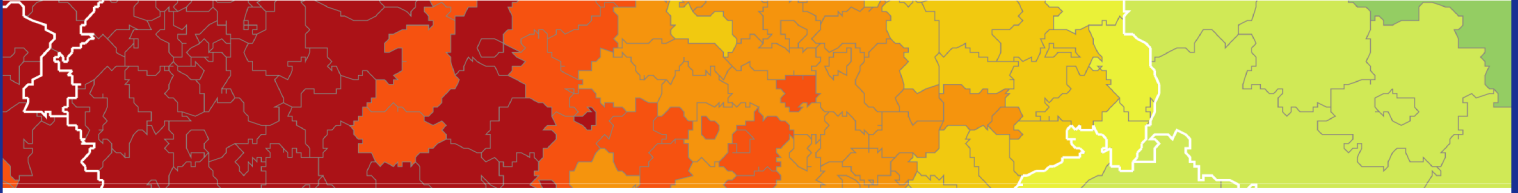


Inspire policy making by territorial evidence



ESCAPE European **S**hrinking Rural Areas:

Challenges, **A**ctions and **P**erspectives for Territorial Governance

Applied Research

Final Report – Annex 5
Case Study Report Osječko-baranjska County,
Croatia

Annex 5

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Authors

Aleksandar Lukić, Petra Radeljak Kaufmann, Valentina Valjak – all from University of Zagreb, Faculty of Science, Department of Geography (Croatia)

Advisory Group

Project Support Team: Benoit Esmanne, DG Agriculture and Rural Development (EU),
Izabela Ziatak, Ministry of Economic Development (Poland),
Jana Ilcikova, Ministry of Transport and Construction (Slovakia),
Amalia Virdol, Ministry of Regional Development and Public Administration (Romania)
ESPON EGTC: Gavin Daly, Nicolas Rossignol, Andreea China, Johannes Kiersch

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Final Report - Annex 5 - Case Study Report

**Osječko-baranjska County
Croatia**

ESCAPE
European **S**hrinking Rural Areas:
Challenges, **A**ctions and **P**erspectives for
Territorial Governance

Version 21/12/2020

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Abbreviations

EC	European Commission
ECOVAST	European Council for the Village and Small Town
ELARD	European Leader Association for Rural Development
ERDF	European Regional Development Fund
ESF	European Social Fund
ESPON	European Territorial Observatory Network
EU	European Union
GDP	Gross Domestic Product
IPA	Instrument for Pre-Accession Assistance
LAG	Local Action Group
LAU 2	Local Administrative Units (municipality level)
LEADER	Liaison Entre Actions de Développement de l'Économie Rurale
NGO	Non Governmental Organization
NUTS	Nomenclature of Territorial Units for Statistics
NUTS 2	Nomenclature of Territorial Units for Statistics, Basic regions for the application of regional policies
NUTS 3	Nomenclature of Territorial Units for Statistics, Small regions for specific diagnoses (county level)
RDP	Rural Development Programme
SME	Small and Medium-Sized Enterprises

Factsheet of Osječko-baranjska County, Croatia

Map 0.0: Geographical location of Osječko-baranjska (NUTS3) in Croatia



Name: Osječko-baranjska (NUTS3 unit)

Key Indicators:

Figures refer to 2017 or 2001-2017 unless otherwise specified

Total Population (persons):	287,124
Population Density (persons/km ²):	70.2
Population Change (%):	-9.9
Net Migration (per 1,000):	-39.8
Natural Change (per 1,000):	-59.1
% aged >65:	19.0
% Employed in Agriculture:	9.0 (2011)
GDP (PPS) per Capita:	14,100* (2016)

Typologies:

- Urban–rural typology: Predominantly rural region, close to a city ¹
- Border region: Programme area (external) ²
- Typology of simple shrinkage (ESCAPE project): Population decrease 1993-2033 due to decrease in both periods 1993-2013 and 2013-2033; “average” shrinking rate (-1 to -0,5)

¹ According to the Eurostat’s urban-rural typology including remoteness, a NUTS3 region is predominantly rural if the share of population in rural areas is higher than 50%. It is considered close to a city if more than half of the residents can reach a city of 50,000 inhab. driving 45 min.

² According to the Eurostat’s classification of border regions, external borders refers to regions that participate in programmes involving countries outside both the EU and European Free Trade Area (based on the 2007-2013 cross-border cooperation programmes).

Executive Summary (Easy read overview)

Osječko-baranjska County is one of the eastern-most parts of Croatia, bordering Hungary in the north and Serbia in the east. It has a population of 287,124 in 42 LAU2 units (7 city municipalities and 35 municipalities; 7.1% of total population of Croatia). The excellent agro-ecological conditions are the determining factor of the County for agriculture as the mainstay of its economic basis; food-processing and other industries were also very well developed until 1990s, supporting demographic growth until the Homeland War (1991–1996/1998).

As a part of the border area, the County was subjected to the territorial ambitions of Greater Serbia. Osječko-baranjska County suffered tremendously during the War, and after the neighbouring Vukovarsko-srijemska County had the highest direct demographic losses in Croatia (Živić, 2005). Furthermore, the War caused forced migrations of the population, and it is estimated that until mid-1992 nearly one-fifth of the pre-war population of the region (eastern Croatia) left (Matišić, Pejnović, 2015). The consequences of the destructive effects of the War, transitional de-industrialisation, and slow and painful adaptation of agriculture to new market conditions resulted in continuous out-migration, which intensified with Croatia's accession to the EU.

Consequently, Croatia has been depopulating since 1991: between 1991 and 2017, Croatia lost 331,967 inhabitants (7.5%). Osječko-baranjska county reflects negative trends, albeit with worse tendencies in comparison to the national average: almost quarter of the population has been lost since the 1990s as a result of both natural decrease (-5.42‰ in 2017) and negative net migration change (-5.36% between 2011 and 2017). The population is getting older, and the ageing index has reached 134.7 (2017).

The most important feature of contemporary demographic development of Osječko-baranjska County is certainly youth work-related out-migration. The high unemployment rate, due to jobs lost resulting from the War, deindustrialisation, and privatisation, is perceived as a key push factor for out-migration of young individuals and also families. The lack of opportunities for younger people, limited employment possibilities in terms of diverse jobs, and low salaries are closely related. The societal and political climate (disputes between leading politicians on regional and national levels), and clientelism and connections with political parties as important factors for getting a job, were also stressed.

The consequences of shrinkage are generally visible in the lack of qualified workforce, the lack of young people and liveliness, and a large decrease in the number of pupils in schools, especially in rural areas. Although a large number of abandoned houses for sale on the housing market is also evident, population shrinkage is not as visible in the agricultural landscape, because, paradoxically, there is a lack of available agricultural land due to its use by both food production companies and successful family farms. Furthermore, there has not been a visible decline of services of general interest.

EU and national policies indirectly impacting rural shrinkage in Croatia are mainly coordinated through the Ministry of Regional Development and EU Funds in cooperation with other institutions. The role of ministries, such as the Ministry for Demography, Family, Youth and Social Policy, the Ministry of Construction and Physical Planning, and the Ministry of Agriculture, are especially recognised as important for coping with the issues of shrinkage. However, there is insufficient horizontal coordination, i.e. the systems are generally not connected, and the dominant perception is that the problem is not being engaged at the source. Although Croatia has its Ministry for Demography, Family, Youth and Social Policy, interviewees expressed that current demographic measures are not sufficient. Family policy (maternity benefits, better working conditions for mothers, supportive housing policies) is just one component of the complex demographic policy, and alone is not sufficient for revitalisation.

Lack of a clear vision and national strategy in coping with rural shrinkage, and the need to decentralise the state and clearly define roles and responsibilities of all governmental levels (especially for the county level) are other important challenges.

In Osječko-baranjska County, population shrinkage is not addressed in more encompassing policies (apart from county-level or local policies focusing on specific partial measures such as housing support for families, or support for pupils/students). Nevertheless, projects (mostly financed by EU funds) directly or more often indirectly affecting rural shrinkage in Osječko-baranjska County are numerous. In the current financial perspective, the total allocated amount was 250,521,815.90 EUR (excluding the Rural Development Programme which contributed additional 138,676,532.34 EUR), while in the last pre-accession period 2007–2013 it amounted to 269,726,340.74 EUR (excluding the Rural Development Programme). Clearly, EU funds are considered of the great importance for mostly indirectly tackling issues of rural shrinkage.

Some of the most successful programmes, in terms of both adapting to and mitigating rural shrinkage, are run in coordination with NGOs. Moreover, some NGOs in Osječko-baranjska County are clearly very competent in fundraising (even on the EU level) and in conducting many local programmes (e.g. NGOs Slap, Zvono, Inkluzija, Proni, Izvor, etc.). However, the role of the civil sector is an issue where stakeholders' opinions strikingly differ, whereby some of the interviewees stressed a general lack of responsible use of funds, while others saw the work of the civil sector as very important but heavily burdened with delays in fund allocation, too many rules and regulations, as well as political interference. This also includes Local Action Groups, which often have their hands tied given that their actions are limited by legal frameworks and there is not enough coordination of development.

One of the most important institutional responses has been the foundation of the Council for Slavonia, Baranja and Srijem (of which Osječko-baranjska County is a part). It was established in 2017 as an advisory body in the field of coordinating the implementation and monitoring of the use of EU Funds. The Council is chaired by the Croatian Prime Minister and

consists of representatives from national, regional, and local administration as well as those from academic and business sectors. The target amount for the Slavonia, Baranja and Srijem Project equals 2,500,000,000.00 EUR. The Project encompasses strategic developments such as hospital centre in Osijek, a business centre, a distribution centre for fruit and vegetables, research of geothermal energy sources, brownfield regeneration, etc. Our interviews revealed mainly optimistic attitudes while simultaneously being critical towards plans to use much of the funds for communal infrastructure, conservation and restoration work of cultural monuments, which need further funds for upkeep, instead of investing in activities focused primarily on economic development.

Other important projects planned by the Regional Development Agency and the County includes Osijek – University City, River port Osijek, and Airport Osijek. Positive and promising examples includes also the Make a Wish project which employ almost 6,000 women across Croatia to support and care for nearly 30,000 elderly and disadvantaged people in their communities (with 53 projects in Osječko-baranjska County). However, similar to many other “soft” projects, there is a threat of losing continuity and long-term benefits once the project has finished. In the case of Make a Wish, interviews also revealed the lack of education of newly employed women that might affect their competences for continuing employability, especially since the job market will be saturated with caretakers. Other success stories are also the business zone and entrepreneurial incubator in the Municipality of Antunovac (a suburban municipality near Osijek), and IT Software City Osijek. Interviewees expressed the need to “advertise” successes and similar positive demographic and economic developments, in order to counterbalance the predominantly negative perception of the County created by the media, largely due to out-migration.

Policy recommendations start with the immediate need to develop a clear vision and an appropriate national strategy with a more serious approach to tackling the issues of shrinkage. Furthermore, the combination of a systematic approach and specific policy measures is needed, with emphasis on the importance of creating jobs and providing services of general interest (education, internet, health system) while ensuring the participative process from the beginning until implementation. In addition, integration and synergy of demographic (both family and currently lacking migration policy) and economic policies is seen as prerequisite for a successful future. Concerning governance patterns, decentralisation, defining roles and responsibilities, better vertical and horizontal coordination and communication are some of the most necessary steps. Moreover, confronting shrinkage means taking care to secure diversified and well-paid jobs by directly supporting entrepreneurship and cooperation between actors. Support for the most promising economic sectors, such as agriculture (including organic), forestry, food-processing industry, as well as newly-emerging opportunities like tourism, and especially the IT sector, is necessary. Since the educational structure of the population is getting worse due to out-migration, supportive policies for both secondary schools, and particularly the University of Osijek, are of the utmost importance. The University of Osijek is important for keeping young people in the area and

attracting new students into the region from the five nearby counties, and also from Vojvodina (Serbia) and Bosnia and Herzegovina. An increasing level of cooperation between the University and the business sector is already evident and should be actively supported by economic incentives. Suggestions also included the need to better inform and educate policy makers and stakeholders, in order to broaden their perspective in order to enable deeper understanding of the complex phenomenon of shrinkage. In-house seminars and training sessions could be introduced in cooperation with academia and public authorities. Finally, success stories should be made more visible (than bad news) by developing proper marketing & media strategies (based on real facts) in order to promote the County to educated young professionals and families.

1 Diagnosing rural shrinkage and its contexts

1.1 Osječko-baranjska County: Introduction

Osječko-baranjska County is one of the eastern-most parts of Croatia, bordering Hungary on the north and Serbia on the east. It has a population of 287,124 in 42 LAU2 units (7 city municipalities and 35 municipalities, and a total of 264 settlements). It is a predominantly lowland area, part of the vast and fertile Pannonian Plain. The favourable climate conditions, the rich soil and the abundance of water made Osječko-baranjska County traditionally one of the most important agricultural areas in Croatia (Danube and Drava, its most important right-side tributary, form natural borders towards Serbia and Hungary respectively). Slavonia and Baranja, the historical regions encompassed by Osječko-baranjska County, were the synonyms for a wealthy countryside and a good life. For that reason, since at least 19th century this was a typical in-migration area, attracting peasants from mountainous, karst Dinaric areas as well as craftsmen/tradesmen and enterprising individuals from Central European countries, creating a diverse and rich ethnical composition. Agriculture was joined early by the food processing and timber industries. In the socialist period, agriculture went through the ideological and consequently organisational changes, nevertheless kept its importance and the industrial development was booming. Demography mirrored positive economic development and until the Homeland War in the beginning of the 1990s, the County experienced continual growth. Then, as a part of the border area, the County was struck by greater-Serbian territorial ambitions. This resulted in direct and indirect human losses as well as a massive material damages (Matišić, Pejnović, 2015). Yet, it was expected that after the post-war shock area should recover due to its rich potentials and resource base. Although demographic situation slightly improved during the 2001-2011 period, the consequences of the destructive effects of the war, transitional de-industrialisation and slow and painful adaptation of agriculture to the new market conditions resulted in the continuous out-migration. Accession to the EU meant open door for labour-related migration and thus intensified negative demographic processes. “Nobody believes that anything positive is possible here any longer”, a quote from the recent documentary exploring massive youth out-migration from Slavonia, clearly summarise *Zeitgeist* of the region. However, at the same time, numerous initiatives, both bottom-up and top-down, seem to spring around the County opposing the predominant negative demographic and developmental trends.

