis upon innovation-led growth and knowledge-based economic activity has been tempered by “smart specialisation” (Da Rosa Pires *et al.* 2014), which emphasises the fact that each locality needs to seek out innovation which builds upon its unique territorial capital, rather than trying to mimic an inappropriate “Silicon Valley” development model.

Of course, both place-based development and smart specialisation would appear very well adapted to the needs of rural regions. The fact that Cohesion Policy has not more successfully addressed the issue of rural depopulation is at least in part due to an even more deep-rooted assumption within the regional policy community. This relates to (neoliberal theories regarding) the link between agglomeration, innovation and growth, and hence the role of cities and towns. The strength of the “cities as engines of growth” assumption among regional policy practitioners has meant that shrinking rural regions have received a lower priority and less attention.

The quest for more appropriate monitoring and evaluation of progress towards Lisbon goals has meant that counting jobs created has become a key to measuring success. In these terms it is perceived to be easier to demonstrate “value for money” in Cohesion Fund expenditure in cities and towns, rather than in (shrinking) rural areas. The implementation of Cohesion Policy programmes at NUTS 2 (or MS) level has meant that it is easy to fall back on assumptions of spread effects to rural areas as a justification for the concentration of funds on cities and towns.

In some MS, especially in the east, investment in transport infrastructure has added to the disproportionate distribution of benefits to urban areas, due to a form of unintended consequence known as “pump” effects, whereby improved accessibility of Central Places result in rural-urban migration of both economic activities and people.

In parallel with this second aspect of the development of Cohesion Policy it is important to recognise the relevance of the ongoing debate about urban-rural linkages and partnerships which extended over much of the last two decades, and is indicative of awareness of the shortcoming of assumptions about “spread effects” which were/are implicit in the mainstream “cities as engines of growth” concept. The debate was long-running and complex, and it has

been described in detail elsewhere (Copus 2015). Although its theoretical roots stretch further back, its “reflowering” was initiated by the publication of the European Spatial Development Perspective (ESDP) in 1999 (EC 1999). During the first decade of the new century a recognition of shortcomings in “spread effects” was, on the one hand, in the field of governance, translated into urban-rural “partnership” experiments (Kawka et al 2012, OECD 2013), and on the other, (in the UK in particular) into a neo-liberal “city region” approach (Copus 2018). What is important about both these outcomes is that they both draw attention to the inadequacy of assumptions about “spread effects”. Urban-rural cooperation is only necessary because spread effects are not bringing benefits to the countryside. City-region approaches have a poor record of delivering benefits outside immediate commuting hinterlands, and in remoter parts of Scotland have mutated into form of exogenously-funded place-based development strategy (Copus 2018).

4.3 Governance and Coherence

A key issue in terms of governance is the degree to which there is, or could be, synergy between Cohesion Policy and other EU policies, such as CAP Pillar 2, in tackling the issue of shrinking at a local or regional level. During the last two decades of the 20th century the concept of “integrated” development programmes was experimented with, initially in the form of the Integrated Mediterranean Programmes, and the IDP for the Outer Hebrides, and later through Objective 5b and 6. However the experience with Objective 5b areas, in particular, highlighted the difficulty of aligning administrative procedures across the Funds involved (EAGGF, ERDF and ESF), and with the turn of the century came an emphasis upon “simplification” combined with “Coherence” (as opposed to “Integration”). Although under the framework set up by the Common Provisions Regulation, ERDF-funded programmes are required to be “coherent” with (for example) CAP Pillar 2 programmes, at the MS level, as the ESCAPE case studies have highlighted, the degree of synergy at a regional or local level varies considerably.

5 Smart Villages as a Response to Shrinking

The Smart Villages initiative falls into the category of “Policy Driven Analytical Discourses” (Main Report Figure 1). It was a key element of the Commission’s response to the Cork 2.0 Declaration. It could perhaps be described as a “pilot strategy”. It comprises both commissioned research projects and pilot development projects. It is not (yet) formally part of CAP Pillar 2, although this will normally be its principal funding source. At the same time, in the spirit of Cork 2, there are strong links to different parts of the Commission, and policy areas, especially in relation to digitisation. There is a sense in which it has become an elastic concept, a “portmanteau buzz word”, and because of this it is increasingly difficult to “tie down” to a clear definition. This note on the Smart Villages discourse seeks to summarise the key elements of the emerging concept, and to provide an assessment of its potential as an instrument for tackling rural shrinking.

