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Evolution of the Budget Dedicated for Rural Development Policy

This report was written by Rosella Soldi (main author)
(Progress Consulting S.r.l., Italy & Living Prospects Ltd, Greece).

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List of acronyms

AM	Accompanying Measures
CAP	Common Agricultural Policy
CF	Cohesion Fund
CI	Community Initiative
CMO	Common Organisation of the Markets
DG	Directorate-General
EAFRD	European Agricultural Fund for Rural Development
EAGGF	European Agricultural Guidance and Guarantee Fund
EAGF	European Agricultural Guarantee Fund
EC	European Commission
EP	European Parliament
ERDF	European Rural Development Fund
ESIF	European Structural and Investment Funds
ESPON	European Spatial Planning Observation Network
EU	European Union
EUR	Euro
FIFG	Financial Instrument for Fisheries Guidance
GDP	Gross Domestic Product
IIA	Inter-institutional Agreement
LAGs	Local Action Groups
LEADER	*Liaison Entre Actions de Développement de l'Économie*
LFAs	Less Favoured Areas
MFF	Multiannual Financial Framework
MS	Member States
NUTS	Nomenclature of Territorial Units for Statistics
RD	Rural Development
RDP	Rural Development Policy
RDPs	Rural Development Programmes
SAPARD	Special Accession Programme for Agriculture and Rural
SEA	Single European Act
TRDI	Temporary Rural Development Instrument

Summary

The aim of this study is to provide an overview of the European Union (EU) **budget dedicated to rural development since 1993**. Primarily, the **funding of the rural development policy** (RDP), originally through the European Agricultural Guidance and Guarantee Fund (EAGGF) and afterwards through the European Agricultural Fund for Rural Development (EAFRD), is considered. In addition and as far as data allow, the analysis also refers to the **funding made available for rural areas** through the European Regional Development Fund (ERDF), the European Social Fund (ESF), and the Cohesion Fund (CF).

The analysis covers **four multiannual financial frameworks** (MFFs), each lasting seven years (i.e. 1993-1999, 2000-2006, 2007-2013, and 2014-2020). This provides the opportunity to appreciate the macro evolution of EU policies in the rural development domain from an historical viewpoint, as the headings of the financial perspectives partially reflect the political priorities of the concerned programming periods. The analysis refers to commitment and/or payment appropriations, according to data availability. The current MFF (2014-2020) is analysed in terms of commitment appropriations only, as data on payments are partial and provisional.

The rural development policy was budgeted under the 'Structural Funds' heading in the 'Delors II package' (1993-1999) but it was successively moved under the 'Agriculture' heading in the following 'Agenda 2000' (2000-2007). The 'Agenda 2000' represents a turning point for rural development as the policy was separated from the structural allocations and introduced as a second pillar of the common agricultural policy (CAP). Notably, the inclusion of rural development within the frame of the CAP, typically a sectoral-oriented policy, has been considered by some to have negatively affected the territorial or 'place-based' character of the RDP and hence its capacity to contribute to cohesion objectives (see literature review in Crescenzi *et al.*, 2015). Also the 2007-2013 programming period reflects an important change of the policy as the new fund for rural development, the EAFRD, started operating on an independent legal basis disentangled from the cohesion policy. It is also within this programming period that LEADER ('*Liaison Entre Actions de Développement de l'Économie Rurale*') stops being a Community initiative (CI) and instead becomes a set of measures funded under the EAFRD.

According to the findings of the analysis, some main conclusions may be drawn:

- For the first time since the 'Delors II package' (1993-1999), in the current programming period the RDP has been allocated a decreasing share of the total MFF resources through the EAFRD (9.2% in 2014-2020 vs. 9.9% in 2007-2013).

- The average funding of RDP at the EU level masks substantial differences at the national level, with 15 Member States having higher envelopes for rural development in the current MFF (2014-2020) compared to the previous one (2007-2013).

- The financing of LEADER has been constantly increasing since 1993 but the share of resources dedicated to it within the total financial envelopes of the various MFFs continues to be at modest levels (0.6% in the last two programming periods).

- The support of the ESF and of the CF to the development of rural areas has been minimal across all the considered programming periods, including the current one.

- The support of the ERDF to the development of rural areas was significant in terms of size in the previous programming period (MFF 2007-2013) but up to now such an important contribution has not been confirmed in the current MFF.

In conclusion, the current programming period (MFF 2014-2020) has a planned total (i.e. from all considered funds) allocation for RD which appears to be (i) much lower than the RD allocation of the previous programming period and (ii) mostly determined by a significantly lower contribution from the ERDF.

►The positive evolution of the EAGGF/EAFRD budget for rural development policy is not confirmed in the current programming period

Over the period 1993-1999, the rural development policy was financed by both the Guidance and the Guarantee Sections of the EAGGF. While the Guidance section was fully dedicated to rural development, the contribution of the Guarantee section to RD was minimal. Financial support is traceable only in terms of payment appropriations and equals **EUR 32 053 million**[1,2.] Against the

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[1] 'Commitment appropriations' are "*legally binding promises to spend money which will not necessarily be paid out in the same year but may be disbursed over several financial years*" (EC-DG BUDGET website) or, more briefly, "*legal pledges to provide finance, provided that certain conditions are fulfilled*". Payment appropriations

total MFF expenditure, **the RDP spending share for the 1993-1999 programming period is 6.3%**. On a yearly basis, this share ranges from a minimum of 4.8% in 1993 to a maximum of 7.6 % in 1999.

The funding of RDP during the successive MFF (2000-2006) is much more articulated. Namely, rural development policy was still financed through the Guidance and the Guarantee Sections of the EAGGF but also through the Temporary Rural Development Instrument (TRDI) and the Structural Adjustment Programme for Agriculture and Rural Development (SAPARD). These were used to finance RD in the newly accessed and candidate countries, respectively. Overall commitment appropriations from all these sources equal **EUR 64 379 million.** Against the total MFF commitments, the average share of **RDP financial envelope for the 2000-2006 programming period is 8.6%**. On a yearly basis, this share ranges from a minimum of 7.3% in 2000 to a maximum of 9.9% in 2006. Payment appropriations for RDP are slightly lower (EUR 62 917 million) than commitments and still represent an average share of total payment appropriations of 8.6%.

Within the following MFFs, the funding structure for RDP was simplified considerably if compared to the previous programming periods and the EAFRD becomes the fund dedicated to the financing of Pillar 2 of the CAP. **Over the period 2007-2013, commitment appropriations for RDP equal EUR 96 441 million.** Against the total MFF commitments, the average share of the **RDP financial envelope is 9.9%**. On a yearly basis, this share ranges from a minimum of 8.8% in 2007 to a maximum of 10.4% in 2009. Payment appropriations for RDP over the same period are lower than commitments (EUR 80 035 million) and represent an average share of total payment appropriations of 10.0%.

Over the period 2014-2020, EAFRD commitment appropriations for RDP equal **EUR 99 587 million.** Against the total MFF commitments, the average share of the **RDP financial envelope for the 2014-2020 MFF is 9.2%**. On a yearly basis, this share ranges, taking into account the adjustments made so far to the financial perspective, from a minimum of 4.4% in 2014 to a maximum of 12.1% in 2016. The low share in 2014 is determined by the delayed approval of the rural development programmes, which was completed by end 2015.

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refer to "*cash or bank transfers to the beneficiaries*" (EU funding glossary online) to cover incurred expenditures.

[2] Whether the amounts which are at the basis of the figures calculated in this study are expressed in constant or current prices is - when the specification is available - reported in the source documents referred to throughout the text.

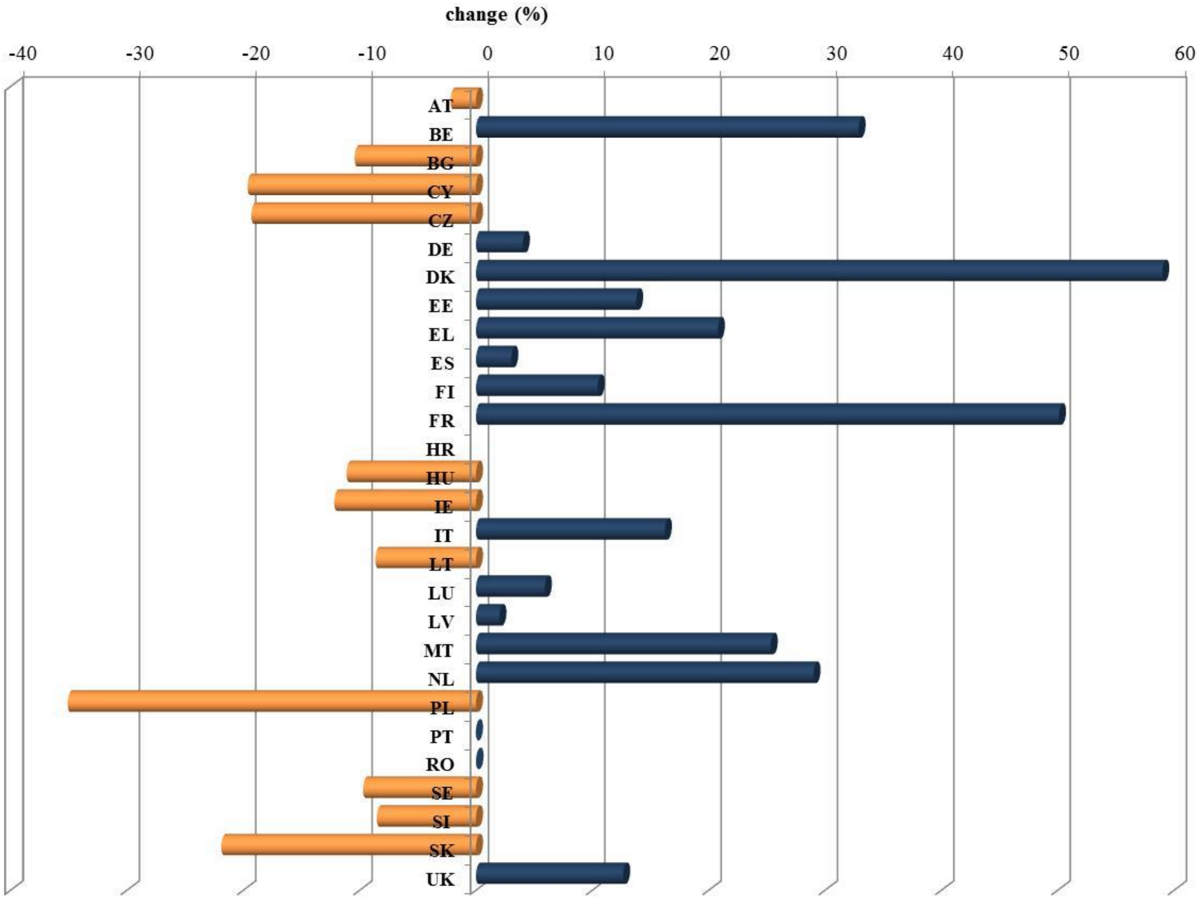
Summary of the evolution of the EAGGF/EAFRD budget

	MFF 1993-1999	MFF 2000-2006	MFF 2007-2013	MFF 2014-2020
EU financial envelope for RD (EUR million)	32 053 (*)	64 379	96 441	99 587
Share vs. total (%)	6.3% (*)	8.6%	9.9%	9.2%
Change vs. previous programming period (%)		+101%	+50%	+3%

(*) The reference is to payment appropriations which are normally lower than commitment appropriations. Therefore both the amount and the corresponding share are considered to underestimate the financial envelope available for rural development policy over the period 1993-1999.

In terms of absolute amounts, there is a sharp increase of appropriations for rural development between the first and second considered programming periods (+101%), and a significant increase between the second and the third period (+50%). On the contrary, in the last two MFFs allocations are of a comparable size. However, the minimal difference between the average financial envelopes for RDP of the last two programming periods masks more substantial differences if the national level is considered. Out of the 28 Member States (MS), 15 countries have higher envelopes for rural development in the last MFF (2014-2020) compared to the previous one (2007-2013), 11 countries have lower envelopes and two countries (Portugal and Romania) show no variation. In particular, increases are significant in Denmark and France, while there are marked decreases in Poland, Slovakia, Cyprus and Czech Republic.

National EAFRD financial envelopes for RDP: MFF 2014-2020 vs. MFF 2007-2013



The trend of the overall appropriations is confirmed by considering the per capita commitment appropriations per year. These increased from an EU average of EUR 12/capita over the MFF 1993-1999 to EUR 28/capita over the last two programming periods (2007-2013 and 2014-2020)[3]. The sharp increase between the MFF 1993-1999 and the MFF 2000-2006 is nevertheless biased by the fact that amounts in the first programming period are underestimated as they refer to payment appropriations (and not to commitment appropriations) and to spending in Objective 5b regions only. Similarly to the financial envelope for RD, a high variation exists across Member States if the average national per capita RD allocation per year is considered.

EAGGF/EAFRD per capita commitment appropriations per year

MFF	1993-1999	2000-2006	2007-2013	2014-2020
EUR/capita/year	12 (*)	22	28	28

(*) payment appropriations

[3] Per capita values invalidate the effect of the rise in the number of Member States (MS) over the years and the unavoidable increase of the absolute amounts planned for in the financial perspectives.

In the light of the importance that place-based interventions and policies have in addressing the factors of regional disadvantage, it is worth outlining the evolution of the budget dedicated to LEADER. The LEADER approach, in fact, typically emphasises this place-based nature and has been repeatedly evaluated as having a positive impact on the sustainability of development processes at the local level, particularly in rural areas (ÖIR - Managementdienste GmbH, 2003; Metis Gmbh, 2010). As mentioned earlier, LEADER was originally a Community initiative which was later (2007) integrated under the operations of the EAFRD to become an integral element of rural development planning of countries and regions. The financial envelope available to LEADER has been constantly increasing over the four programming periods, with the intensification of funding being particularly substantial starting from 2007. Against a minimum funding requirement of 5%, since 2007 LEADER was allocated 6.1% and 6.9% of the EAFRD resources over the 2007-2013 and 2014-2020 programming periods, respectively.