1.2 Osječko-baranjska County in the contexts of territorial classifications

Table 1.1: Basic demographic and socio-economic trends behind rural shrinkage

Classifications	Positioning of the case study area
Name	HR025 - Osječko-baranjska
Scale and role in national administration (Y/N and level)	One of the 21 Counties (NUTS 3 region) in Croatia
NUTS 3 unit covered by the CS area	HR025 - Osječko-baranjska
Regional typologies	
Urban–rural typology	Predominantly rural regions, close to a city
Coastal regions	Other region
Mountain regions	Other region
Island regions	Other region
Sparsely populated regions	Other region
Border regions	Programme area (external)
Inner peripheries (ESPON PROFECY)	Other region
Shrinkage typology (ESPON ESCAPE)	
Typology of simple shrinkage	Population decrease 1993-2033 due to decrease in both periods 1993-2013 and 2013-2033; “average” shrinking rate (-1 to -0,5)
Typology on structural demographic shrinkage	Globalisation/Active

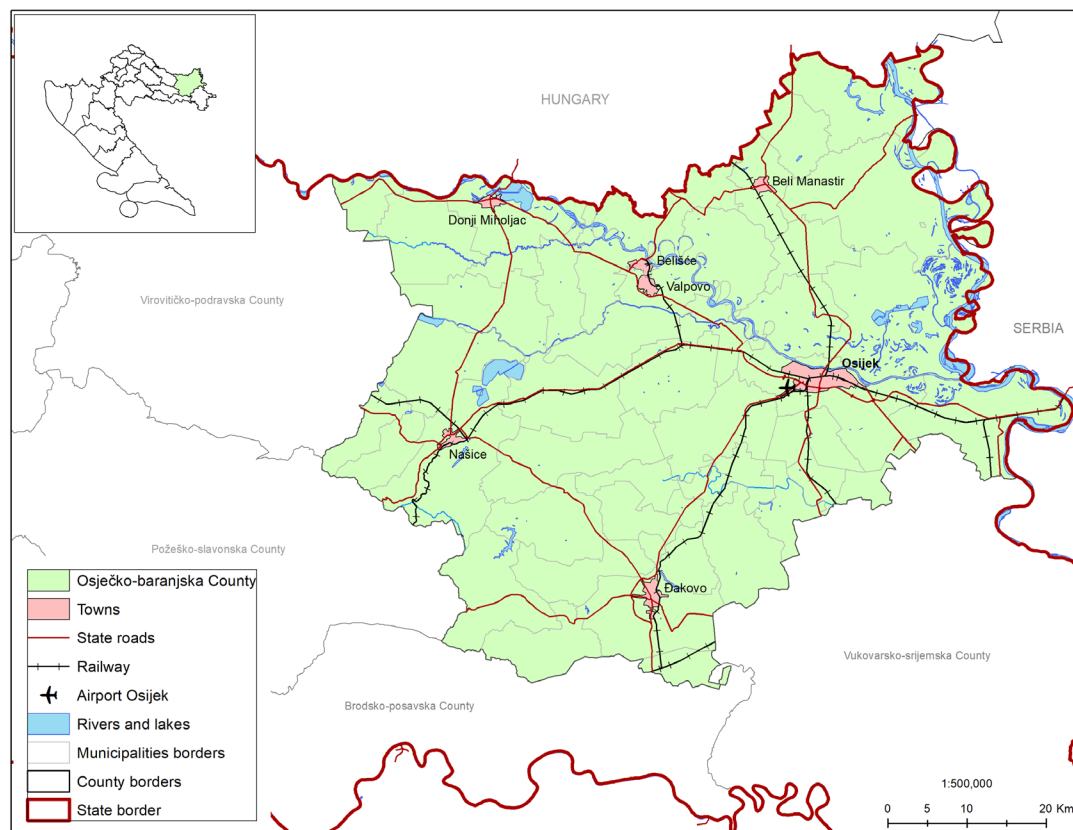
Osječko-baranjska County is one of the 21 counties (NUTS 3 regions) in Croatia, encompassing 7.3% of the country territory and 7.1% of the population (2011). It is situated in the continental, lowland part of Croatia with the excellent agro-ecological conditions and thus was predetermined for agriculture as the mainstay of its economic basis. Even today, after the crisis agriculture went through in the transition period, its importance is confirmed by being the second most prominent economic activity in GDP, with 12.4%. In a country overly dependent on tourism (more than 20% of Croatian GDP is related directly to tourism-linked economic activities and more than 90% of this income is created in the 8 coastal counties) the fact that Osječko-baranjska County is not *coastal* or *island*³ region according to EUROSTAT

³ Island regions are NUTS-3 regions entirely covered by islands. In this context, islands are defined as territories having: a minimum surface of 1 km²; a minimum distance between the island and the mainland of 1 km; a resident population of more than 50 inhabitants; no fixed link (bridge, tunnel, dyke) between the island and the mainland. (https://ec.europa.eu/eurostat/statistics-explained/index.php/Regional_typologies_overview#Border_regions, 5th November 2019)

classifications, is both a threat and an opportunity.

Furthermore, the County is not classified as a mountain³ region either. Small hilly parts of the County are situated in the north (Bansko Brdo in Baranja, with the highest peak reaching merely 244 m) and in the south-eastern corner (slopes of Krndija Mountain, with the highest peak in the County reaching 701 m).

Map 1.1: Geographical location of the case study area in regional and national territory



Source: <https://ec.europa.eu/eurostat/web/gisco/geodata>; Digital atlas of Republic of Croatia, GISdata, Zagreb, Croatia; <https://land.copernicus.eu/imagery-in-situ/eu-hydro>;

Although the County is losing the population and thus density of population is decreasing (from 76.2 in 2001 to 70.8 in 2017), it does not qualify to *sparsely populated*⁵ regions according to EUROSTAT classification. Traditionally, Slavonia was densely populated region with above the average settlement size. For that reason, current negative demographic processes have still not left the mark in this respect, although the trend has clearly started.

⁴ Mountain regions at NUTS-3 level are defined as regions in which more than 50% of the surface is covered by topographic mountain areas, or in which more than 50% of the regional population lives in these topographic mountain areas. (https://ec.europa.eu/eurostat/statistics-explained/index.php/Regional_typologies_overview#Border_regions, 5th November 2019)

⁵ Sparsely-populated areas are defined as NUTS-3 regions with a population density of fewer than 12.5 inhabitants per km². (https://ec.europa.eu/eurostat/statistics-explained/index.php/Regional_typologies_overview#Border_regions, 5th November 2019)

Osječko-baranjska County is not classified as *inner periphery* according to ESPON PROFECY project. The concept refers to territories facing limited access to basic services of general interest. In the analysis of central settlement system and potential accessibility by road, Lukić (2012) concluded that access to basic services of general interest in Eastern Croatia (of which Osječko-baranjska County is a part) was still satisfying, especially in comparison to 35% of the territory in the mountainous part of the country and coastal hinterland. The explanation is similar to already mentioned fact that Osječko-baranjska County was traditionally lowland area with the bigger settlements organised in a dense network which positively affected availability of services. However, recent depopulation is starting to affect access to basic services, especially small shops that are disappearing at an alarming rate. Furthermore, public transport (especially railways) is constantly decreasing its services, closing down parts of the railway networks while travelling time is increasing due to inadequate investments.

Due to its specific territorial shape and very long border compared to the size of the country, most of the Croatian counties are classified as *border*⁶ regions. Osječko-baranjska County is no exception and according to EUROSTAT classification, it is categorised as a *programme area (external)*. Osječko-baranjska County is bordering Hungary on the north and Serbia on the east. Cross-border programmes have been particularly important for areas along the Croatian-Hungarian border.

Certainly, one of the most important fact influencing developmental trends in Osječko-baranjska County is its classification as the *predominantly rural regions, close to a city*. Osijek, the County capital and one of the four macro-regional centres of Croatia surpassed 100.000 inhabitants in the 1980s. As a strong industrial centre, predominantly in food-processing and other raw material processing industry, it was of vital importance for supporting economy of rural areas in the County. Heavily damaged during the Homeland War and facing numerous negative consequences of privatisation of industrial holdings, which ended in most of them closing down, Osijek started losing population in the 1990s. This continued in the 2000s as well and was not specific for Osijek only. Zagreb, the country capital and all three other Croatian macro-regional centres (Split, Rijeka and Osijek) have recorded a decrease in the number of residents in the period 2001-2011. However, despite the decline in the number of inhabitants of the town, the perurban areas surrounding Zagreb, Split and Rijeka recorded an increase in the number of inhabitants affecting the total positive

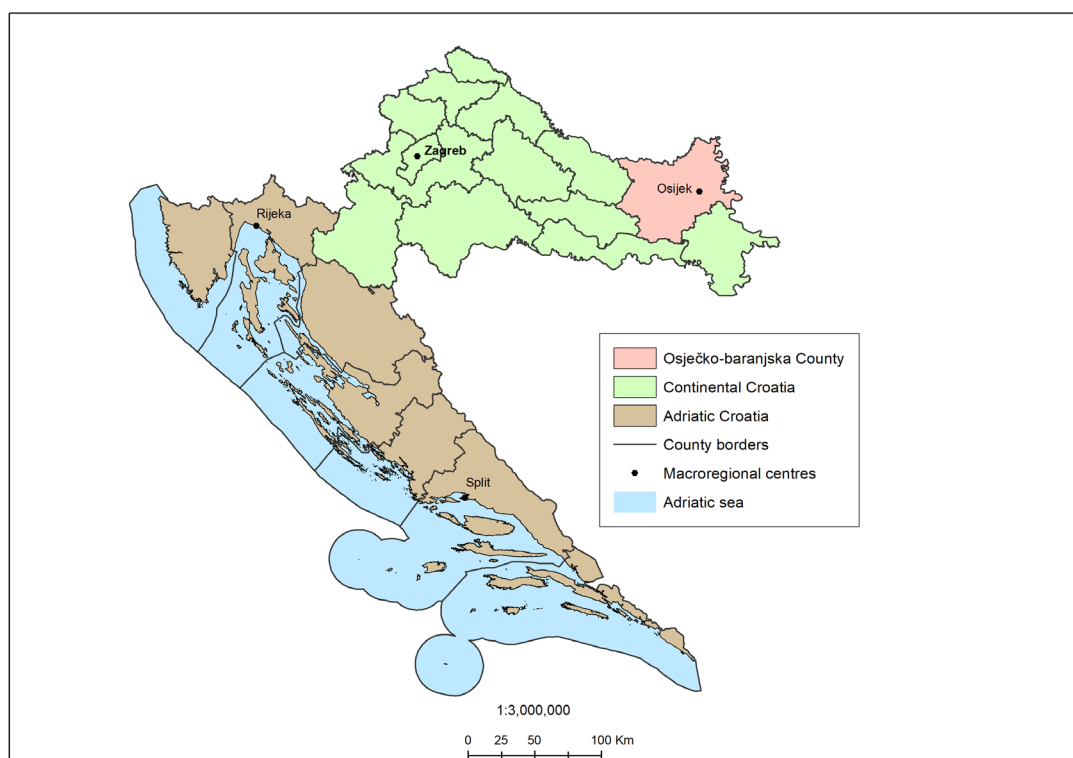
⁶ The NUTS-3-based selection of border regions refers to the regions participating in the core areas of cross-border cooperation programmes in the programming period 2007-2013. This includes: programme areas of cross-border programmes co-financed by ERDF under the European territorial cooperation objective; areas of the cross-border cooperation component of IPA (Instrument for Pre-Accession Assistance); areas of the cross-border cooperation programmes within ENPI (European Neighbourhood and Partnership Instrument). (https://ec.europa.eu/eurostat/statistics-explained/index.php/Regional_typologies_overview#Border_regions, 5th November 2019)

movement of these urban regions. Unlike them, the Osijek region recorded a decline in the number of inhabitants of both central city and its periurban/rural surroundings, sharing the destiny of rural areas further away.

According to ESPON ESCAPE *typology of simple shrinkage*, Osječko-baranjska County recorded population decrease 1993-2033 due to decrease in both periods 1993-2013 and 2013-2033, with the “average” shrinking rate (-1 to -0,5). As already mentioned, the population turnaround started in the 1990's and continued since. Osječko-baranjska County is unfortunately not so different from most other Croatian counties. According to Demographic Study (Čipin et. al, 2014), it is very likely that total number of inhabitants of Croatia will be decreased to less than 4,000,000 inhabitants by the beginning of 2030. A drop in the total number of inhabitants is very likely for all counties except the City of Zagreb, which will experience a slight increase in the population, with stagnation of population or slight decline expected in Zadarska, Splitsko-dalmatinska, Istarska and Zagrebačka County.

Finally, according to ESPON ESCAPE *typology on structural demographic shrinkage* Osječko-baranjska County belongs to Globalisation/Active type, which means a currently intense depopulation triggered by outmigration of labour force in high numbers towards Western European labour markets in an accelerated way after the 2000s rounds of EU accession.

Map 1.2: Location of the case study area within administrative structures (internal administrative divisions).



Source: <https://ec.europa.eu/eurostat/web/gisco/geodata>

1.3 The Osječko-baranjska County against the region, the country and the Macro-Region

Decline of Osječko-baranjska County, once demographically attractive and economically prosperous area, started with the Homeland War in the beginning of the 1990s. During the second half of 20th century, Osječko-baranjska County recorded growth of almost one third of its population, rising from 280,670 to 367,193. (Interestingly, in 2017 (287,124) the County had roughly the same number of inhabitants as immediately after the Second World War.). The growth 1948-1991 was slightly above national average and Osječko-baranjska County was certainly not considered as lagging or peripheral area, although its geographical position on the eastern border of the country had some negative implications for the overall development.

The current situation is quite different. First, the overall demographic context has changed. Depopulation of the whole country started in 1991. That census year marked population turnaround. Over the course of 43 years (1948-1991), there was a total increase of 1,004,407 inhabitants, or about one quarter of the population (26.6%). However, since 1991, Croatia is a depopulating country. Between the two last censuses (2001-2011), Croatia lost 152,571 inhabitants or 3.4% of the total population. Depopulation in that period was recorded in almost 70% of all Croatian settlements (Kranjčević et al., 2014). Furthermore, between the census of 2011 and estimated number of inhabitants in 2017 Croatia lost additional 179,396 inhabitants (4.2%). In total, in less than two decades Croatia lost 331,967 inhabitants (7.5%).

In both Croatian NUTS 2 regions, general population development between 2001 and 2011 were characterised by depopulation, which is somewhat weaker in the Adriatic than in the Continental Croatia. Unlike the 1990s, the primary reason for adverse demographic processes is a negative natural movement. Given the unfavourable age-sex structure and the continuation of emigration, we can expect further decline in the vitality of the population (Klempić Bogadi & Lajić, 2014).

On NUTS 3 level, 17 counties were losing population between 2001 and 2017 and only four counties recorded small growth: the City of Zagreb, Zadarska County, Istarska County and Zagrebačka County. City of Zagreb and Zagrebačka County are demographic and economic hub of the country, second one being along the coast. However, out of coastal counties only northernmost and touristy most developed Istarska County as well as Zadarska County experienced small growth.

Unlike the period before the 1990s, today Osječko-baranjska County is among those depopulating Croatian counties. Since 2001, its population has decreased for 9.8%, which is bigger decline than both depopulating NUTS2 region it belongs to and national average. In the same period, EU28 has recorded growth of 4.95%.

Demographic picture of Croatia has been characterised in the last decades (since 1998) by decline in total population, continuous natural depopulation, more deaths than live births, increased aging of the population and imbalance in the age structure of the population, continuous increase of expected life birth and a positive net foreign migration balance, which has, however, since 2009 become a negative (Čipin et al., 2014). Again, Osječko-baranjska County records more negative trends in this respect than both NUTS 2 region of Continental Croatia and national average. Its net migration rate (2002-2017) was of course negative (-6.34%) and almost five times higher than (also negative) national average. European Union recorded positive net migration rate of 4.54%. Bearing in mind such migration trends and also very low total fertility rate (1.36), it does not come as a surprise that according to population projection (EUROPOP2013), Osječko-baranjska County is expected to decrease by 11.4% by 2050 (Croatia is expected to decrease by 8.8%). EU28 is expected to increase its population by 2.7% during the same period.

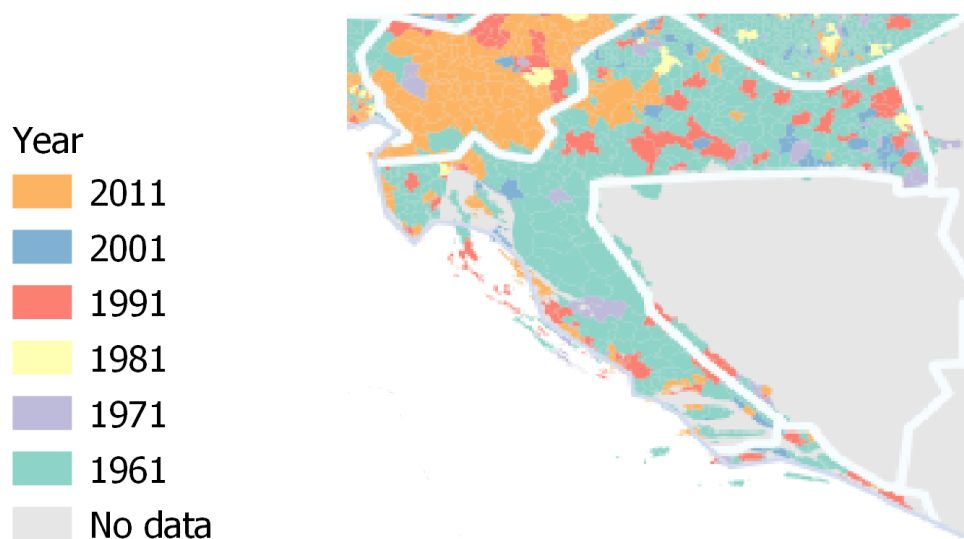
Negative net migration rate is related with inadequate job structure and lower income, which, as it will be discussed later, are some of the most important causes of youth out-migration. GDP per capita – purchasing power standard is an indicator showing that during the last almost two decades Osječko-baranjska County is constantly lagging behind national average by more than 20%. On the positive side, the difference between Osječko-baranjska County and European Union has somewhat decreased but this is primarily the consequence of increase of the number of EU member states.

