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The Challenge of SGI Provision in Rural Areas‡

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Abstract

The timely and consistent delivery of SGI is critical to the functioning of the modern welfare state which provides implicit and explicit support for the innovative and economically productive parts of the economy. Empirical evidence demonstrates the emergence of such trends in some regions of Europe. Demographic changes and macro-economic disturbances however challenge the provision of SGI in rural areas. Furthermore, SGI is not a homogeneous concept, but contains Services of General Economic Interest and Social Services of General Interest, and there are significant differences in the provision of Social Services of General Interest (SSGI) at a regional level in the EU.

This paper aims at discussing the provision of SSGI in rural areas. The findings indicate that (1) long distances and poor accessibility are some of the main problems in provision of SGI in rural areas; (2) Low centrality services are usually well-provided in rural areas, but not medium and high centrality services; (3) To improve the provision of SGI in rural areas the accessibility to services must be improved, i.e. improved transport possibilities.

JEL codes: R11, I31, J11
Keywords: Social Services of General Interest, welfare provision, rural areas

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INTRODUCTION

The access to Services of General Interest (SGI) is a highly relevant factor for territorial cohesion and in creating economic opportunity. Although the topic of SGI was not on the top of the policy agenda during the last decade, it attracts far more interest since the start of the economic crisis. Moreover, it is likely to be high on the regional development policy agenda for the years to come. The timely and consistent delivery of SGI is critical to the functioning of the modern welfare state which provides implicit and explicit support for the innovative and economically productive parts of the economy. Empirical evidence demonstrates the emergence of such trends in some regions of Europe (ESPON 2013).

Historically, rural areas have been disadvantaged when it comes to what is today named as SGI. This has changed during the last decades and three arguments are usually given for this: (1) One of the EU's key political goals is territorial cohesion, which aims at improving the conditions for the least advantaged regions; (2) SGI forms a central element in the 'European Model of Society', i.e. access to services is considered a central element of quality of life, and increasing service accessibility a mechanism for overcoming social exclusion and isolation; and (3) SGI addresses the crucial question of what role public authorities should play in societies that are committed to both free markets and social goals (Nugera-Tur et al. 2009). This conclusion can thus be questioned as it only covers the period up to the financial crisis and mainly focuses on infrastructure, i.e. Services of General Economic Interest.

Rural regions have undoubtedly become increasingly diversified in relation to a new set of challenges focusing on competitiveness, the notion of the sustainability of the 'wider rural economy', and thus the need for investment rather than subsidies. This process has shifted sectoral (agricultural) development attitudes towards a focus on a more integrated approach to rural and urban development in a regional context (Ward & Brown, 2009). The 'rural turn around' process has resulted in a strengthened role for 'consumption' in the rural economy. The 'consumption countryside' is now a well-established definitional label reflecting differentiated production in agriculture as well as new forms of commodification of the countryside for urban consumption, (Marsden, 2003; Lowe & Ward, 2009). Nevertheless, we can however observe a clear distinction between the difficulties faced by rural

areas located in close proximity to urban centres and those faced by more remote rural areas (Marini & Mooney, 2006).

Although significant improvements in the provision of SGI in rural areas have been made, as reported above, rural and peripheral areas are still disadvantaged regarding the provision of SGI (Swiatek et al 2013). Notwithstanding this, some SGI display a better accessibility in relative terms in rural areas. Stepniak & Rosik (2013) and Milbert et al (2013) found evidence that kindergartens, pharmacies and basic education are well-provided also in rural areas. It is the Single Member State which decides what is a SGI in their country (Rauhut & Ludlow (2013) and so is the minimum level of what an acceptable provision of SGI is (Littke & Rauhut 2013). This paper aims at discussing the provision of SGI in rural areas and three questions will be addressed: (1) what determines the provision of SGI in rural areas. (2) How is SGI provided in rural areas? If we find a gap between how SGI can be provided and how it is actually provided we face a challenge to overcome which raises the question (3) how can this challenge be addressed?

WHAT IS 'SERVICES OF GENERAL INTEREST' AND WHAT IS 'RURAL'?

The term 'Services of General Interest' (SGI) is not found in the policy vocabulary of any EU Member State nor is it the subject of general public discussion. It has however been at the core of the European integration process since its inception and remains the subject of vigorous debate particularly in EU-related legal and political science circles. SGI, as a concept, lacks scientific precision; it has no 'generally accepted' definition, it displays multiple political aspects and implications, and has a rather indistinct evolutionary path (Foss 2011).

The term 'Services of General Interest' (SGI) is a politico-normative term in the EU and EC context which is generally understood to cover the arrangements, tasks and functions assumed to be of essential importance to citizen welfare, quality of life and participation as well as providing the basic infrastructure requirements for businesses to function successfully. In an abstract way it corresponds to Community visions and goals in respect of the general functioning of societies ('European Model of Society') and of a unified market ('European Single Market'). The term usually refers to general

interest *functions, objectives* and *missions*, not to particular activities, sectors/ industries, modes of provision or types of provider etc. (ESPON 2013).

