



# FUTURAL

Empowering the **FUT**ure through innovative Smart  
Solutions for **rURAL** areas

Policy Highlights from  
'Existing Policy and Governance frameworks for smart  
community-led innovation'

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## 1. Context

**Rapid (and less rapid) demographic, green, and digital changes are driving communities to develop their own innovative solutions** (technological, social, economic, or organizational ones). This is particularly true in rural areas, where public action is often lacking or limited, and market intervention is not financially viable.

**In the EU, community-led solutions are a European public good, as they can unlock greater value on societal well-being, institutional trust, as well as innovation and competitiveness across Europe.** Community-led innovations occur across sectors – such as energy, housing, essential services, waste and water management – and contribute to addressing Europe’s roots of widening territorial disparities and geography of discontent. Community-led solutions are also **more effective than top-down solutions** as they respond to community needs and they are more likely to rely on community engagement and adoption.

While community-led initiatives generate **bottom-up and place-based solutions** to multi-level challenges, **the right mix of policy and governance mechanisms can facilitate these initiatives to set up, grow and evolve over time.** By supporting these initiatives, policy makers can drive place-based innovation and address unmet needs even in those areas where their actions do not arrive. They can reach vulnerable communities and enhance societal cohesion, renewing a sense of community belonging and governmental trust. Additionally, governance frameworks influence design, delivery and evaluation of policies and policy instruments, and they allow for more fruitful collaboration and knowledge sharing between State actors and civil society in rural areas.

**In the FUTURAL Policy report** (Lostrangio & Pazos-Vidal, 2025), **we analysed approximately 100 EU policies and governance mechanisms and how they support community-led innovation in rural areas.** We also looked at the experience of **six countries:** (Austria, Belgium, Greece, Lithuania, Romania, and Spain), and carried out in-depth interviews with local actors to get their views on **how policy makers could improve their support for community-led innovation.** **Based on our findings, we drafted our initial recommendations** that will be discussed during the EU Rural Innovation Forum (14-15 May) and the FUTURAL Policy Webinar (21 May).

## 2. Background

This document was prepared in the framework of the Horizon Europe project [FUTURAL](#) (*Empowering the future through innovative smart solutions for rural areas*). It summarises the findings of the FUTURAL report ‘Existing Policy and Governance frameworks for smart community-led innovation’ (expected by early June 2025). On this basis, it also provides its initial

recommendations which will be validated with the FUTURAL actors at the [European Rural Innovation Forum](#) (14-15 May) and at the [FUTURAL Policy Webinar](#) (21 May).

### 3. Findings

#### *Take-aways on policy:*

**Multi-Level policy landscape:** Rural innovation is strongly influenced by both EU and Member States policies. At EU level, the CAP and Cohesion Policy are the two main policies providing for rural innovation. At the same time, policies on sectors such as education, industry or health depend fully on Member States.

**Cohesion Policy's significant role:** Contrary to common perception, Cohesion Policy allocates more funds to rural development beyond farming than CAP Pillar II. Notably, Cohesion Policy planned €45.6 billion for rural policy beyond farming which is more than the rural development policy itself (CAP Pillar II, €24.6 billion) (2021-2027 period) (EC, 2024a; Kah et al., 2020). Yet, community-led initiatives benefit more from LEADER under CAP (2023-2027, €7.7 billion), than via CLLD in Cohesion Policy (approx. €375 million via ERDF and ESF+, 2021-2027). Evidence from analysed countries seems to show that a lack of CLLD earmarking in Cohesion Policy (compared to CAP) seem to make Managing Authorities more reluctant to define such support.

**LEADER's popularity and limitations:** the LEADER approach is highly valued for community-led development thanks to its integrated and place-based approach but faces some challenges. In addition to the challenges in defining and measuring innovation, LEADER encounters structural and bureaucratic limitations and its eligibility does not cover the entire EU territory. LEADER criticisms from the EU Court of Auditors should equally be truthfully addressed (EU Court of Auditors, 2022).