With the establishment of a representative European [Network](#), smart villages have evolved into a campaigning movement which seeks to provide mutual support to individual initiatives, and to influence the future of European local development policy.

5.1 Key Features of the EU Smart Villages Concept

The ENRD have adopted the following definition of Smart Villages:

“Smart Villages are communities in rural areas that use innovative solutions to improve their resilience, building on local strengths and opportunities...”

This is a quotation from the final report of the pilot project on Smart Eco-Social Villages (Ecorys et al 2019, p60), which continues:

“...They rely on a participatory approach to develop and implement their strategy to improve their economic, social and/or environmental conditions, in particular by mobilising solutions offered by digital technologies. Smart Villages benefit from cooperation and alliances with other communities and actors in rural and urban areas. The initiation and the implementation of Smart Village strategies may build on existing initiatives and can be funded by a variety of public and private sources.”

The Smart Village network, in its founding [declaration](#) stated “We... believe that ‘smart villages’ are ones that develop strategic, community-led approaches based on a village’s assets and opportunities, taking advantage of digital and other modern technologies where relevant.” Subsequently a [blog](#) by Edina Ocsko has argued for an operational definition, which focuses on local development process.

The word “smart” in this context has acquired a complex meaning and a range of associations, which Ecorys et al 2019 (p22-29) attempt to unpack. It has a chameleon-like facility to adapt to different contexts but seems to incorporate four principal elements: (a) An endogenous, local community-based or “bottom up” approach. (b) A focus upon local challenges and local territorial assets, as a basis for development. (c) A digital, new technology, or knowledge-based

element. (d) An element of involvement raising, through collaboration between public, private and third sector actors, across urban and rural areas, and different levels of governance.

The Ecorys pilot project reviewed 15 examples of best practice and implemented six case studies of rural communities which were working to become “smart villages”. The overall lessons to be drawn from these were said to be three-fold:

- (i) That although the concept of smart villages was a recent one, many pre-existing local initiatives could be said to fall within its definition (Ibid p110).
- (ii) That although there was great variety in examples of smart village initiatives there were common features, which are summarised in the definition (above), and “include the importance of citizen participation, the presence of adequate governance and the use of an ‘anchor’ project in steering the strategy towards a specific objective” (Ibid p111).
- (iii) Finally; “appropriate support to the development of Smart Villages must be provided at EU, national and regional levels” (Ibid p111). This support would take the form of funding, advice, and provision of adequate broadband networks.

Before moving on to consider the links between smart villages and the debate about “smart shrinking” some reflections specifically relating to shrinking rural areas and their policy needs may be helpful:

- A number of the best practice examples, and the case studies in the report make specific reference to population decline as a key challenge.
- However, none of them seem to have mitigation of demographic trends as an explicit objective. Adaptation, expressed in terms of improvements to the quality of life of local residents, is the consistent response.
- This adaptation commonly takes the form of improving the quality and accessibility of services.
- Digitalisation often supports this strategy – but it is generally more of a facilitator than a driver.

One is very much left with the impression that “Smart Villages” is “old wine in new bottles” – it is a neo-endogenous, place-based strategy, facilitated by digital technologies and communication. To recognise this is not to in any way undervalue its potential, rather it is to dispel potential misunderstandings about its pedigree. In the use of the word “smart”, there is undoubtedly an implicit reference to “[Smart Specialisation Strategies](#)” (Da Rosa Pires *et al.* 2014, Dax *et al.* 2020). Within this context, the word “smart” is not so much about new technology as about contextual appropriateness. Thus the “Smart Village” concept probably owes more to the community development tradition, and social innovation, than it does to digitalisation or new technology.