In this paper Services of General Interest is defined as Social Services of General Interest and Services of General Economic Interest. Services of General Economic Interest include technical infrastructure as e.g. gas, electricity, energy, transport as well as water and waste management and communication infrastructure as e.g. ICT, electronic communications and postal services. Social Services of General Interest are defined as labour market services, education, healthcare, childcare, elderly care, social care, (social) housing and social assistance services (Bjørnsen et al 2013). Contrary to the Services of General Economic Interest, the Social Services of General Interest are not defined in the EU law. They are however still to some extent under the EU competition law (Milstein 2015).

Once upon a time rural was defined as everything which was not urban. 'Being rural' is however something more than just belonging to a certain administrative-geographic unit on the map (Isserman 2005). Population density matters when determining what is rural; population density is never as high in rural areas as in urban areas. Many rural communities are marginalised in economic, social and spatial terms (Ögdül 2010). Peripheral areas, which to some sense also are rural, have a low or falling population density and limited access to large markets, which constraints business development (Davies & Michie 2011).

Urban areas contain several differing functions and this makes an urban area unique. The *Built City* contains of the built up area and this is what we usually consider to be an urban area. The *Consumption City* is an area within which most of the consumption of goods and services occurs in the Built City; the *Employment City* is an area in which the bulk of the employed workforce works in the Built City; and the *Workforce City* is an area upon which the BC draws for a given majority of its labour requirements. These four dimensions of the city are brought together and shown to be interrelated (Parr 2007).

Based upon the description by Parr (2007) an *urban area* has a relatively high population density with strong business activities and hence a dynamic labour market. These aspects imply good transport and accessibility to services, workplace/dwellings etc. In this paper a *rural area* is characterised by a relatively low population density, weaker business activities and a labour market

which is not dynamic. Hence, transport facilities and accessibility to SGI can be assumed to be less good than in urban areas.

It is a simplified definition of *rural* and *urban* presented here. There are – of course – areas that can be defined as rural in terms of e.g. population density, business activities and transport facilities, but are located in the vicinity of urban areas. The provision of SGI can thus be supplied from the urban areas. These kind of rural areas are not discussed in this paper.

In reality, the statistical systems of the particular EU member states define the rural and urban areas in various manners. Because of this, the indicators of urbanisation cannot always be comparable at the European level. Many of the suburban zones, subject to the processes of suburbanisation, are mistakenly classified as rural areas, contributing to the "improved" yardsticks of availability of services on rural areas. On the other hand – some of the small centres within the peripheral areas are in definite countries treated formally as towns, even though they feature the same kinds of problems, related to the existence and access to the SGI, as on the surrounding rural areas.[1]

THE EU COHESION POLICY

EU policy on territorial cohesion besides seeking to strengthen economic competitiveness also addresses the provision of 'services of general interest' as a key factor in the process of economic, social and territorial cohesion (European Commission 2010). European citizens deserve services of universality and equality of access, continuity, security and adaptability; quality, efficiency and affordability, transparency, protection of less well-off social groups, protection of users, consumers and the environment, and citizen participation (European Parliament 2003).

Four main orientations characterise the definition of territorial cohesion as a policy objective: (1) *Rebalancing principle* refers to the pursuit of strategies promoting equity and fairness and assumes

[1] There are reports, in which accessibility to the centres of definite rank (equipped with services of general interest pertaining to the regional level) is being used as an alternative indicator of delimitation of rural areas. Thus, for instance, on the territory of Poland, where, in formal terms, rural areas are distinguished through administrative fiat (i.e. as the ones, which are not endowed with "urban rights"), there exists a need for identifying rural areas outside the range of influence of the biggest metropolises and the medium-sized centres. Komornicki & Śleszyński (2009) suggest treating rural area units, which do not have the urban status, and which are beyond definite isochrones of travel time to the metropolitan centres (40 minutes), medium-sized cities (30 minutes), and smaller regional capitals (20 minutes).

territorial cohesion to be a rebalancing objective.[2] In 2004, the EU Commission (2004) published a clarification, including for instance non-market services (e.g. compulsory education, social protection) and obligations of the state (e.g. security and justice). The document mentions also their scopes: not only giving equity to welfare policies, but also counterbalancing the strength and the competitiveness of some regions through wider access for citizens and enterprises to those general services more related to economic performances, e.g. energy and communications (European Commission 2004).[3]

(2) *Growth-and-development principle* views this aspect of territorial cohesion as a principle that pursues the increased competitive capacity of territories, and adopts sustainable development strategies (European Commission 2010). The eastern enlargement, and post-2007 economic crisis have led to a stronger focus on competitiveness. If the EU's goal is to enhance regions and their cities through synergies, and through improving their regional and urban competitive capacities, the more cohesive the EU territory, the more competitive its component parts can become in the world economy (Servillo 2010).