Summary of the evolution of the budget allocated to LEADER

	LEADER II (1994-1999)	LEADER+ (2000-2006)	LEADER (2007-2013)	LEADER (2014-2020)
EU funding (EUR million)	1 795 (*)	2 107	5 919.1	6 876.4
Share of EAFRD (%)	-	-	6.1%	6.9%
Share of total MFF commitment appropriations (%)	0.4% (*)	0.3%	0.6%	0.6%

(*) payment appropriations

► A minimal (i.e. through the ESF and the CF) or fluctuating (i.e. through the ERDF) support is made available to rural areas from the other considered funds

The analysis of the evolution of the budget benefitting rural areas and sourced from the ERDF, the ESF and the CF is partially constrained by the lack of quality data on commitment and payment appropriations categorised according to a territorial dimension criterion. This is further complicated by the referencing of the 'rural area' term to different definitions across the various programming periods.[4]

[4] Over the period 1993-1999, these areas (i.e. Objective 5b) had a low level of socio-economic development and at least two of the following: high share of agricultural employment, low level of agricultural income, and low population density and/or significant depopulation trend (EC, 1996). This objective-related terminology is also

ERDF is the most important fund after the EAGGF/EAFRD towards the support of rural development. It has been contributing since the first of the considered programming periods but with a fluctuating emphasis, at least according to the data collected and analysed. Instead, both the CF and the ESF appear to have a minor role in RD funding, a conclusion which may, nevertheless, be a consequence of the lack of sufficient information on their spending in rural areas since 1993.

The most reliable categorisation of commitments for RD from the Structural Funds relates to the planning for the current programming period (2014-2020). According to such categorisation, the three funds will contribute to the development of rural areas with a share over their total allocations ranging from 7.0% (ESF) to 11.5% (ERDF).

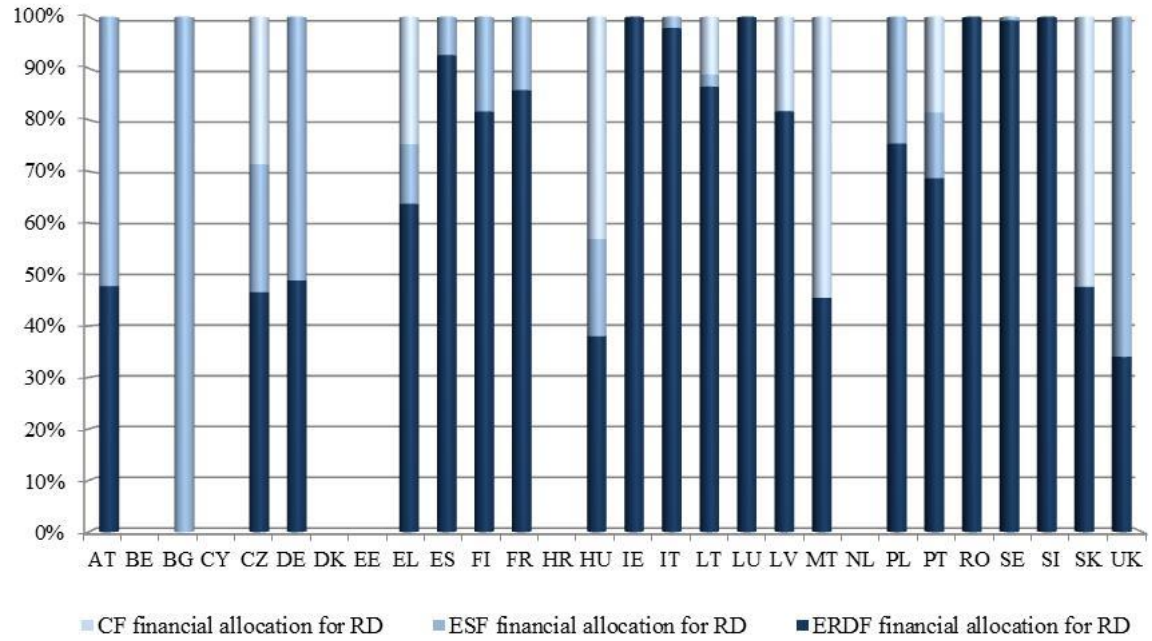
Planned share of Structural Funds' contribution to RD, MFF 2014-2020

	ERDF	ESF	CF
MFF 2014-2020	11.5%	7.0%	7.4%

The emphasis given to the use of the three funds varies greatly among countries. Some countries rely on only one fund (e.g. Bulgaria, Romania), while others prefer a balanced combination of two (e.g. Austria, Germany) or, less frequently, of three funds (where there is eligibility for support from the CF).

used in the period 2000-2006. The budget analysis for the period 2007-2013 refers to a categorisation of data at NUTS3 level based on the Eurostat definition of 'predominantly rural' areas (see: http://ec.europa.eu/eurostat/web/rural-development/methodology), while over the period 2014-2020 the categorisation refers to the degree of urbanisation and thus distinguishes rural areas as 'thinly populated' areas (see: http://ec.europa.eu/eurostat/web/degree-of-urbanisation/overview).

Relative importance of the use of ERDF, ESF and CF towards the support of rural areas, MFF 2014-2020, by Member State



Overall, EUR 132 929 million of EU financing are planned to be dedicated to rural development in the MFF 2014-2020. Out of these, 75% will be from the EAFRD, 17% from the ERDF, 4.5% from the ESF and the remaining 3.5% from the CF. This overall allocation in MFF 2014-2020 is markedly lower than the RD allocation in MFF 2007-2013 (EUR 170 189 million).

Evolution of the EU budget dedicated to rural development, all funds, EUR million

MFF	1993-1999	2000-2006	2007-2013	2014-2020	Total
EAGGF/EAFRD	32 053 (*)	64 379	96 441	99 587	**292 460**
ERDF	3 582 (*)	1 407 (*)	45 379 (*)	22 589	**72 957**
ESF	950 (*)	(**)	3 244 (*)	6 089	**10 283**
CF	0	0	2 713 (*)	4 664	**7 377**
Combined ERDF &CF			22 412 (*)		**22 412**
TOTAL	**36 585**	**65 786**	**170 189**	**132 929**	**405 489**

Notes: (*) payment appropriations; (**) = not available.

In fact, there seems to be a substantial decrease in the contribution of the ERDF to RD in the current programming period with respect to the previous one. As a consequence, the combined contribution of the EAGGF/EAFRD and of the other funds to rural development is lower in the current MFF than in MFF 2007-2013. This occurs both by considering the RD-dedicated budget as a share of total MFF appropriations (12.2% vs. 17.4%), or as a share of total Structural Funds' appropriations (21.3% vs. 32.6%).

Overview of the contribution of the funds to RD as a share of total MFF appropriations (%), per MFF

MFF	EAGGF/EAFRD	ERDF	ESF	CF	Total
2014-2020	9.2%	2.1%	0.6%	0.4%	12.2%
2007-2013	9.9%	5.8% (1) (2)	0.3%	1.4% (1) (2)	17.4%
2000-2006	8.6%	0.2%	(*)	0.0%	8.7%
1993-1999	6.3% (1)	0.7%	0.2% (1)	0.0%	7.1% (1)

Notes: Total MFF payment appropriations for the period 1993-1999, and total MFF commitment appropriations for the other programming periods.
(*) = not available.
(1) Payment appropriations.
(2) It includes 50% of combined contribution ERDF/CF to RD. The 50% share between the two funds is arbitrary.

Overview of the contribution of the funds to RD as a share of total Structural Funds' appropriations (%), per MFF

MFF	EAGGF/EAFRD	ERDF	ESF	CF	Total
2014-2020	15.9%	3.6%	1.0%	0.7%	21.3%
2007-2013	18.5%	10.8% (1) (2)	0.6%	2.7% (1) (2)	32.6%
2000-2006	19.9%	0.4%	(*)	0.0%	20.3%
1993-1999	19.4% (1)	2.2%	0.6% (1)	0.0%	22.1% (1)

Notes: Total Structural Funds' payment appropriations for the period 1993-1999, and total Structural Funds' commitment appropriations for the other programming periods, calculated as it follows:

- For the programming period 1993-1999: Heading 2 'Structural Funds'.
- For the programming period 2000-2006: Heading 1b 'Rural development', Heading 2 'Structural actions', and Heading 7 'Pre-accession aid'.
- For the programming period 2007-2013: Heading 1 'Sustainable Growth' and Heading 2 'Preservation and Management of Natural Resources' excluding the amounts dedicated to 'market-related expenditure and direct payments'.
- For the programming period 2014-2020: Heading 1 'Smart and Inclusive Growth' and Heading 2 'Sustainable Growth: Natural Resources' excluding the amounts dedicated to 'market-related expenditure and direct payments'.

(*) = not available.
(1) Payment appropriations.
(2) It includes 50% of combined contribution ERDF/CF to RD. The 50% share between the two funds is arbitrary.

Introduction

Since 1988, the European Union (EU) budget refers to multiannual financial frameworks (MFFs). Within this study, the four financial frameworks agreed since 1993 are analysed in terms of evolution of the EU budget dedicated to rural development (RD). Primarily, the funding of the rural development policy (RDP), originally through the European Agricultural Guidance and Guarantee Fund (EAGGF) and afterwards through the European Agricultural Fund for Rural Development (EAFRD), is considered. In addition, the analysis also refers to the funding made available for rural areas through the European Regional Development Fund (ERDF), the European Social Fund (ESF), and the Cohesion Fund (CF).

The first inter-institutional agreement (IIA) on budgetary discipline (the 'Delors I package') was signed in 1988 and covered a period up to 1992. The following IIA, covering the period 1993-1999, was agreed on 29 October 1993 together with the corresponding financial perspective, the 'Delors II package'. The IIA referring to the period 2000-2006 followed on 6 May 1999 (the corresponding financial perspective being known as 'Agenda 2000'), while the IIA covering the period 2007-2013 was signed on 17 May 2006. With the entry into force of the Treaty of Lisbon, the MFFs were transformed from agreements into legally binding acts. Hence, the last MFF referring to the period 2014-2020 was adopted through Council Regulation (EU, Euratom) No 1311/2013, although an IIA was still signed for the same programming period, on 27 June 2013, to cover "*the areas of budgetary discipline, cooperation in budgetary matters and sound financial management*" (EP, 2016a).

MFFs are budgetary planning tools which set the maximum amounts, or ceilings, available for each policy area in order to make spending sufficiently predictable (budgetary discipline). Usually, financial frameworks have their amounts adjusted over the 7-year duration of their programming period of reference. If the 1993-1999 MFF was revised only once and the 2000-2006 MFF was not revised, technical and political adjustments were frequently made in the subsequent MFFs[5]. These adjustments add to the yearly adjustments made in order to take inflation into account and to maintain the initial purchasing power of the agreed financial ceilings.

Still, MFFs also reflect the political priorities of the Union, in particular through the outline of the headings of the financial perspectives. The Delors II package

[5] For example, the Delors II package had to be modified further to the accession to the Union, in 1995, of Austria, Finland and Sweden. This circumstance implied the overall increase of allocations, as well as the addition of a new heading covering compensation for the three new Member States.

originally included six headings: 1) Common Agricultural Policy (CAP); 2) Structural Funds (economic and social cohesion measures); 3) Internal policies (of a horizontal nature); 4) External action; 5) Administrative expenditure (of the institutions); and 6) Reserves. A seventh heading 'Compensation' was added further to the accession of Austria, Finland and Sweden. Heading 1 on the CAP referred to "*the accompanying measures, all aid for set-aside and income aid for farmers and the Guarantee Fund for fishery products*" (EC-DG Budget, 2000). Rural development was primarily concerned with Heading 2 which covered the Structural Funds (including the ERDF, the ESF, the EAGGF Guidance Section, and the FIFG - Financial Instrument for Fisheries Guidance), and the Cohesion Fund.

The financial perspective related to the period 2000-2006 was named 'Agenda 2000' after the Commission's communication on 'Agenda 2000: For a Stronger and Wider Union'[6] which was the precursor of a series of legislative proposals leading to the 2003 reform of the CAP. The agreed perspective included two separate sub-headings under the 'Agriculture' Heading 1: one for the CAP (1a) and one for rural development (1b). This clearly reflected the introduction of rural development policy as the second pillar of the CAP. Structural funds continued to have a dedicated heading (Heading 2), while a new heading was added to support the pre-accession instruments, among which was the Special Accession Programme for Agriculture and Rural Development (SAPARD). The seven headings of the financial perspective 2000-2006 were: 1) Agriculture; 2) Structural Funds; 3) Internal policies; 4) External action; 5) Administration; 6) Reserves; and 7) Pre-accession aid. Similarly to the previous programming period, a budget heading to cover compensation for the new Member States accessed to the Union in 2004 was added at a later stage[7].

In the fourth MFF related to the period 2007-2013 the headings were substantially changed to refer to: 1) Sustainable growth; 2) Preservation and management of natural resources; 3) Citizenship, freedom, security and justice; 4) EU as a global player; 5) Administration; and 6) Compensation. Heading 1 'Sustainable Growth' covered the Structural Funds for regional policy (ERDF and CF) and for employment and social affairs (ESF). Agriculture and rural development (together with fisheries and environment) were covered under Heading 2 'Preservation and Management of Natural Resources' where a sub-heading referring to 'market-related expenditure and direct payments' was specified.

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[6] COM(97) 2000 final.
[7] Countries joining in 2004 include Czech Republic, Cyprus, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovenia, and Slovakia.

In the last and current MFF related to the period 2014-2020, there are still six headings which are similar to the ones of the previous MMF but read slightly differently: 1) Smart and Inclusive Growth; 2) Sustainable Growth: Natural Resources; 3) Security and citizenship; 4) Global Europe; 5) Administration; and 6) Compensation. Heading 1 covers, among other policy areas, social policy (sub-heading 1a) and regional policy (sub-heading 1b). Heading 2 covers the CAP, the common fisheries policy, rural development, and environmental measures and still has a sub-heading referring to 'market-related expenditure and direct payments'.

When funds other than those dedicated to the financing of the rural development policy (i.e. EAGGF Guidance and EAFRD) are considered, traceability of the budget spent for rural areas is possible only if referring to 'objectives' which are **spatially-specific** to rural areas or by means of categorisation of the expenditure.