5.2 Smart Shrinking as an implicit agenda?

Although neither the Final Report of the Pilot Project, or the ENRD web page makes any direct reference to it, it is hard to deny the resonance that the Smart Villages discourse has with the literature on “smart shrinking” in an urban context (Rink et al 2009, Hollander, and Németh 2011, Peters et al 2017). Peters *et al*, for example, describe continuing population decline in small towns of the rural Midwest, which they attribute to structural changes in agriculture and associated industries. Some towns, they argue, have “withered”, whilst others have managed to maintain or improve the wellbeing of their inhabitants, in a process of “smart shrinking” whereby service provision and community life adapts to the needs and the constraints of a smaller population. The key determinants of the response to shrinking are not geographical, or economic, but “soft” characteristics of the community, leading the authors to conclude (p8) that the key lesson to be learned is the need to “enhance bridging social capital, increase civic engagement, and create a culture of openness and support.”

Since the concept of “smart shrinking” predates the advocacy of “smart villages” by the European Parliament, DG Agriculture and the ENRD, it is hard to avoid the conclusion that adaptation to (rather than mitigation of) demographic trends, is strongly implicit within the latter. This conclusion is reinforced by the fact that many of the examples of (smart village) good practice cited by the Pilot Project acknowledge the irreversibility of population decline, and that the only way forward is to adapt.

5.3 Reflections

We have argued that the “Smart Villages” concept is a rather nebulous and flexible one, and that it is widely viewed as a potential approach to the challenges faced by shrinking rural regions. We believe that it is almost invariably an adaptive strategy, for which altering the demographic trajectory is not a realistic option. It relies heavily upon social capital. Digitalisation and new technology often have necessary facilitating roles, but are insufficient in the absence of appropriate human capital and community capacity. There are obvious parallels with the OECD’s Rural Policy 3.0.

6 Functional Urban Areas and Functional Rural Areas

The FUA concept originated in the context of the spatial analysis of labour markets. It later provided the starting point for “City Region” approaches to regional development (Copus 2018), which in some ways were the ultimate expression of the “cities as the engines of growth” concept which has been so influential in European (and in many cases) national, regional policies. More recently the “flip side” (rural areas outside and remote from FUAs) has been explored in the context of the OECD’s Rural Policy 3.0. In a separate initiative staff within DG Agriculture have been pondering the notion of “Functional Rural Areas” (FRA). We will briefly describe these below.

6.1 A new OECD regional typology

The Eurostat urban-rural typology of NUTS 3 regions which is integral to the operational definition of shrinking rural areas (Main Report Section 3) was developed as the European component of an OECD typology (Brezzi et al 2011). This distinguished Predominantly Urban (PU), Predominantly Rural (PR) and Intermediate regions (IR), on the basis of the proportion of each region’s population living in constituent Local Administrative Units (LAU) with higher population densities. In a subsequent refinement the PR and IR regions were divided into “accessible” and “remote” subgroups. This clearly reflects the recognition that the character and economic performance of “non-urban” areas tends to vary according to their location relative to cities. More recently, as part of the presentation of the OECD’s Rural Policy 3.0, this feature has been addressed in a more direct way, through a new typology, which classifies rural regions into three groups:

1. *Rural areas within a Functional Urban Area (FUA) – these rural areas are an integral part of the FUA, which consists on an urban centre surrounded by a commuting zone. As part of commuting zones, the development of these rural areas is integrated to that of the FUA.*
2. *Rural areas with access to a FUA – these areas have strong linkages to a nearby FUA, but may not be part of its labour market. There are flows of goods, ecosystem services and other economic transactions between them. While the urban and regional economies are not integrated, much of the development of rural areas is linked to the FUA. Close to 80% of the rural population in OECD countries lives in this type of rural region.*
3. *Remote rural areas – these areas are distant from a FUA. Connections to FUAs largely come through market exchange of goods and services. Personal interactions outside the rural area are limited and infrequent, but there are good connections within the region. The local economy depends to a great extent on exporting the output of primary activities. Growth comes from building upon areas of absolute and comparative advantage, improving connectivity to export markets, matching skills to areas of comparative advantage and improving the provision of essential services. (OECD 2016 p6)*

The technical details of the classification methodology are explained in Fadic et al. (2019).