(3) The *territorially orientated principle* stresses the importance of focusing on territory, since this is what drives the necessary integration of different policy approaches at different spatial scales, most clearly presented in a place-based approach to meeting European Union challenges and expectation (Barca, 2009). The territorial orientation is neither an alternative to, nor a reframing of, the rebalancing or the growth-and-development principles. Instead, pursuing territorial cohesiveness means that the territory is at the same time both the objective and the means for the integration of policies and the achievement of their intentions.

(4) To *anticipate the future* highlights the concerns of cohesion policy to address the future perspectives of European territory. In this regard, the policy recognises and anticipates the importance of the global and pan-European drivers of change that impact differentially the European territory, and

[2] It was the first explicit meaning given to the territorial cohesion concept since it was originally mentioned in the Treaty of Amsterdam (EU, 1997), where it appeared in a minor amended article (Article 2) combined with the social cohesion objective, and related to the accessibility of services of general economic interest (SGEI).

[3] The spatial aspect of the territorial cohesion concept here is dualistic: on the one hand it draws attention to the differentiation created by local specificities; on the other hand, it reduces the appearance of this diversity by its promotion of equal access to services. A note of the European Parliament in 2005 is clear in this latter perspective: it defines territorial cohesion as a pivotal concept in reducing disparities between regional development capacities, explicitly relating it to the objective of equality among citizens and to the aim of progressing beyond spatial discrimination (EP, 2005).

shape and influence the future provision of SGI. The challenge for cohesion policy is to anticipate and respond to the potential impacts of drivers of change that undermine SGI provision as well as economic development and competitiveness (Ludlow & Rauhut 2013).

The services of general interest are one of the indicators, used in defining the notion of territorial cohesion written down in the Lisbon Treaty as the third dimension of cohesion, side by side with economic and social cohesion. Farrugia and Gallina (2008) attempted to quantify the notion of territorial cohesion through the intermediary of its three main objectives: (1) equal access to services of general interest over the entire territory, (2) avoiding territorial inequalities, and (3) polycentric territorial systems in urban and rural areas, i.e. ensuring the development capacities for all the inhabitants.

The following services were accounted for as the services of general interest in the study here considered: transport, energy, communication, education, health care, and other necessary services. The indicator encompassed, as well, the yardsticks measuring the common character of access to some of the services, thereby directly referring to the initial concept of territorial cohesion as the means for reducing spatial inequalities (Zaucha, 2015). With time, opinions became established that one of the most important elements of territorial cohesion is exactly to ensure the adequate access to the services of general interest, also on the peripheral, rural areas, subject to depopulation, and isolated (like islands and mountainous areas). During the informal meeting of the ministers in Gödöllö in May 2011, who were responsible for spatial planning and territorial development in the countries of the European Union, the document was approved of the Territorial Agenda 2020. The substantive foundation of the Agenda was constituted by the report, entitled *Territorial State and Perspectives* (Damsgaard et al., 2011), elaborated by the team of specialists, organized under the Hungarian Presidency. Continuing the work on the territorial dimension of the development policies, in the second half of the year 2011, Polish Presidency of the EU elaborated the document, concerning the strengthening of the territorial dimension in the European cohesion policy (Böhme et al., 2011; Zaucha et al., 2014). This document was a continuation of the stipulations from the Agenda, and its objective was, as well, the territorialisation of the Europa 2020, adopted in parallel. The effect of this Report was the distinction of five *territorial keys*, which could serve as the indicators, and at the same time as measures of

territorialisation of the development policies. One of these territorial keys is constituted by the services of general interest.

The identification and choice of the keys were the result of an in-depth analysis of the so-called *linking issues*, concerning the two documents mentioned (Zaucha et al., 2014). In the case of the key of Services of general interest, the linking issues were:

- Services of general economic interest (sparsely populated areas), as the resultant of the priority of the Territorial Agenda "Supporting polycentric and balanced territorial development", and of the objective from the document Europa 2020 "Inclusive growth";
- Access to services of general economic interest; as the resultant of the priority of the Territorial Agenda "Improving territorial connectivity for individuals", and the objective from the document Europa 2020 "Inclusive growth";
- Investing in education, as the resultant of the priority of the Territorial Agenda "Supporting polycentric and balanced territorial development", and the objective of the Europa 2020 document "Smart growth".

The territorial key 'Services of General Interest' is of importance when understanding the *provision* of SGI in rural areas and what role it plays in the cohesion policy.

PROVISION OF SGI IN THEORY…

Theoretically, the construction of SGI provision and fulfilling of related standards is designed by two sides, according to Humer (2014): organiser/provider side and demand/user side. First, the SGI organisation comprises the division of (public) responsibility as well as the modes of production, finance and delivery of SGI. Within SGI organisation, public, private and civic providers are in charge for SGI provision –in co-operative arrangements or exclusively. SGI demand on the other hand is formulated by users on a collective and individual level and co-designs SGI provision. Users can be citizens/households as well as private businesses or institutions – accordingly they may formulate different needs and follow different intentions. The issue on what can be considered as a minimum provision of SGI is subject to the ideological preferences and moral values of the decisive

actors/designers. In a comprehensive view, external systems of demography and territory are determining the context, while the systems of policy, society and economy are actively driving the SGI provision. All five surrounding systems entail spatial-temporal characteristics that give the design of SGI provision 'specific conditions' and impact on the standards of availability, affordability, accessibility, quality and variety of SGI.