Each programming period has a series of objectives to be pursued by the funds. These objectives have been changing over time. Council Regulation EEC NO 2052/88 of 24 June 1988 set the tasks of the Structural Funds and outlined five priority objectives. In 1993, Regulation (EEC) No 2052/88 was amended by Regulation (EEC) No 2081/93 of 20 July 1993 where the five objectives were slightly revised to read: Objective 1: 'promoting the development and structural adjustment of regions whose development is lagging behind', i.e. NUTS2 regions with per capita Gross Domestic Product below 75% of the Community average; Objective 2: 'converting the regions, frontier regions or parts of regions (including employment areas and urban communities) seriously affected by industrial decline'; Objective 3: 'combating long-term unemployment and facilitating the integration into working life of young people and of persons exposed to exclusion from the labour market'; Objective 4: 'facilitating the adaptation of workers of either sex to industrial changes and to changes in production systems'; Objective 5: 'promoting rural development by: (a) speeding up the adjustment of agricultural structures in the framework of the reform of the common agricultural policy; **(b) facilitating the development and structural adjustment of rural areas**'. In addition, as of 1 January 1995, Objective 6 'promoting the development of regions with an extremely low population density' was added following the accession to the Union of Austria, Finland and Sweden. Objective 5b is specific to the scope of this study and is used to track the funds' spending for rural development in the 1993-1999 programming period.

In 1999, a further reform of the Structural Funds reduced the priority objectives to three[8], namely Objective 1: 'promoting the development and structural adjustment of regions whose development is lagging behind'; Objective 2: 'supporting the economic and social conversion of areas facing structural difficulties'; and Objective 3: 'supporting the adaptation and modernisation of policies and systems of education, training and employment'. While Objective 1 regions were still defined by the GDP per capita threshold of the previous programming period, Objective 2 regions were those with structural problems and included also 'declining rural areas' provided that these areas had at NUTS3 level *"(a) either a population density of less than 100 people per km2, or a percentage share of agricultural employment in total employment which is equal to, or higher than, twice the Community average in any reference year from 1985; (b) either an average unemployment rate over the last three years above the Community average, or a decline in population since 1985*" (Article 4(6) of Regulation (EC) No 1260/1999). Objective 3 regions were those not covered by Objective 1. Over the 2000-2006 programming period the specificity of the objectives to rural areas is lost. However, Commission Regulation (EC) No 438/2001[9] outlines a classification of 20 areas of intervention, including one specific to rural areas named '**13 Promoting the adaptation and the development of rural areas'**, which is further detailed into 14 sub-areas. A study where expenditure was categorised on the basis of these areas of intervention is used to track ERDF and CF spending benefitting rural territories in the 2000-2006 programming period (SWECO, 2008).

Table 1 provides an overview of the contribution of the funds to the different objectives over the two programming periods 1993-1999 and 2000-2006.

Table 1. Contribution of the Structural Funds to the Community'spriority objectives

Objective	1993-1999			
1	ERDF	ESF	EAGGF Guidance	FIFG (*)
2	ERDF	ESF		
3		ESF		
4		ESF		

[8] Council Regulation (EC) No 1260/1999 of 21 June 1999 laying down general provisions on the Structural Funds.

[9] Commission Regulation (EC) No 438/2001 of 2 March 2001 laying down detailed rules for the implementation of Council Regulation (EC) No 1260/1999 as regards the management and control systems for assistance granted under the Structural Funds.

5a			EAGGF Guidance	FIFG (*)
5b	ERDF	ESF	EAGGF Guidance	
6	ERDF	ESF	EAGGF Guidance	FIFG (*)
Objective		2000-2006		
1	ERDF	ESF	EAGGF Guidance	FIFG
2	ERDF	ESF		
3		ESF		

(*) The Financial Instrument for Fisheries Guidance became a Structural Fund in the programming period 2000-2006. It is included in the overview for completeness of information but is not subject of this report's analysis.

The 2007-2013 programming period saw important changes in the architecture of policies. The EAFRD, which replaced the EAGGF and the LEADER+ programme, started operating according to an independent legal basis and no longer as part of the cohesion policy. On the other hand, the CF stopped functioning as an independent fund and started contributing to the Convergence objective. The Convergence objective was one of the three new objectives which superseded the former Objectives 1, 2, and 3, the other two being Regional Competitiveness and Employment, and Territorial Cooperation. The Convergence objective was similar to the previous Objective 1 and was meant to improve growth and employment in Member States and regions which were lagging behind. It was financed by the ERDF, the ESF and the CF. The Regional Competitiveness and Employment objective was similar to Objectives 2 and 3 and was "*to strengthen the competitiveness, employment and attractiveness of regions other than those which are the most disadvantaged*". It was financed by the ERDF and the ESF. The third Territorial Cooperation objective aimed at supporting "*cross-border, transnational and inter-regional cooperation*"[10]. It was based on the former INTERREG initiative and financed through the ERDF. General provisions for the three funds of the cohesion policy (i.e. CF, ERDF, and ESF) were laid down in Council Regulation (EC) No 1083/2006 of 11 July 2006. On support to rural development, the Regulation specified that the funds had to take a complementary action with respect to the EAFRD and had to promote the economic diversification of rural areas. Furthermore, the assistance from the three funds was also expected to "*support areas affected by geographical or natural handicaps which aggravate the problems of development, particularly in the outermost regions as referred to in Article*

[10] Council Regulation (EC) No 1083/2006 of 11 July 2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No 1260/1999.

299(2) of the Treaty as well as the northern areas with very low population density, certain islands and island Member States, and mountainous areas" (Article 3). Data gathered through the ex-post evaluation of Cohesion Policy programmes 2007-2013 where expenditure was attributed at NUTS3 level are used to track ERDF and CF spending benefitting rural areas in the 2007-2013 programming period (EC-DG REGIO, 2015). To this end, NUTS3 are classified as 'rural' according to the urban-rural typology of Eurostat. The categorisation of expenditure used in the ex-post evaluation is the one specified in the Commission Regulation (EC) No 1828/2006 of 8 December 2006 which is based on 86 priority themes, none of which specifically focuses on rural areas.

In the last programming period 2014-2020, support from the funds has been articulated around the two main goals of 'Investment for growth and jobs' and 'Territorial Cooperation'. The first goal is supported by the ERDF, the ESF and the CF and is addressed to all regions (less-developed, transition and more-developed). The second goal is supported through the ERDF. In addition, all funds, including the EAFRD, pursue the eleven common thematic objectives contributing to Europe 2020 strategy. The tracking of the budget benefitting rural areas and sourced from ERDF, ESF, and CF derives from the categorisation of the financial envelopes allocated within the operational programmes of MS, according to a 'territorial dimension' which distinguishes 'rural areas' as thinly populated areas[11].

Table 2 provides an overview of the contribution of the cohesion policy funds to the different objectives over the two programming periods 2007-2013 and 2014-2020.

Table 2. Contribution of the Structural Funds to the Union's objectives

Objective	2007-2013		
Convergence	ERDF	ESF	CF
Regional competitiveness and employment	ERDF	ESF	
European territorial cooperation	ERDF		
Objective	2014-2020		
Investment for growth and jobs	ERDF	ESF	CF
European territorial cooperation	ERDF		

[11] 'Data for Research' webpage, DG REGIO, Excel file 'esif_categorisation_2014-2020'.

Because of all the aspects highlighted above, the historical analysis of the evolution of the budget for rural development over the last three decades is not a straightforward exercise. The changing of the structure (i.e. headings) of the financial frameworks and of the objectives pursued by the funds, as well as the adjustments made to financial ceilings, and as a consequence to commitments and payments, over the years of a programming period add to other accounting complexities. These complexities include, for example, the lack of a systematic categorisation of appropriations of all Structural Funds and the dilution of expenses, and sometimes even of commitments, well over the end of the corresponding MFF. These and other difficulties have also been encountered within ex-post evaluations of EU spending, on the results of which some of the data used in this study are based. The classification of appropriations from the ERDF, the ESF and the CF is expected to improve greatly within the on-going programming period (2014-2020). In fact, the current classification encompasses a territorial dimension which distinguishes among 'large urban areas (densely populated >50 000 population)', 'small urban areas (intermediate density >5 000 population)', 'rural areas (thinly populated)', and other types of cooperation areas, thus allowing a clear categorisation of the appropriations benefitting rural territories from the planning stage onward.

Part 1: European Agricultural Guidance and Guarantee Fund & European Agricultural Fund for Rural Development

1.1 The funds for the financing of agriculture and rural development

Up to the end of 2006, the CAP was financed from a single fund, the **European Agricultural Guidance and Guarantee Fund (EAGGF)**. Since 1964, the EAGGF had two sections: the Guarantee Section and the Guidance Section. The Guarantee Section financed the expenditure related to price policies and market intervention measures. The Guidance Section was for the financing of structural policy and rural development measures in Objective 1 areas, with some exceptions, while in non-Objective 1 areas all measures were financed by the Guarantee Section of the fund (see Figure 1 under section 1.2).

On 1 January 2007, Regulation (EC) No 1290/2005 replaced the EAGGF with the European Agricultural Guarantee Fund (EAGF) and the **European Agricultural Fund for Rural Development (EAFRD)**. The EAGF finances, and only occasionally co-finances, "*CMO expenditure [...]; direct support to farms [...]; the Union's contribution to initiatives to provide information about and to promote agricultural products on the internal market and in third countries; and the Community share of the cost of veterinary measures and the collection and use of genetic resources, among other items of ad hoc expenditure*" (EP, 2016b). Rural development (RD), i.e. the second pillar of the CAP, is financed through the EAFRD. According to Regulation (EC) No 1698/2005 on support for rural development through the EAFRD, the fund co-finances measures aimed at improving "*the competitiveness of agriculture and forestry; the environment and the countryside; the quality of life and the management of economic activity in rural areas*". EAFRD also finances LEADER initiatives. As part of the 2013 reform, Regulations (EC) No 1290/2005 and No 1698/2005 were replaced by Regulation (EU) No 1306/2013 on the financing, management and monitoring of the common agricultural policy, and by Regulation (EU) No 1305/2013 on support for rural development by the EAFRD (EP, 2016b). In particular, the latter repealed Regulation (EC) No 1698/2005 and set as objectives of the fund the competitiveness of agriculture, the sustainable management of natural resources, climate action, and the balanced territorial development of rural economies and communities.

1.2 EAGGF/EAFRD appropriations for rural development within the MFFs

The evolution of the budget dedicated to rural development within the EAGGF and the EAFRD is analysed as far as possible in terms of commitment appropriations and of payment appropriations. 'Commitment appropriations' are "*legally binding promises to spend money which will not necessarily be paid out in the same year but may be disbursed over several financial years*" (EC-DG BUDGET website) or, more briefly, "*legal pledges to provide finance, provided that certain conditions are fulfilled*". Payment appropriations refer to "*cash or bank transfers to the beneficiaries*" (EU funding glossary online) to cover incurred expenditures. In practice, whenever possible, the analysis relates to both the financial envelopes and the actual expenditure.

MFF 1993-1999

Over the period 1993-1999, rural development was financed from both the Guidance Section of the EAGGF (computed under Heading 2 'Structural Funds' of the financial perspective) and the Guarantee Section of the fund (computed under Heading 1 'Common Agricultural Policy' of the financial perspective). Likewise, rural areas were addressed through multiple objectives and Community initiatives (CI). According to ESPON (2004), in this period funds benefitted rural areas mainly through Objective 1 (structural adjustment and development of less developed regions), Objective 5a (adjustment of agricultural and fisheries structures), Objective 5b (development of rural areas), and Objective 6 (development of regions with low population density). In terms of Community initiatives, rural development was pursued through LEADER II (see Box 1 for the funding sources) and, most likely, INTERREG II (funded by ERDF).

Box 1. LEADER II (1994-1999)

After the conclusion in 1993 of an experimental 2-year phase of the initiative referred to as 'LEADER I' (1991-1993), the Community Initiative LEADER II was allocated EUR 5 370 million of total public budget for the period 1994-1999. Out of this amount**, EUR 1 795 million were EU financing sourced from three different funds: ERDF (46.5%), Guidance Section of the EAGGF (44.7%), and ESF (8.8%)** (EC-DG AGRI, 2003). LEADER II was implemented through 906 Local Action Groups (LAGs) and focussed on disadvantaged rural areas belonging to Objective 1, 5b and 6 regions. The final evaluation of LEADER II was positive. It concluded that the initiative was both efficient and effective and able to adapt to diverse contexts at the local level, in particular by fitting "*well to small scale area-based activities and projects in lagging regions and vulnerable rural territories*". Furthermore, LEADER II contributed "*to the sustainability of*

development processes at local level" and to "*agricultural adjustment and diversification*". It further "*had positive effects on employment*" with some estimated 100,000 permanent full-time jobs being created or safeguarded in rural areas. EU funds spent on the initiative had also a high leverage effect on public and private funds and complemented well the measures funded through Structural Funds.
Source: ÖIR - Managementdienste GmbH (2003)

For the 1993-1999 programming period, the EU budget dedicated to RD is derived from the relevant payment appropriations (expenditure) of both the Guidance and the Guarantee Section. For the EAGGF Guidance, all expenditure is assumed to be spent for RD. Financial data on the contribution of the EAGGF Guarantee Section to RD over the period 1993-1999 are fragmented. DG AGRI, in its yearly reporting on the agricultural situation of the Union, makes an explicit allocation of expenditure to 'rural development' (RD) within the EAGGF Guarantee Section for the years 1997 to 1999. For earlier years, the same RD-related expenditure appears to be budgeted as 'accompanying measures' (AM). By considering these two main lines of financing, total spending for RD over the period 1993-1999 was EUR 32 053 million (Table 3, row 'Total RD expenditure'). Against a total MFF expenditure of EUR 511.8 billion, **the average share of RD-related expenditure for the 1993-1999 programming period is 6.3%**. On a yearly basis, this share ranges from a minimum of 4.8% in 1993 to a maximum of 7.6 % in 1999.