Table 1.2: Basic demographic and socio-economic trends behind rural shrinkage

Indicators	Spatial level	NUTS 3	NUTS 2	NUTS 0, Country	EU28
	Name	Osječko-baranjska županija	Kontinentalna Hrvatska	Croatia	European Union
	Code	HR04B	HR04	HR	EU28
Total population	2000	318,415 (2001)	293,2216 (2001)	4,497,735	487 million
	2017	287,124	2,766,850	4,154,213	511 million
Population change 2001/2017	2000–2017	-9.80 (2001-2017)	-5.60 (2001-2017)	-7.64	4.95
Population density 2001, 2017	2000	76.80 (2001)	92.10 (2001)	77.80	111.90
	2017	70.20	87.50	73.90	117.70
Total fertility rate	2000		1.45 (2002)	1.46 (2002)	1.46
	2017	1.36	1.43	1.42	1.59
Net migration rate 2001, 2017	2000–2017	-6.34 (2002-2017)	-2.28 (2001-2017)	-1.29	4.54
Population projection	2020	294,161	2,795,122	4,198,884	512 million
	2030	283,665	2,707,290	4,087,031	518 million
	2040	272,184	2,613,856	3,957,985	524 million
	2050	260,760	2,522,970	3,828,402	526 million
Working age population in the % of the population total, 2001 or 2017	2000	66.96 (2001)	67.10 (2001)	67.03 (2001)	67.09 (2001)
	2017	67.37	66.31	65.87	64.98
GDP per capita – purchasing power standard	2000	7,600	9,800	9,700	19,800
	2016	14,100	18,200	17,900	29,300
GDP per capita – PPS in percentage of EU28 average	2000	38	49	49	100
	2016	48	62	61	100
Convergence of GDP per capita to the EU28 average	2000–2016	1.26	1.27	1.24	1.00
Indicators	Case study area (if the same data is available)	NUTS 3	NUTS 2	Country (NUTS 0)	EU 28

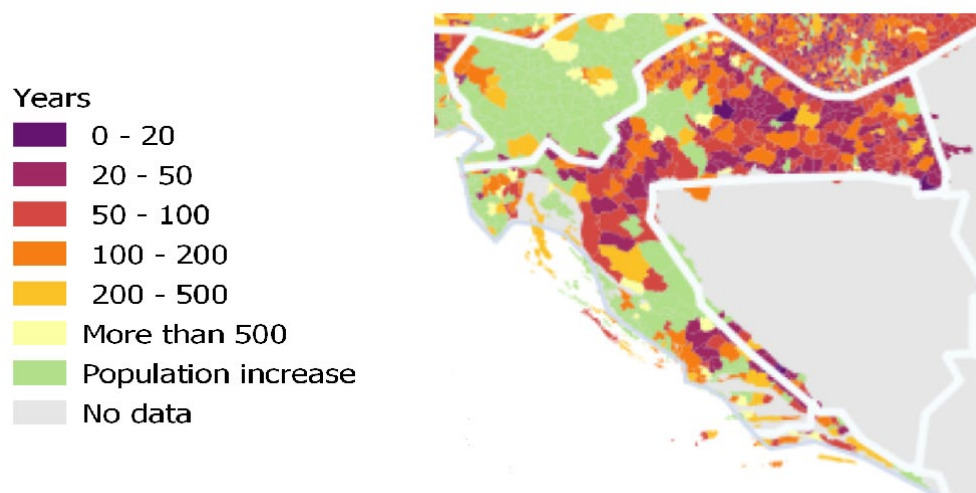
Source: EUROSTAT

Map 1.3: Year of the peak population in European LAU2 units zoomed in CS area.



Source: ESPON

Map 1.4: Estimated halving time of the population in European LAU2 units (based in 2001-2011 population change), zoomed in CS area.



Source: ESPON

1.4 Characteristics and contexts of the shrinking process in the CS area

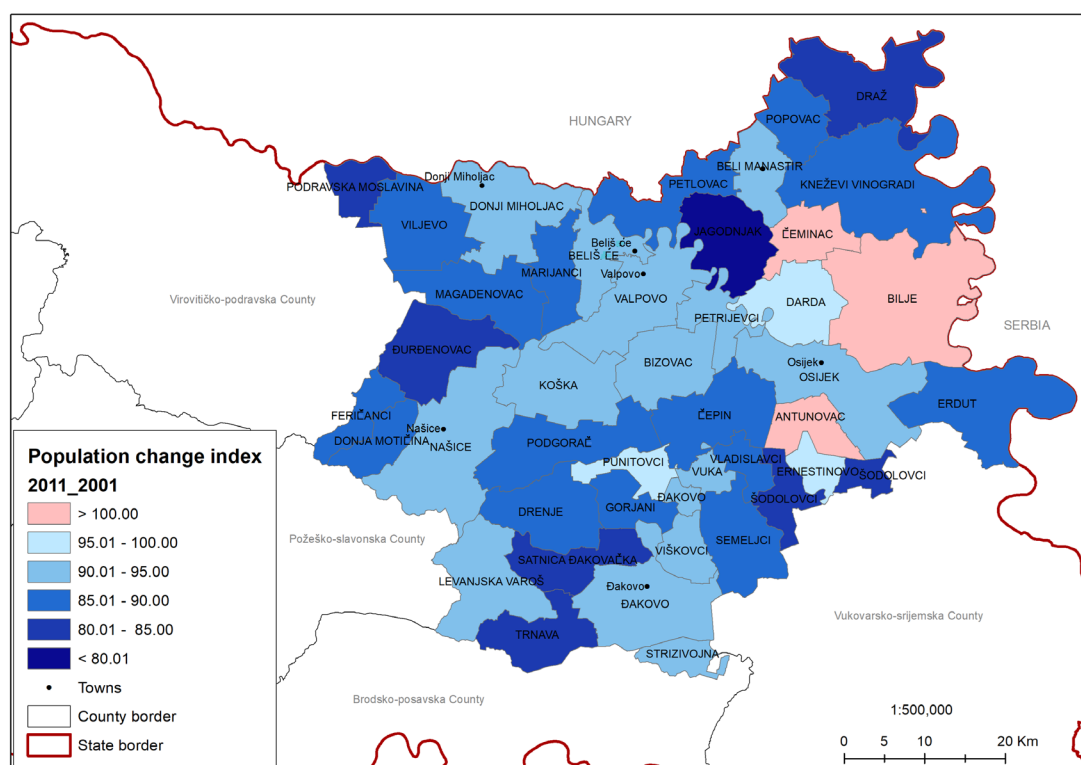
1.4.1 Characteristics of the Osječko-baranjska County along demographic criteria (Simple shrinking)

Osječko-baranjska County is facing serious demographic challenges. In a nutshell, it is characterised by negative demographic change (almost quarter of population lost since the 1990s) as a result of both natural decrease (e.g. rate -5.42‰ in 2017) and negative net migration change (e.g. -5.36% between 2011 and 2017). The population is getting older, with ageing index reaching 134.69 (2017). In many ways, these trends reflect overall demographic situation of Croatia, albeit with more negative tendencies in comparison with national average. What comes particularly as a shock is the fact that for the first time since the mid 19th century, the whole territory of today's County (even Osijek, the county capital and one of the four macroregional centres in Croatia) is evidently losing population. There were always of course some more peripheral rural areas of the County affected by ageing and depopulation (especially in the 1960s and 1970s when work-related emigration to foreign countries started), but comparing the demographic data for 1991 and 2017 reveals that all 42 LAU2 units (7 city municipalities and 35 municipalities) have lost population!

Unlike traditional lagging rural areas in Croatia, mostly in karst mountainous areas, coastal hinterland and more distant islands, which were losing population for decades before 1991, the trigger for negative demographic process in Osječko-baranjska County was the Homeland war. According to Živić (2005), demographic losses during the Homeland war are the most important determinant in contemporary development of the population. Osječko-baranjska County had suffered tremendously during the War and after the neighbouring Vukovarsko-srijemska County had the highest direct demographic losses (an assessment states that 2116 persons, both armed forces and civilians have been casualties or missing). Živić (2005) continues that 76% of Croatian armed forces' casualties were between 20 and 40 years old. As a consequence, such losses of the vital, and the most productive contingents negatively affected the reproduction and activity of the population. Furthermore, war caused forced migrations of the population and it is estimated that until mid-1992 nearly a fifth of the pre-war population of the region (Eastern Croatia) have left, of whom only some have returned to their former place of permanent residence (Matišić, Pejnović, 2015).

Osječko-baranjska County never fully recovered from the direct and indirect consequences of the Homeland war. Although some positive trends had been recognised (e.g. increase in population between 2001 and 2011 in three municipalities as shown in map 1.5 etc.), the general demographic trend was worsening of all demographic indicators.

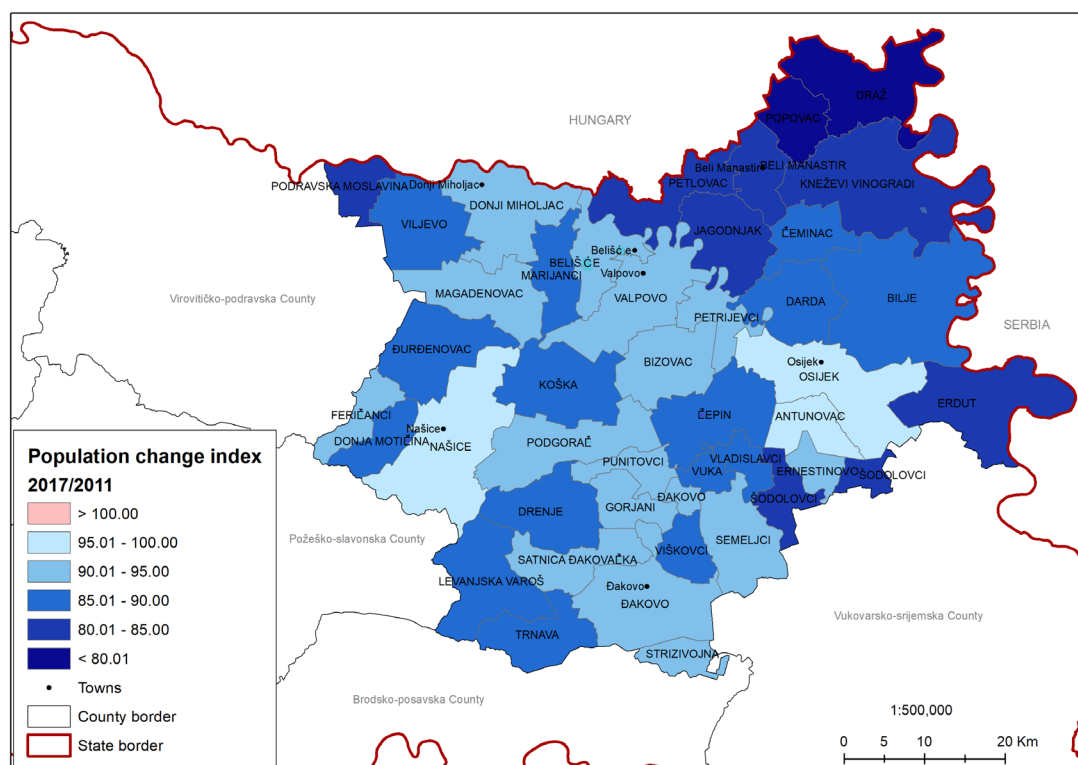
Map 1.5: Population change index (2011/2001) in LAU2 units of Osječko-baranjska County



Source: <https://ec.europa.eu/eurostat/web/gisco/geodata>

Spatial patterns of depopulation, especially in the last analysed period 2011-2017, reveal that two rural zones are in particular threat. First of them is located in the NE and central part of Baranja (Popovac, Draž, Kneževi Vinogradi, Jagodnjak, Petlovac, Beli Manastir), traditional region in the north of Osijek and the Drava River (map 1.6). Historically this area was affected by depopulation already in the second half of the 20th century, due to its peripheral and border position. The second area under particular threat due to population decrease is around the town of Đakovo, the regional centre of the County (Šodolovci, Drenje, Vuka, Vladislavci), which is very surprising concerning the previous development of that part of the County (map 1.6). This requires fieldwork that is more detailed in order to explain it.

Map 1.6: Population change index (2017/2011) in LAU2 units of Osječko-baranjska County



Source: <https://ec.europa.eu/eurostat/web/gisco/geodata>

If we look at urban-rural differentiation of the County, it is noticeable that, first there are no remarkably big differences between the City of Osijek and other municipalities in terms of population dynamics. For example, index of change for the City of Osijek was 79.5 while for other municipalities it was 74.6 (1991-2017) (tab 1.3). Furthermore, the same applies if we compare the City of Osijek together with its neighbouring municipalities (Antunovac, Bilje, Čepin, Darda, Erdut, Petrijevci) with all other LAU2 (tab/fig). More differences that are noticeable exist if we compare all city-municipalities with other municipalities (which might be considered rural): in that case, it becomes evident that between 1991 and 2017 the rural part of the County was losing population at the higher rate than the urban part (tab 1.3).

Table 1.3: Population change index (2017/1991)

Unit	Population change index 2017/1991
City of Osijek	79.5
LAU2 units	74.6
City of Osijek and neighbouring LAU2 units	78.44
Other LAU2 units	74.35
City municipalities (LAU2)	80.85
Rural municipalities (LAU2)	69.04

Source: Settlements and Population of the Republic of Croatia 1857-2001, <http://www.dzs.hr>, Central Bureau of Statistics, Zagreb, Croatia; Population estimates, by age groups and sex, by counties (2001-2018), <http://www.dzs.hr>, Central Bureau of Statistics, Zagreb, Croatia

Ageing index reveals that the City of Osijek is older than municipalities (122.7 and 104.0 in 2011 respectively) (tab 1.4). However, difference between city-municipalities (including City of Osijek) and municipalities is smaller (111.1 and 108.5 in 2011 respectively) (tab/fig).

Table 1.4: Ageing index (2011)

Unit	Ageing index (2011)
City of Osijek	122.7
LAU2 units (except Osijek)	104.0
City municipalities (LAU2)	111.1
Rural municipalities (LAU2)	108.5
Osječko-baranjska County	110.10
Croatia	116.28

Source: Census of Population, Households and Dwellings 2011, <http://www.dzs.hr>, Central Bureau of Statistics, Zagreb, Croatia

The most important feature of contemporary demographic development of Osječko-baranjska County is certainly youth work-related out-migration. This became particularly important since Croatia accession to the EU in 2013. According to official statistics based on data provided by Ministry of the Interior, between 2011 and 2017 the total of 52,284 people left the County. At the same time, 35,941 arrivals to the County have been reported. However, it is widely recognised that data from Ministry of the Interior, are heavily underestimated and that numbers of departures are certainly higher. This is officially confirmed by comparing the statistical data from e.g. German statistical office about the number of arrivals from certain country. In any case, as media coverage and conducted interviews reveals in more details, most of the out-migrants are young people (often whole families) leaving the County in search for better job opportunities in Germany, Ireland and other EU countries. This poses particular threat to the future demographic development of Osječko-baranjska County as the shortage of work force is already noted. This applies for companies situated in the County but also in coastal counties of Croatia where young workers from Eastern Croatia were important part of the seasonal contingent.

