

Joint Position Paper on strengthening EU policies for rural areas in the legal framework 2028-2034 of the following Members of the European Committee of the Regions (CoR)

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A. Occasion and Background

Discussions on the shaping of EU policies and the Multiannual Financial Framework (MFF) from 2028 are currently gaining momentum. They are shaped by future enlargement, among other global challenges. According to a recent communication from the European Commission on reforms and reviews of policy areas ahead of the enlargement¹, the sustainability and modernization of all major policy and spending areas, including rural development and cohesion, are to be examined. EU policies and programs are therefore to be redesigned for the next MFF.

Thus, it is essential to timely introduce the needs and potentials for strong and resilient rural areas and their embedding in the shaping of EU policies into the beginning debates. Initial positions on this have already been formulated at the 93rd Conference of German Ministers in charge of European Affairs

¹ COM(2024)146 final

(EMK)². The German County Association³ and the German Association of Towns and Municipalities⁴ have also decided on a series of demands for the future of cohesion policy and the CAP.

The European Union has a wide range of funding opportunities to support the development of rural areas through the European Agricultural Fund for Rural Development (EAFRD) as part of the Common Agricultural Policy (CAP) and cohesion policy instruments (European Regional Development Fund, European Social Fund+, Cohesion Fund, European Maritime and Fisheries Fund, and the Just Transition Fund (JTF)). However, current discussions on the CAP and cohesion policy fields indicate possible critical decisions that could have a negative impact rural areas for the period after 2028. This is particularly significant as discussions on CAP and cohesion policy are largely being conducted separately.

In the context of cohesion policy, there are discussions about focusing on less developed regions, nationalizing cohesion policy in line with the Recovery and Resilience Plans, and concentrating on a few central themes (competitiveness, industrial policy, innovation, research, technologies). This would neither be compatible with the EAFRD nor support rural development through structural funds in Germany. The EMK took a clear stance against this direction of cohesion at its 95th meeting in June.

Within the CAP, there are signals from representatives of DG Agri for an even stronger focus of EAFRD funding on the future viability of agricultural enterprises. An active and targeted policy to strengthen rural areas seems to be falling out of focus. The current strategic dialogue of the European Commission on the future of the agricultural and food sector in the EU and thematic workshops of the Commission clearly prioritize the resilience of the agricultural sector, food security, and the compatibility of agriculture with nature conservation. These topics and goals are of central importance and are welcomed.

However, comparable activities to prepare for the anchoring of rural development in future policy design are lacking - both in the CAP and cohesion policy. Through the long-term vision for EU rural areas and the action plan for rural regions until 2040, the Commission has set the further promotion of prosperity, resilience, and social cohesion in rural areas on the political agenda. The vision was explicitly welcomed by the CoR and extensively acknowledged by the European Council and the EU Parliament. However, a link between the vision and the ongoing discussion processes for the design of the funding period from 2028 is hardly visible. Rather, it is apparent that the goals declared by the Commission in the long-term vision are simply not being considered in the discussions on the future direction of the CAP and cohesion policy.

The needs and potentials of rural areas are at risk of being perceived and defined solely from the perspective of the agricultural and food economy, despite their horizontal primary legal anchoring⁵. Rural areas and agriculture are closely connected: Livable rural areas need sustainable and socially rooted agriculture. However, agriculture also needs attractive and livable rural areas to attract skilled workers. The socioeconomic situation of rural areas in most regions of Europe is no longer primarily determined by agriculture. Ensured public services and supply in rural areas, sustainable public transport, future-proof infrastructures, a diversified economic structure and qualified employment opportunities are tasks that can only be addressed with a broad structural policy approach.