Table 3. EAGGF payment appropriations, 1993-1999, EUR million

	EU12		EU15				
	1993	1994	1995	1996	1997	1998	1999
EAGGF Guarantee	34 935.8	32 952.8	34 490.4	39 324.2	40 423.0	39 068.0	39 468.6
of which for AM/RD (*)	221.7	490.1	832.1	1 852.3	2 064.8	1 846.9	2 588.3
EAGGF Guidance	2 914.2	2 476.5	2 530.6	3 360.3	3 580.0	3 521.5	3 774.0
Total RD	3 135.9	2 966.6	3 362.7	5 212.6	5 644.8	5 368.4	6 362.3
Total MFF	64 783.4	59 273.1	66 547.4	77 032.2	79 819.1	80 878.1	83 491.6
Tot RD payment appropriations, share of total	**4.8%**	**5.0%**	**5.1%**	**6.8%**	**7.1%**	**6.6%**	**7.6%**

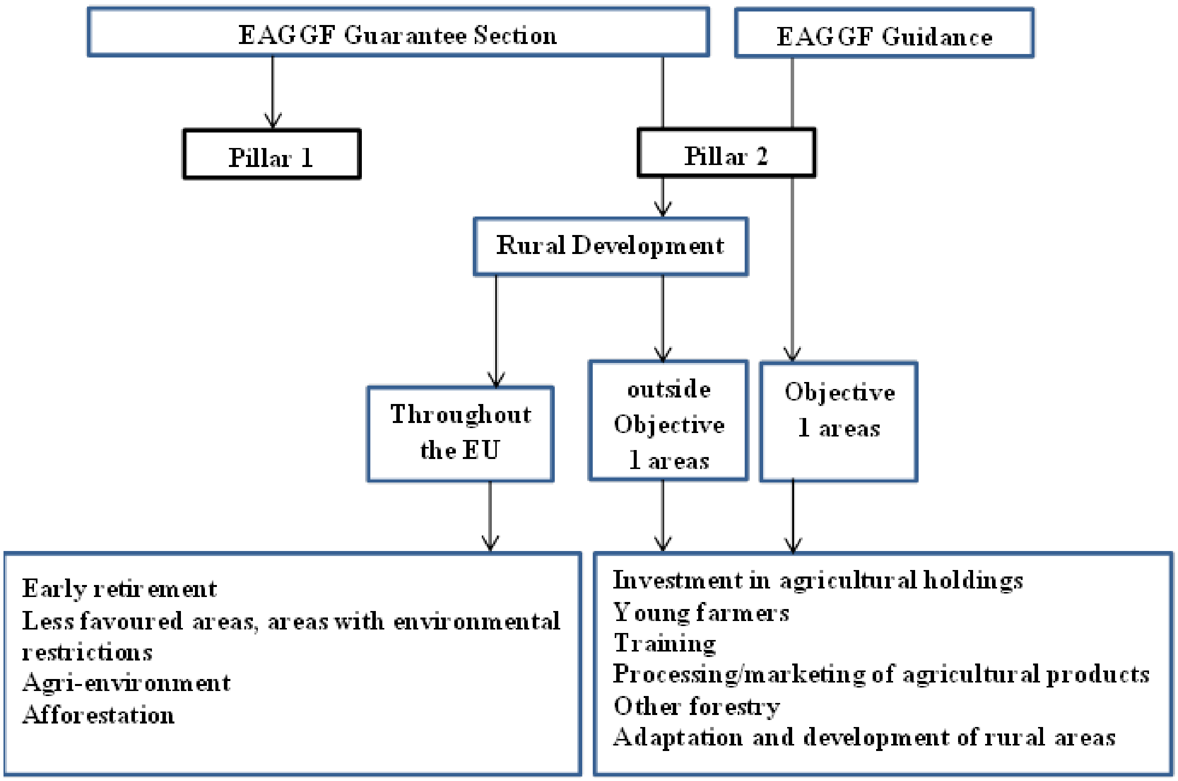
Sources: EC-DG Budget (2009), EC-DG AGRI (1996), EC-DG AGRI (1998), and EC-DG AGRI (2001).
(*) EAGGF – Guarantee's share dedicated to 'accompanying measures' (AM) (years 1993 to 1996) and rural development (RD) (years 1997 to 1999).

MFF 2000-2006

Similarly to the previous MFF, rural development over the programming period 2000-2006 was financed through multiple headings of the financial perspective, namely: Heading 1 'Agriculture' (i.e. through the EAGGF Guarantee Section), Heading 2 'Structural actions' (i.e. for the EAGGF Guidance), and Heading 7 'Pre-accession aid' (i.e. for SAPARD). Likewise, rural areas were addressed through different objectives. In fact, RD funding within the 2000-2006 MFF is characterised by a rather articulated structure where both Objective 1 and non-Objective 1 regions were addressed. This structure is represented in Figures 1 and 2.

Figure 1 details the budget flows of the two sections of the EAGGF towards Pillar 2 of the CAP. The reference to the various measures listed in the figure is specific to the 2000-2006 programming period. As mentioned earlier, during this period the priority objectives were reduced to a number of three compared to the previous MFF. The EAGGF Guidance Section focused on the financing of Objective 1 regions (i.e. regions having per capita GDP below 75% of the EU average) and of LEADER+. The EAGGF Guarantee Section was for the financing of non-Objective 1 regions and of a series of measures throughout the Union, including the Less Favoured Areas scheme.

Figure 1. EAGGF budget flows to Pillar 2, programming period 2000-2006



Source: Regulation (EC) No 1257/1999

Figure 2. Community funding for RD within the MFF 2000-2006

		2000-2003	2004-2006
EU-15	Outside Objective 1	EAGGF Guarantee for all measures (excl. Leader+)	
	In Objective 1	EAGGF Guarantee	
		EAGGF Guidance	
CY and MT	Outside Objective 1		TRDI
	In Objective 1		EAGGF Guidance
CZ, EE, LV, LT, HU, PL, SI, SK	Outside Objective 1	SAPARD	TRDI
	In Objective 1		EAGGF Guidance
BG and RO		SAPARD	
HR			SAPARD*

Source: Extracted from EC-DG AGRI (2013), page 17.
Notes: *SAPARD in Croatia started in 2005.

Figure 2 expands the funding overview of RD to the Temporary Rural Development Instrument (TRDI) and the Structural Adjustment Programme for Agriculture and Rural Development (SAPARD) which were used to finance RD in the newly accessed and candidate countries, respectively. LEADER+ programmes/measures were funded everywhere by EAGGF Guidance (Box 2).

Funding over the period 2000-2006 was based on 68 Rural Development Programmes (RDPs) co-financed by the EAGGF Guarantee, 69 Objective 1 region programmes with RD measures co-financed by the EAGGF Guidance, and 20 Objective 2 region programmes with RD measures co-financed by the EAGGF Guarantee. As mentioned, the TRDI was introduced for the new MS which joined the Union in 2004. The TRDI co-financed 10 RDPs, while 9 Objective 1 region programmes were co-financed by the EAGGF Guidance (EC, 2007). In addition, the SAPARD programme was set in year 2000 to provide support to candidate countries for the modernisation of their agricultural sector as well as the promotion of rural development[12]. Over the period 2000-2006, SAPARD was allocated approximately EUR 500 million per year.

The average payment/financial planning ratio for the EAGGF Guidance was 70% at the EU15 level over the period 2000-2006, and 52% at the EU10 level over the period 2004-2006. Across countries, this ratio ranged from a minimum of 42% in Luxembourg to a maximum of 83% in Germany among the EU15 MS; and from a minimum of 37% in Malta to a maximum of 74% in Latvia among the EU10 MS (EC-DG AGRI, 2007).

[12] SAPARD was not implemented in Cyprus and Malta.

Box 2. LEADER + (2000-2006)

The Community Initiative LEADER+ was allocated EUR 5 046 million for the period 2000-2006. Out of this amount, **EUR 2 107 million were EU financing sourced from the EAGGF Guidance section**, while the rest were public and private contributions. There were 73 LEADER+ programmes implemented in the EU15 over the period 2000–2006, while newly accessed countries had the option to include LEADER+ type measures in their EAGGF Objective 1 programmes. The final evaluation of LEADER+ concluded that the initiative was relevant and added value to existing activities, in particular in terms of "*economic diversification, quality of life and preservation and enhancement of the natural and built environment of rural areas*". The LEADER approach was confirmed to be highly suitable to bring stakeholders together, to target small-sized territories (between NUTS4 and NUTS3 level), and to promote integrated and multi-sectoral development. Although not quantified, LEADER+ was also found to have a positive impact on employment and on local governing capacities.
Source: Metis GmbH (2010)

Comprehensive data on financial planning and expenditure for RD are provided by DG AGRI in the 2007 Rural Development Statistical and Economic report (EC-DG AGRI, 2007)[13]. These data are reported in Table 4 for commitment appropriations and Table 5 for payment appropriations.

Table 4. Commitment appropriations for RD, 2000-2006 (EUR million)

	EU15				EU25		
	2000	2001	2002	2003	2004	2005	2006
EAGGF Guidance	1 958.7	2 819.8	2 908.1	3 101.1	3 686.7	3 974.0	4 196.4
EAGGF Guarantee	4 385.9	4 494.4	4 694.0	4 747.3	4 844.2	4 959.0	5 718.2
TRDI					1 733.0	1 931.0	2 096.0
SAPARD	528.9	539.6	554.5	563.9	226.7	250.3	274.8
Commitment appropriations - total	93 792	97 189	100 672	102 145	115 434	119 419	123 515
RD as % of tot commitments	**7.3%**	**8.1%**	**8.1%**	**8.2%**	**9.1%**	**9.3%**	**9.9%**

Source: EC-DG AGRI, 2007 - Table 4.2.1.1.1. Total commitments appropriations are from EC-DG Budget (2014), Financial framework (2000–06) adjusted for 2006, current prices.

[13] These figures do not match with the figures included in the 2008 DG BUDGET financial report (EC-DG Budget, 2009) and annexed Excel tables. Nevertheless, they are preferred for their comprehensiveness.

Table 5. Payment appropriations for RD, 2000-2006 (EUR million)

	EU15				EU25		
	2000	2001	2002	2003	2004	2005	2006
EAGGF Guidance	587.6	1 358.8	1 549.6	2 254.5	2 962.0	3 096.7	3 559.8
EAGGF Guarantee	4 176.4	4 363.8	4 349.4	4 679.6	4 728.1	4 895.4	5 580.8
TRDI					628.9	1 414.6	2 115.7
SAPARD	0.0	30.5	111.2	213.8	635.6	811.9	209.1
Payment appropriations - tot	91 322	94 730	100 078	102 767	111 380	114 060	119 112
RD as % of tot payments	**5.2%**	**6.1%**	**6.0%**	**7.0%**	**8.0%**	**9.0%**	**9.6%**

Source: EC-DG AGRI, 2007 - Table 4.2.1.1.1. Total payment appropriations are from EC-DG Budget (2014), Financial framework (2000–06) adjusted for 2006, current prices.
Notes: expenditure related to the 2000-2006 MFF continued after 2006 and up to 2015. These additional expenses equal EUR 8 454 million and are considered in the calculation of the average share of total payment appropriations over the programming period, which is 8.6%.

Overall, the average share of RD-related financial envelope within the 2000-2006 MFF is 8.6%. The average share of RD-related expenditure for the same programming period is also 8.6%.

MFF 2007-2013

Within the MFF 2007-2013, the funding structure for RD simplified considerably if compared to the previous programming period. Financing of Pillar 2 of the CAP was through the EAFRD and based on the implementation of 92 national, regional and network RDPs [14]. Rural development rogrammes were articulated around four axes, each having a minimum funding requirement:

- axis 1: Improving the competitiveness of the agricultural and forestry sectors (10% minimum funding);
- axis 2: Improving the environment and the countryside (25% minimum funding);
- axis 3: Improving the quality of life in rural areas and diversification of the rural economy (10% minimum funding);
- axis 4: LEADER (5% minimum funding).

[14] The EAFRD has its own legal basis and is no longer part of the cohesion policy.

Starting from MFF 2007-2013, LEADER becomes an integral element of rural development planning of countries and regions, whereas previously it had been a separate initiative. On average, 32.6% of the EARDF was allocated to axis 1; 46% to axis 2; 13.2% to axis 3; and 6.2% to LEADER; and the remaining 2% to technical assistance and direct payments for Bulgaria and Romania. In terms of selected measures, more than 23 billion were allocated to 'agri-environment payments'. Other most selected measures in the RDPs were 'modernisation of agricultural holdings' (EUR 11.9 billion), and payments to farmers in areas with handicaps or in mountain areas (EUR 7.7 billion) (EC, 2016). The average EAFRD financial implementation rate for RDPs over the programming period 2007-2013 was 91%, with 15 MS reaching an implementation rate of 95%. Below the EU average were Cyprus (90%), Denmark (88%), Malta and Italy (87% each), Spain (85%), Romania (82%), Bulgaria (80%), and Greece (78%).

LEADER measures (competitiveness; environment/land management; quality of life/diversification; implementing cooperation projects; and running the local action group, skills acquisition, animation) were allocated a financial envelope of EUR 5 919.1 million over the period 2013-2020.

Table 6 reports the MFF amended with respect to the version agreed through the IIA to consider, among other adjustments, the reprogramming of rural development in 2008. Table 7 reports the expenditure for RD.

Table 6. Financial framework 2007-2013 (EUR million)

	Adjusted for enlargement (EU28)						
Commitment appropriations	2007	2008	2009	2010	2011	2012	2013
Heading 2. Preservation and Management of Natural Resources	55 143	59 193	56 333	59 955	59 888	60 810	61 289
of which: rural development (EC, 2016)	10 902	13 303	14 002	14 364	14 436	14 617	14 817
Commitment appropriations - total	124 457	132 797	134 722	140 978	142 272	148 049	152 502
EAFRD – share of tot	**8.8%**	**10.0%**	**10.4%**	**10.2%**	**10.1%**	**9.9%**	**9.7%**

Source: EC (2016), EC-DG Budget web page (accessed on August 2016), current prices.

Table 7. EAFRD payment appropriations 2007-2013 (EUR million)

	EU27						EU28
	2007	2008	2009	2010	2011	2012	2013
2.0.2 Rural Development	10 806.1	10 528.9	8 739.5	11 485.1	12 285.8	13 169.3	3 020.5
Total expenditure	105 299.5	104 962.0	102 821.2	111 337.5	117 336.9	126 349.3	134 656.1
RD expenditure, share of total	**10.3%**	**10.0%**	**8.5%**	**10.3%**	**10.5%**	**10.4%**	**9.7%**

Source: Excel file 'internet-tables-2000-2015' downloadable from EC-DG BUDGET web page (accessed on August 2016).

The average share of RD financial envelope within the 2007-2013 MFF is 9.9%. The average share of RD expenditure for the same programming period is 10%.

MFF 2014-2020

The financing of RD within the MFF 2014-2020 is still through the EAFRD and based on 118 RDPs. All programmes were adopted by end 2015. Twenty (20) MS proposed a single national programme while the other eight (8) MS proposed both national and regional programmes. In particular, multiple RDPs were received from: France (30 RDPs), Italy (23), Spain (19), Germany (15), the United Kingdom (4), Portugal (3), Belgium and Finland (2 each). Funds are allocated according to six (6) priorities, 18 focus areas and 21 measures. Over the programming period, the EAFRD was originally allocated EUR 95.6 billion, at current prices. Further to transfers, this amount raised to EUR 99.6 billion.