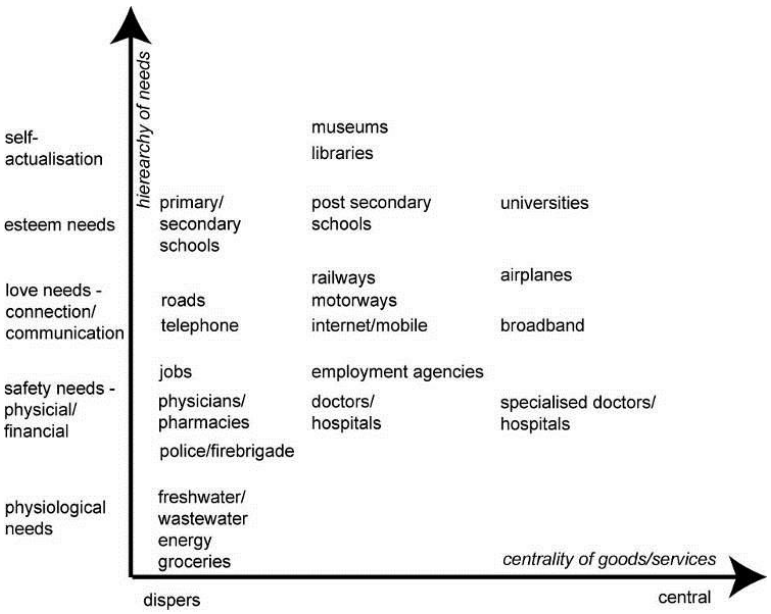
The conceptual basis of the SGI provision and the framework in which it takes place is further developed by Humer et al. (2015). In a first step, the dual design of SGI provision is presented. Standards of provision are negotiated between both providers and users. In a second step, this setting is relativized according to space and time components and it is argued that pre-conditions of territories and time courses affect the dual design of SGI provision. In a third step of the theoretical discussion, Humer et al (2015) argue that the SGI provision itself is affected by five drivers – economy, policy, social, demographic and territorial – which either determine SGI provision from external or which directly interact with the processes of SGI provision. From these three steps, an overall conceptual model of SGI provision and drivers is presented and in a fourth step supported by empirical evidence.

Given this conceptual framework, it is possible to assume what the provision of SGI will be in rural-urban contexts. A relatively high population density and a relatively high economic activity generate a high demand for SGI, which encourage a matching supply. Rural regions are, in general, related to a relatively low population density and a relatively low economic activity whereas the situation is different in urban areas. In theory, rural areas will be disadvantaged in the provision of SGI. Different kind of territories have different needs with respect to the demand and provision of SGI: an inland region does not need the same SGI against tide as a coastal region; towns and villages in mountainous areas need 'snow-resistant' SGI as well as protections for avalanches in a way lowland territories do not. Based upon this reasoning, rural urban areas will, to some extent, have different needs of SGI.

Furthermore, social aspects were also identified as a driver behind the provision of SGI. Economics, demographics, territory and politics impact various aspects of social life in rural as well as urban areas. We can expect to find different kinds of social problems in rural compared to urban areas. Lastly, it is through political action undesired differences in SGI provision can be mitigated or levelled

out. What is an acceptable minimum provision of SGI in rural as well as urban areas is, ultimately, a political question based upon ideological preferences. In some countries it is a political doctrine that all parts of the country should have the same access to SGI (e.g. Norway); the EU Commission White Paper on SGI argues for the provision of SGI for everyone everywhere in the EU (European Commission 2004). Under the current circumstances these ambitions are however simply unobtainable (ESPON 2013).

Figure 1: Two-dimensional ranking of Services of General Interest



Source: Milbert et al. (2013: 43)

Milbert et al. (2013) conduct a two dimensional ranking according to Maslow's 'Hierarchy of Needs' and Christaller's 'Central Place Theory'. Following Christaller, low centrality level services – e.g. water, energy, pharmacies, phones, primary and secondary schools – should be very accessible also in rural areas, while high centrality level services – e.g. universities, airports, broadband and specialised hospitals – will not be very accessible in rural areas. The middle centrality level services – e.g. hospitals, employment agencies, motorways and railways – are to some extent accessible in rural areas. It can be assumed that the closer the

rural areas is to a city or urban area, the more of middle centrality level services will be accessible for the population.

