How to revive depopulated countries?
First Results of the National Strategy for Inland Areas

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*As many as **13.5 million Italians**, **more than 20 per cent of the population, live in so-called inland areas**, i.e., at a significant distance - more than 20 minutes - from centres providing essential services such as secondary schools, hospitals, and railway stations. These are **areas historically burdened by economic and productive weakness**, low levels of income and wealth, **high depopulation rates**, youth emigration, low birth rate and an ageing population. **Fifty-three per cent of Italy's 8,000 municipalities** face difficulties due to this **marginalisation on a** daily basis. How to revive them?*

*By 2027, the National Strategy for Inland Areas, whose second programming cycle has just begun, envisages actions to improve citizenship services and create economic opportunities in **1,904 municipalities** (of which 35 in the smaller islands) with **4,570,731 inhabitants**. Important figures are on the table: **more than 591 million euro** of national funds, in addition to European structural funds. **Approved in 2014, the SNAI has been implemented as of 2018 in 19 pilot areas.** Some indicators can already tell us something about its effectiveness.*

The starting point

Since the Lisbon Treaty, many EU policies have been aimed at hindering poverty and inequalities between different territories and within disadvantaged countries. In 2014, for Italy's inland areas, the National Reform Programme (NRP) provided for a specific *place-based* policy: the National Strategy for Inland Areas (SNAI). The aim is to counter depopulation on the one hand and to promote development projects on the other.

Focus

Figure 1. Distribution of the 72 pilot areas of the first SNAI programming cycle (2014-2020)
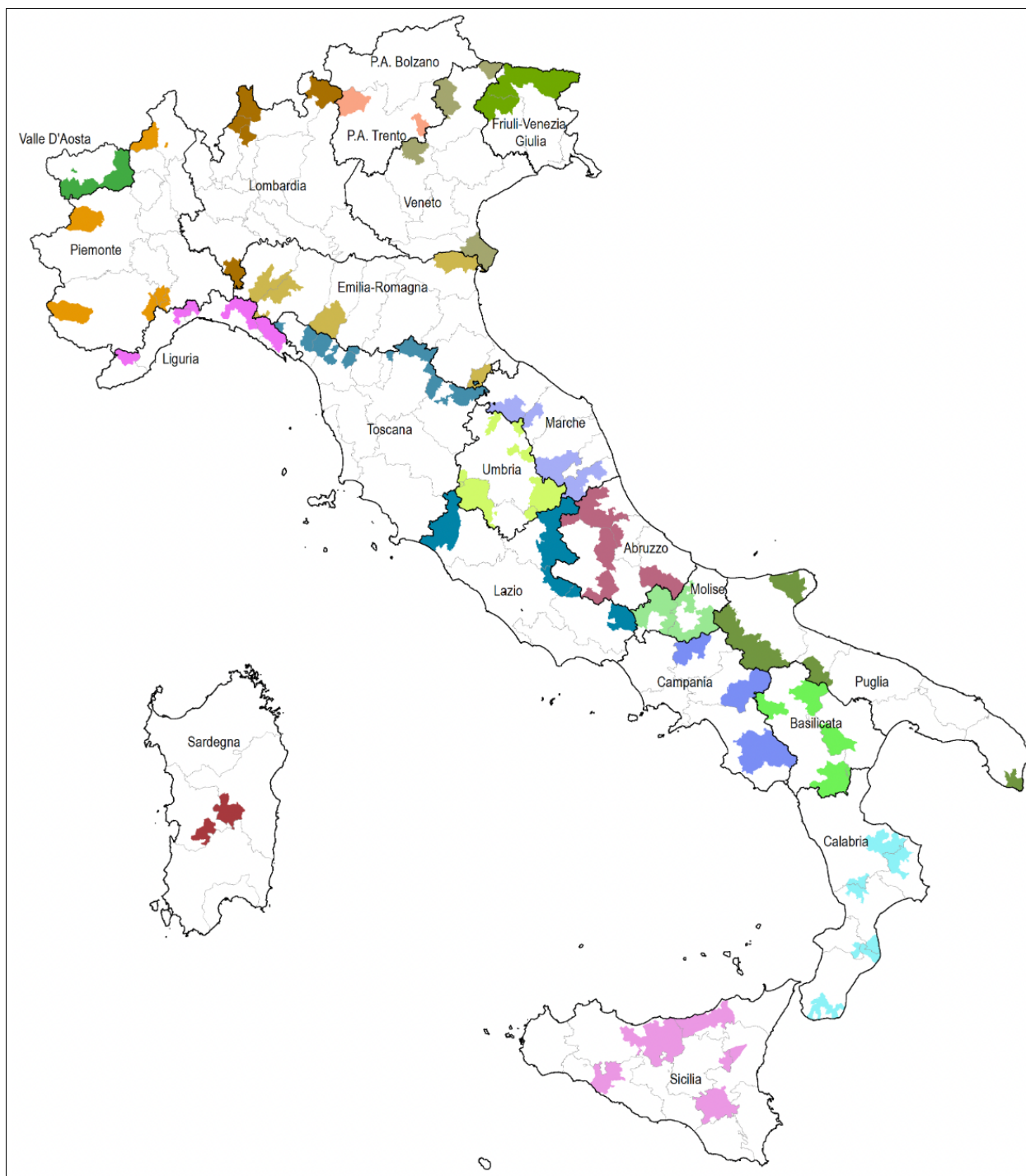
Source: Department of Cohesion Policies