Against a minimum spending requirement of 5%, LEADER has been allocated 6.9% of the total public expenditure (DG AGRI presentation). According to the allocations made in the RDPs, EU contribution to LEADER is EUR 6 876.4 million and national co-financing is EUR 2 591.4, determining an average EU co-financing rate of 73%. LEADER is categorised under Priority 6 'Social inclusion and local development' in all RDPs and with only one exception its focus area is 'local development'.

By considering national contributions from co-financing, an overall financial envelope of about EUR 161 billion is expected for the financing of Pillar 2 (DG AGRI presentation). However, to date the EAFRD has benefitted from other transfers from the EAGF, including those related to the flexibility between pillars established by Articles 7(2) and 14(1) of Regulation (EU) No 1307/2013. In particular, eleven MS (Belgium Czech Republic, Denmark, Estonia, France, Germany, Greece, Latvia, Romania, the Netherlands, and the United Kingdom) decided for transfers from Pillar 1 to Pillar 2, for a total of EUR 6.4 billion. Conversely, five MS (Croatia, Hungary, Malta, Poland, and Slovakia) decided for transfers from Pillar 2 to Pillar 1, for a total amount of EUR 3.4 billion (EC, 2015). MS decisions may be reviewed in 2017 and will apply to the subsequent years of the MFF.

Table 8 reports the financial perspective for MFF 2014-2020, at current prices, where all the transfers between EAGF and EAFRD are accounted for. As mentioned, these transfers do not only refer to the flexibility between pillars but also to gains from other sectors, voluntary adjustments, and reallocations of unspent amounts (EC, 2016). The low amount of appropriations in 2014 is a consequence of the fact that the approval of the rural development programmes was completed by 2015.

Table 8. Financial framework 2014-2020 (EUR million, current prices, EU28)

Commitment appropriations	2014	2015	2016	EU28 2017	2018	2019	2020
Heading 2. Sustainable Growth: Natural Resources	49 857	64 692	64 262	60 191	60 267	60 344	60 421
of which: rural development (EC, 2016)	5 299	18 184	18 685	14 372	14 382	14 331	14 334
Commitment appropriations - total	121 435	162 959	154 738	155 631	159 514	164 123	168 797
EAFRD – share of tot	**4.4%**	**11.2%**	**12.1%**	**9.2%**	**9.0%**	**8.7%**	**8.5%**

Source: EC (2016), EC-DG Budget web page (accessed in September 2016), MFF adjusted for 2017.

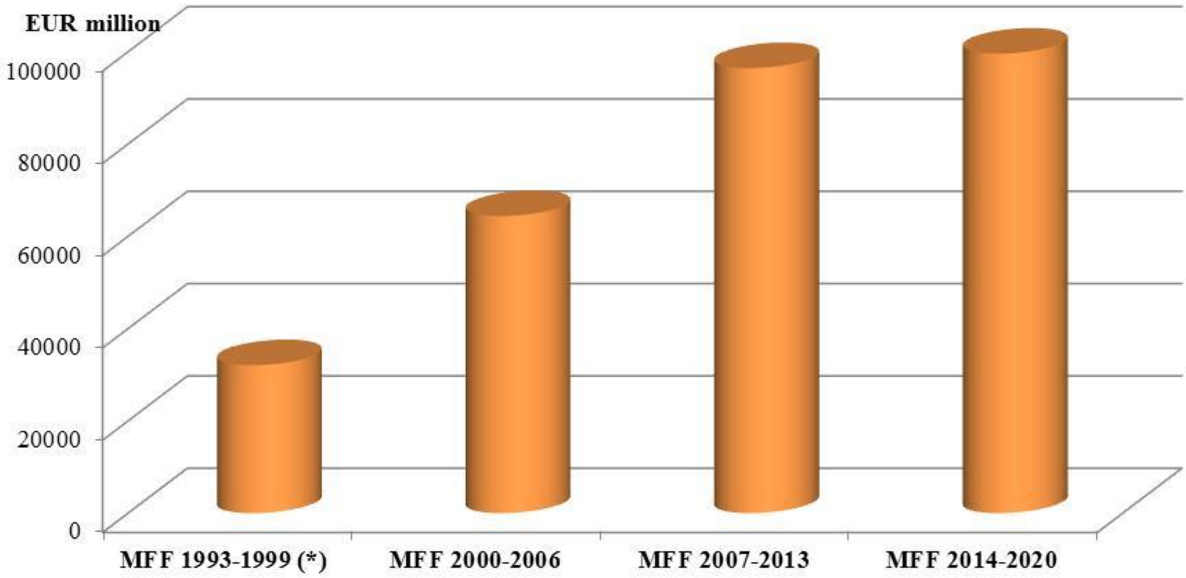
The average share of RD financial envelope within the 2014-2020 MFF is 9.2%.

1.3 Overview

Total allocations across the different programming periods refer to a different (increasing) number of MS. The RD financial envelope in MFF 2007-2014 was 50% higher than in MFF 2000-2006. The RD financial envelope in MFF 2014-2020 is 3% higher than in MFF 2007-2014 (Figure 3).

However, by considering the appropriations for RD as a share of total appropriations of the concerned MFF, the current MFF, updated with all the transfers made so far between the two pillars of the CAP, shows a lower share of the financial envelope (9.2% of total commitments appropriations) dedicated to rural development if compared to the previous programming period 2007-2013 (9.9%) (Table 9).

Figure 3. EAGGF/EAFRD commitment appropriations (*) for RD over the MFFs



(*) Payment appropriations for MFF 1993-1999. As payment appropriations are normally lower than commitment appropriations, the amount underestimates the financial envelope available for rural development policy over the period 1993-1999.

Table 9. Overview of the appropriations for rural development (% of tot MFF appropriations)

Payment appropriations	Commitment appropriations		
1993-1999	2000-2006	2007-2013	2014-2020
6.3%	8.6%	9.9%	9.2%

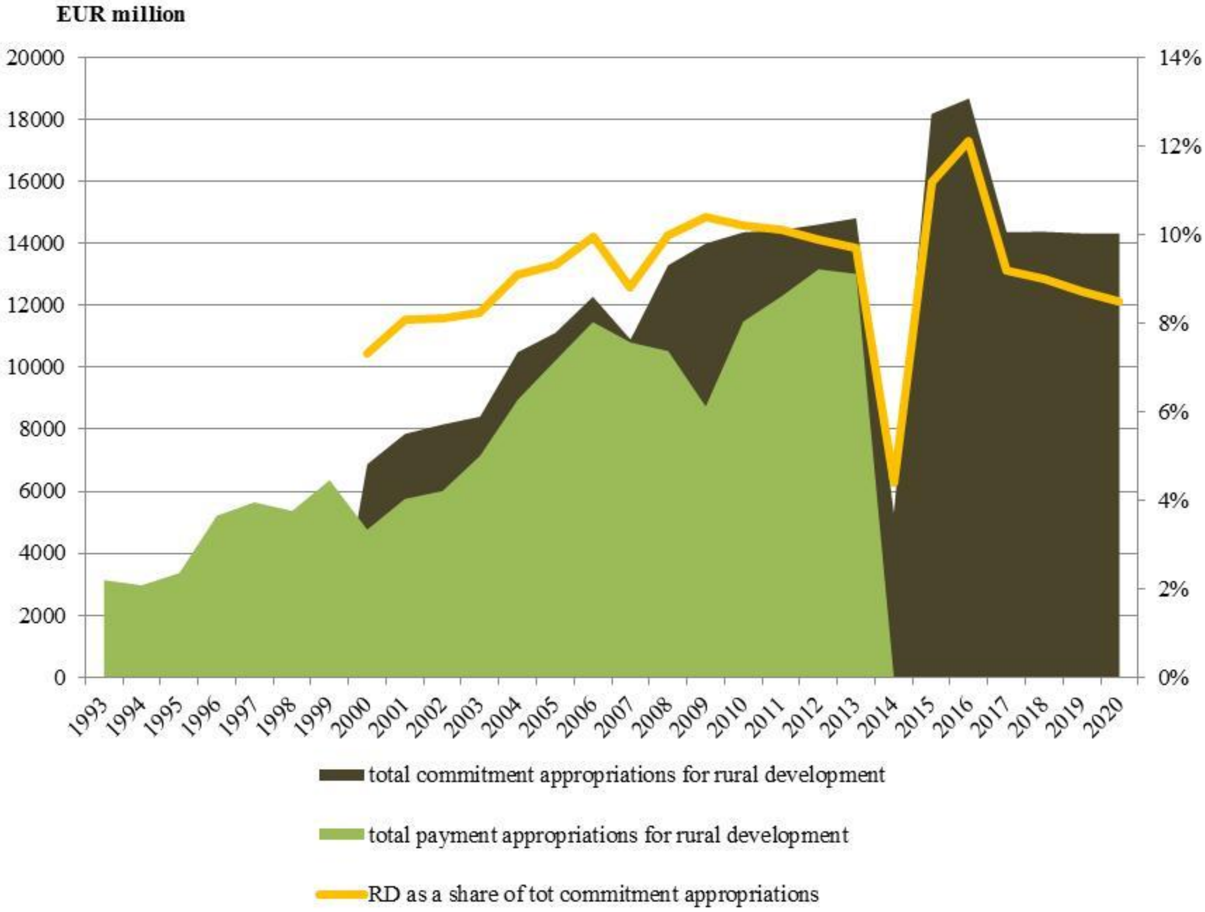
Figure 4 visualises the trend of RD share within total commitments appropriations since year 2000 (line). The low value of commitment appropriations in 2014 is determined by the delay in the approval of rural development programmes which was completed by end 2015.

At the national level, by comparing the rural development envelopes for 2014-2020 with those for 2007-2013, 15 Member States show an increase in allocation (Figure 5). In particular, the increase is significant in Denmark

(+59%) and France (+50%) but also in Belgium (+33%), the Netherlands (+29%), Malta (+25%) and Greece (+21%).

By contrast, 11 countries record a decline of allocations between the two financing periods, with the most substantial drops being found in Poland (-35%), Slovakia (-22%), Cyprus (-20%), and Czech Republic (-19%).

Figure 4. Trend of RD share within total commitments appropriations of MFF

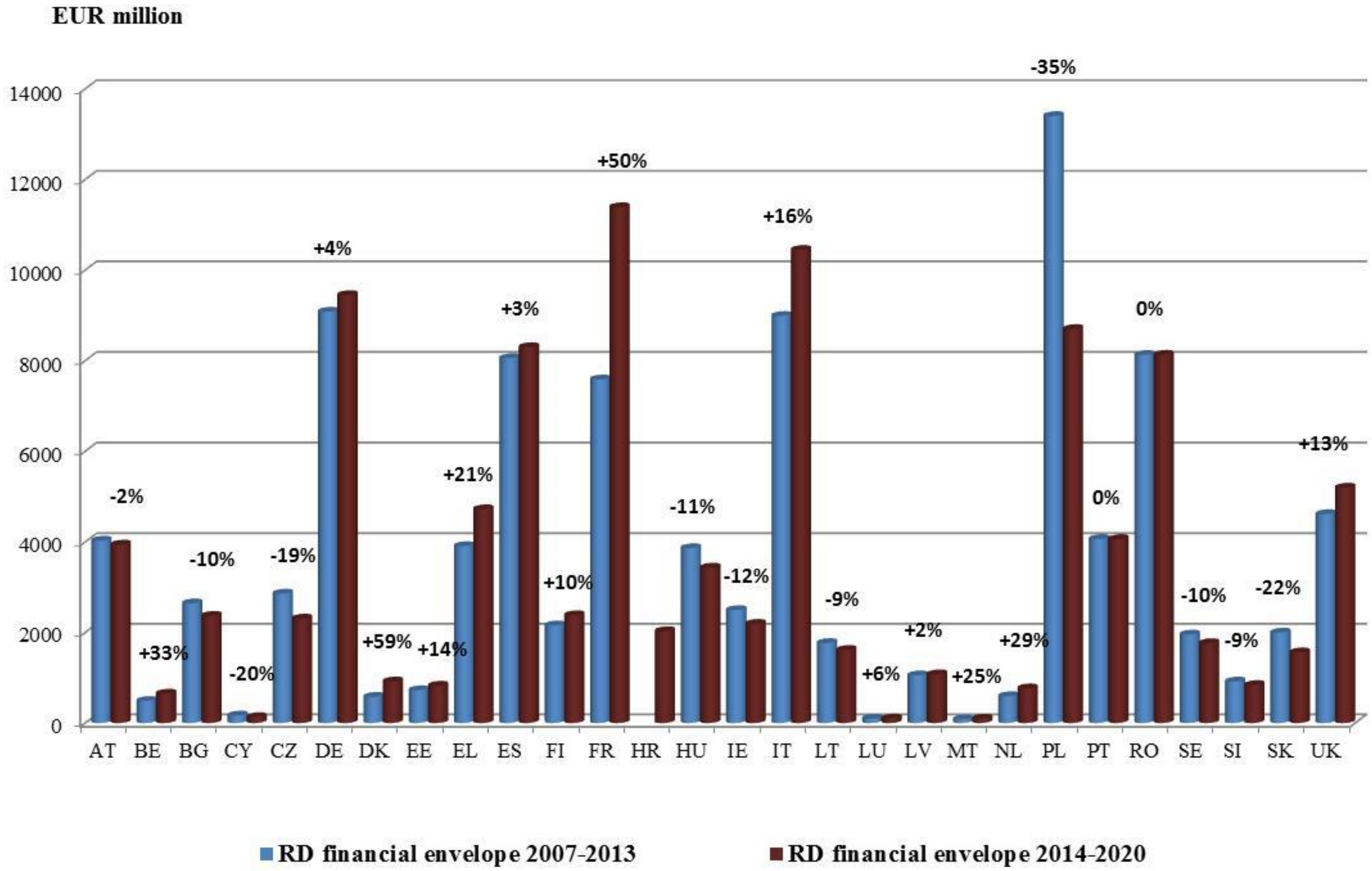


To invalidate the effect of countries joining the Union over the years, which unavoidably determines an increase of the absolute amounts planned for in the financial perspectives, the per capita commitment appropriations are calculated (Table 10). Average per capita RD amounts at the EU level confirm the sharp increase of planned funding between the first two programming periods, while the increase has been moderate since 2007 (between MFF 2000-2007 and MFF 2007-2013) or null (between MFF 2007-2013 and MFF 2014-2020).