…AND IN REALITY

European Commission (2011) does not emphasise common goals and the importance of solidarity between the EU Member States, rather it indicates that regions should set *their own goals* and achieve these goals *at their own pace*. The policy challenge ahead then is not only about solving the financial problems in some EU member countries. An even bigger challenge is perhaps to be found in the attempt to resuscitate the policy of economic, social and territorial cohesion. Although the financing issue may be solved in the medium-term, the political will to support a policy of solidarity across EU members through an approach based on subsidiarity may be more difficult to re-establish. In this regard, and in line with the principles of subsidiarity, the definitions, organisation, financing and implementation of policies supporting the delivery of SGI is primarily a decision for collective agreement at the member state level, involving national, regional and local authorities. Consequently the impact of EU policies on local decision-making and implementation at the operational level is relatively weak (ESPON 2013).

The empirical analysis indicates that the institutional system does not seem to determine the quality of, or accessibility to, SGIs to such a significant extent as was initially supposed. The use of contextualised and specific local factors seems to have more of an impact on SGIs than the implementation of universal solutions (ESPON 2013). Swiatek et al. (2013) study two geographical scales (national and regional) in nine countries.[4] The analysis reveal the territorial distribution of SGI in particular European regions, recognise the potential for, and the constraints on, territorial development in the context of SGI within different types of territories including urban, peri-urban, rural, mountainous, island, coastal and outermost regions. Moreover, the analysis focuses on the contribution of various SGI to global competitiveness, economic development and the growth of cities, urban agglomerations and other territories in Europe. According to Swiatek et al (2013) two

[4] The studied regions are East Austrian Periphery (AT), Ruhrgebiet (DE), Dél-Alföld (HU), Northeast (IS), Finnmark (NO), Mazowsze (PL), Northeast (RO), Navarre (ES) and South Gloucestershire (UK).

factors appear important for SGI in all of the case study areas: (1) economics and demography appear to be the primary drivers for SGI. Changes in these areas will have repercussions in terms of how and to what extent the SGI are provided. (2) The level of SGI produced in the case study regions appears to be dependent on the economic level of the member state. These two conclusions are confirmed in later studies by Gruber et al. (2015), Johannesson (2015), Velasco (2015), Constantin et al. (2015), Milbert et al, (2015) and Hamez and de Ruffray (2015). Furthermore, the macro-economic situation in the member state also affects the regional situation and resilience (Musil 2013).

Services of lower centrality are better accessible in terms of less travelling time for most of the population also in rural areas. Low centrality services as e.g. primary schools and pharmacies can be reached within a reasonable time to fulfil the (daily) needs. The accessibility in sparsely populated areas is however slightly worse if these services underlie market mechanisms or staying under public financial pressure. The variation of accessibility across case study regions increases on services of medium and high centrality. The location of cities as location of these services in the region in general and in relation to important centres or the capital plays an important role for their accessibility (Milbert et al. 2013).

To large extent this conclusion is confirmed by the findings in the study by Stepniak and Rosik (2013). Accessibility to low centrality services such as pharmacies and primary schools are very good in general regardless the characteristics of the region. When medium centrality services – e.g. secondary education, hospitals and railways – are analysed the rural regions, in general, they only experience moderate accessibility. Regarding high centrality services, such as tertiary education, motorway entry point and airports, only urban areas with a high population density have good access to these SGI; rural areas are poor on accessibility to these services. Swiatek et al (2013:127-28) concludes that "areas with concentrated demand benefit from a higher availability of SGI, which in such areas more accessible, with higher quality of services and more affordable due to economies of scale. Remote, mountainous, and other regions with lower population density have fewer services available". Hence, out-migration of young adults as well as aging create a declining demand for SGI in any rural regions.

Humer and Palma (2013) identify population density and the share of rural population as determinants for the provision of various sorts of SGI. The first has a positive impact while the latter a negative. The most important determinant of SGI is however related to the economic performance of a region (the regional GDP) and on micro-economic aspects influencing consumption (e.g. household income).

Demographic and economic aspects are however not the only determinants of SGI. Poor spatial accessibility to SGI on rural areas may be the effect of gaps in social infrastructure (too sparse a network of the definite facilities in general, or of the facilities, offering the services of a concrete level of quality, e.g. in health care), in transport infrastructure (or the telecommunication infrastructure – poor capacity of individual access), and in the existence, as well as organisation of public transport (possibility of access for the definite social groups). Gaps in transport infrastructure are characteristic for the less developed regions (like, e.g., the new member states, Poland, Romania) or those geographically distant (Iceland). It was indicated by ESPON (2013) that one of the essential kinds of services, featuring high dynamics in the regional setting, is the very public transport. This is the consequence of the high flexibility of transport, especially bus transport, with respect to changes in demand for service (facility of closing a line). Besides, the necessity of securing the access to public transport is strongly conditioned by the demographic structure (ageing of the society).

There are situations, in which an improvement in access to the higher rank services (e.g. through construction of new motorways) may exert a negative influence on the access to basic services in the local dimension. The questionnaire-based survey among the persons, inhabiting the rural areas in the direct vicinity of the new motorways, demonstrated that termination of a transport-related project improved their access to the services, located in the capitals of the regions (tertiary education, culture, shopping malls). At the same time, though, there has been, for a part of the inhabitants, a worsening of conditions of access to such services as primary school or basic health care facilities (lack of direct passage across the new motorway resulted in the increase of distance to the school from 1 km to 5 km, which entailed the necessity of taking advantage, in transporting the children to the school, of individual transport means (Komornicki et al., 2013).