² https://www.schleswig-holstein.de/DE/fachinhalte/E/europapolitik/emk-beschluesse/20231207/231207_laendliche_raeume.pdf?_blob=publicationFile&v=1

³ https://www.landkreistag.de/images/stories/publikationen/231201_DLT_PosPap_Zukunft_Kohaesionspolitik.pdf

⁴ Resolution of the Committee on Economic Affairs, Tourism and Transport of April 16, 2024 and statement of the German Association of Towns and Municipalities on the further development of the CAP from 2028 on the occasion of the meeting of ministers in charge of agriculture on March 14, 2024

⁵ Art. 174 of the Treaty on the Functioning of the European Union (TFEU)

The signatories therefore demand that the discussions for an effective funding policy geared towards needs and potential to strengthen rural areas in the legal framework must be conducted across all policy areas from 2028. Overall, a regional policy that promotes urban-rural cooperation and strengthens the relationships between the different types of areas rather than playing them off against each other must be made possible. At the same time, measures must also be provided to strengthen the competitiveness of purely rural areas. This position paper formulates initial demands and outlines options to drive the discussions forward.

B. Initial Situation for Policy Design for Rural Areas from 2028

The European Union thrives on the strength of thousands of municipalities and regions. Rural areas occupy over 80 percent of the EU's land area. About one-third of the entire EU population lives in rural areas. This spatial and settlement structure will be reinforced with the accession of the current, predominantly rural candidate countries to the EU.

In most German states, there are extensive areas which are classified as rural. According to Article 174, sentence 3 of the TFEU, these areas deserve special attention in the Union's policy aimed at strengthening economic, social, and territorial cohesion. They thus constitute a focus of action. EU policies should be geared towards this goal, and negative impacts should be prevented through appropriate impact assessments.

We, the above-mentioned members of the German delegation of the CoR, are convinced that strengthening the resilience of rural areas in all dimensions – ecological, social, economic, and digital – is a central prerequisite for the necessary transformation processes (e.g., energy transition, transport transition, biodiversity protection). It is crucial for social cohesion within member states and for a solid democratic and pro-European society in Europe.

Nevertheless, the development of rural areas has lost significance in the Common Agricultural Policy when compared to agricultural policy topics. This is particularly evident in the current funding period 2023-2027, both in the weak anchoring of goals in the legal framework and in the allocation of funds in the national CAP strategic plans. Of the nine specific goals, only the specific goal 8 “Promoting employment, growth, social inclusion, and local development in rural areas, including bio-economy and sustainable forestry” envisages structural policy investments.

The volume earmarked for funding of integrated rural development measures, which includes village development, rural infrastructure promotion, rural land reorganization, local basic services, and cultural heritage, has significantly decreased in Germany compared to the 2014-2022 period. Only the LEADER approach has been strengthened. The vast majority of EAFRD funds flow into sector-specific interventions.⁶⁷

The contributions of the structural funds also fall short of the objectives mentioned in Article 174, sentence 3 of the TFEU. A study conducted in 2020 by the Think Tank EPRC⁸ on behalf of the European Parliament's Committee on Regional Development (REGI) found that more than 3.5 times as many of the total 211 billion euros were used in urban areas compared to rural areas during the past funding period.

⁶ <https://www.bmel.de/DE/themen/laendliche-regionen/foerderung-des-laendlichen-raumes/eu-foerderung/eler-2014-2020-umsetzung.html>

⁷ <https://www.bmel.de/DE/themen/landwirtschaft/eu-agrarpolitik-und-foerderung/gap/gap-dashboard.html>

⁸ [https://www.europarl.europa.eu/RegData/etudes/STUD/2020/652210/IPOL_STU\(2020\)652210_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2020/652210/IPOL_STU(2020)652210_EN.pdf)

The fact that significant challenges persist in rural areas is highlighted by some key statements from the 9th Cohesion Report published at the end of March 2024⁹:

- Rural areas continuously face challenges that contribute to curbing economic growth and development.
- These challenges include low digital connectivity, a lack of transportation infrastructure, services, and educational, training, and employment opportunities.
- A major challenge is demographic change, resulting from the migration out of rural areas and an increasingly aging population, with lower birth rates and higher mortality rates compared to urban regions.
- Consequently, the availability of educational institutions and public and private services is steadily declining, reducing the "attractiveness" for investors and the population.
- While the proportion of the working-age population is decreasing, the proportion of the dependent population is increasing, putting rural areas at risk of falling into talent development and economic development traps, leading to stagnation.
- The risk of economic development traps is three to four times higher for regions specialized in the agricultural sector compared to regions with other sectoral specializations.