Table 10. Yearly commitment appropriations for RD per capita, EUR

1993-1999	2000-2006	2007-2013	2014-2020
12	22	28	28

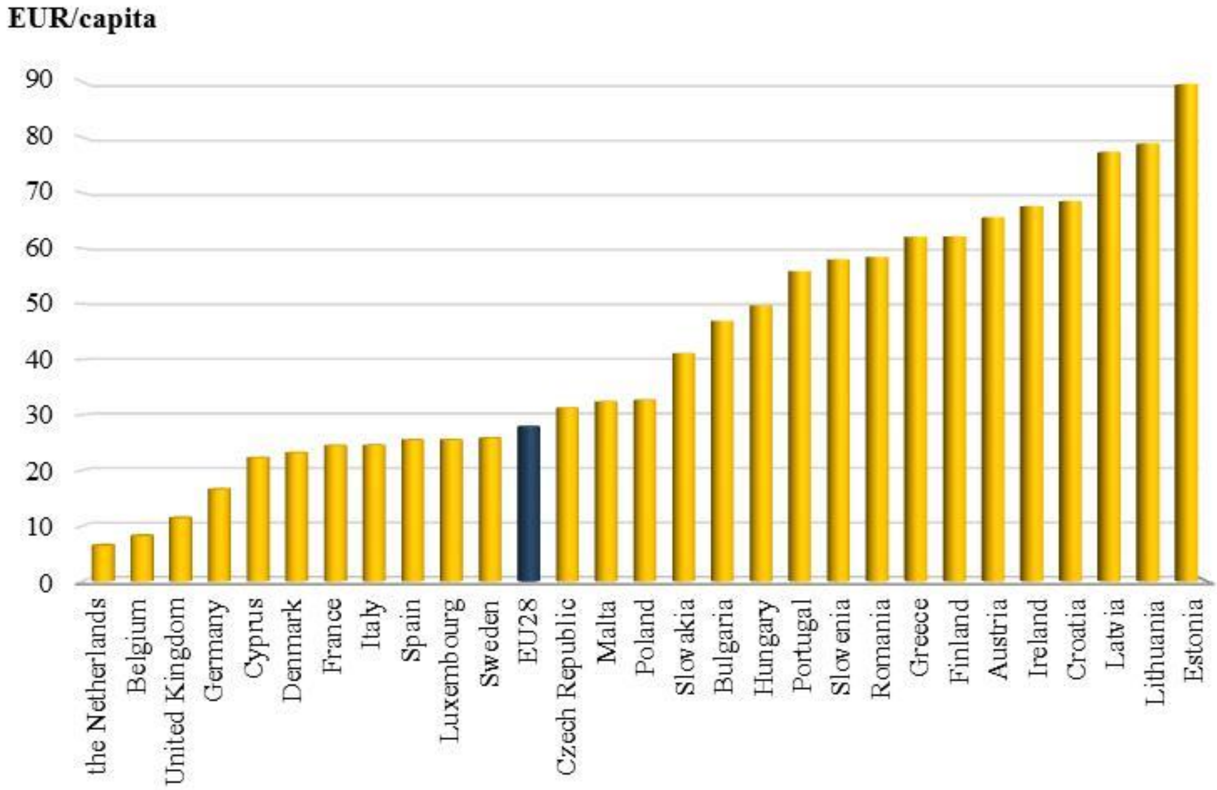
Figure 5. National envelopes for RD, MFF 2007-2013 and MFF 2014-2020, and change (%)



Sources: Decision 2010/236/EU of 27 April 2010 and amended Annex I to Regulation 1305/2013.
Notes: Excluding technical assistance amounts.

However, when considering the per capita amounts at the national level, a high variation is again noted among countries (Figure 6).

Figure 6. Yearly RD allocation per capita, MFF 2014-2020, by country and at EU28 level



Finally, on the territorial impact of the spending of Structural Funds, attempts to measure such an impact have been made regularly. Box 3 reports on some **selected findings** on the contribution of Structural Funds to territorial cohesion. In particular, a recent analysis (Crescenzi *et al.*, 2015) concluded that apart from the prevailing sectoral or place-based character of a policy, the territorial impact significantly depends on the level of the policies' synergies as well as on their capacity to address the structural disadvantage factors of a territory. To this regard, the rural development policy was found to be modestly persistent, i.e. irregular in the per capita expenditure over time; to be moderately concentrated at the territorial level (i.e. more than the agricultural policy but less than the regional policy); and to be importantly dependent on the interaction with regional and agricultural policies, to such an extent that a sort of 'redistributive logic' may be assumed to influence it.

Box 3. The territorial impact of the Structural Funds: some selected findings

On the programming period 1993-1999, EC-DG REGIO (2008) highlights that *"The effect of the Structural Funds interventions between 1994 and 1999 on GDP in real terms is estimated at an additional 4.7% in Portugal, 3.9 % in the new German Länder, 2.8 % in Ireland, 2.2% in Greece, 1.4 % in Spain and 1.3 % in Northern Ireland".* A study carried out by ESPON (2005) on the territorial effects of the Structural Funds over the same period reached even more articulated conclusions. In particular, the study found that spending was mainly targeted to urban areas; that there was no clear relationship between (relative) regional growth (in terms of GDP), population change, or unemployment rates on the one hand, and SF level of spending on the other hand; and that apparently improved territorial cohesion across countries was not necessarily reflected in an improved cohesion across regions. The study used a 'dissimilarity index' to measure the increasing or decreasing level of cohesion (Table 1). Results showed that over the period 1995-2000 cohesion increased at the national level (NUTS0) but decreased at the regional (NUTS2) and local (NUTS3) level.

Table 1: Dissimilarity indices of GDP in PPS in 1995 and 2000 at NUTS 0, 2 & 3

EU15 at:	Dissimilarity index 1995	Dissimilarity index 2000	Units change 1995-2000	indicating:
NUTS 0	0.465	0.460	– 0.005	increasing cohesion
NUTS 2	0.339	0.341	+ 0.002	decreasing cohesion
NUTS 3	0.531	0.620	+ 0.089	decreasing cohesion

Source: extracted from ESPON (2005).

By focusing on the impact of the CAP and of the rural development policy, the ESPON project (2004) found that support through Pillar 1 did not foster territorial cohesion and that expenditure was concentrated on core and accessible areas rather than on peripheral territories. Support through Pillar 2 was found to be more evenly distributed to peripheral areas but still with a limited impact overall, and without contributing significantly to cohesion objectives.

While it is commonly acknowledged that the CAP, as a sectoral policy, does not work towards cohesion, empirical evidence on the impact of regional policies is more contradictory. A recent work by Crescenzi *et al.* (2015) reports on the systematic analysis of regional, agricultural (Pillar 1) and rural development policies of the Union from 1994 up to 2013, i.e. over three out of the four periods analysed in this study. The authors looked at both the policies' synergies and at their capacity to address structural disadvantage factors using regression analysis. The approach was based on the main working hypothesis that a policy functions positively towards territorial cohesion if it is able to channel the majority of the resources to the most deserving areas in terms of structural disadvantage. The main policies investigated were found to have different characteristics with respect to persistence in allocation of funds, territorial concentration and association with structural disadvantage. Persistence, measured as the per capita expenditure by policy over the three considered financial perspectives, is high for both regional and agricultural policies. Instead, rural development policy is characterised by a significant variability of per capita spending, probably determined by the fact that the policy underwent important changes over the observed period which were duly reflected in allocations. In particular, the 2000-2007 programming period is considered by the authors to be a milestone in this sense as it channelled more resources to rural development while disentangling it from regional policies and constraining it within the more sectoral-oriented CAP. In terms of territorial concentration, regional policies show the highest level of concentration and CAP Pillar 1 spending the lowest. Rural development policy was found to perform at an intermediary level with an evident increase in the territorial focus of the policy over the 2007-2013 programming period, possibly due to the existence of effective mechanisms for the selection of beneficiaries. In terms of association of polices' spending with structural disadvantage, results are mixed depending on the method applied to calculate the relationship. For example, the impact of rural development policy appears to be dependent on the interaction with regional and agricultural policies, to such an extent that the authors hypothesise that rural development spending follows a 'redistributive logic' and is therefore subject to be reinforced if, for example, CAP Pillar 1 expenditure is given less emphasis. In summary, the authors conclude that major reforms did not always improve coordination across different policies and their contribution to cohesion objectives.

Source: Crescenzi *et al.* (2015)

Part 2: European Regional Development Fund (ERDF)

2.1 The funding of the European regional policy since 1994

The European Regional Development Fund (ERDF) was set up in 1975 as the main instrument for the financing of the European regional policy. Nonetheless, structured resources were allocated to this policy only further to the revision of the 1957 Treaty of Rome, first accomplished through the 1986 Single European Act (SEA). The SEA established new economic and social objectives for the Community, anticipating the delineation of a Cohesion Policy which was formally begun in 1988 and which was allocated a considerably more significant level of funding than in the past following the agreement of the Maastricht Treaty (1992) and within the Delors II package (1993-1999). Since then, the ERDF has been operating as an instrument of cohesion and according to different objectives over the various MFF.

Over the 1994-1999 programming period, the ERDF was to contribute to the attainment of Objective 1, Objective 2, Objective 5b, and, as of 1 January 1995, Objective 6. Rural areas outside Objective 1 regions were eligible for support under Objective 5b if they had a low GDP per capita and met two of the following three criteria: *"(a) high share of agricultural employment in total employment; (b) low level of agricultural income, in particular as expressed in terms of agricultural value added per agricultural work unit (AWU); (c) low population density and/or a significant depopulation trend*" (Article 11a, Council Regulation (EEC) No 2081/93).

Within the subsequent reform of Structural Funds in 1999, Regulation (EC) No 1261/1999 reduced to two the objectives of the ERDF for the 2000-2006 programming period[15]: Objective 1 and Objective 2 regions. Objective 1 included former Objective 1 regions, the areas previously eligible under Objective 6, and the very remote regions. Objective 2 included former Objectives 2 and 5b, and other areas affected by structural problems, distinguished, overall, into industrial, rural, urban and fishery-dependent (EC-DG REGIO, 2008).

As part of the 2006 reform applying to the 2007-2013 programming period, the objectives of the Cohesion Policy were defined as: Convergence, for areas having a GDP per capita below 75% of the EU average (i.e. Objective 1);

[15] Regulation (EC) No 1261/1999 of the European Parliament and of the Council of 21 June 1999 on the European Regional Development Fund.

Regional Competitiveness and Employment, for all areas; and European Territorial Cooperation, encompassing the INTERREG initiative. These objectives were pursued through two Structural Funds (ERDF, ESF) and the Cohesion Fund (CF). Regulation (EC) No 1080/2006[16] on the ERDF specified, among several other provisions, that rural areas were the focus of assistance of the fund under the Regional Competitiveness and Employment objective and the European Territorial Cooperation objective. In particular, under Regional Competitiveness and Employment, the fund was expected to contribute to the priority 'environment and risk prevention' through biodiversity- and/or nature-related infrastructure development and investments, with a view to contribute to *"sustainable economic development and/or diversification of rural areas*" (Article 5, Regulation (EC) No 1080/2006). Under the European Territorial Cooperation, the focus was mostly on supporting the linkage of rural areas to urban areas (Article 6).

In the current MFF, the ERDF is subject to the common provisions set for the European Structural and Investment Funds (ESIF) and fosters the two main goals of 'Investment for growth and jobs' and 'European territorial cooperation'. Resources set for the first goal are allocated on the basis of the type of region, where types include 'less developed regions', 'transition regions', and 'more developed regions' (EP, 2016c). In addition, the ERDF specifically addresses 'outermost and sparsely populated regions' (EP, 2016c).

Planning and implementation procedures for the ERDF were also subject to changes over time. The system introduced in 1989 was based on national plans, Community Support Frameworks and Operational Programmes. From 2007 onwards planning was first through National Strategic Reference Frameworks (2007-2013) and then through Partnership Agreements (2014-2020), while implementation has always remained with Operational Programmes.

[16] Regulation (EC) No 1080/2006 of the European Parliament and of the Council of 5 July 2006 on the European Regional Development Fund and repealing Regulation (EC) No 1783/1999.

2.2 ERDF appropriations for rural areas within the MFFs

MFF 1993-1999

The distinction of ERDF funds benefitting rural areas over the 1993-1999 programming period is only partially possible through the outlining of the financial envelope for Objective 5b, i.e. the objective focusing on the development of rural areas. *"The Objective 5b areas designated for the period 1994-99 have a total population of approximately 32 745 000, i.e. 8.8% of the Community's population including the three new Member States, and a combined surface area of 840 876 km^2"* (Unspecified, 1996).

Objective 5b had a planned financing allocation of EUR 6 134 million for the period 1994-1999 sourced from the EAGGF, the ERDF and the ESF. The ERDF share for Objective 5b was EUR 2 622 million. This amount refers to EU12. Additional EUR 743 million were allocated to Objective 5b in Austria, Finland and Sweden (EC, 1996). Objective 5b was also pursued through Community initiatives which were allocated an envelope of EUR 533 million over the same programming period. Areas eligible under Objective 5b were defined starting from 1994. Most of the Single Programming Documents (SPDs) under Objective 5b were adopted in 1994. According to these documents, almost half of the funds were available for new economic activities in rural areas, followed by infrastructure and human resources and environment (EC-DG REGIO, 2008).

Data received from DG REGIO on ERDF payment appropriations towards Objective 5b regions are reported in Table 11. They also include payments for Community initiatives funded through the ERDF and addressed to Objective 5b regions. Since payments related to the 1993-1999 programming period extended up to 2009, the amount paid from year 2000 to year 2009 is specified separately. **On average, the ERDF share dedicated to rural areas (Objective 5b) over the period 1993-1999 is 5%.**

Table 11. ERDF payment appropriations for Objective 5b, MFF 1993-1999, EUR million

	MFF 1993-1999
Structural Funds	165 484.6
of which ERDF	72 167.8
of which ERDF Objective 5b (including CI)	2 582.8

as above but paid after 1999	999.1
Sub-total ERDF for RD	3 581.9
ERDF for RD as share of tot ERDF	**5.0%**

Sources: EC-DG Budget (2009) for SF and ERDF payment appropriations; DG REGIO data (October 2016) for expenditure related to Objective 5b.