CHALLENGES AND DILEMMAS

Theoretically, having a relatively low population density, an outmigration of labour, a relatively low business activity, as well as relatively limited transport possibilities narrow the size of the labour market and limit the market for products. The empirical findings indicate that the provision of SGI in rural areas is determined by macroeconomic trends at the national level as well regional trends in economy and demography. Empirically and theoretically both supply and demand for SGI will be relatively lower in rural areas than in areas with a relatively high supply and demand for SGI. Alas, many rural areas experience a relatively low demand and supply for SGI which makes the provision of these services very costly in terms of per capita expenditures.

The welfare provision systems were created during the industrial/Fordist era, but they are not very efficient in a post-industrial society in which the need for social support is highly individual, heterogeneous and fragmented. Austerity has hit the local welfare provision hard in many parts in the European Union. The regional and even local differences in e.g. unemployment indicate that the crisis has not hit territory in an even way, but territory matters (Andreotti & Mingione 2014). By overlooking aspects related to spatial justice the crisis in some European countries has been aggravated (Hadjimichalis 2011). Recent studies also indicate that cities are more resilient to crises than rural areas and cities play an important role in the resilience of the regions hosting them. Furthermore, the crisis shows a high degree of spatial heterogeneity at a regional level (Capello et al. 2015).

On the other hand, the studies on the influence of the global economic processes on the local economies, carried out in Poland with the use of data on foreign trade, showed that higher resilience is enjoyed both by the urbanised areas (especially the metropolitan ones), and by some of the peripheral, rural areas. The latter are not connected with the foreign markets, producing for the own local market. At the same time, a more difficult situation is observed on the better developed rural areas around medium and small towns, where the local labour markets may collapse (Komornicki et al., 2015). This finds its reflection in the revenues of the budgets of local administrative units, which are the source of financing of the basic SGI. The same investigations showed also that while in the period of fast economic growth (e.g. in the countries of Central-Eastern Europe in the years after the accession in

2004) almost all of the local economies noted increase of industry sold production, and an increase in exports, in the years of the first wave of crisis (2008-2009) production decreases occurred in the very same countries only in some administrative units. The spatial image of the socio-economic situation became more mosaic-like, with differentiation of the rural areas. The role of the endogenous factors came more apparently to the forefront. This observation constitutes an argument for the conduct of a territorially oriented policy in the domain of support for the services of general interest.

During the current economic and financial crisis it has become clear that several EU members do not have the financial resources to maintain their current levels of Services of General Interest in general, and Social Services of General Interest, in particular. According to ESPON (2013) the timely and consistent delivery of SGI is critical to the functioning of the modern welfare state which provides implicit and explicit support for the innovative and economically productive parts of the economy. Empirical evidence from the case studies demonstrates the emergence of such trends in some regions of Europe.

What can rural areas do regarding SGI provision when situated at a distance from major cities or urban agglomerations? If national governments cannot guarantee and uphold a minimum level of SSGI provision, who can? To some extent non-government and non-profit organisations can play a role here in filling the gaps in provision, but this can only be a stop-gap measure given their lack of resources. Clearly without the potential for profitable operation, the market will not act. These realities are in sharp contrast to the policy ambitions found in the EUROPE 2020 document and in the Territorial Agenda 2020. Clearly, several EU members will struggle to implement these EU policy ambitions. The lofty ambitions of the Commission White Paper on SGI in particular, which argues for the provision of SGI for everyone everywhere in the EU, are now simply unobtainable in current circumstances (ESPON 2013).

The homogenous specification of policies at the EU level in reality belies a heterogeneous mix at the regional and local level. EU targets influence national and regional targets, but policies are always specified and implemented at the member state level. This means that a full understanding of the national and regional policy systems and modes of governance is essential for any effective policy

design. Furthermore, territorial differences and the spatial division of governance areas affect the provision of services and this makes territorial cohesion an essential element in policy formulation.

European Commission (2011) does not emphasise common goals and the importance of solidarity between the EU Member States, rather it indicates that regions should *set their own goals* and achieve these goals *at their own pace*. The policy challenge ahead then is not only about solving the financial problems in some EU member countries. An even bigger challenge is perhaps to be found in the attempt to resuscitate the policy of economic, social and territorial cohesion. Although the financing issue may be solved in the medium-term, the political will to support a policy of solidarity across EU members through an approach based on subsidiarity may be more difficult to re-establish (ESPON 2013).

In this regard, and in line with the principles of subsidiarity, the definitions, organisation, financing and implementation of policies supporting the delivery of SGI is primarily a decision for collective agreement at the member state level, involving national, regional and local authorities. Consequently the impact of EU policies on local decision-making and implementation at the operational level is relatively weak.