Table 1.5: Basic demographic and socio-economic trends in the CS area and at national level

		1991	2001	2011	2017
Total population (number)	CS area	367.193	330.506	305.032	280.145
	National level	4.784.265	4.437.460	4.284.889	4.105.493
Ratio of 0-14 y.o. population (%)	CS area	19,90	17,77	15,34	14,12
	National level	19,36	17,01	15,23	14,48
Ratio of female population in productive age (15-45 y.o.) (%)	CS area	46,92*	39,23	38,38	36,25
	National level	46,62*	39,32	38,28	36,60
Population density (persons/km²)	CS area	88,37	79,54	73,41	67,42
	National level	84,54	78,41	75,71	72,54
Gender balance	CS area	106,99	108,29	107,66	107,57
	National level	106,34	107,76	107,37	107,16
Old age dependency rate (%)	CS area	15,17	22,29	24,93	28,43
	National level	17,21	23,35	26,40	30,73
Ageing index (%)	CS area	52,06	84,10	110,10	134,69
	National level	60,04	91,90	116,28	138,86
Crude birth rate (births/1000 persons)	CS area	10,30	9,40	9,29	8,49
	National level	10,83	9,24	9,61	8,90
Crude death rate (deaths/1000 persons)	CS area	11,57	11,23	12,83	13,91
	National level	11,46	11,17	11,91	13,03
		1991-2001	2001-2011	2011-2017	1990-2017
Population change (%)	CS area	-16,93	-7,71	-8,16	-23,71
	National level	-10,44	-3,44	-4,19	-14,19
Number of arrivals due to migration	CS area		21.453	35.941	
	National level		498.303	599.830	
Number of departures due to migration	CS area		26.070	52.284	
	National level		434.106	695.212	
Net migration rate (%)	CS area		-1,51	-5,36	
	National level		1,50	-2,23	

* Based on age group 15-49.

Source: EUROSTAT; Census of Population, Households and Dwellings 2001, <http://www.dzs.hr>, Central Bureau of Statistics, Zagreb, Croatia; Census of Population, Households and Dwellings 2011, <http://www.dzs.hr>, Central Bureau of Statistics, Zagreb, Croatia; Population estimates, by age groups and sex, by counties (2001-2018), <http://www.dzs.hr>, Central Bureau of Statistics, Zagreb, Croatia; Settlements and Population of the Republic of Croatia 1857-2001, <http://www.dzs.hr>, Central Bureau of Statistics, Zagreb, Croatia; Towns in Statistics, <http://www.dzs.hr>, Central Bureau of Statistics, Zagreb, Croatia

1.4.2 Characteristics of complex shrinkage of the CS area

Negative demographic development of Osječko-baranjska County is interrelated with numerous interconnected causes. Direct and indirect consequences of the Homeland War, the process of privatisation in the transition period, and the negative trend of socio-economic restructuring are among the most important (Matišić & Pejnović, 2015). Authors further pointed out that “consequential decline in activity and employment caused the emigration of the younger and more educated population, which is consequently reflected in the quickening of the process of aging and the negative natural and total change of the population” (Matišić & Pejnović, 2015:136). In order to stress the importance of economic decline they have analysed the number of employees in Osijek’s thirty largest enterprises in 1990 and 2015 and showed the loss of more than 22,000 jobs (from 26,236 to 3,807) while half of the enterprises were either liquidated, non-active or in bankruptcy.

Agriculture, which due to very favourable natural conditions was seen as an important potential for economic recovery, was also simultaneously going through structural changes and adjustment to market conditions. Furthermore, closing down or decline of the food processing factories influenced agricultural development. As consequences, the number of jobs declined heavily in the whole Osječko-baranjska County. At the same time there is a visible increase in the number of enterprises per 1000 persons (especially small-sized), both on the County and national level, which is related both to transition to market economy and the jobs lost in the former socialist industrial enterprises. What might be surprising is that the ratio of jobseekers/unemployed persons in working age population is slight decreasing in the last 15 years (from 15.9 % to 12.5 %). However, this should be interpreted carefully while having in mind the already explained significant out-migration of young, working age population, which caused shrinkage in total working force of the country and the Osječko-baranjska County respectively.

Table 1.6: Number of employees in Osijek's thirty largest enterprises in 1990 and in 2015

Poduzeće	Broj zaposlenih		Likvidirano/stečaj
	1990.	2015.	
Enterprise	Number of employees		Liquidated/bankrupt
	1990.	2015.	
IPK Ratarstvo	3.253	274	
OLT	3.200	83	
Saponia	2.557	872	
Sloboda	1.546	286	
Mobilia	1.212	0	Likvidirano 2006. / Liquidated in 2006
LIO Holding	1.057	32	
MIO Standard	1.055	95	Stečaj otvoren 2012 / Filed for bankruptcy in 2012.
Tehnika-beton	895	0	Likvidirano 1998. / Liquidated in 1998
IPK Kandit	872	373	
Gradnja d.d.	833	615	
IPK Tvornica šećera	794	277	
Panonija	786	2	Stečaj otvoren 2009. / Filed for bankruptcy in 2009
Pivovara Osijek	755	98	
MK Slavonija	700	6	Stečaj otvoren 2013. / Filed for bankruptcy in 2013
Tekos	663	0	Likvidirano 2003. / Liquidated in 2003
Tvornica žigica Drava	567	0	Neaktivno / Inactive
Opeka	543	161	
Analit	532	0	Likvidirano 2002. / Liquidated in 2002
Svilana	518	0	Likvidirano 1998. / Liquidated in 1998
Litokarton	503	0	Stečaj otvoren 2012. / Filed for bankruptcy in 2012
Panturist	463	244	
Obuća Osijek	456	0	Likvidirano 2002. / Liquidated in 2002
Prvi maj	434	129	Stečaj otvoren 2015. / Filed for bankruptcy in 2015
IPK Oranica	412	0	Likvidirano 2006. / Liquidated in 2006
Slavonka	380	0	Stečaj otvoren 2000. / Filed for bankruptcy in 2000
Niveta	333	93	
IPK Croatia	289	0	Likvidirano 2006. / Liquidated in 2006
Teina	239	0	Likvidirano 2002. / Liquidated in 2002
Kovinar	236	0	Likvidirano 2004. / Liquidated in 2004
Tvornica ulja Čepin	153	167	
<i>Sveukupno</i>	26.236	3.807	

Source: Registry of Commercial Subjects, Croatian Chamber of Economy <http://www1.biznet.hr/HgkWeb/do/extlogon.jsessionid=B1DD9ECF269C-7CCDFBC658E171DBBDF2> (10.4.2015.); Statistics of the Croatian Chamber of Economy Osijek (as cited in Matišić & Pejnović, 2015).

Table 1.7: Economic indicators of the CS area and at national level

		2001	2011	2017
Number of enterprises per 1000 persons (REGISTERED)	CS area	12,72	19,81	25,37
	National level	14,81	36,15	44,88
Number of enterprises per 1000 persons (ACTIVE)	CS area	9,83	13,61	17,96
	National level	11,56	25,42	28,89
Number of small-sized enterprises per 1000 persons	CS area	8,06 (2002)	12,92	
	National level	13,65 (2002)	22,60	
Number of medium-sized enterprises per 1000 persons	CS area	0,41 (2002)	0,25	
	National level	0,51 (2002)	0,31	
Ratio of SME in the total number of enterprises (%)	CS area	66,56 (2002)	66,48	
	National level	95,63 (2002)	63,37	
Ratio of NACE.rev2 A (agriculture) enterprises in the total number of enterprises (%) (REGISTERED)	CS area			
	National level	1,87	1,83	2,00
Ratio of NACE.rev2 A (agriculture) enterprises in the total number of enterprises (%) (ACTIVE)	CS area			
	National level	1,85	1,79	1,98
Ratio of NACE.rev2 B-F (industry, construction) enterprises in the total number of enterprises (%) (REGISTERED)	CS area			
	National level	23,83	25,33	24,13
Ratio of NACE.rev2 B-F (industry, construction) enterprises in the total number of enterprises (%) (ACTIVE)	CS area			
	National level	25,04	26,55	24,05
Ratio of NACE.rev2 G-U (services) enterprises in the total number of enterprises (%) (REGISTERED)	CS area			
	National level	74,30	72,84	73,87
Ratio of NACE.rev2 G-U (services) enterprises in the total number of enterprises (%) (ACTIVE)	CS area			
	National level	73,10	71,66	73,97
Ratio of working age (15-64 y.o.) population (%)	CS area	67,03	67,76	66,87
	National level	66,93	67,07	65,42
Ratio of jobseekers/unemployed persons in working age population (%)	CS area	15,87	15,80	12,52
	National level	12,80	10,62	7,22

Source: Census of Population, Households and Dwellings 2001, <http://www.dzs.hr>, Central Bureau of Statistics, Zagreb, Croatia; Census of Population, Households and Dwellings 2011, <http://www.dzs.hr>, Central Bureau of Statistics, Zagreb, Croatia; Labor Market Statistics & Unemployment Statistics, <https://statistika.hzz.hr/>, Croatian Employment Service, Zagreb, Croatia; Number of Small and Medium Enterprises (SME) 2002, 2011, 2017, FINA - Financial Agency, Zagreb, Croatia; Population estimates, by age groups and sex, by counties (2001-2018), <http://www.dzs.hr>, Central Bureau of Statistics, Zagreb, Croatia; Structural business statistics of enterprises (2001-2017), <http://www.dzs.hr>, Central Bureau of Statistics, Zagreb, Croatia

1.4.3 Broader socio-economic contexts of Shrinkage which may drive population decline

Osječko-baranjska County is one of the eastern-most parts of Croatia, bordering Hungary on the north and Serbia on the east. Its location, even in the period before the break-up of the former Yugoslavia in the 1990s, when the functional connections with Vojvodina in Serbia and Bosnia were stronger, was unfavourable due to the distance from Zagreb, the capital and main economic hub of the country. Furthermore, the distance from the main west-east traffic corridor in the former Yugoslavia along the Sava River (connecting Ljubljana, Zagreb and Belgrade) and *hard* border with Hungary in that period also influenced its peripheral position. Nevertheless, demographic development was above the national average until the 1990s mainly due to the constant immigration to fertile agricultural region with strong and developed industry. In the 1990s, as a part of the border region with neighbouring Serbia, Osječko-baranjska County was under attack by greater-Serbian territorial ambitions, which resulted in massive human and material damages. It also influenced geographical position in the sense of weakening functional ties between Croatia and Serbia (and Osječko-baranjska County respectively) in the post-war period. Osječko-baranjska County lost great part of its functional area in Vojvodina, both in sense of import of raw goods and export of final products. At the same time, opening the border to Hungary, although resulted in some transborder cooperation projects, still have not met expectations. Consequently, Osječko-baranjska County and especially its LAU bordering with Serbia and Hungary, is considered as having more unfavourable geographical position than 30 years ago. On the positive side, new motorway connecting Zagreb and Osijek (A3 motorway with extension to Osijek) is certainly important potential for future development of Osječko-baranjska County. Also, Pan-European Corridor 5C (Budapest-Osijek-Sarajevo-Ploče) is expected to bring positive economic influence even before its full opening to port of Ploče. Furthermore, digital connectivity and development of services based on the high-speed internet connections are on the positive side of Osječko-baranjska County. With almost quarter of households with broadband access in the total number of households in the County, the case study area is almost on the national average. Additionally, Osijek is the first Croatian city where 5G is fully available. Public and social services in the County are also developed similar to those on the national average, or even better (e.g. number of general practitioners per 1000 persons or number of schools (primary+secondary) per 1000 persons). First and foremost, this is the consequence of the fact that until 1990s Osječko-baranjska County was rich agricultural and industrial area with above-average sized settlements and very well-developed central settlement network, which is still holding on despite economic decline and strong out-migration. Furthermore, the current Rural Development Programme introduced measures for building new social and educational services (especially schools and kindergartens). The same applies for NGOs, which are also developed above the national average using the number of them per 1000 persons as an indicator. The role of the NGO sector in Osječko-baranjska County is very important, especially if we take Local Action Groups (In Croatia registered as NGOs) into account. As it

will be elaborated in more details in the subsequent chapters, NGOs and LAGs play significant role both in adaptation and mitigation (and combined) coping strategies bringing new ideas and concepts of development into rural areas (e.g. social entrepreneurship, eco-economy etc.). However, the educational structure of the Osječko-baranjska County lags behind the national average, with almost 5% less persons with high education and more than 5% more people with low qualification. Furthermore, the questionnaire survey among students in Osijek and Zagreb revealed that “nearly half of the respondents (48.0%) who study at the University of Osijek or some of the region’s polytechnics, do not know if they want to stay living in the area, and that 38.0% of the respondents from Eastern Croatia studying in Zagreb already have a clear attitude – they do not plan to return to their current place of permanent residence (Eastern Croatia)” (Matišić, Pejnović, 2015).

Table 1.8: Contextual indicators of shrinkage in the CS area and at the national level

		2001	2011	2017
Ratio of households with broadband access in the total number of households (%)	<i>CS area</i>			24,87 (2018)
	<i>National level</i>		21,75 (2013)	27,48 (2018)
Number of newly-built dwellings per 1000 persons	<i>CS area</i>	3,49 (2002)	1,99	0,77
	<i>National level</i>	4,07 (2002)	2,89	2,07
Ratio of newly-built dwellings in the housing stock (%)	<i>CS area</i>	0,89 (2002)	0,44	
	<i>National level</i>	0,96 (2002)	0,55	
Number of general practitioners per 1000 persons	<i>CS area</i>	0,16	0,30	0,34
	<i>National level</i>	0,17	0,26	0,27
Number of hospital beds per 1000 persons	<i>CS area</i>	4,55	4,31	4,40
	<i>National level</i>	6,00	5,99	5,61
Number of kindergartens per 1000 persons	<i>CS area</i>	0,16	0,32	0,39
	<i>National level</i>	0,24	0,35	0,42
Number of schools (primary+secondary) per 1000 persons	<i>CS area</i>	0,71	0,78	0,85
	<i>National level</i>	0,63	0,67	0,70
Ratio of population with low qualification (%)	<i>CS area</i>	25,51	26,60	
	<i>National level</i>	21,75	21,29	
Ratio of population with high qualification (%)	<i>CS area</i>	11,04	14,97	
	<i>National level</i>	14,32	19,04	
Number of NGOs per 1000 persons	<i>CS area</i>			13,44 (2019)
	<i>National level</i>			12,58 (2019)

Source: Annual data and indicators of the postal, electronic communications and rail market in the Republic of Croatia, <https://www.hakom.hr/default.aspx?id=60>, Croatian Regulatory Authority For Network Industries, Zagreb, Croatia; Census of Population, Households and Dwellings 2001, <http://www.dzs.hr>, CBS, Zagreb, Croatia; Census of Population, Households and Dwellings 2011, <http://www.dzs.hr>, CBS, Zagreb, Croatia; Population estimates, by age groups and sex, by counties (2001-2018), <http://www.dzs.hr>, CBS, Zagreb, Croatia; Statistical Yearbook of the Republic of Croatia 2002, 2012, 2018, <http://www.dzs.hr>, CBS, Zagreb, Croatia; Structural business statistics of enterprises (2001-2017), <http://www.dzs.hr>, CBS, Zagreb, Croatia; Towns in Statistics, <http://www.dzs.hr>, Central Bureau of Statistics, Zagreb, Croatia

1.5 Governance framework

The governance framework related to regional/rural development in Croatia consists of numerous institutions and organisations mostly from public sector and civil society. Public sector institutional framework will be presented both horizontally (e.g. different ministries involved in regional/rural development) and vertically (national – NUTS0, regional/county-NUTS3 and local/city-municipalities and municipalities level-LAU2).

Involvement of civil society (NGOs and umbrella organisations) will be shown by using examples of influential associations on the national level.

The most important institutions on national level involved directly with regional/rural development are Ministry of Agriculture (responsible for agriculture, fishery, forestry, rural development, Pillar II measures, LEADER etc.), Ministry of Regional Development and EU Funds (responsible for planning and implementing the regional development policy, improving cross-border, interregional and transnational cooperation, preparation of strategic documents regulating the national development objectives and setting up priorities for the use of ESI funds etc.), Ministry of Construction and Physical Planning (responsible for spatial planning, ESPON projects etc.). In addition, Ministry of Demographics, Family, Youth and Social Policy is more and more involved in measures directly affecting rural areas.