In fact, rural areas could also be covered under Objective 1, Objective 6, and Community initiatives but the ERDF resources planned and spent for rural areas under these objectives/initiatives cannot be distinguished. Furthermore, payment appropriations are normally lower than commitment appropriations. Therefore the RD expenditure shares reported in Table 11 **underestimate** the actual contribution to RD from ERDF over the period 1993-1999.

MFF 2000-2006

ERDF data for the period 2000-2006 are taken from an ex-post study on regional expenditure (SWECO, 2008) where expenses are classified according to certain main areas of intervention among which is area 13 'Promoting the adaptation and the development of rural areas' (see the 'Introduction'). ERDF contribution to rural areas in Objective 1 and Objective 2 regions as well as within the INTERREG IIIA initiative is reported in Table 12. Amounts and corresponding shares are much lower than in the previous and in the subsequent programming periods and hence there are doubts regarding the correctness of these figures.

Table 12. ERDF payment appropriations, MFF 2000-2006, EUR million

	MFF 2000-2006
Structural Funds	201 065.0
of which ERDF	80 936.9
of which for RD Objective 1	466.8
of which for RD Objective 2	524.2
of which for RD INTERREG IIIA	416.2
Sub-total ERDF for RD	1 407.2
Tot ERDF for RD as share of tot ERDF	**1.7%**

Sources: EC-DG Budget (2009) and SWECO (2008) - Annex 1 downloadable as excel file 'expenditure_final_annex1' from the 'Data for research' webpage of DG REGIO.
Notes: for the period 2000-2006 the INTERREG IIIA on cross-border cooperation was financed entirely from the ERDF - Communication of 28 April 2000 from the Commission to the Member States laying down guidelines for a Community Initiative concerning trans-European cooperation intended to encourage harmonious and balanced development of the European territory (INTERREG III).

Furthermore, payment appropriations are normally lower than commitment appropriations and therefore the RD expenditure shares reported in Table 12 **underestimate** the actual contribution to RD from ERDF over the period 2000-2007.

MFF 2007-2013

ERDF data for the period 2007-2013 are taken from the database developed at NUTS3 level within the ex-post evaluation of Cohesion Policy programmes 2007-2013 (see the 'Introduction') (Table 13). Within the database, NUTS3 are not categorised according to a territorial dimension and therefore the areas and their corresponding expenditures have been classified as 'rural' according to the 2006 Eurostat urban-rural typology.

Table 13. ERDF payment appropriations, MFF 2007-2013, EUR million

	MFF 2007-2013
ERDF	121 901
ERDF in rural areas	45 379
Tot ERDF in rural areas as a share of tot ERDF	**37.2%**

Sources: ERDF payment appropriations are downloadable as the excel file 'financial_execution_by_period_fund_country' from the 'Data for research' webpage of DG REGIO; DG-REGIO (2015), file excel 'wp13_2_db_nuts3_ae' with data on cumulative expenditure in 2014.

An unknown share of EUR 22 412 million spent on rural areas by a combination of ERDF and CF needs to be added to the ERDF appropriations reported in Table 13.

MFF 2014-2020

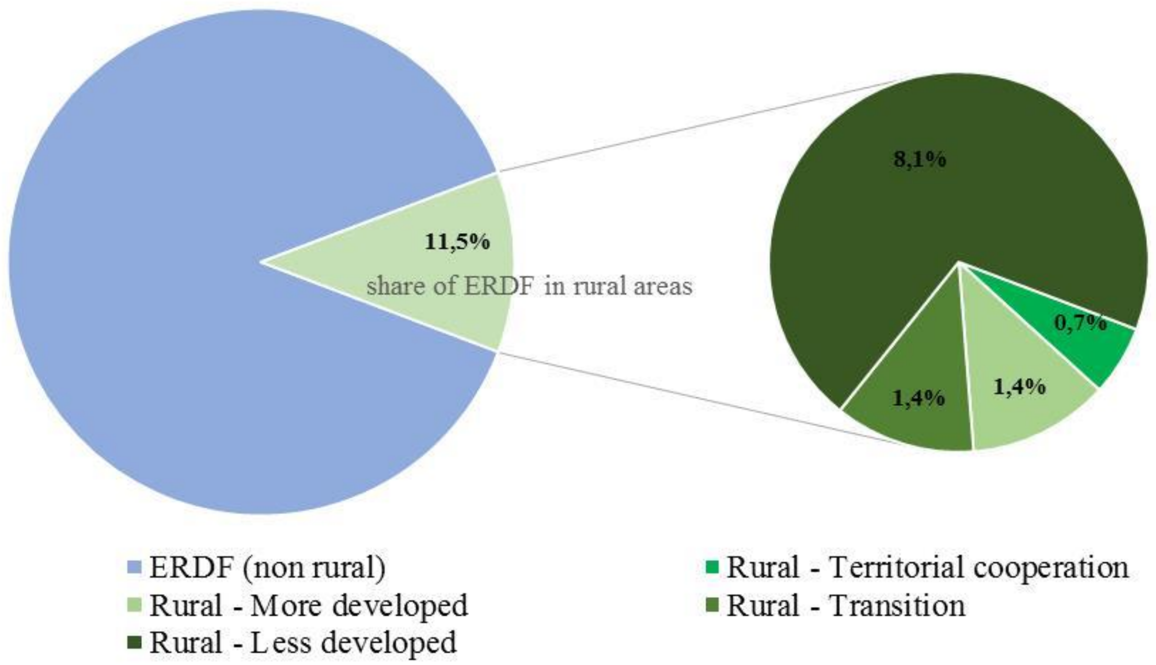
The EU financial envelope for ERDF over the period 2014-2020 is EUR 196 343 million[17]. Within this envelope, the planned financial allocation for rural areas is EUR 22 589 million (Figure 7). This represents an average of 11.5% of the total ERDF budget. In general, there seems to be a substantial decrease in the

[17] ESIF data online by the EC, available at https://cohesiondata.ec.europa.eu/funds/. These data do not necessarily coincide with those reported in the Commission Implementing Decision of 3 April 2014 setting out the annual breakdown by Member State of global resources for the European Regional Development Fund, the European Social Fund and the Cohesion Fund under the Investment for growth and jobs goal and the European territorial cooperation goal, the annual breakdown by Member State of resources from the specific allocation for the Youth Employment Initiative together with the list of eligible regions, and the amounts to be transferred from each Member State's Cohesion Fund and Structural Funds allocations to the Connecting Europe Facility and to aid for the most deprived for the period 2014-2020.

contribution of ERDF to RD over the period 2014-2020 with respect to the previous MFF.

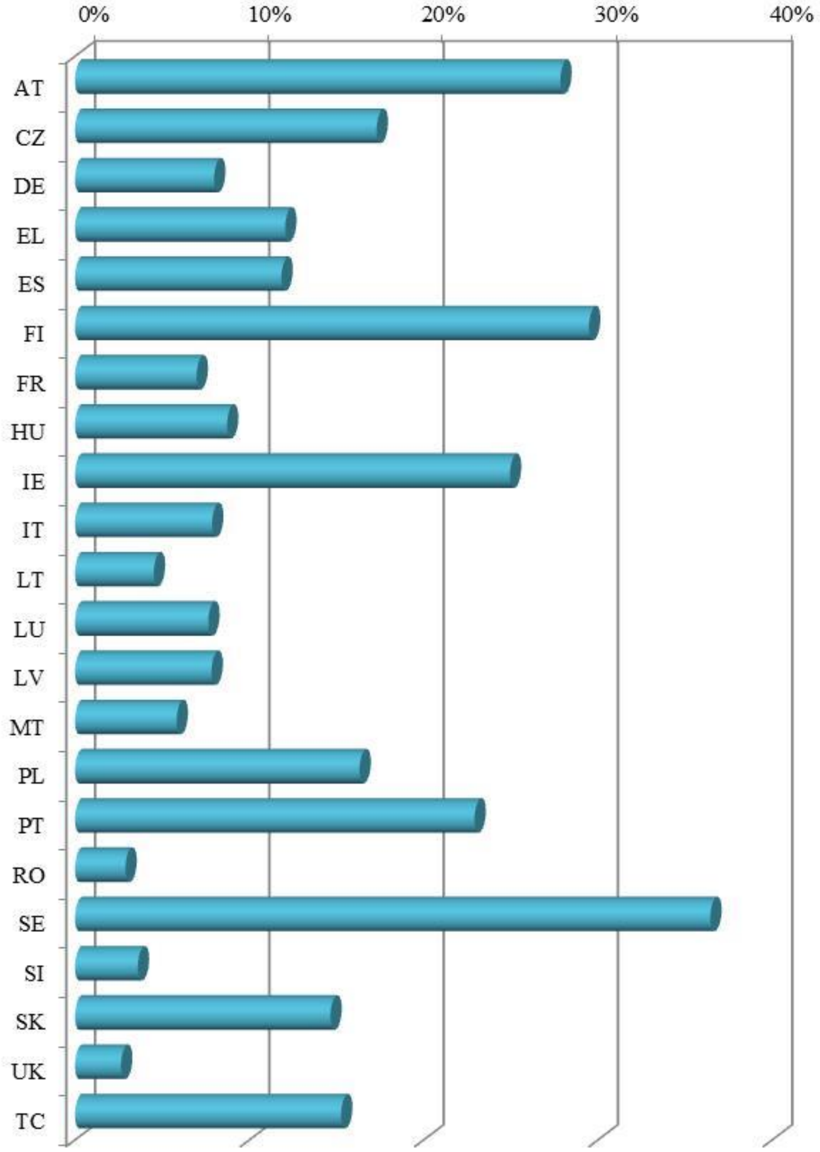
Most (70%) of the ERDF funds allocated to rural areas are in less developed regions (EUR 15 812 million). Rural areas in transition regions benefit for EUR 2 764 million (12%) from the ERDF and more developed regions for EUR 2 591 million (12%). Only EUR 10 million from the ERDF are for the outermost or northern sparsely populated regions (0%), while EUR 1 410 million are for territorial cooperation (6%).

Figure 7 – ERDF budget dedicated to rural development, MFF 2014-2020



By considering the financial planning at the national level (i.e. 531 programmes available as at the beginning of November 2015), shares of ERDF dedicated to rural areas vary significantly across Member States (Figure 8). The highest proportion is found in Sweden (36%), followed by Finland (29%), Austria (28%), Ireland (25%) and Portugal (23%). On the contrary, no allocation from the ERDF to rural areas is planned in Belgium, Bulgaria, Cyprus, Croatia, Denmark, Estonia, and the Netherlands.

Figure 8 – Share of ERDF budget dedicated to rural areas at the national level, planning for the programming period 2014-2020



Notes: TC stands for Territorial Cooperation.

Part 3: European Social Fund (ESF)

3.1 The first Structural Fund

The European Social Fund was the first Structural Fund. Set up by the Treaty of Rome (1957), it aimed at "*improving workers' mobility and employment opportunities in the common market*" (EP, 2016d). The tasks and operational rules of the ESF were revised over time. According to Council Regulation (EEC) No 2081/93 of 20 July 1993 amending Regulation (EEC) No 2052/88 on the tasks of the Structural Funds, the ESF was, in line with Article 123 of the Treaty, to combat unemployment by "*(a) facilitating access to the labour market; (b) promoting equal opportunities in the labour market; (c) developing skills, abilities and professional qualifications; (d) encouraging job creation*" (Regulation (EEC) No 2081/93). Priority objectives for the ESF over the 1993-1999 programming period were Objectives 3 and 4, but the fund was also to contribute to Objectives 1, 2 and 5b (Table 1). Objectives 3 and 4 had no geographical focus and were agreed at the national level (EC-DG REGIO, 2008). Within the subsequent reform of Structural Funds in 1999, the ESF was called to contribute to all the three Structural Funds Objectives (Regulation (EC) No 1784/1999). Regulation (EU) No 1081/2006 repealing Regulation (EC) No 1784/1999 established the tasks of the European Social Fund with respect to the Convergence and Regional Competitiveness and Employment objectives but again without any specific reference to a geographical focus on rural areas. Instead, specific provisions related to particular territorial features are given in Regulation (EU) No 1304/2013 of 17 December 2013 on the European Social Fund and repealing Council Regulation (EC) No 1081/2006. Article 12(1) of the Regulation, in fact, specifies that "*The ESF may support community-led local development strategies in urban and rural areas, as referred to in Articles 32, 33 and 34 of Regulation (EU) No 1303/2013, territorial pacts and local initiatives for employment, including youth employment, education and social inclusion, as well as Integrated territorial investments (ITI) as referred to in Article 36 of Regulation (EU) No 1303/2013*".

3.2 ESF appropriations for rural areas within the MFFs

There is a lack of publicly available data related to the ESF which constrains the analysis of the contribution of this fund to RD and biases the comparative exercise across the various funds. Allocation of the ESF to RD is partially possible for the first and the last considered programming periods. It is partially possible for the MFF 1993-1999 because appropriations are aggregated by objective and in particular by Objective 5b which is dedicated to the development and structural adjustment of rural areas. It is possible in the last MFF (2014-2020) because of the categorisation of appropriations implemented since the planning stage according to a territorial dimension where rural areas are outlined as thinly populated areas.

MFF 1993-1999

Out of the planned financial allocation of EUR 6 134 for Objective 5b, the ESF share was EUR 910.3 million. This amount refers to EU12. Data received from DG REGIO on ESF payment appropriations towards Objective 5b regions are reported in Table 14. Since payments related to the 1993-1999 programming period extended up to 2008, the amount paid from year 2000 to year 2008 is specified separately. **On average, the ESF share dedicated to rural areas (Objective 5b) over the period 1993-1999 is 2.3%.**

Table 14 ESF payment appropriations, MFF 1993-1999, EUR million

	MFF 1993-1999
Structural Funds	165 484.6
of which ESF	41 268.5
of which Objective 5b	695
as above but paid after 1999	255
Sub-total ESF for RD	950
ESF for RD (Objective 5b) as share of tot ESF	**2.3%**

Sources: EC-DG Budget (2009) for SF and ESF payment appropriations; DG REGIO data (October 2016) for expenditure related to Objective 5b.

For the same period, there are CI supported by the ESF that may have addressed rural areas but the share of ESF in these initiatives may not be derived. Therefore the RD expenditure shares reported in Table 14 **underestimate** the actual contribution to RD from ESF over the period 1993-1999.