**Smart Villages, an untapped potential:** Since 2021, the Smart Villages instrument offers a targeted approach for community-led innovation within both CAP and Cohesion Policy. Thus far, five EU Member States have designed dedicated Smart Village interventions into their CAP Strategic Plans, and 18 countries have opted to support Smart Villages through LEADER. By 2029, a total of 2,624 Smart Village projects and strategies are anticipated under CAP Pillar II (Result Indicator 40) (Makrandreou, 2025). However, the overall uptake and budgetary allocation of Smart Villages remain limited. Member States have been reluctant to assign ambitious budgets or targets for Smart Villages, and there are no figures on the uptake of Smart Villages within the Cohesion Policy's Operational Programmes.

**EU rural Innovation can be supported beyond CAP and Cohesion Policy:** Rural innovation can be financed by sectoral programs beyond rural and territorial development policies, like Horizon Europe, the New EU Bauhaus, the Digital Decade Programme, the Social Economy Action Plans, Social Climate Plans. However, these policies are often spatially blind (not specifically targeting rural areas) or not aimed at bottom-up community initiatives (due to

excessive bureaucracy or competition, and larger funds being less accessible to local communities).

**Lack of specific national strategies:** most analysed countries lack dedicated policies for community-led innovation, which is often embedded within broader digital, social innovation, or rural development policies.

**Policy misalignment:** Rural development policy is often poorly integrated with industrial and innovation policies at both EU and national levels, leading to interventions that are not specifically targeting rural areas and less effective interventions.

### **Take-aways on governance:**

**EU governance mechanisms exist:** At EU level, Treaties and Fundamental Principles are explicitly supportive of providing a special attention to rural areas, and they implicitly support the notion of community-led innovation. However, policies for community-led innovation are not exclusively an EU competence but rather the result of collaboration with EU Member States. In our report, we mapped 55 EU-level governance mechanisms through which communities can engage into EU-level policy making to ask support for community-led innovation.

**National governance variations:** At the national level, factors influencing a country's support for community-led innovation include the level of state centralization, the historical evolution of country multilevel and horizontal (cross sectoral) governance, and the financial autonomy of local governments. Countries with high decentralised systems (e.g. Austria) or asymmetric governance frameworks (e.g. Belgium) rely on more built-in options to include multi-level actors than centralised or regionalised states.

**Local governments are crucial but constrained:** Local authorities are the closest tier to citizens, especially in more remote rural areas, cross-border, mountain territories and islands. Nevertheless, the action of local governments is strongly limited by high financial dependency from central governments (e.g. Lithuania, Greece), which hamper them from focusing on broader territorial development tasks. Other factors that limit the capacity of local authorities are an imbalance between local duties, the size of the municipality, its financial capacity (e.g. 'right on municipal uniformity' in Spain), lack of technical capacity, geopolitical instability, excessive bureaucracy, or rigid regulations.

**Civil society actors:** Rural movements and networks play an essential role to spark, drive and implement innovation in rural areas. Ranging across village and regional associations, development trusts, social enterprises, community councils, local partnerships, and national and European rural parliaments, should be recognised as essential components of rural governance.

**Technical and financial needs:** even though community-led innovation provides added value in 13 rural development areas (*see full report*), the lack of technical and financial resources are the main barriers to kick-start community-led innovations.

## 4. Recommendations

### 1. Formally recognise the transformative impacts of community-led rural innovation in providing sustained wellbeing and innovation in the EU.

Community-led innovations have a critical transformative potential in rural areas, well beyond the traditional food and tourism sectors (e.g. energy communities, circular economy initiatives, community-based care services, mobility) (ECOLISE, 2024; Penha-Lopes & Henfrey, 2019). Community-led innovations increase socio-economic and environmental resilience of rural areas, the security and wellbeing of their communities despite often relying marginally (or not at all) on public money support. Therefore, we ask the **European Commission to issue a communication on the relevance of community-led initiatives** to pursue Right to Stay and no-one left behind principle and achieve Europe's ambitions on innovation and wellbeing.