The OECD's analysis compares these three types of rural area with urban areas in terms of their ability to develop competitive tradeable service industries, and identifies an increasing disparity of performance. They observe:

“In the past spatial inequalities were regarded as a natural process of development that could be resolved through labour mobility or compensation. However, there is now increased interest in these sustained and growing inequalities between metropolitan and rural areas, which has also been referred to as a “geography of discontent”. Generating hope and opportunity for rural communities, particularly those outside the direct influence of large cities, is important to the future growth and cohesion of OECD countries.” (OECD 2016 p12)

Clearly this narrative, and the proposed policy responses, are highly relevant to shrinking rural regions. Direct comparisons between the regions defined as shrinking within the context of the ESCAPE project (Main Report Section 3) and the OECD's new FUA typology are not quite straightforward, due to differences between the OECD's Territorial Level 3 and NUTS 3. However it appears that correspondence between the OECD's typology and the incidence of shrinking rural regions is not as close as one might expect, probably as a consequence of the size and variability of NUTS 3 regions (MAUP effects).

Key points from Rural Policy 3.0, which are directly relevant to European Shrinking Rural Areas include:

- A focus on people and their wellbeing rather than economic sectors and competitiveness.
- A strong emphasis upon the the multiplicity of rural areas/contexts, rather than an urban-rural dichotomy.
- A recognition that new technology and future megatrends provide new opportunities for rural development.
- An acknowledgement of the need to adapt to demographic trends in the provision of services.
- Recognition of the opportunities for rural areas associated with a transition to a carbon-neutral economy.

6.2 DG Agriculture's FRA initiative

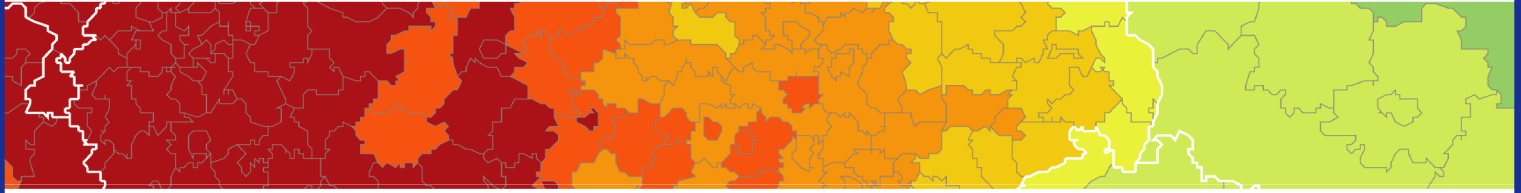
The concept of “Functional Rural Areas” was mentioned during interviews at DG Agriculture (Meredith 2020a [Annex 3]). Information regarding this initiative is available on the ENRD website, as it formed part of a seminar in May 2020 on the subject of “[Data management for the assessment of RDP effects.](#)” The starting point for this initiative is the perceived need for a single (EU) definition of rural areas in a monitoring and evaluation context. It is important to understand the semantics of “FRA”. The concept is not strictly a parallel to FUA, which in simple terms is the area around a city which is affected by urban functions, i.e. its “hinterland”. Rather the objective is to identify areas which are “functionally rural”. Confusingly it appears that such areas can be within FUAs. The basis for the definition of FRAs is stated to be population density. This core identifier is said to be accompanied by other indicators, although they are yet to be specified. In response to a question it was stated that it was not intended that FRAs should

form the basis of the area within which the RDP measures of the new programming period would operate – this would remain at the discretion of MS.

The relevance of the FRA concept to Shrinking Rural Areas, or policy to address them is not immediately apparent, and it seems that some basic conceptual challenges remain to be addressed.