In its final report, the High-Level Group on the Future of Cohesion¹⁰ highlights that these issues can lead to a "geography of discontent," which could ultimately result in aversions towards the European Union and its future enlargement. However, the report also points out that rural areas possess significant potential to strengthen the EU's economic growth, and cohesion policy should aim to empower these regions to fully exploit their potential.

This situation makes it clear that from 2028 onwards, more efforts are needed to address the needs and potentials of rural areas, including further development or a "reconfiguration" of the instruments.

⁹ https://ec.europa.eu/regional_policy/information-sources/cohesion-report_en

¹⁰ Report of the High-Level Group on the Future of Cohesion Policy, February 2024: 41-43, Publications Office of the European Union, 2024, <https://data.europa.eu/doi/10.2776/974536>

C. Core Demands

1. Rural regions and a policy of rural development must be clearly anchored as an independent policy objective in EU policy from 2028, in line with the claim formulated in Article 174, sentence 3 of the TFEU, and equipped with adequate funds and effective instruments.
2. The industrial transformation largely takes place in rural areas and must be better addressed in terms of structural policy in the future.
3. Due to the challenges and profound transformation processes, all rural regions need European support regardless of their previous territorial category, to avoid being overwhelmed and to be able to turn their potentials into opportunities. Only as an active part of EU policies can rural areas drive the achievement of European goals.
4. Therefore, it is essential to enter discussions about the future shaping and financing of the two most important EU policy areas – the CAP and Cohesion Policy – jointly in terms of responsibility for rural areas and subject them to a genuine policy impact assessment for rural areas. Appropriate cross-cutting work structures need to be established at the Commission level and in expert committees.
5. The goal must be a coherent and well-coordinated funding architecture that promotes urban-rural cooperation and strengthens relationships between different spatial types in light of major transformation challenges, rather than playing them off against each other.
6. Several options are conceivable for strengthening European policy for rural areas: either greater autonomy and more weight of structural policy instruments in the EAFRD or the development of an independent structural policy instrument within the CAP or an independent goal with a corresponding funding axis in the structural funds (see details on p. 6 ff.).
7. The possible options should be examined for their feasibility, practicability, and impact on the funding architecture and the simplification goal.
8. A design of cohesion and the Common Agricultural Policy that is both spatially and thematically narrow and implemented through national instruments is neither compatible with these options nor with the mandate formulated by the High-Level Group for Cohesion Policy and is categorically rejected.
9. According to the understanding of the long-term vision for rural regions, the decision of the 93rd EMK, and the demands of the German County Association and the German Association of Towns and Municipalities, the strengthening of rural areas is also an overarching task to which all sectoral policies must contribute. This approach of shared responsibility must also be reflected in the future design of EU policies from 2028.
10. Accordingly, the impact assessment for rural areas demanded in the long-term vision for political decisions, legal regulations, and programs must be consistently applied and place-based approaches in all spatially effective policies strengthened.

D. Options

The sequence of the following options follows the depth of change involved in policy design and the roles of the CAP and cohesion policy concerning rural areas. It does not represent a preference at this point. Option 1 largely aligns with the demands of the EMK, which also moves towards "qualifying" the EAFRD. Options 2 or 3 stand for a substantive further development or autonomy of rural development policy.

Option 1: "Extended Status Quo" by strengthening the Structural Policy Orientation in the EAFRD and the Territorial Dimension in the Structural Funds

In this option, the goal of strong, attractive, and resilient rural areas gains high importance in the EAFRD legal framework, and the EAFRD is equipped with a broad set of instruments for their socio-economic development through investments in infrastructure, public services, and a strong diversified economy in rural areas. Corresponding funds are to be provided for this. At the same time, the rural dimension according to Article 174, paragraph 3 of the TFEU is also more clearly anchored in cohesion policy and good coordination between the structural funds and the EAFRD pursued. This aligns with the High-Level Group's statement that more needs to be done to improve cooperation between different policy areas.