### 2. Mainstream political and financial support to community-led rural initiatives with an 8% mandatory earmarking in the next EU Budget (including the EU Competitiveness Fund).

Whereas it is estimated the Cohesion Policy provides wider support to rural development than the CAP itself (€45.6bn or 11.6%, with a similar percentage is spent in the Recovery and Resilience Facility 2021-2026 for Cohesion investments in both urban and rural areas), only €750 mln go to CLLD in rural and non-rural areas from the Cohesion Policy compared to €7.7 bn from CAP via the LEADER programme<sup>1</sup>. **We advocate for mandatory earmarking to be established both in the CAP and Cohesion Policy** to ensure the continuity of the LEADER/CLLD programme, **in a similar manner to the minimum earmarking of 8% ERDF funds for urban development** (AEIDL, 2024, 2025; ELARD, 2024; European Parliament, 2023, 2024, 2025b). More evidence is needed on how Cohesion Policy supports CLLD across Member States. We advocate the EU to simplify CLLD/LEADER rules for beneficiaries and SMEs in rural areas, guarantee better access to cross-border and less-developed regions, and support the diversification of the rural economy (European Parliament, 2024; European Parliament 2025a).

We advocate the EU Commission to **'rural proof' the Competitiveness Compass** and ensure that the next EU Competitiveness Fund is fit to rural needs, and it allows for localized funding, small-scale investments, it finances projects of common interests and community building in rural areas. Additionally, we advocate EU policy makers to acknowledge the crucial role of community-led innovations **by increasing the possibility to finance community-led initiatives through existing programmes** (e.g. Interreg, LIFE, Erasmus+) and provide 100% refunded technical, financial and administrative support to communities for capacity building, project design and preparation, identifying and building a project pipeline, as well as strategic planning capabilities (European Parliament, 2024). A single one-shop platform, like the EU Rural Toolkit, should be kept and updated to simplify accessibility of information and funds.

### 3. Shift the focus to Rural Innovation Ecosystems rather than individual solutions.

Process is more important than the solution(s) for self-running and nurturing innovative ecosystems. While EU should continue its **commitment to pursue a strategic approach not rural development through the EU Long-Term Vision for Rural Areas**, we advocate the EU Commission to encourage

<sup>1</sup> EC (2024). [The long-term vision for the EU's rural areas: key achievements and ways forward](#); EC (2023). [Cohesion 2021-2027: forging an ever stronger Union Report on the outcome of 2021-2027 cohesion policy programming](#).

Member States to adopt their **strategy and action plan** to foster rural innovation and embed this in their **strategic territorial development strategies** (including CAP, Cohesion Policy, CLLD/ Leader, Smart Specialisation Strategies, Operational Programmes, National Plans). In doing so, the EU and Member States to define **targeted objectives, measures and investments** for community-led rural innovation (EU Committee of the Regions 2023a, 2023b; Pazos-Vidal, 2023). We also call the EU Commission to ensure that territorial lenses and rural proofing in embedded into supranational documents and processes, in particular the **EU Semester, Territorial Agenda, EU Industrial and Innovation policies, macro-regional strategies as already provided by the EU Better Regulation** (European Parliament, 2023). Without this political alignment, the EU risks incurring territorial imbalances.

To ensure that funds do not discriminate against rural communities, we **pledge small-scale innovation schemes** to support common interest and strategic projects (e.g. Interreg Alpine Space small funds, Erasmus+ Small Partnerships), **simplified cost options** (Horizon Europe cascade funding) and **one stop-shop platforms** (e.g. Rural Toolkits) to facilitate local actors accessing and using funds for rural smartification, and the integration of **open innovation mechanisms**. Authorities should promote differentiated funds for different stages of the innovation system and support **Local Innovation Advisors** within innovative ecosystems to brief on opportunities and accelerate the process.

#### 4. Systematise the inclusion of local voices (rural actors, local authorities) in the decision-making process systematically beyond token approaches.