The access to SGI is considered a highly relevant factor for territorial cohesion and in creating economic opportunity. Despite this fact, the ongoing demographic decline and decreases of public expenditure limit service provision. In many cases low population densities do not allow for an economic supply, especially in an age of austerity. ESPON (2013) notes that rising challenges with the provision of SGI are particularly envisaged by remote, mountainous, rural and other types of regions. The location of cities as the connection to services of general interest for population plays an important role for their accessibility. Diminishing or low accessibility to services of frequent or daily need complicate the organisation of daily life, effect social inclusion or exclusion as well as participation in cultural life. Migration may end up being the consequence.

Some politicians may be tempted to let sparsely populated rural municipalities merge in order to enjoy economies of scale and to create larger administrative units' population wise. What happens when small rural municipalities merge? The services will be centralised in the larger towns and thereby creating longer distances from consumer to service. Herein lays a paradox: although the

merged new administrative unit may have sufficient inhabitants to make it economically sustainable to provide the service (due to economies of scale), accessibility will actually be lower (figure 2).

Figure 2: Theoretical illustration of merging effects

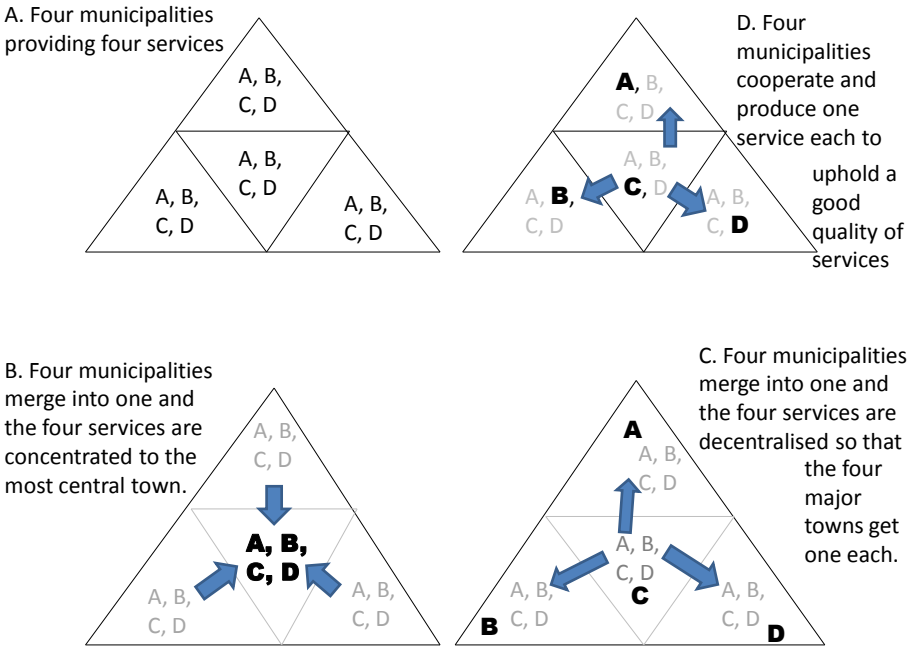


Figure 2 illustrates that it is possible to create sustainable administrative units – in terms of economy and population – in rural areas by mergers; hence the distances for the population to access the provided services will be longer. As all services are concentrated to the most central town in example B, the economies of scale can be assumed to be the highest. This concentration will lead to a *de facto* settlement withdrawal from the three other (former) municipalities. Alternative D is that the four municipalities do not merge, but cooperate and concentrate on providing one service each. This would also generate economies of scale and longer distances to access the services.

The small size of local government units in rural areas is also a challenge for the provision of services (depopulation processes, weakening of service recipients mass level), requiring cooperation (or fusion) of the units (Iceland, England). In many countries, especially those with lower population density, it is clearly revealed the dilemma of quality versus availability of services. In order to improve the quality, it is often aimed at centralizing services' provision (e.g. education, health service). However, in doing as such, it is increased the risk that services will be distanced away from the people

in a geographical sense. This leads to the conclusion (and policy recommendation) of the need for coordination of the various types of services, particularly such as education policy and the public transport (Swiatek at al. 2013).

Liberalization and deregulation in various areas of services of general interests have taken place as a result of EU directives. It led to the establishment of various forms of public-private partnerships. Examples are found in Austria (postal services); Poland (regional railways); Norway (kindergartens, road tolls for investments in new roads). Nevertheless, liberalization and market deregulation does not mean an immediate change in the territorial dimension and the improvement of the SGI provision on the rural areas. Change in choosing system operators (Austria, Poland) is lower than expected. Recipients remain "faithful" to operators functioning in the region (Swiatek at al 2013).

The here described situation of the European rural areas in the domain of services of general interest points out at the increasing differentiation of the existing economic, demographic and institutional conditions. This means the necessity of applying flexible policies and innovative solutions, accounting for the territorial factors ("territory matters"). Examples of such solutions may be constituted by public support for services, performed by the private sector, like, for instance, small shops in remote, depopulated villages, or shared call taxi services, complementing the existing public transport (Swiatek et al., 2013).