Periphery vs. centre

The labour productivity differential between agriculture and the rest of the economy has historically been one of the key factors explaining the **development differential between rural and urban areas**.

In recent years, due to a combination of globalisation and technological change, many small and medium-sized metropolitan areas, as well as rural regions, have been characterised by lower labour force participation and income, while many large metropolitan areas have been more prosperous in terms of income and employment.

This has increased the **gap between regions in the centre and those in the periphery** in many countries: **in Italy, the gap affects 53 per cent of municipalities with a population of**

13.5 million (20 per cent of the total).

This spatial heterogeneity is a major determinant of **income inequality**, which in turn has a negative association with growth.

How can this be remedied? Cohesion policies

To compensate for imbalances that might benefit some areas in the centre to the detriment of those in the periphery, many national and international institutions, such as the European Union (EU), have developed **cohesion policies, targeting underperforming areas**. Prime examples are **enterprise zones**, **EU structural funds** and **industrial *cluster* policies**.

These policies have the **stated aim of reducing economic disparities** generally resulting from geographical remoteness and are implemented through **centralised instruments**.

Invariably, they attracted **both supporters and opponents** over time. On the one hand, a cohesion policy has been recognised as necessary to compensate the lagging regions for the negative effects the reduction of barriers has had on their economies.

On the other hand, it was considered a waste of resources, with high costs in terms of efficiency and, consequently, economic growth. In particular, with regard to *place-based* policies, it was pointed out that economic activities can move from other regions to the *target* areas without improving the welfare of local residents.

Waste or Resource? What the evaluations say

There is still no general consensus on the **effectiveness of cohesion policies**. Overall, they seem **to have a positive impact on growth, but the** direction, size and significance of the results seem to be very heterogeneous depending on the time horizon and level of territorial focus (Becker et al., 2010; Mohl and Hagen, 2010; Rodriguez-Pose and Fratesi, 2004).

Positive effects on investment, employment, productivity, and wages have been demonstrated in both the EU and China by Giua (2017), Becker et al. (2018), Lu et al. (2019) and Fattorini et al. (2020). Alternatively, a **limited impact of EU structural funds** on local development and total factor productivity has been shown by Ciani and De Blasio (2015) and Albanese et al. (2021).

Furthermore, in the United States, **policies targeting economically depressed areas have** been shown to have **negative spillover effects on neighbouring** untreated **areas**, which suffer a decline in the number of businesses and employment that offsets the positive effects of the programme (Hanson and Rohlin, 2013).

The Italian experience

The National Strategy for Inland Areas (SNAI) is a territorial policy - as the website of the Cohesion Agency explains - aimed at improving the quality of services to citizens and economic opportunities in inland territories at **risk of marginalisation**, first contemplated in the 2014 National Reform Programme (NRP) and defined in the 2014-2020 Partnership Agreement.