Each of the above-mentioned ministries has its own tradition, specifics, different theoretical and methodological approaches, and different instruments of implementation. Given this, there are inevitable challenges in coordinating and implementing an integral, participative, and partnership approach in planning and implementation. Actually, lack of coordination and multisectoral approach in solving regional/rural developmental issues has been one of the most important negative remarks about governance system by both academic experts (Dobrinić, Lukić & Hajduković, 2017) and rural practitioners from civic sector. However, an important step forward was enabled through The Law on Regional Development (2014) which has for the first time linked actors from different sector (in this case Local Action Group which are under the responsibility of Ministry of Agriculture) with concrete role in the local development (e.g. LAG could be used instead of Local Development Agency in providing support to one or more municipalities (LAU 2) in its/their developmental agenda). Furthermore, Ministry of Regional Development and EU Funds is currently developing National Development Strategy 2030 as the first umbrella strategic document on the national level. The Strategy is being developed through participative process and has involved numerous stakeholders, actors and experts. The expectations are high but the outcomes are still unknown.

The relevant institutions on regional/county level include county governments directly linked with ministries (e.g. county office for agriculture/spatial planning etc.) but the most important actors are Regional Development Agencies (so-called Regional Coordinators). Their responsibilities include preparing County Developmental Strategies and ensuring support for its implementation. They are usually in charge of the EU funds administered through Ministry of Regional Development and EU Funds.

Furthermore, in the case of counties of Eastern Croatia (which encompass Osječko-baranjska County), and due to its recognisable lagging in regional development, in 2017 the Government had founded The Council for Slavonia, Baranja and Srijem. It was established as an advisory body in the field of coordinating the implementation and monitoring of the use of European Structural and Investment Funds, instruments and programs of the European Union, the European Economic Area and national sources under the Slavonia, Baranja and Srijem Projects.

On the local level, city-municipalities and municipalities (and sometimes their associations) presents the most important developmental actors. Furthermore, Local Action Groups under the CLLD/LEADER programme are becoming more relevant since their financial power is getting bigger.

Civic sector is very important in regional/rural development issues, on all spatial levels. In this chapter we briefly analyse only national level, where the roles of NGOs are primarily connected with knowledge sharing and advocacy work. For example, in Croatia, LEADER was officially implemented in 2013 during the implementation of IPARD. However, the LEADER approach came into view in Croatia in 2004 with the publication "LEADER, from Initiative to Method – A guide to teaching the LEADER approach" (Laginja, 2004) - a translation of original publication published with EU support within LEADER II and supported by the Croatian Rural Development Network (Hrvatske mreža za ruralni razvoj - HMRR). In 2006, HMRR organised the first national conference on rural development titled "Rural development in Croatia - opportunities and challenges". The work of international organisations such as PREPARE and ECOVAST also had an influence on developing new ideas. In 2012, the LEADER Network of Croatia was founded as a new network of LAGs and other institutions involved in rural development. Today, both the Croatian Rural Development Network (HMRR) and the LEADER Network Croatia are members of the European LEADER Association for Rural Development (ELARD) (Lukić & Obad, 2016). HMRR has organised three Croatian Rural Parliaments, which are very important gatherings of rural practitioners, experts and decision-makers in Croatia.

Figure 1.1: The system of spatial planning, regional and rural development in Croatia

SYSTEM	SPATIAL PLANNING	REGIONAL DEVELOPMENT	RURAL DEVELOPMENT
	Physical Planning Act (OG 153/13 and 65/17)	Act on Regional Development (OG 147/14)	Law on Agriculture (OG 30/15)
	Law on establishing an institutional framework for implementation of European Structural and Investment Funds in the Republic of Croatia in 2014-2020 financial period		
PLANNING LEVEL	SPATIAL PLANNING	REGIONAL DEVELOPMENT	RURAL DEVELOPMENT
STATE / NATIONAL	Spatial Development Strategy of the Republic of Croatia State Plan of Spatial Development Spatial Plan of the Ecological and Fishery Protection Zone (EFPZ) Spatial Plan of the Continental Shelf of the Republic of Croatia Spatial Plan of the National Park / Nature Park Other plans specified by the State Plan Urban Development Plans of State Significance	Strategy of Regional Development of the Republic of Croatia	Rural Development Programme of the Republic of Croatia
REGIONAL	County spatial plans / Spatial Plan of the City of Zagreb Urban Development Plans of County Significance	County development strategies City of Zagreb Development Strategy	Rural Development Programme of the Republic of Croatia
LOCAL	Spatial Development Plan of a Town / Municipality General Urban Plan Urban Development Plan	Urban Areas Development Strategy: - urban agglomerations (Zagreb, Split, Rijeka, Osijek) - larger urban areas - smaller urban areas	Rural Development Programme of the Republic of Croatia Local Development Strategy (LAG)
	* in the context of the Urban Areas Development Strategy, urban agglomerations, Local Development Strategies (LAG), local level does not imply spatial coverage of only one local self-government unit, but necessarily more of them		
IMPLEMENTATION INSTRUMENTS	SPATIAL PLANNING	REGIONAL DEVELOPMENT	RURAL DEVELOPMENT
	- issuance of acts based on spatial planning documents	- activities - programmes - projects	- Rulebook on the implementation measures / submeasures - Appropriation of funds for projects

Source: Adapted from Dobrinić, Lukić & Hajduković (2017)

2 Patterns and causalities of rural shrinkage

2.1 Broad introduction of global and national factors impacting shrinkage in the CS country

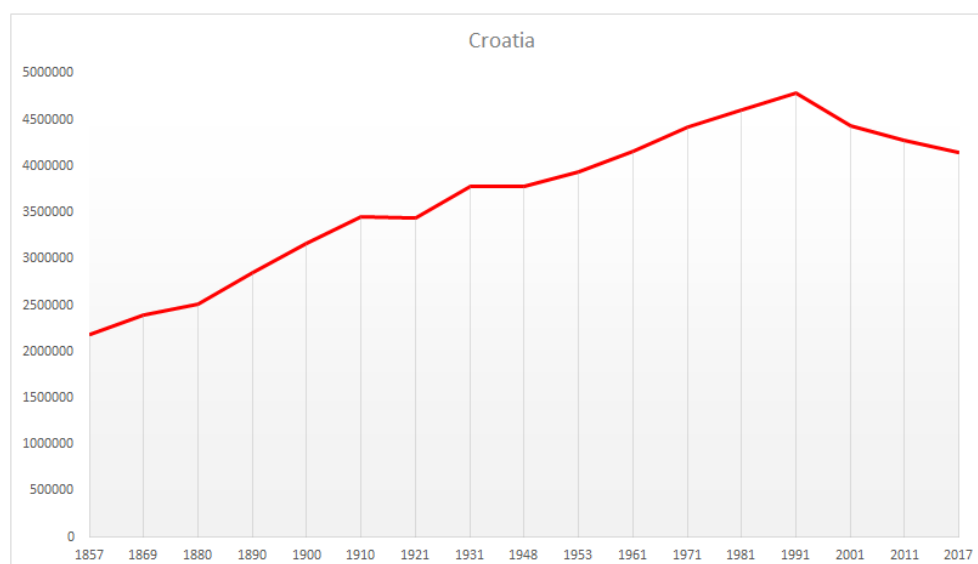
Croatia is a shrinking country

Croatia is a shrinking country, at least in terms of simple shrinkage. Between 2001 and 2017, in less than two decades Croatia lost (officially at least) 331,967 inhabitants (7.5%). Since the end of the 1990s (1998) demography of Croatia has been characterised by decline in total population, continuous natural depopulation, more deaths than live births, increased aging of the population and imbalance in the age structure of the population, continuous increase of expected live births and a positive net foreign migration balance, which has, however, since 2009 become a negative. At the moment, the Croatian population ranks among the fifteen oldest world populations, and the share of older people in the total population is constantly increasing (Čipin et al., 2014).

Depopulation started in 1991

However, depopulation of the whole country started already in 1991. That census marked population turnaround because a major trend of demographic development from the mid-twentieth century to the beginning of the 1990s has been the mild but continual growth of Croatia's population. Over the course of 43 years, there was a total increase of 1,004,407 inhabitants, or about one quarter of the population (26.6%) (Pejnović, 2004).

Figure 2.2: Total population in Croatia from 1857 to 2017



Source: Census of Population, Households and Dwellings 2011, <http://www.dzs.hr>, Central Bureau of Statistics, Zagreb, Croatia; Population estimates, by age groups and sex, by counties (2001-2018), <http://www.dzs.hr>, Central Bureau of Statistics, Zagreb, Croatia; Settlements and Population of the Republic of Croatia 1857-2001, <http://www.dzs.hr>, Central Bureau of Statistics, Zagreb, Croatia

Rural areas in Croatia have been losing population since at least the 1950s

In the same period of continual growth of total population from the mid-twentieth century to the 1990s, rural areas already faced strong depopulation. Between 1961 and 2001, the population of more than 80% of all rural settlements was reduced, with half of them shrinking by at least 50%, mainly as a result of long-term depopulation, deagrarianisation and pauperisation triggered already in the 19th century by the economic and political crises, followed by overseas emigration. General and agrarian policies were unfavourable for farmers' private properties, which, along with the aforementioned processes, resulted in social and economic impoverishment of rural areas. Consequently, the most of contemporary research about this topic emphasises negative demographic, economic and social features of Croatian rural areas at the beginning of the 21st century (Lukić, 2012).

Migration affected urban-rural balance and is influenced by both internal and external factors

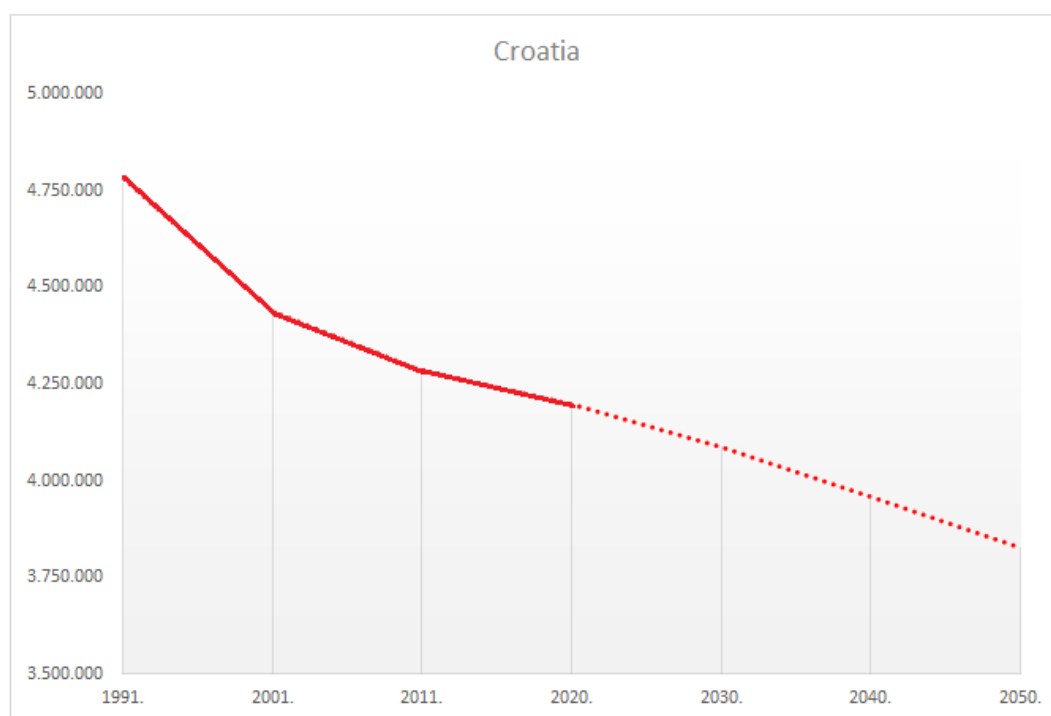
Massive out-migration from Croatia, because of both economic and political reasons, started already at the end of the 19th century. After the 2nd World War there was a decline in out-migration, which again intensified with the border opening in the 1960s (so-called temporary work abroad) (Čipin et al., 2014). At the same time, internal migration contributed to the demographic polarisation of Croatia, reflected in the demographic progression of urban areas and regression of rural areas. Largest cities recorded natural growth and positive migration balance, which contributed to asymmetric spatial development by strengthening the oligocentric significance of regional centres. The Homeland War and numerous economic difficulties in the transition period in the 1990s intensified external migration, which in combination with negative natural change resulted in the depopulation of the Croatia. (Klempić Bogadi and Lajić, 2014). Furthermore, youth out-migration was strengthened after Croatia accession to the EU.

Future perspectives

All relevant projections point out to continuing depopulation of Croatian territory in the next 20-30 years. Because of the very low birth rate the reduction of the population is inevitable without immigration. Replacement migration is necessary to compensate for and lessen depopulation and aging, and to counterweigh for lost workforce (Čipin et al., 2014).

A drop in the total number of inhabitants is very likely for all counties except the City of Zagreb (a slight increase in the population) and stagnation of population or slight decline expected in Zadarska, Splitsko-dalmatinska, Istarska and Zagrebačka County (Čipin et al., 2014).

Figure 2.3: Total population in Croatia and population estimates from 1991 to 2050



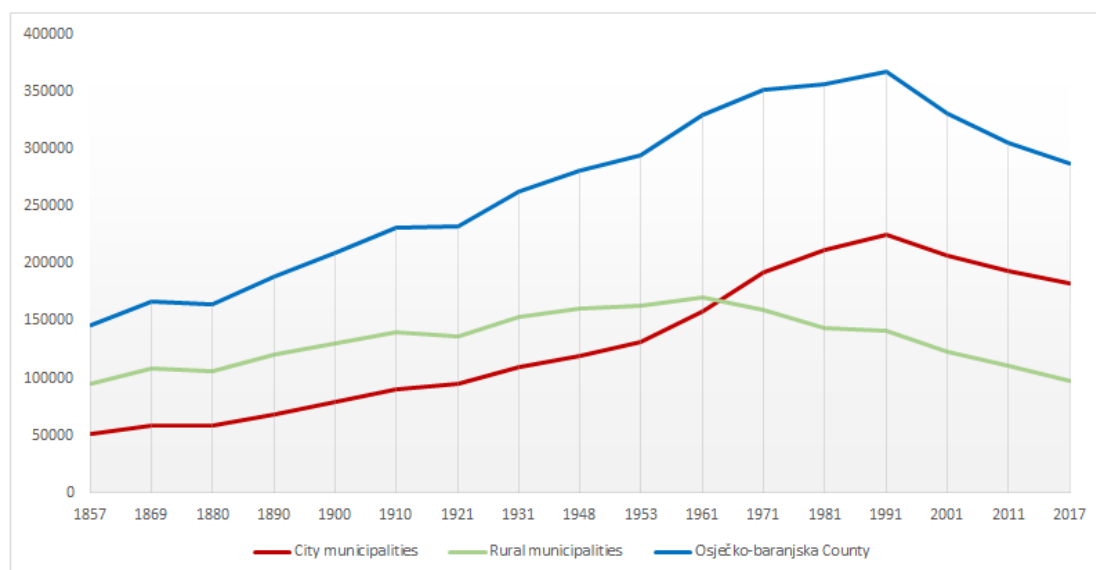
Source: Census of Population, Households and Dwellings 2011, <http://www.dzs.hr>, Central Bureau of Statistics, Zagreb, Croatia; Settlements and Population of the Republic of Croatia 1857-2001, <http://www.dzs.hr>, Central Bureau of Statistics, Zagreb, Croatia; EUROSTAT

2.2 Evolution of shrinkage in the CS area

Osječko-baranjska County is a part of Pannonia, a fertile lowland area stretching through Central and Eastern Europe. Due to its very favourable natural conditions, productive soil, abundance of water (confluence of Danube and Drava rivers) and vegetation, the County has been settled since prehistoric times. In Roman period, city of Osijek was an important urban settlement – Mursa, with stone bridge over the Drava River. Later, in the middle ages, Osijek became an important trade city (the first official mention was under Hungarian name of Ezek in 1196). During Ottoman period, Osijek was also an important traffic outpost that helped development of its urban functions. Since the 18th century Osijek and its agricultural hinterland started intensive economic development. At the end of the 18th century Osijek was the biggest Croatian city with 8000 inhabitants, attracting Germans, Hungarians and other European ethnicities. In the 19th century railway helped its industrial development and also supported export of raw materials (wood, agricultural products) from rural areas.