The EU should ensure the implementation of the **Partnership Principle and multi-level governance** in all EU funds having a territorial dimension. While doing so, we call the EU to **oppose any centralisation attempts** as a result of the creation of National Single Plans that mirror the governance of the National Recovery and Resilience Plans without sitting above any regional plans or chapters. Rather than an instrument of recentralisation, the **proposed National Single Plans for the post 2027 budget must be a tool to ensure that there is proper horizontal and multilevel coordination, ensuring synergies and avoiding gaps between EU programmes** (CAP, Cohesion, Just Transition Fund, Social Climate Plan, National Climate and Energy Plans) and their domestic equivalents, ensuring that **the structural reforms are linked to investments that correspond to the legal competences that local and regional authorities are actually responsible for them**. The **EU Better Regulation Guidelines** (particularly rural proofing and the Territorial Impact Assessment) **should be operationalized across EU and national policies**. The **Rural Pact** should be continued in the EU and more efforts should be made to decline it at national and regional levels through dedicated strategies and governance structures.

#### 5. Develop governance mechanisms (not new structures) to better connect rural development policy with industrial and innovation policies, and other sectoral policies (transport, energy, water and waste etc.).

Rural development requires focused attention beyond the traditional sectors of agrifood and tourism (European Parliament, 2025). This attention requires other sectoral policies to be territorially sensitive and to design and deliver intervention in a holistic fashion (e.g. **functional rural area, value chain**). We call the EU Commission and national/regional authorities to establish **governance mechanisms to address the limited connectivity** between the rural policy with industrial, innovation and other sectoral policies (Monastiriots & Gamtkitsulashvili, 2025). This could be done by setting up specific unit applying rural lens within the existing department (e.g. DG MOVE Unit working on rural mobility), cross-department governance mechanisms (e.g. cooperation framework such as the EU's Long-Term Vision for Rural Areas), ad-hoc governance mechanisms (e.g. national or regional Rural Pacts).

**6. Enhance digital skills and infrastructures in rural communities, with caution on marginalised communities.**

Digital transition should not be an end to itself, but it can widely increase the capacity of rural communities to engage with and expand to new market opportunities in the digital sector (Sasso, 2024), increase eGovernment options and unleash remote working opportunities. We call EU, national and regional policy makers to overcome the rural-urban digital gap both in terms of skills and infrastructure by providing **ambitious investments and awareness/training opportunities**. We also call for strong policymakers to adopt the **principle of caution** to ensure that the negative implications of digital transition (e.g. exclusion, data security, digital exclusion, overreliance on digital solutions, technology costs, ownership and control, data protection and security) are addressed at the policy planning phase and digital transition is supported and driven by citizens and not imposed on them.

**7. Allow regulatory flexibility to permit innovation to happen and be adopted without delay.**

The administrative burden beyond existing frameworks (e.g. Procurement Directives, LEADER Programme, Cohesion Policy) is **unfit to support innovative experiments**, adoption of novel technologies or initiatives at the local level. Innovation-proofed policy mechanisms and flexibility rules should be introduced. For instance, the criticisms on the LEADER approach could be lightened by introducing new tools already part of the EU financial regulation, such as financial management rules that are already used in the Horizon Europe projects aimed at smart rural development in local living labs such as in FUTURAL (Committee of the Regions, 2024).

**8. Apply the 'Do not harm to EU Cohesion' principle across all territorially relevant EU policies (including EU Procurement and State Aid policies).**

Introduced in 2022 within the 8<sup>th</sup> Cohesion Report, we regret that the EU still lacks details and application of the 'Do Not Harm EU Cohesion' principle. The full application of this principle is essential to avoid policy inconsistencies and to create the enabling conditions to ensure the Right to Stay, such as the (public and private) provision of basic services, in particular, in the framework of the next Multiannual Financial Framework. Therefore, we call on the **EU to embed this principle in the post-2027 EU regulations** at the same length as what was done for the Do Not Significant Harm Principle, establishing it as a horizontal principle across all territorially relevant EU policies.

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