Inland' are those areas characterised by a significant **distance from the main service centres**, but also by a **high availability of important environmental resources** (water,

agricultural systems, forests, natural and human landscapes) **and cultural resources** (archaeological heritage, historical settlements, abbeys, small museums, craft centres).

In the short term, the Strategy has the twofold objective of **adjusting the quantity and quality of health, school, and mobility services** (so-called citizenship services), and of **promoting development projects** that enhance the natural and cultural heritage of these areas, also focusing on **local production chains.** In the long term, the aim is to **reverse current demographic trends.**

As of **2014,** the Technical Committee for

Inland Areas started on the basis of national **mapping, the** selection of areas on which to focus 2014-2020 interventions.

The main criterion used is remoteness from essential services (an articulated secondary school offer, a hospital with a level I DEA and at least one silver railway station).

The areas were divided into:

- **Intermediate areas** (20 to 40 minutes by car)
- **Peripheral areas** (up to 75 minutes)
- **Ultra-peripheral areas** (over 75 minutes).

In **2015,** the Committee identified pilot areas (so-called project areas) on the basis of the co-planning capacity of municipalities, organised in consortia.

The selected areas are peripheral areas, often mountainous, which have suffered **strong depopulation and abandonment phenomena in** recent decades and where agro-sylvo-pastoral resources represent a fundamental element for economic, social, and environmental resilience.

For the first programming cycle (2014-2020), **72 pilot areas were selected** (Figure 1), **with 1,077 municipalities and more than two million citizens.** They cover a territory of about 51,000 square kilometres and represent 13.4 per cent of all Italian municipalities; 26 per cent of the municipalities classified as inland areas; 3.4 per cent of the national population and 15.5 per cent of the population of inland areas; 17 per cent of the entire national surface area and 28.4 per cent of the surface area of all Italian inland areas.

Between 2018 and 2020, according to the SNAI Annual Report, **the first 19 pilot areas, corresponding to 269 municipalities, received payments in excess of EUR 29 million** (Table 1).

On average, the funding received by each pilot municipality ranges **from about 70,000 euro in 2018 to 172,000 at the end of 2020**. Since the municipalities covered are small (the average resident population does not exceed 2,400), **such payments can make a difference in the local economy**.

The figures are expected to increase in the future, as the total funds planned for the 72 pilot areas amount to EUR 390 million (**approximately EUR 1.5 million per municipality, EUR 625 per inhabitant**).

SNAI, candidate identikit

Inland areas are characterised by **high socio-economic criticalities, as** well as differences in the composition and structure of the population and local administrations. The number of **production units is,** on average, lower than in large centres: **700 fewer units. *Per capita* income** is also **lower**: EUR 20,264 per year against EUR 23,325.

In spite of their larger surface area (43.5 square kilometres compared to 30.86), the municipalities in the inland areas have on average **a quarter of the population of the centres** (3,2645 inhabitants compared to 11,724) and **a higher percentage of over-65s** (25.34% compared to 21.69%): ageing is evident, as is the high number of inhabitants outside the labour market.

The data captures two other main problems plaguing inland areas: **depopulation and abandonment.** This is partly attributable to the fact that the municipalities are mainly located in **mountainous areas** (476 metres average altitude), and therefore far from industrial and commercial centres and more accessible logistics and distribution centres.

Other features include the **lower percentage of female mayors and the higher percentage of municipalities administered by civic lists**. This points to a weak capacity to innovate and adapt their organisational and governance structure.

Table 1: Financial progress of SNAI. Treatments in pilot areas (2018-2020)

Treatments	Total scheduled	Payments		
		2018	**2019**	**2020**
Total treatments	389,858,749	2,805,298	5,163,059	21,275,616
Per municipality	1,449,289	70,132	48,708	172,972
Per inhabitant	625	1,701	2,551	7,621
Number of pilot areas	19	3	5	11
Number of municipalities	269	40	106	123
Number of inhabitants in pilot areas	623,892	65,984	214,517	343,391
Average inhabitants in the municipalities	2,319	1,650	2,024	2,792