Basic Requirements

- The goal of strong and resilient rural areas is considered of high importance in the legal framework.
- The EAFRD has adequate funding.

Advantages

- Continuity in governance structures, no system breaks, rapid ability to act.
- Flexibility in setting priorities in the EAFRD remains with member states and regions: they can mix the EAFRD according to pressing needs and in coordination with other national funding elements (agricultural sector, environment, rural development).

Possible Disadvantages - Limits and Risks

- If the EAFRD continues to be programmed together with the 1st pillar in the CAP strategic plan at the national level, only minor improvements compared to the status quo are possible with this option, if at all.
- Simultaneous anchoring in the Common Provisions Regulation (CPR) alongside the CAP regulations would not be sensible in this constellation, as this would result in a dysfunctional "servant of two masters" situation with numerous incompatibilities, double structures, and double reporting requirements.
- Monitoring, indicator sets, and administration and control systems geared towards agricultural policy instruments remain unsuitable for predominantly long-term investment structural projects.
- The continued dominance of agricultural themes and perspectives remains likely.

Option 2: Creation of a Structural Fund for Rural Development ("ESFRD") Based on Article 174 (3) TFEU

This option involves transferring the investment interventions for rural development from the current EAFRD to an independent structural fund for rural development based on Article 174, paragraph 3 of the TFEU. This fund remains under the responsibility of DG AGRI.

Investment in nature, water, flood, and coastal protection measures are also integrated into this fund. These are currently important EAFRD measures in some federal states for implementing NATURA 2000

and the Water Framework Directive. These are also partly hindered by the EAFRD funding regime and the implementation under the national CAP strategic plan.

Basic Requirements

- Adequate financial means are provided for the fund.
- Full integration under the Common Provisions Regulation as a genuine structural fund. Implementation regime harmonized with the structural funds through the CPR.

Advantages

- Adapted and harmonized implementation regulations with the structural funds can be introduced, and a complete "decoupling" from the CAP implementation regime can occur.
- Anchoring in DG AGRI continues to allow for synergies and fewer hard interfaces between agriculture and rural development policy.

Possible Disadvantages - Limits and Risks

- An additional instrument is associated with the establishment of new implementation structures/governance. Besides the overall increased effort, this may also involve learning costs.
- Own budget, but possibly no flexibility to shift funds from the CAP.
- Risk of other funds withdrawing responsibility for rural areas due to a more specialized fund.

Option 3: Expansion of Cohesion Policy by Adding EAFRD Goals Beyond the Agricultural Sector to the Common Provisions Regulation

This option includes anchoring an own political goal "Strengthening rural areas" in the Common Provisions Regulation, along with corresponding additions of a funding axis and necessary intervention areas and codes in the structural fund regulations. Additionally, thematic concentration requirements or a minimum quota for funding are envisaged – similar to sustainable urban development. LEADER is an integral part. Investment in nature, water, flood, and coastal protection previously eligible under the EAFRD will also be integrated into the structural funds.

Basic Requirements

- Budget shares of the current EAFRD transfer to the structural funds.
- No concentration of ERDF/ESF on less developed areas.

Advantages

- CLLD and cross-fund funding would be facilitated (similar to objective 5b funding 1994-1999).
- Guidelines for rural development (LEADER et al.) can continue to be designed by the responsible departments and integrated into the structural fund programs; thus, the intervention in governance would be rather minor.
- Integrating the horizontal task of strengthening rural areas could support maintaining cohesion policy in all regions of Europe.

Possible Disadvantages - Limits and Risks

- Cooperation between agriculture, regional marketing, and regional development could be complicated at a new interface.

- The impacts on the approval structure need careful consideration; both synergies and further differentiations are possible.
- The dominance of thematic priorities like decarbonization, innovation, and digitalization can marginalize the goals of rural development if not adequately safeguarded.

The merits of each option depend heavily on further developments, specifications and framework conditions. This means that all options must be further developed and kept in the "playing field" for as long as possible. The decisive factor for the solution to be sought is the appropriate consideration of the needs of rural areas in the funding from 2028.

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