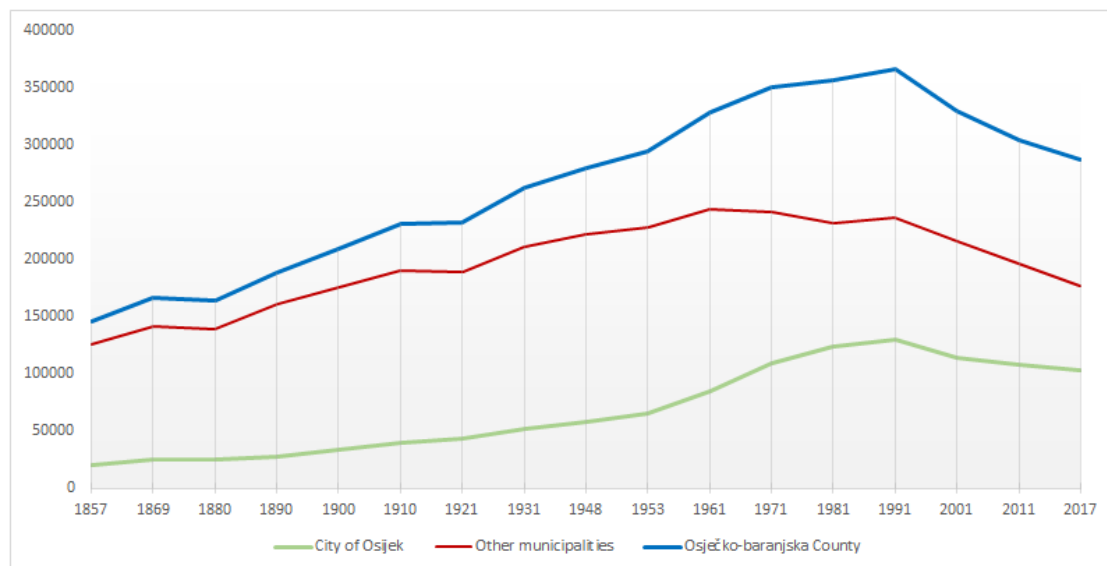
Economic development positively influenced demographic trends of Osijek and its rural gravitational area (Osječko-baranjska County). The continual growth of population in city municipalities, rural municipalities and city of Osijek was recorded since the first official census in 1857 until 1961.

Figure 2.4: Total population of urban and rural municipalities in Osječko-baranjska County from 1857 to 2017



Source: Census of Population, Households and Dwellings 2011, <http://www.dzs.hr>, Central Bureau of Statistics, Zagreb, Croatia; Population estimates, by age groups and sex, by counties (2001-2018), <http://www.dzs.hr>, Central Bureau of Statistics, Zagreb, Croatia; Settlements and Population of the Republic of Croatia 1857-2001, <http://www.dzs.hr>, Central Bureau of Statistics, Zagreb, Croatia

Figure 2.5: Total population of City of Osijek and other local self-government units in Osječko-baranjska County from 1857 to 2017



Source: Census of Population, Households and Dwellings 2011, <http://www.dzs.hr>, Central Bureau of Statistics, Zagreb, Croatia; Population estimates, by age groups and sex, by counties (2001-2018), <http://www.dzs.hr>, Central Bureau of Statistics, Zagreb, Croatia; Settlements and Population of the Republic of Croatia 1857-2001, <http://www.dzs.hr>, Central Bureau of Statistics, Zagreb, Croatia

In that period Osječko-baranjska County was an important in-migration region for population from other parts of Croatia but also neighbouring counties (Živić, 2003). Agricultural land was one of the main pull-factors, especially for the people from karst areas in Croatia and Bosnia and Herzegovina. However, in-migration covered demographic losses due to natural decrease of population, which started in this region already in the 19th century, with the so-called “white plague”, a lifestyle that favoured having only one child to ensure that the ownership of the land would not have to be divided among multiple children.

The turnaround of rural parts of Osječko-baranjska County happened in the 1960s. It was the period of the change of politics of socio-economic development, which focused on urban-based industrialisation. “Soft” collectivisation of agricultural land (in comparison with other socialist and communist countries in Central and Eastern Europe) and development of “kombinati”, a distinctive form of industrialised agricultural production on collectivised land also influenced deagrarianisation. Furthermore, due to its specific political relations with both West and East, the citizens of former Yugoslavia were allowed to migrate as guest workers in European and other countries since 1960s. In addition, out-migration to Zagreb, the capital and one of the most developed cities of the former Yugoslavia and increasingly developing industrial centre started. As a consequence, rural areas of Osječko-baranjska County have been depopulating ever since while city of Osijek slowed down its demographic development. Nevertheless, both Osijek and Osječko-baranjska County continued to grow until the Homeland War. Since then, all spatial components of Osječko-baranjska County are losing population (urban, rural, city of Osijek). In the last years (2011-2017), which coincide with the effects of global economic crisis and Croatian accession to the EU, all 42 LAU2 of Osječko-baranjska County recorded decrease of population (some of them with population change index of more than 20).

However, it is interesting to note that demographic and economic decline is still not overly noticeable in central settlement system and distribution of general services (Lukić, 2012). This is primarily due to the quite developed system in pre-1990 period but also of the fact that EU funds are used to support building of new services (especially educational).

2.3 Local (regional) perceptions and interpretations of shrinkage: discourses, explanations

Several interviewees referred to the demographic legacies as drivers of the shrinking process. This included going back to the 19th century and the process of disappearance of *zadruga* (extended families /communal households) as well as the one-child-per-family system (the so-called “white plague”). In relation to this, an interviewee (I.I.) referred to demographic processes and the general settlement of the area as being primarily determined by migration patterns for centuries (e.g. migrations related to warfare in (pre/post) Ottoman period, or planned immigration during the Habsburg/Austro-Hungarian rule and post-WWII period). In other words, in the last 200 – 300 years the wider area of Osječko-baranjska County attracted population, „while the land was a resource” and this was how it regenerated itself in terms of population (given that due to the one-child-system it had natural decrease) (Z.Z.).

Looking back to the 20th century, it was stressed that some of the areas within Osječko-baranjska County (areas near the Drava River, the region of Baranja and Erdut) have seen shrinkage over the last 100 years. Overall, depopulation started in the 1970s due to work abroad (especially in the areas further away from city centres / rural areas) (Z.Z.). Among the causes for unfavourable demographic trends, interviewees stressed the importance of damage (lives lost, financial/material losses) brought by the Croatian War of Independence/the Homeland War. Throughout much of this region, it ended even later, in 1997/1998 with the process of peaceful reintegration. The War and its long-term consequences meant this region had issues catching up already in the 1990s, in comparison to parts of Croatia that did not sustain such war damage. Furthermore, issues related to transition to a market-based economy, including processes of privatisation, were listed among important causes for economic problems (especially the collapse of industry) and thereby also population shrinkage. In the socialist era, important actors in rural areas of Osječko-baranjska County used to be agricultural-industrial enterprises (*kombinat* in Croatian) in combination with planned agricultural production. For example, the activity of former *kombinat* Belje (a company that traditionally combined agricultural and industrial production; other farmers in the area also cooperated with Belje) is significantly smaller. Before the Croatian War of Independence (the Homeland War) it employed 8,000 people, nowadays it employs 1,500 people. It should be noted that over time Belje modernised the agricultural production on its farms, which also influenced the decrease in the number of jobs available (L.D.).

Furthermore, the issues around the agricultural land have become another limiting factor, because “the cards have already been dealt”. Big actors dominate. There is not enough state-owned land available (at lower prices, below market prices). In general, it is difficult to buy large parcels of land (I.M.). If someone wants to engage in agriculture, there are issues with land available through concessions, especially if one is only starting (T.B.). In total, there are 12,790 agricultural entities, 11,955 of those are family agricultural holdings (family farms).

The age structure of the holders of these farms is unfavourable – over 4,000 are older than 64 years of age; 2,242 are younger than 41 year of age. In total, there are around 9,000 employees; 5,573 farms do not have employees (I.M.).

Croatia is a young democracy, and people were raised differently, they are not used to being proactive, it was expected for “someone else to solve the problems”. There was not enough support provided for people to move from the previous (socialist) system to a new one, and to change their way of thinking (T.B.).

Different economic reasons resulted in a high unemployment rate as a key factor in the population shrinkage. The recent outmigration was caused by a lack of opportunities for younger people, employment possibilities, and low salaries, “the attractiveness of Zagreb which inhales the whole of Croatia and thereby also Slavonia” (Z.Z.). Interviewees, as well as the focus group participants emphasised the role of centralisation processes in Croatia – at the national level (with Zagreb as the centre), macro-regional and regional level (with Osijek as a centre, even though it has lost much of its gravitational influence, in part also due to the post-1991 realities of its position in relation to the border with Serbia, unlike its previous tighter connections with the region of Vojvodina), and even centralisation at the local level (to stronger centres, affecting weaker centres). Societal climate in general was seen as another key factor for shrinkage. This encompasses the political situation with disputes between leading politicians on the national and regional levels over a period of 10 years. The importance of clientelism and connections with political parties was stressed, i.e. the perception is that there is a lack of opportunities if one does not belong to a political party (S.V.) and that young people are not able to make it without being well connected, or “getting a push” (Z.Z.).

Croatia joining the EU, with „doors opened, and an option to leave” was an important trigger for outmigration and shrinkage, especially of younger people. This offered a chance for advancement and better earnings even for those who had previously had job security in the region (Z.Z.).

Another issue is the media perception, where positive trends are not adequately promoted, “which makes it seem like we are worse off than we actually are”. The rural areas, especially around Đakovo were especially hit by recent trends (Z. Z.). Another problem is that recent trends include younger people leaving with their whole families (T.B.). Recent trends of people leaving this region include them moving towards Zagreb, or abroad (predominantly to Germany and Ireland). An example from the Town of Donji Miholjac illustrates the extent of shrinkage in some areas, where 50 people from a generation of 100 born in 1994/1995 have out-migrated (20 of them moved to Cork, Ireland) (T.P.).

According to stakeholders, the consequences of shrinkage are generally visible in the lack of qualified workforce, the lack of young people and liveliness, and a large decrease in the number of pupils in schools, especially in rural areas. Although a large number of abandoned houses or houses for sale is also evident, population shrinkage is not as visible in the agricultural landscape, because, paradoxically, there is a lack of available agricultural land. It is also still not visible in the decline of services of general interest. With the respect to the fact that our society is getting older, one of the important long-term consequences is the increase in the share of pensioners (with the issues of sustainability of the pension system) (T.B.).

Several stakeholders also expressed their perception that trends are changing to a certain extent. In the last 2 – 3 years, in words of an interviewee „I would actually say that the situation is stable, that the worst is over, at least I hope” (Z. Z.). Some people have returned to the region with their perspective widened, with good work ethic, and capital. Some of them found that the way of living abroad was not to their liking (S.V.). Interestingly, people who live abroad often do not want to say that things are not great for them, as if they would admit that they failed in some way (S.V.).

3 Responses to the challenge of shrinkage: visions, strategies, policies

3.1 High level (EU and national) and regional policies addressing demographic decline

3.1.1 EU and national policies indirectly impacting rural shrinkage

EU and national policies indirectly impacting rural shrinkage in Croatia are mainly coordinated through Ministry of Regional Development and EU Funds in cooperation with other institutions (e.g. Ministry of Agriculture in the case of Rural Development Programme). Following tables provide information about relevant EU and national programmes in the financial period 2014-2020.

Table 3.1: EU Funds indirectly impacting rural shrinkage in Croatia

4 EU Funds 2014-2020	5 Financed by:
6 OP Competitiveness and Cohesion	7 The Republic of Croatia has EUR 6.831 billion available, of which EUR 4.321 billion from the European Regional Development Fund (ERDF) and EUR 2.510 billion from the Cohesion Fund (KF).
8 OP Effective Human Resources	9 Amounts to EUR 1.85 billion, of which EUR 1.58 billion is financed by the European Social Fund.
10 Rural Development Program	11 Total allocation for the Rural Development Program 2014-2020 is EUR 2.383 billion, of which EUR 2.026 billion will be financed from the European Fund for Rural Development and the rest from the national budget of the Republic of Croatia. RDP consists of: M1 - Transfer of knowledge and information activities M2 - Advisory, Agricultural Management and Farm Assistance Services M3 - Quality systems for agricultural products and food M4 - Investments in physical assets M5 - Restoration of agricultural production potential disturbed by natural disasters and catastrophic events and the introduction of appropriate preventive activities M6 - Agricultural and business development M7 - Basic rural services and rural renewal M8 - Investments in forest area development and improvement of forest sustainability M9 - Establishment of producer groups and organisations M10 - Agriculture, environment and climate change M11 - Organic farming M13 - Payments to areas with natural handicaps or other special restrictions M16 - Collaboration M17 - Risk Management M18 - Financing of additional national direct payments for Croatia M19 - LEADER (CLLD)

12 OP for Maritime Affairs and Fisheries	13 Under the Operational Program for Maritime Affairs and Fisheries 2014-2020 the Republic of Croatia has at its disposal EUR 252,643,138 from the European Maritime and Fisheries Fund.
14 European territorial cooperation	15
16 Interregional Cooperation	17 ESPON, INTERACT III, INTERREG VC and URBACT
18 Cross-border Cooperation	19 INTERREG V-A Cross-border Cooperation Program Italy - Croatia 2014-2020 INTERREG V-A Cross-border Cooperation Program Hungary - Croatia 2014-2020 INTERREG V-A Cross-border Cooperation Program Slovenia - Croatia 2014-2020 INTERREG IPA Cross-border Cooperation Program Croatia - Bosnia and Herzegovina - Montenegro 2014-2020 INTERREG IPA Cross-border Co-operation Program Croatia-Serbia 2014-2020
20 Transnational Cooperation	21 INTERREG V-B Mediterranean Transnational Cooperation Program 2014-2020 INTERREG V-B Danube Transnational Cooperation Program 2014-2020 INTERREG V-B Adriatic-Ionian Transnational Cooperation Program 2014-2020 INTERREG Central Europe Transnational Cooperation Program 2014-2020
22 Integrated Territorial Investments (ITI)	23 The Republic of Croatia has at its disposal 345.351.269,00 EUR for the implementation of sustainable urban measures through the ITU mechanism: EUR 303,351,269.00 from the European Regional Development Fund and the Cohesion Fund under the Competitiveness and Cohesion Operational Program, EUR 42,000,000.00 from the European Social Fund under the Effective Human Resources Operational Program.
24 Programme for the integrated physical, economic and social regeneration of small towns in war-affected areas	25 Funds for investment in pilot areas were secured through two funds: EUR 100 million from the ERDF through OPKK for activities aimed at building and improving community infrastructure and supporting the economy. EUR 20 million from the ESF through the OPHRP for activities aimed at enhancing human resources through the provision of social, educational and economic services and employment services.