References

- Barca, F., McCann, P. and Rodríguez-Pose, A., 2012. The case for regional development intervention: place-based versus place-neutral approaches. *Journal of regional science*, 52(1), pp.134-152.
- Brezzi, M., L. Dijkstra and V. Ruiz (2011), "OECD Extended Regional Typology: The Economic Performance of Remote Rural Regions", OECD Regional Development Working Papers, No. 2011/06, OECD Publishing, Paris, <https://doi.org/10.1787/5kg6z83tw7f4-en>.
- Copus A K (2010) [New Relationships Between Rural and Urban Areas in EU Countries](#). Invited paper presented at "The territorial approach in agricultural and rural policies. An international review." 4-.5th November 2010, Rome.
- Copus A (2018) [Inter-dependencies between Rural Areas, Small Towns and Urban Areas. What could be the Benefits to Rural Areas from Scotland's City Region Deals?](#) Working Paper RESAS RD 3.4.2 Place Based Approaches and their implications for Policy and Service Delivery.
- da Rosa Pires, A., Pertoldi, M., Edwards, J. and Hegyi, F.B., 2014. Smart Specialisation and innovation in rural areas. S3 Policy Brief Series, 9, p.2014.
- Dax, T., Cappellari, T. and Lévéque, M. (2020) *The Aosta Valley's Smart Specialization Strategy*. In: Sustainable Mountain Development Series. Centre of Development and Environment (CDE), University of Bern, 20-21.
- Ecorys, RED, and Origins for Sustainability (2019) Final Report: Pilot Project Smart Eco Social Villages. Available at <https://op.europa.eu/en/publication-detail/-/publication/9ff90911-a0c9-11ea-9d2d-01aa75ed71a1/language-en>
- European Commission (EC) (1999) [European Spatial Development Perspective \(ESDP\). Towards Balanced and Sustainable Development of the Territory of the European Union](#). Brussels.
- Fadic, M., Garcilazo, J., Monroy, A., Veneriet, P. (2019), "Classifying small (TL3) regions based on metropolitan population, low density and remoteness", *OECD Regional Development Working Papers*, No. 2019/06, OECD Publishing, Paris, <https://doi.org/10.1787/b902cc00-en>
- Hollander, J.B. and Németh, J., 2011. The bounds of smart decline: A foundational theory for planning shrinking cities. *Housing Policy Debate*, 21(3), pp.349-367.
- Kawka, R., Artmann, J., Huttenloher, C., Scholze, J., (2012) [Partnership for sustainable rural-urban development: existing evidences](#). Report for European Commission DG Regio, Rurban project (2011.CE.16.0.AT.017).
- OECD (2013), *Rural-Urban Partnerships, An Integrated Approach to Economic Development*, OECD Rural Policy Reviews: Paris: OECD
- OECD (2016), "Rural Policy 3.0", in *OECD Regional Outlook 2016: Productive Regions for Inclusive Societies*, OECD Publishing, Paris, <https://doi.org/10.1787/9789264260245-7-en>.
- Peters, D.J., Fisher, H. and Zarecor, K., 2017. *Shrink-Smart Small Towns: Communities can still thrive as they lose population*. Iowa State University Extension and Outreach Publications 486. Available at https://lib.dr.iastate.edu/extension_pubs/486
- Rink, Dieter, Annegret Haase, Matthias Bernt, and Katrin Großmann. "Shrink Smart." Fp7 Project. Workpackage1: Specification of Working Model (2009). Available at https://www.ufz.de/export/data/400/39030_D9_Research_Brief_FINAL.pdf
- Visvizi, A., Lytras, M.D. and Mudri, G. (Ed.) *Smart Villages in the EU and Beyond* (Emerald Studies in Politics and Technology), Emerald Publishing Limited, pp. 1-12. <https://doi.org/10.1108/978-1-78769-845-120191002>



ESPON 2020 – More information

ESPON EGTC

4 rue Erasme, L-1468 Luxembourg - Grand Duchy of Luxembourg

Phone: +352 20 600 280

Email: info@espon.eu

www.espon.eu, [Twitter](#), [LinkedIn](#), [YouTube](#)

The ESPON EGTC is the Single Beneficiary of the ESPON 2020 Cooperation Programme. The Single Operation within the programme is implemented by the ESPON EGTC and co-financed by the European Regional Development Fund, the EU Member States and the Partner States, Iceland, Liechtenstein, Norway and Switzerland.