MFF 2000-2006

There are no publicly available data for ESF spending in rural areas over this programming period.

MFF 2007-2013

ESF data for the period 2007-2013 are provided by DG REGIO and taken from the database developed within the ex-post evaluation of Cohesion Policy programmes 2007-2013 (see the 'Introduction'). ESF expenses for RD total EUR 3 244 (Table 15). These expenses are categorised according to the territorial dimension 05 'rural areas (other than mountains, islands or sparsely and very sparsely populated areas)'.

Table 15. ESF payment appropriations, MFF 2007-2013, EUR million

	2007-2013
European Social Fund	48 698
of which ESF in rural areas (*)	3 244.2
ESF for rural areas as a share of tot ESF	**6.7%**

Sources: ESF payment appropriations are downloadable as the excel file 'financial_execution_by_period_fund_country' from the 'Data for research' webpage of DG REGIO; data for ESF expenditure in rural areas are from DG REGIO (October 2016).
(*) Reported project selection amounts as at the end of 2014 for the period 2007-2013.

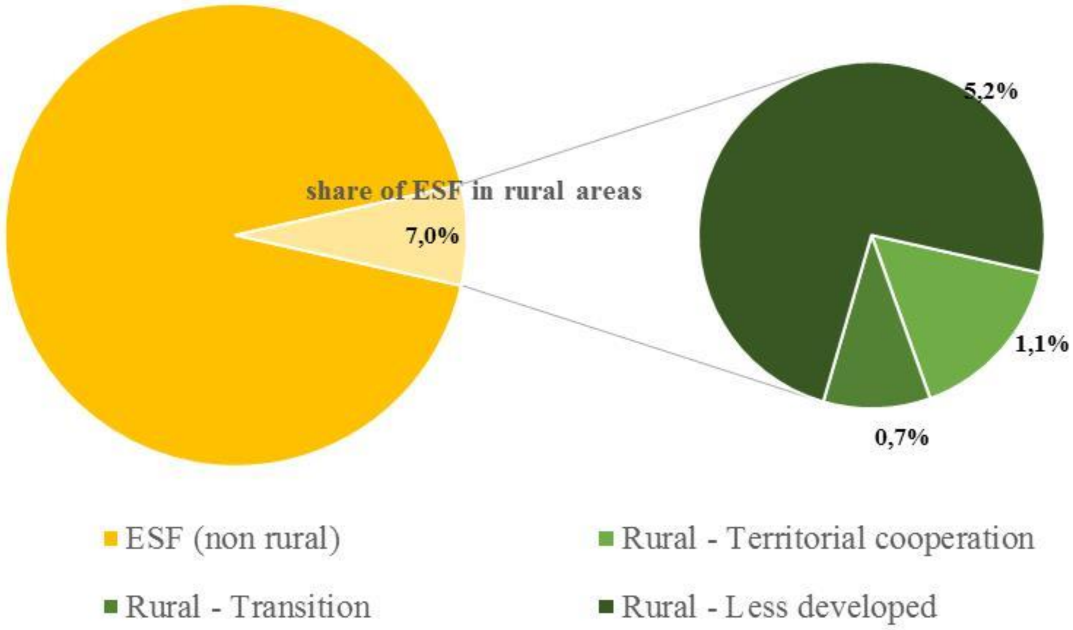
MFF 2014-2020

The EU financial envelope for ESF over the period 2014-2020 is EUR 86 405 million[18]. Within this envelope, the planned financial allocation for rural areas is EUR 6 089 million. This represents an average of 7.0% of the total ESF budget (Figure 9).

Most (74%) of the ESF funds allocated to rural areas are in less developed regions (EUR 4 509 million) (Figure 9). Rural areas in more developed regions benefit from EUR 1 000 million (16%) from the ESF, while transition regions are planned to receive EUR 579 million (10%).

[18] See footnote 15.

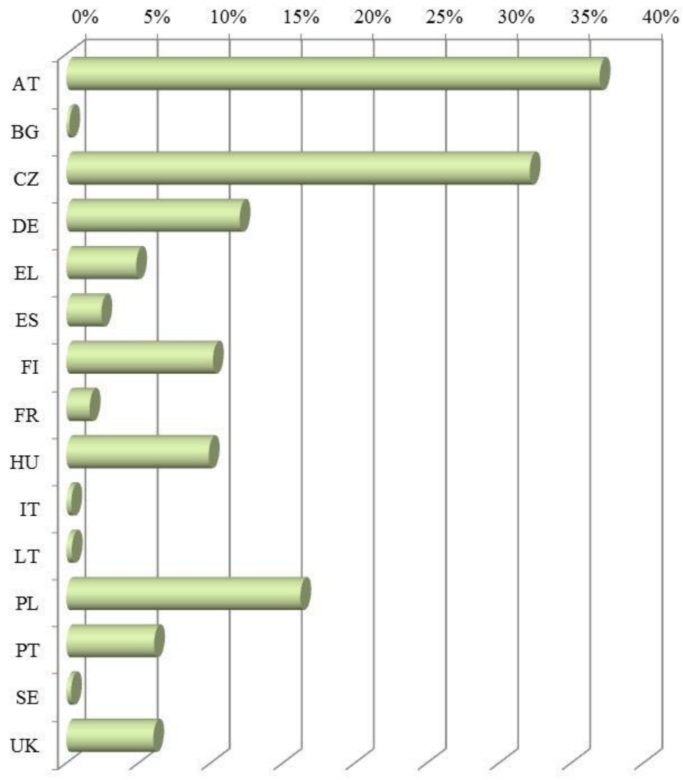
Figure 9 – ESF budget dedicated to rural development, MFF 2014-2020



By considering the financial planning at the national level (i.e. 531 programmes available as at the beginning of November 2015), only a limited number of MS actually planned to use a significant share of ESF funds in rural areas (Figure 10).

These countries include Austria (37%), Czech Republic (32%), Poland (16%), Germany (12%), and Finland and Hungary (10% each). No allocation from the ESF to rural areas is planned in Belgium, Croatia, Cyprus, Denmark, Estonia, Ireland, Luxembourg, Latvia, Malta, Romania, Slovenia, Slovakia, and the Netherlands. Reference is to Figure 12.

Figure 10 – Share of ESF budget dedicated to rural areas at the national level, planning for the programming period 2014-2020



Part 4: Cohesion Fund (CF)

4.1 A fund for countries with below the average income per capita

Provided for by the Maastricht Treaty, the Cohesion Fund (CF) started operating in 1993 as a financial instrument. It was established by Council Regulation (EEC) No 792/93 of 30 March 1993 in order to "…*provide financial contributions to projects in the fields of the environment and trans-European transport infrastructure networks in those Member States which have a per capita GNP of less than 90% of the Community average…*". In 1994, Regulation 792/93 was replaced, without interruption, by Council Regulation (EC) No 1164/94 of 16 May 1994 establishing a Cohesion Fund to "…*contribute to the strengthening of the economic and social cohesion of the Community….*"[19]. The CF operated as an independent fund up to the 2007-2013 MFF. Since then, it contributed to the Convergence objective on the basis of common rules applying to the three funds of the cohesion policy, i.e. CF, ERDF, and ESF[20]. Neither of the two fund-specific Regulations setting the scope of support from the CF over the MFFs 2007-2013 and 2014-2020 makes a specific reference to a geographical focus on rural areas. However, both envisage support in areas related to sustainable development provided that this support implies environmental benefits[21].

4.2 CF appropriations for rural areas within the MFFs

The CF did not contribute to the funding of Objective 5b regions over the 1993-1999 programming period and none of the broad categories of intervention within the environment/transport projects implemented in Greece, Ireland, Portugal and Spain, and supported by the CF in that period specifically refer to rural areas.

For the period 2000-2006, the ex-post study on regional expenditure indicates as null the expenses from the CF in the area 13 'Promoting the adaptation and the development of rural areas' (see the 'Introduction').

[19] Regulation 1164/94 was subsequently amended by Regulations (EC) No 1264/99 and (EC) No 1265/99.
[20] Council Regulation (EC) No 1083/2006 of 11 July 2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No 1260/1999.
[21] Council Regulation (EC) No 1084/2006 of 11 July 2006 establishing a Cohesion Fund and repealing Regulation (EC) No 1164/94 and Regulation (EU) No 1300/2013 of 17 December 2013 on the Cohesion Fund and repealing Council Regulation (EC) No 1084/2006.

MFF 2007-2013

CF data for the period 2007-2013 are taken from the database developed at NUTS3 level within the ex-post evaluation of Cohesion Policy programmes 2007-2013 (see the 'Introduction') (Table 16).

Table 16. CF payment appropriations, 2007-2013, EUR million

	2007-2013
Cohesion Fund	38 320
of which CF in rural areas	2 713
CF for rural areas as a share of tot CF	**7.1%**

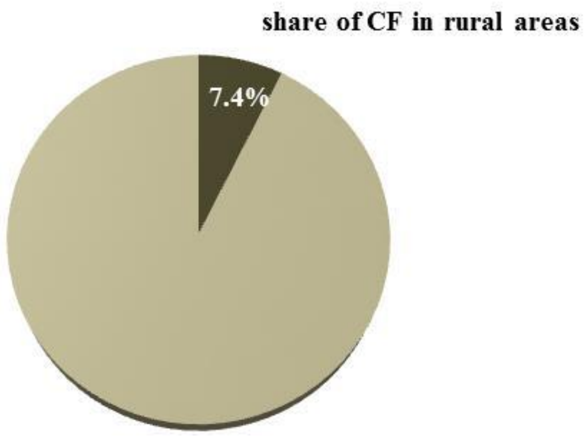
Sources: CF payment appropriations are downloadable as the excel file 'financial_execution_by_period_fund_country' from the 'Data for research' webpage of DG REGIO; DG-REGIO (2015), file excel 'wp13_2_db_nuts3_ae' with data on cumulative expenditures in 2014.
Notes: NUTS3, and corresponding commitments, are classified as 'rural areas' according to the Eurostat urban-rural typology.

An unknown share of EUR 22 412 million spent on rural areas by a combination of ERDF and CF needs to be added to the CF appropriations reported in Table 16.

MFF 2014-2020

Out of a total EU financial envelope for the CF of EUR 63 390 million, about EUR 4 664 million (7.4%) is planned to be spent in rural areas over the programming period 2014-2020 (Figure 11)[22].

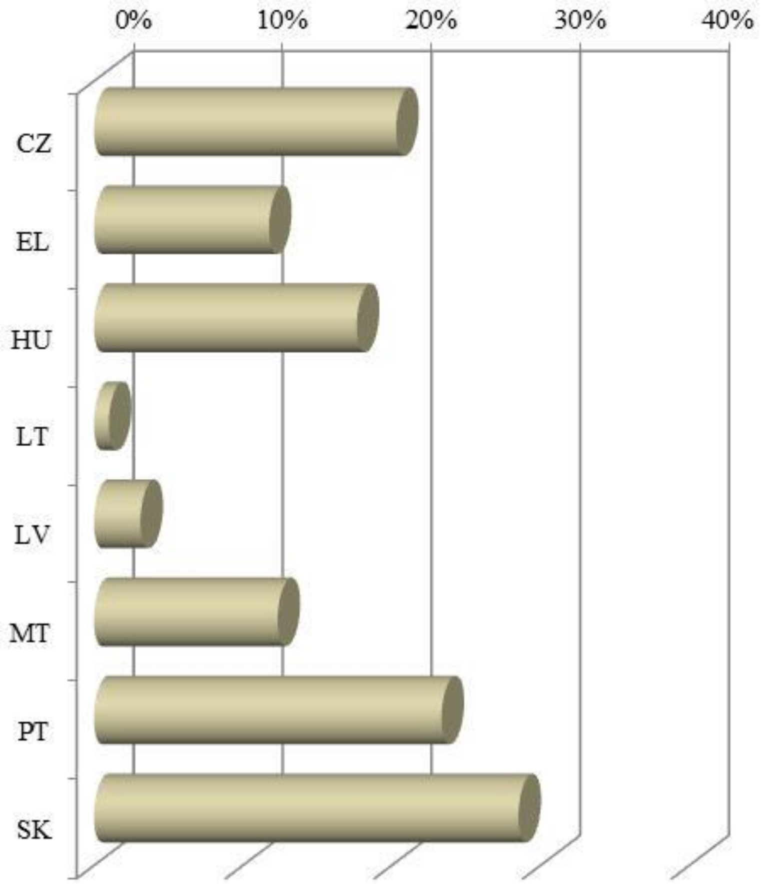
Figure 11 – CF budget dedicated to rural development, MFF 2014-2020



[22] See footnote 15.

Over this programming period, countries eligible for funding from the Cohesion Fund include: Bulgaria, Czech Republic, Estonia, Greece, Croatia, Latvia, Lithuania, Hungary, Malta, Poland, Portugal, Romania, Slovenia, Slovakia, and Cyprus on a transitional and specific basis[23]. The use of the CF for rural areas is concentrated in about half of these Member States. The highest shares of the fund dedicated to rural areas are found in Slovakia (29%), Portugal (23%), Czech Republic (20%) and Hungary (18%) (Figure 12).

Figure 12 – Share of CF budget dedicated to rural areas at the national level, planning for the programming period 2014-2020



The historical analysis of the evolution of the budget for rural development over the last three decades provides an overview of EU spending which is unavoidably biased by the quality of available data. Another important constraining factor relates to the categorisation of commitments and expenditures with respect to the territorial dimension. The outlining of 'rural areas' and/or of 'support for rural development' within such a categorisation has

[23] Annex IV and Annex V of Commission Implementing Decision of 18 February 2014 setting out the list of regions eligible for funding from the European Regional Development Fund and the European Social Fund and of Member States eligible for funding from the Cohesion Fund for the period 2014-2020.

not been implemented systematically and/or coherently over the various programming periods. This affects in particular the quantification of RD-related support from the ERDF, the ESF, and the CF. Notwithstanding all these shortcomings, overall, the combined contribution of the EAGGF/EAFRD and of the other considered funds to RD seems to be importantly lower in the current MFF (2014-2020) than in MFF 2007-2013.

Appendix I – References

Acknowledgments: the author gratefully acknowledges the contribution of the Directorate-General for Agriculture and Rural Development and of the Directorate-General for Regional and Urban Policy for the provision of some ad-hoc data and information.

Hyperlinked references in the text: there are several references throughout the text to EU legislation and policy documents which re-direct to the source through hyperlinks. These several references are not listed below.

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