Table 3.2: National Programmes indirectly impacting rural shrinkage in Croatia

National Programmes	Description
A program to improve infrastructure in areas populated by members of national minorities	The objective of the Program is to assist the development of historically residing local communities and members of national minorities that are demographically, economically or socially impaired and well below the national average. The program provides assistance in improving the accessibility of local infrastructure and advocates an approach to promoting equality, non-discrimination and sustainable development and participatory access for stakeholders from the wider local community.
Community investment program	The Community Investment Program reflects the needs of the wider local community to invest in the renovation, construction and reconstruction of public purpose buildings, the implementation of which will contribute to strengthening social cohesion, original values, religious freedoms and the preservation of cultural heritage, as well as other public buildings that have an impact on the wider local community.
Support program for mountainous areas	The goal of the Mountainous Mountain Support Program is to contribute to the sustainable development of mountainous areas in terms of improving the accessibility of local infrastructure and their economic, social and demographic revitalisation.
Regional Development Support Program 2018.	Support program for regional development is support for economic and social revitalisation of areas that are not classified into assisted areas by the new Decision on the classification of units of local and regional self-government by level of development (Official Gazette, 132/17), but lag behind developed areas in their development, with the aim of strengthening competitiveness and realising their own development potentials, faster economic recovery, which is a prerequisite for preventing emigration, reducing the negative demographic trend and sustainable development.
A program to support the improvement of material conditions in primary and secondary schools	The Program for Supporting the Improvement of Material Conditions in Primary and Secondary Schools is designed in response to the development priorities of the local and regional level and supports the strengthening of social cohesion and sustainable development through investment in the construction, upgrading, reconstruction, rehabilitation and rehabilitation of primary and secondary schools in the Republic Croatia, which is the founder of the regional (regional) and local self-government units.
Preparation and implementation of	The Ministry of Regional Development and Funds of the European Union implements the Program of preparation and implementation of development projects eligible for

development projects for EU funds	financing from EU funds, financed from the State Budget, and is designed to support development projects of local and regional self-government units.
Local community sustainable development program	The Sustainable Development Program of the local community is designed in response to the development priorities of the local and regional level, and supports the economic and social revitalisation of the assisted areas and the strengthening of social cohesion and sustainable development.
Sub-program Development of the Adriatic Islands	<p>In 2015, the Ministry of Regional Development and Funds of the European Union introduced a new Adriatic Islands Development Sub-Program, which continues to encourage local and regional self-government units to invest purposefully in the development of infrastructure and economy on the Croatian islands.</p> <p>Objective of the Sub-Program: creating preconditions for sustainable economic and social development by enhancing the quality of life in the islands by encouraging the development of island specificities.</p>

3.1.2 Regional and local policies directly impacting rural shrinkage

Institutional framework that addresses different aspects of rural shrinkage (e.g. improving economic conditions, demographic trends, communal and social infrastructure) consists of numerous actors and instruments. Desk analysis revealed four of the most important policies addressing local governments in supporting their economic development and demographic situation from the national level (especially in the case of rural areas or lagging areas). The policy that might be considered as very important for local administrative units (LAU 2) in Osječko-baranjska County (and also units in other four Counties of Slavonia region) include giving additional points to these LAU when applying for European Union funds. In that way, there is a greater chance for receiving irretrievable EU grants for local development projects. In addition, the development index, compiled under the Regional development law of Croatia, gives a special position to assisted areas, i.e. areas that are less developed according to the mentioned index. It is of great importance for Osječko-baranjska County since 40 of 42 LAU 2 are considered as those eligible for state support. Another policy that deals with less developed areas is based on the Law on Areas of Special State Concern, which currently contains mainly regulations on housing. In Osječko-baranjska County 21 (of 42) local self-government units are affected by the Law on Areas of Special State Concern. Assistance is primarily reflected in greater co-financing of their projects. Finally, the fourth important policy

is based on the Rural Development Programme that supports development of social infrastructure (especially kindergartens, primary schools etc.).

Despite the described support framework, strongly dependent on EU funds, the qualitative research showed that many of the interviewees consider strategy for the withdrawal of EU funds as one of the biggest problem in development of the County. Namely, the interviewees (T.B., S.V.) consider that the division of Croatia into NUTS regions is completely wrongly organised, resulting in extensive damage to the counties in the eastern part of Croatia (also Osječko-baranjska County), which are much less developed compared to Zagreb and northwestern part of Croatia. In addition, interviewees (S.V., I.I.) emphasise how the measures are not specific enough, the objectives are the same for everyone and a large part of the measures do not recognise the specifics of the micro-level space (I.I.). Also, there is no consistency, most projects are terminated when the operational program is completed and there is no long-term sustainability, projects have a short effect (L.P.R.). However and despite the mistakes made and the perceived limitations, the majority of interviewees consider the impact of EU funds to be very positive (T.B., S.V., I.I., A.Š.). For example, in the HRK 200 million worth projects (54 in total) in Osječko-baranjska County related to building renovations for energy efficiency improvements (e.g. primary schools, kindergartens, public health centres), 60% came from the EU, 20-30% national sources, the rest from the County. (NT)

Concerning demographic measures, interviewees stated certain measures of family and housing policies implemented by local and regional self-government units, but considered them to be of limited influence with no major effect (Z.Z.). Interviewees (S.V., L.P.R.) emphasise the lack of national strategy and better communication between the different levels and stakeholders.

Projects directly or indirectly affecting rural shrinkage in Osječko-baranjska County are numerous. In the current financial perspective the total allocated amount was 250.521.815,90 EUR, while in the last pre-accession period 2007-2013 it amounted to 269.726.340,74 EUR (those figures include all operational programs and/or funds except Rural Development Programme which contributed additional 138,676,532.34 EUR). We have divided them in several categories: Assistance in teaching children with disabilities, Social inclusion of children and young people, Social inclusion of persons with disabilities, Social entrepreneurship in tourism - employment of persons belonging to national minorities, Digital, financial and media literacy in schools, New completions and foundations for lifelong learning for students, Preventing medical staff outflows to retirement, Training for family medicine doctors, Development of STEM and digital literacy of children in primary schools, Strengthening the competencies of the unemployed to increase their employability,, Improvement of competences of young highly educated unemployed, Education and inclusion of the elderly in culture and the arts, Strengthening the educated structure and immigration

factors, Strengthening the educated structure, Education and retraining, Extended stay in kindergartens, Local employment partnerships, Education, retraining and competitiveness in the labour market for people with disabilities, Training and education for the tourism sector, Development of tourist content and social services for young people, Integration of Vulnerable Groups, Entrepreneurial infrastructure, Roma integration in Baranja, Construction of social housing for the socially disadvantaged, Extended stay in schools for pupils, Providing social services to users of different categories and ages, Food for the most vulnerable, Form of social assistance (Tab. 3.3.).

As an example of good practice, often mentioned in qualitative research with positive attitudes is national project MAKE A WISH, financed through European Social Funds. With the MAKE A WISH project, it is planned to employ almost 6,000 women across Croatia to support and care for nearly 30,000 elderly and disadvantaged people in their communities ⁷.

The women who will be employed in these jobs also have an additional education opportunity during the project. When selecting projects, emphasis was placed on hard-to-reach areas (rural areas and islands) and those areas where the unemployment rate and the long-term unemployment rate are higher than the Croatian average. The total value of the project is HRK 5,483,078.78, 100% of the grant. 53 local projects in Osječko-baranjska County are run in cooperation by local NGOs, social services, towns and municipalities.

Furthermore, the following projects have been mentioned by interviewees in Regional Development Agency as having potentially important impact for economic and regional development of the Osječko-baranjska County: Airport Osijek, River Port of Osijek, Business incubator and accelerator Antunovac, Regional Distribution Centre for Fruits and Vegetables, Competence Centre, Co-financing home loans, Co-financing student transportation and meals for students, Incentives for Young Families – Support in Acquiring Building Land, Completion of Traffic Corridor Vc.

The most important projects are elaborated in more details in table 3.3.

⁷ Source: <http://www.esf.hr/u-vladi-dodijeljeno-28-novih-ugovora-za-poziv-zazeli-program-zaposljavanja-zena-te-predstavljen-zazeli-program-zaposljavanja-zena-faza-ii/>

Table 3.3: Key projects (programmes) impacting shrinkage in the CS area

Name of the project/investment	Basic information	Description of key measures being addressed by the project
Projects implemented in the current programming period		
MAKE A WISH	NGOs, local self-government units	With the operative programme, it is planned to hire almost 3,000 women across Croatia to support and care for nearly 12,000 elderly and disadvantaged people in their communities. The women who will be employed in these jobs also have an additional education opportunity during the project. When selecting projects, emphasis was placed on hard-to-reach areas (rural areas and islands) and those areas where the unemployment rate and the long-term unemployment rate are higher than the Croatian average.
SPECIALIST TRAINING OF MEDICAL DOCTORS	Health centers	After the completion of specialist training and this project, the problem in this area would be partially solved, which is the shortage of doctors and their stay, because family medicine specialists would increase the quality of health care through their work in the offices.
IMPROVING THE COMPETENCES OF YOUNG HIGHLY EDUCATED UNEMPLOYED		The overall objective of the project is to integrate disadvantaged groups into society and the labor market, networking stakeholders from the public, private, educational and scientific sectors and developing and establishing innovative forms of development human resources. The specific objective is to develop and improve the competences of disadvantaged people - young highly educated unemployed persons and long-term unemployed highly educated persons in terms of know-how, know-that and know-why in the field of project application and implementation, and entrepreneurship with the aim of increasing their competitiveness in the labor market and / or self-employment.
EDUCATION AND INVOLVEMENT OF THE ELDERLY IN CULTURE AND THE ARTS		The project plans the implementation of cultural and artistic workshops for elderly people. In short, the project plans to carry out the social inclusion of elderly through various cultural and artistic activities, in order to achieve socio-emotional and creative development. Also, through the procurement of equipment and training workshops for communication and mediation processes, it is planned to achieve a quality and professional approach to persons of different profiles, who are older than 54, to ensure the sustainability of the project.
DEVELOPMENT AND ESTABLISHMENT OF A JOINT STUDY PROGRAM "ICT IN AGRICULTURAL SCIENCES"	241.376,2 EUR Faculty of Agrobiotechnical Sciences Osijek Faculty of Electrical Engineering, Computing and Information Technology Osijek	It is a project that will increase the number of combined studies in foreign languages, as well as the number of educational and study programs and courses in foreign languages at higher education institutions in the Republic of Croatia and strengthen the competences of students and staff of higher education institutions. This operation contributes to the quality and relevance of higher education through internationalization - the development and establishment of joint studies (graduate and postgraduate) in foreign languages, the development of study and / or educational programs and modules and courses in foreign languages, as well as the promotion of higher education institutions from the Republic of Croatia abroad to attract more foreign students and teachers.
LOCAL EMPLOYMENT PARTNERSHIP INITIATIVES		The programme is aimed at developing local employment partnerships in order to overcome regional and local diversity and to foster a partnership approach in the preparation and adoption of policies related to the creation and strengthening of human resources in line with local labor market needs. Projects target vulnerable groups in the labor market and support activities aimed at further enhancing the capacities of

		local employment partnerships to ensure their sustainability and improve functionality and efficiency in local labor markets.
BUSINESS INCUBATOR AND ACCELERATOR ANTUNOVAC	2.872.868,3 EUR Municipality of Antunovac Agency for Sustainable Development of Antunovac Municipality	The construction of the incubator and accelerator in Antunovac municipality will develop a professional and high-tech business infrastructure of 3,179 m ² with a total of 35 office and 2 business premises, which will provide services for SMEs entering into entrepreneurial activity and those wishing to develop an innovative business venture. Development of new services and cooperation of entrepreneurial support institutions is ensured, especially those that contribute to increasing the competitiveness and internationalization of business, support the sustainability and high productivity of business, and expand the availability of quality services to SMEs in this area.
MORE ACCESSIBLE PRIMARY HEALTH CARE IN THE OSJEČKO-BARANJSKA COUNTY	3.162.916,1 EUR Osječko-baranjska County	By investing in infrastructure and equipping health centers, it will improve the availability and conditions of primary care services in remote areas in the Osijek-Baranja County, thereby reducing the number of patients referred to hospitals. Providing support to concessionaires in the procurement of equipment will raise the level of quality of health services, and thus meet the criteria of minimum conditions of medical and technical equipment in the offices. Key activities: Infrastructure works and equipping of 6 health centers: Beli Manastir, Donji Miholjac, Đakovo, Našice, Osijek and Valpovo.
Ongoing projects		
PREPARATION OF STRATEGIC PROJECT FOR CONSTRUCTION OF NEW KBC OSIJEK	4.737.449,7 EUR Clinical Hospital Center Osijek	The project will create the preconditions for the realization of a strategic project for the construction of the new Clinical Hospital Center Osijek, which includes the preparation of the necessary documentation, the provision of advisory assistance, the resolution of property and legal issues, the definition of the medical-technological program and the preparation of the project-technical documentation.
DEVELOPMENT OF DOCUMENTATION FOR THE ECONOMIC CENTER	1.849.255,0 EUR Osječko-baranjska County	The implementation activities of this Project are the preparation of project-technical and study documentation and obtaining building permits, as well as information and visibility of the general public. In partnership with the City of Osijek, the construction of an extremely valuable and significant multifunctional, polyvalent construction complex consisting of closed facilities with exhibition, business, office, service and congress spaces and open spaces with parking is being prepared.
PREPARATION OF PROJECT DOCUMENTATION FOR THE CONSTRUCTION OF A REGIONAL DISTRIBUTION CENTER FOR FRUITS AND VEGETABLES	529.574,5 EUR Osječko-baranjska County	The Regional Fruit and Vegetable Distribution Center is a project of paramount importance for agricultural producers in the Osijek-Baranja County and the County itself, and its task is to encourage the linking of fruit and vegetable producers in order to increase competitiveness. It will enable them to store their goods and organize them safely and securely on the market, which will also encourage farmers to increase their production. The construction of the RDC in Osijek - with a total capacity of 3,000 tonnes of apples and other fruit species suitable for storage with the possibility of expanding to an additional 1,500 tonnes - is planned through three phases. The first phase envisages the construction of storage capacities with sorting, packing, quality control monitoring laboratories, necessary administrative and auxiliary premises. In the second phase, it is planned to build a facility with additional storage space, lines, freezing tunnels, a juice production line, fruit and vegetable dryers and an auction hall. In the third phase, it is planned to build a facility that will house a technological incubator with production lines processed from fruits and vegetables with premises for preparing products for market (design, marketing and the like).

Source: Development agency of Osječko-baranjska County

3.2. Discourses and explanations at national/regional levels concerning policy measures and tools addressing rural shrinkage

Discussion with high-level policy makers (e.g. advisor to Minister of Construction and Physical Planning; ex-state secretary in Ministry for Demography, Family, Youth and Social Policy; Director of Regional Development Agency of Osječko-baranjska County) and experienced and influential actors in rural development (e.g. Founder of the Croatian Rural Development Network and member of the European Economic and Social Committee) as well as some knowledgeable stakeholders, about policy measures and tools addressing rural shrinkage, revealed several thematic fields of critique/recommendations for improvement. Those are: Lack of coordination and dysfunction of public administration; Influence of administrative-territorial organisation on regional/rural development policies; Lack of vision and strategy; Inadequate demographic policies; Role of EU funds in regional/rural development; Role of NGOs in regional/rural development; Social capital in rural areas; Value system and fight against corruption and clientelism. Some of the most important thematic fields are discussed in more detail in this chapter, while another are addressed elsewhere.

Lack of coordination and dysfunction of public administration

Almost unanimously, interviews shared the view that one of the main reasons for the insufficiently successful design and implementation of measures and demographic, regional and general development policy of rural areas of Croatia is the non-functioning and uncoordinated (even incompetent) state administration (e.g. inconsistency of laws, implementation instruments, performance appraisals) (M.S., Z.Z., L.P.R.). Furthermore, it was explained that from the regional point of view policies should be combined, i.e. focus on the population already living in the area, as well as attracting new people. What is needed is synergy and coordination among different sectors/actors/levels in dealing with demographic challenges (Z.Z.). Additionally, the importance of communication which should be ongoing at all levels and not just at the end of the consultation was clearly mentioned as well as that both top-down and bottom-up approach are important (L.P.R.).

Lack of vision and strategy

Opinion on lack of vision and strategy was another issue universally shared by interviewees. For example, it was clearly stated that dealing with serious issues such as rural shrinkage lacks a national strategy, division of affairs and a more serious approach (I.I., P.Š.). The measures are partial and depend on the LSGs, and the projects are not sufficiently focused (S.V.). Or, it takes a combination of policies and a long-term vision that lacks, lacks consistency and long-term sustainability or a systematic policy. (L.P.R.). Moreover, it was recognised that the lack of vision might pose threat to being able to take active role in the

international context. Croatia does not have a clear vision of its future, and at the same time is increasingly accepting the role of Europe's amusement park (or resort, nursing home) as its inevitable destiny. (P.Š.).