Source: authors' elaboration on data from the Department of Cohesion Policies

Implementation

In many municipalities in the pilot areas, as of 2018, *welfare* practices and initiatives have been activated in the areas that foster local development: **agriculture, tourism, public administration efficiency, waste management and recycling, energy, and maintenance**. In addition, **essential services have** been improved and made more efficient, especially in the social and health sector, transport and education and training systems. Innovative professionals, such as **family nurses** and **community midwives**, were introduced in the personal care **sector. Health facilities for the elderly and the sick** requiring long-term care were also opened with SNAI resources. Many investments were made in the **education** sector. Old buildings were modernised and upgraded, **new school facilities with advanced digital technology were created**, and innovative learning programmes and educational offerings were activated. Similarly, in the **transport** sector, important projects in the spirit of sustainable mobility have been initiated and tested, with on-call systems for workers and students and cycle paths.

OpenCohesion: How were the resources spent?

According to the monitoring carried out by the government's OpenCoesione website, the 1,788 projects financed with SNAI funds in the 2014-2020 cycle are related to:

- Transport and mobility 27%
- Culture and tourism 18%
- Social inclusion and health 15%
- Education and training 9%
- Business competitiveness 8%
- Energy 7%
- Environment 6%
- Networks and digital services 5%
- Research and innovation 3%
- Administrative capacity 3%
- Employment and work 1%

The results

Has SNAI had any effect on ageing and depopulation? Looking at the percentage of the population over 65 - the demographic factor that explains the survival or extinction of a community - no significant changes were recorded. This may be due to the short implementation period of the Strategy.

Has SNAI had an effect on production activities? There was a positive effect both in the year of its introduction and in the following year, with a persistent increase in the number of local units. On average, municipalities that received funding have about 4 more local units in the first year and 5 more in the second. The increase can be attributed to either more new openings or fewer closures of existing businesses. The results are robust and pass several statistical tests.

Have there been *spillover* effects on neighbouring municipalities? The policy also seems to have generated positive effects on

the number of activities in neighbouring municipalities within a radius of 10 km.

What next? The new cycle 2021-2027

In the 2021-2027 EU programming, **SNAI is confirmed,** and its approach is expected to be simplified, to accompany the **transition from the experimental phase to the structuring of a real national policy**, increasing the number of areas covered.

On 29 September 2022, the Technical Committee defined the new project areas. They include:

- **56 new areas** involving a total of 764 municipalities in which 2,056,139 people reside;
- **67 areas already identified** in 2014-2020 and now confirmed: 1,105 municipalities with 3,380,359 inhabitants;
- the **'Minor Islands Special Project'** involving 35 municipalities and 213,093 inhabitants.

A total of **124 project areas**, involving **1,904** municipalities and **4,570,731 people**.

Conclusions

SNAI proved, in the pilot phase examined by the dossier, to be **a promising strategy**: in the treated municipalities, it did not significantly influence the population structure, but favoured, in the first two years, the establishment of new activities or the continuity of plants that would have closed without treatment.

Comments

The study does not consider the years after 2020 in order to avoid two main confounding factors: the institutional changes that involved the SNAI at the expiration of the 2014-2020 European cohesion programming, and the Covid-19 epidemic that aggravated social, economic, and territorial problems. Italy's GDP, in 2020, recorded a loss of 8.9%

(ISTAT, 2021). Poverty and inequalities, especially in health and education, have increased significantly in inland areas.

The National Recovery and Resilience Plan (NRP) refinances the SNAI with significant resources, in addition to the funding approved during the most acute phase of the pandemic emergency. In addition to the funds for the reinforcement of the Strategy, other resources will be allocated in the coming years as part of the 2021-2027 European programming of cohesion policies. **The EU,** therefore, **recognises the importance of SNAI** as a policy capable of reversing negative trends.

The dossier

The study analyses the role of SNAI in addressing depopulation and increasing entrepreneurial activity. To this end, a detailed *panel dataset* containing information on Italian municipalities in the years 2014-2020 and the treated municipalities located in the pilot areas was used. From a methodological point of view, one of the most recent developments in the econometrics of policy evaluation was exploited: the IW estimator developed by Sun and Abraham (2021), which generalises the DID estimator by considering staggered entry into treatment.

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