It can be argued that it is difficult to turn demographic trends (ageing, outmigration etc.), especially in rural and peripheral areas; it is also very difficult indeed to turn an economic development which has been caught in a vicious circle for decades in some rural and peripheral areas. A question to be asked here is, then, what alternatives are at hand? If the demographic and economic trends do not turn for rural areas, both aggregated demand and supply in these regions will continue to decrease. SGI will simply disappear. Hence, at a certain point it will not be possible to uphold the settlement structure in these regions. So the alternative for not doing anything to stimulate the SGI provision in rural areas is a *settlement withdrawal*. Such 'Rückbau' would mean a failure of – and an enormous loss of prestige for – the EU cohesion policy.

CONCLUDING REMARKS

Rural regions that have already diversified and now include a strong secondary sector, a strong market-oriented service sector and, what is termed as 'consumption countryside', have been able to forge a role for themselves in advanced industrial networks and to profit from the spin-offs associated with advanced economic markets (Copus 2011). These rural regions are usually situated close to cities and urban agglomerations (Kahila & Rauhut 2014). These regions are not in the prime focus of this paper as we are more interested in the regions that are on a distance from cities or urban agglomerations and hence cannot get linked up to the urban economies.

Table 1: The level of centrality of services in rural and urban contexts

Level of Centrality of Services	Rural	Urban
Low	Good	Good
Medium	Moderate	Good
High	Poor	Good

Source: Own elaboration

The findings regarding the level of centrality in rural and urban areas indicate both similarities and differences. There is empirical support to conclude that the provision of low centrality services, such as primary school and pharmacies, is good both in rural as well as urban areas (see table 1). The provision of medium centrality services (e.g. secondary education, hospitals and railways) is moderate in rural areas, but good in urban areas. The biggest gap between rural and urban areas is found in the provision of high centrality services, such as tertiary education, motorway entry points and airports. Still, urban areas are well provided with these services while the provision is poor in rural areas.

The higher level of centrality of the services provides, the higher population density and economic activities are required to reach a needed demand. Without a demand at a certain level, the needed economies of scale will not be reached to run these high centrality services.

The first question addressed the issue on what determines the provision of SGI in rural areas. The major determinants of SGI provision are in wide terms demography and economy. When these change, so do the conditions for SGI provision. "Economy" can be understood in many ways, e.g. as financial crises and a structural change in the economy. There are also territorial aspects, i.e. aspects

linked to a certain geographical unit, with a significant impact on the provision of SGI. Accessibility to many SGI is poorer in rural areas than in urban areas, and this can be explained by long distances, being located on an island or in a mountainous areas. Hence the provision of SGI will be relatively more costly in such areas, especially if it is a sparsely populated area.

The second question describes how SGI is actually provided in rural areas. The findings were summarised in table 1. While urban areas have a good provision of SGI, regardless at what level of centrality which is analysed, the rural areas perform differently. The provision of SGI at a low centrality level is good, but moderate for the medium centrality level. In rural regions the provision of SGI at a high centrality level is however poor.

There are, in addition, much more important differences in the availability of the SGI among the particular rural areas. The spatial distribution is strongly determined by the factors from the national level (the social assistance system, the standards of equipment, the central institutions), and by those of the regional, or even local character (spatial accessibility, advancement of the ageing processes, economic status of the citizens, situation on the labour market in the neighbouring cities).

As the gap between how SGI is provided in reality in rural areas compared to theory and the gap between how SGI is provided in urban areas compared to rural areas the third question focused on this gap and how this challenge can be addressed.

The access to Services of General Interest is a highly relevant factor for territorial cohesion and in creating economic opportunity. Despite this fact, the ongoing demographic decline and decreases of public expenditure limit service provision. In many cases low population densities do not allow for an economic supply, especially in an age of austerity. Although the topic of Services of General Interest was not on the top of the policy agenda during the last decade, it attracts far more interest again since the start of the economic crisis. Moreover, it is likely to be high on the regional development policy agenda for the years to come.

Rising challenges with the provision of Services of General Interest are particularly envisaged by remote, mountainous, rural and other types of regions. The location of cities as the connection to services of general interest for population plays an important role for their accessibility. Diminishing

or low accessibility to services of frequent or daily need complicate the organisation of daily life, effect social inclusion or exclusion as well as participation in cultural life. Migration may end up being the consequence.

The demographic situation and the macroeconomic processes (the global crisis) exert an increasingly different influence on definite territories (local administrative units of the European countries). The diversification of the rural areas, mentioned before, is bigger than in the previous years. Improvement of availability of the SGI must, therefore, constitute a policy mix, encompassing the activities, oriented at a) various territorial units, and b) different kinds of services.

The way to improve the access to the more centralised services is to develop the transport infrastructure. In the case of the basic services, especially in the far-off areas with disturbed demographic structures, innovative forms of making the SGI available are more important, along with an adequate organisation of public transport. The parallel functioning of the services financed from public and private means is possible, but their coordination remains a necessity. Accessibility is the key, but there is no simple "quick-fix" to solve all problems in one go.

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