Influence of administrative-territorial organisation on regional/rural development policies

This is somewhat controversial issue in Croatia and it was reflected in different opinion. The state-level officers argue that the county (NUTS3) is the least effective level of governance, especially in the context of demographic but also general development measures. Not close enough to the actual rural areas (LAU have a much larger role to play here), and at the same time not strong enough to have real strong levers of regional development in the still highly centralised state. (P.Š.) On the other hand, regional actors (County level) argue that NUTS3 level is important but it has to be clearly defined within the whole function system. For example, an opinion is that rural shrinkage needs to be addressed at all levels - the state should provide a legislative framework, the county organises communication at the local level, and the local one draws comparative advantages (T.B.). In other words, decentralisation and strengthening the role of counties (Z.Z.), is very important for regional level. An important opinion is expressed by T.B.: *The responsibility should lay with all levels: state provides the legal framework, counties communicate with the local level, and local government units recognise comparative strength for development.*

Demographic policy

Since rural shrinkage is inevitably about the people, issue of demographic policy was seen as an important issue. Although Croatia has Ministry for Demography, Family, Youth and Social Policy, interviews expressed that current measures are not sufficient. Family policy (maternity benefits, better working conditions for mothers, assistance with the acquisition of real estate), nowadays a leading / overwhelming measure, is just one component of the policy demographic, and alone is not sufficient for revitalisation (M.S.). Second important component, that of migration policy, *is governed by the labour market today, not by a systematic look at demographic measures* (M.S.). Policies that have been used so far in response to population shrinkage have been inadequate (A.S.). In conclusion, any demographic strategy is to blame if it is one sided. It should be complex, not just based on finances or infrastructure (I.I.).

Civil sector and social capital

This was also very interesting issue in the discussions. Some of the most successful programmes in both adapting to and mitigating rural shrinkage (e.g. The Make a Wish) are run in coordination with NGOs. Moreover, some NGOs in Osječko-baranjska County are

clearly very competent in fundraising (even on the EU level) and conducting many local programmes (e.g. NGOs Slap, Zvono, Inkluzija, Proni and Izvor). However, some stakeholders argue that civil sector spend too much state money uncontrollably and are not adequately trained to assume the role of the state in the sectors they deal with, primarily in social care, for example. (M.S.). Or, that NGOs are not coping with such "difficult topics" (demographic topics). Many think that these are also political topics if you are dealing with things related to demography, public administration. They are more active in the culture, among the youth, sports and recreational (Z.Z.). In addition, the social capital in Croatia was seen as weak, with corruption, lack of association among different groups, and a decline of trust in institutions, as well as a decline of trust among people. (L.P.R.).

Best practices

As some of the best practices, discussed later in more detail, interviews revealed Municipality of Antunovac, that has a natural increase due to investment in entrepreneurship and infrastructure. There is also a good practice of using EU funds. Lots of small things and a lot depends on local authorities. (T.B.) In the municipality of Antunovac, the key is people - project and development oriented. (S.V.)

3.3. Local responses to shrinkage

3.3.1. Coping strategies

The role of ministries, such as Ministry for Demography, Family, Youth and Social Policy of the Republic of Croatia, the Ministry of Construction and Physical Planning, the Ministry of Agriculture, and the Ministry of Regional Development and European Union Funds is especially recognised as important for coping with the issues of shrinkage, but the systems are generally not connected, and the essence of the problem is not tackled (M.S., Z.Z.)

At the regional level, in Osječko-baranjska County population shrinkage is not targeted through more complex or encompassing policies (apart from County or local policies focusing e.g. on specific partial measures such as housing support for families, or support for pupils/students) or large projects where this issue would be the main topic. The issue of shrinkage is rather part of a plethora of other development projects listed in Table 3.3. According to interviewees (M.S., I.I., S.V.) and focus group participants, first of all there is a lack of an appropriate national strategy (which should set up a framework) and of a more serious approach to tackling the issues of shrinkage. Counties (regional self-government units) are seen as the least effective governance level, in terms of demographic and general development measures, given that they are not close enough to issues at the local level, and also not strong enough to lead regional development in a highly centralised state (P.Š., M.S.). Policy measures are partial and depend on the local government unit in question. Projects are

often not focused enough, and it matters “only to spend the money” (S.V.). There is not enough cooperation among actors, and too much influence of politics. Particular interests dominate, without wider perspective. According to the interviewee, we could even say that there is a large dose of mistrust among actors (S.V.).

In terms of the use of EU policies, several interviewees stated that Croatia created more procedures than the EU asked for, which made everything more complicated (Z.Z., I.V.). Moreover, stakeholders’ views are notably different with regard to Slavonia, Baranja and Srijem Project. For some it is seen as a “return” of the funds that were “taken away” from this region through unfavourable NUTS2 organisation, and an opportunity for better allocation of funds and the overall coordination and development of five counties in Eastern Croatia (T.B.), while for others it is overly focused on infrastructure and the funds are scattered among five counties, numerous local units, and ten economic sectors, which will again not produce the right effects (Z.Z., S.V.)

Through the example of the use of EU funds, with a lack of continuity, activities interrupted once the project is over and a lack of long-term sustainability, an interviewee at the national level called for a combination of policy measures and a systematic approach, with the importance of creating jobs and providing services of general interest (education, internet, health system) in this process. Both top-down and bottom-up approaches are seen as important (L.P.R.). However, the role of civil sector is another issue where stakeholders’ opinions differ. Where some of the interviewees stressed a general lack of responsible use of funds throughout the civil sector in Croatia (M.S.) and not enough activity or adequate use of available funds at the regional level (T.B.), others saw the work of civil sector as heavily burdened with delays in fund allocation, too many rules and regulations, as well as political interference (Z.Z., L.D., S.V.). This also includes local action groups, which often have their hands tied given that their actions are limited by legal framework and there is not enough coordination of development (S.V.). The civil sector is generally barely holding on (S.V.). Furthermore, examples of projects targeting e.g. specifically young people, or older people (with regard to adaptation strategies identified) are run by the civil sector (S.V.).

The interviewees call for implementation of both mitigation and adaptation strategies in the years to come. Policies should be combined, i.e. focus on the population already living in the area, as well as attracting newcomers, along with promoting the examples of good practice (Z.Z., S.V.).

The Municipality of Antunovac is a rare case with positive trends, indicating it is possible to influence natural population increase through adequate policy measures. Thereby their favourable position in relation to Osijek as the regional centre is seen an advantage but not the reason for positive trends—in reality the key lies with the people who are seen as the most important resource, i.e. proactive local government oriented towards projects and development. (S.V., T.B.). Outsider view on Antunovac stated that their success is related to hard-working and capable people who were in charge (N.N.).

The Municipality of Antunovac used its favourable, suburban position in relation to Osijek. They focused on developing communal infrastructure, including basic and additional infrastructure (such as broadband internet, cycling trails, walkways, schools, and kindergarten). They developed a business zone (starting in 2010/2011), which reached around 150 employees. Businesses located there include a logistics and distribution centre for Perutnina Ptuj (a Slovenian poultry producer), a logistics and distribution centre for a Swiss company producing medical supplies (they plan to start the production process in the zone as well), a forklift service centre, a textile company producing for Zara, etc. Their vision for the business zone is not to limit the structure of business activities. There is also an entrepreneurial incubator (3179 m², HRK 21 million was invested, mostly co-financed from the EU and national sources); 23 entrepreneurs are located there (mostly offices, IT programmers, an accounting service, LAG Vuka – Dunav; also foil production). Employees mostly come from Antunovac or the surrounding area. Businesses are predominantly branches of companies from the Zagreb region or nearby cities. The interviewee stressed it was important to „advertise” these positive developments, in order to attract people, especially young families. Finally, EU funds have had a huge role in these developments, given the fact that LGU and county funds are always limited; they have predefined expenses, which do not allow for new projects (N.T.).

Overall, it is expected that the quality of living will be increasing, which could attract newcomers (Z.Z.). In addition, the system of education and scholarships could be adjusted to the needs of main economic activities, and attracting students to the University of Osijek (T.B.). There is also hope that people coming back after spending time abroad will start innovative projects (S.V.).

3.3.2. Available policy tools: take-up rates, opportunities and hindrances

Both desk analysis of projects implemented by different actors and stakeholders, on different administrative levels, as well as qualitative research, refer to abundance of projects but lack of vision, strategy and coordination, overlapping of authorities, issues of the long-term sustainability etc. (see chapters 3.1 and 3.2 particularly).

One of the possibly most important institutional responses to those objections is the foundation of The Council for Slavonia, Baranja and Srijem (of which Osječko-baranjska County is a part). It was established in 2017 as an advisory body in the field of coordinating the implementation and monitoring of the use of European Structural and Investment Funds, instruments and programs of the European Union, the European Economic Area and national sources under the Slavonia, Baranja and Srijem Projects.⁸ The Council is chaired by the

⁸ Its members are the Prime Minister of the Republic of Croatia, acting as the President of the Council, Minister responsible for Regional Development and European Union Funds, as Deputy President of the Council and Chief

Prime Minister of the Republic of Croatia and consists of representatives from national, regional and local administration as well as those from academic and business sectors. The Council is focused on implementing Slavonija, Baranja and Srijem Project. Its goal is, as it is very often promoted in media “to enable people to stay, survive, and return those who have gone to other countries to seek a better life - that is why it invests in all segments of life from kindergartens, schools, to job creation through the development of entrepreneurship, culture, tourism and of course agriculture.”⁹ Our interviews have also revealed that Slavonija, Baranja, and Srijem Project came from a realisation that a more systematic approach is necessary for Eastern Croatia. Limiting factor for its more successful implementation is the fact that it had to go with an existing operational programme. (NT)

The Government expect that “the introduction of this project provides a more focused approach to the use of EU funds in order to ensure the maximum absorption of EU funds in the Slavonian counties and significantly strengthen the capacities of stakeholders at local and regional level to prepare and implement projects in this financial period. One of the more important goals is to create the preconditions for the introduction of a specific regional 'Operational Program for Slavonia, Baranja and Srijem' in the next European Union financial period from 2021 to 2027.”¹⁰

Target amount for the Slavonia, Baranja and Srijem Project equals to 2,500,000,000.00 EUR. More than half of target amount was contracted, resulting in 1,446 agricultural holdings and 575 companies that received support from EU funds. Furthermore, 18,778 citizens and 8,417 young people up to 29 years are covered by employment measures in the area of Slavonia, Baranja and Srijem, 2,903 are newly employed and receive support from EU funds, and 10,371 citizens participate in training, skills and training programs. education. Also, student dormitories were secured for 1,317 students, 2,468 scholarships for students and 645 kilometres of sewage network¹¹ were built and renovated.¹²

Coordinator of the Council, Minister for Economy, Entrepreneurship and Crafts, Minister for Labor and the Pension System, Minister for Agriculture, Minister for Finance, Minister responsible for Demography, Family, Youth and Social Policy, Minister for State Property, Minister for the Sea, Transport and Infrastructure, Minister for Science and Education, Minister for Culture, Minister responsible for environment and energy, Minister for Construction and Physical Planning, Representative of the Office of the President of the Republic of Croatia, Chairman of the Committee on Regional Development and European Union Funds of the Croatian Parliament, Head of the Office of the Prime Minister of the Republic of Croatia, Mayors of five Eastern Croatia counties, Directors of Regional Developmental Agencies in five Eastern Croatia counties, Representative of the Association of Municipalities in the Republic of Croatia from Slavonia, Representative of the Association of Cities in the Republic of Croatia from Slavonia, Representative of the Croatian Chamber of Economy, Representative of the Croatian Chamber of Trades and Crafts, Representative of the Croatian Employers Association and Rector of the Josip Juraj Strossmayer University of Osijek.

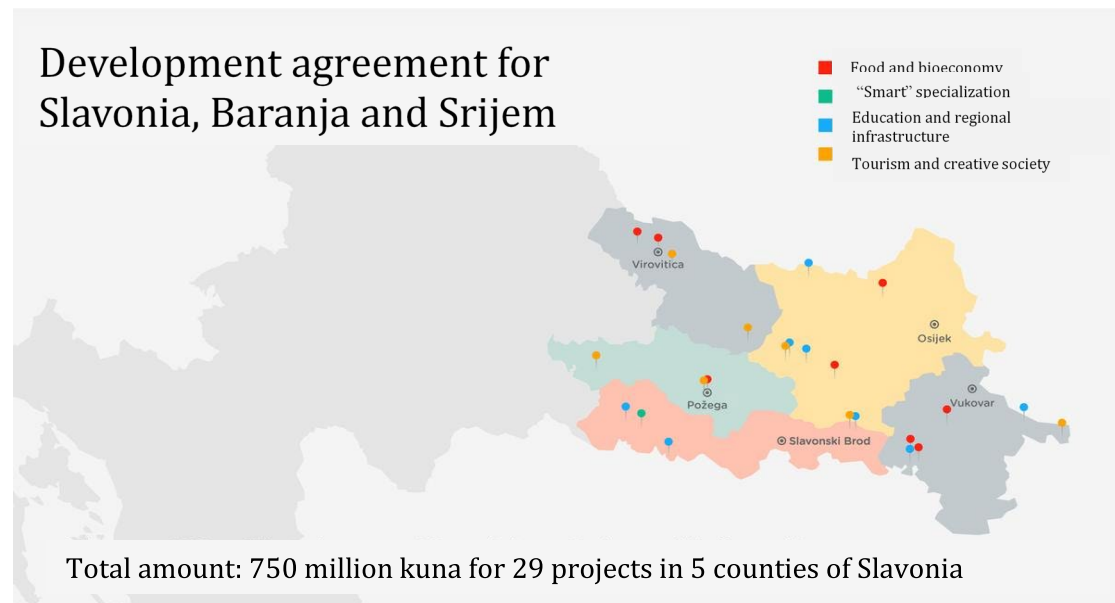
⁹ Source: <https://www.agrobiz.hr/>.

¹⁰ Source: <https://strukturnifondovi.hr/projekt-slavonija-baranja-srijem/>

¹¹ Data for the total project area, not only Osječko-baranjska County.

¹² Source: <https://razvoj.gov.hr/vijesti/projekt-slavonija-baranja-i-srijem-u-brojkama-tisuce-zaposlenih-uz-pomoc-eu-fondova/4009>

Map 3.6: Development agreement for Slavonia Baranja and Srijem - strategic agreement for 5 counties of eastern Croatia



Source: <https://www.agrobiz.hr/agrovijesti/pogledajte-kartu-ulaganja-u-slavoniju-i-sve-projekte-u-sklopu-razvojnog-sporazuma-10234>

The Project has also resulted in recognising 29 strategic projects, and 6 of them are in Osječko-baranjska County: Reconstruction of Pejačević Castle in Osijek, Construction of communal infrastructure in Našice, ZIPI communal infrastructure in Donji Miholjac, Entrepreneurial zone in Podgorac municipality, Kulin incubator in Jagodnjak municipality and Vine and Wine Research Centre in Drenje.

Our interviews revealed different opinions, but mainly expressing optimistic attitudes while simultaneously being critical towards using much of the funds for communal infrastructure, conservation and restoration work of cultural monuments (castles etc.) which need further funds for up-keeping, instead of investing in the activities focused primarily on economic development (e.g. Z.Z., P.Š.). Other expressed that it is important that Eastern Croatia has come to the fore and that a serious problem is being taken seriously. It could be a beginning of a revitalisation process (IM).

In conclusion, it is still too early to analyse the effects of Slavonija, Baranja and Srijem Project although, at least theoretically, it aims to overcome some of the barriers mentioned earlier by combining multilevel approach and strategic vision with strong financial support.

The second example which deserves attention in the way it tackles the usual problems of misunderstanding of bottom-up vs. top-down approach is Make a Wish Project discussed already in the chapter 3.2. With the Make a Wish project, it is planned to employ almost 6,000

women across Croatia to support and care for nearly 30,000 elderly and disadvantaged people in their communities.¹³

Total of 53 local projects in Osječko-baranjska County are run in cooperation by local NGOs, social services, towns and municipalities. Based on both conducted interviews and focus group research, as well as the information available on web pages of numerous cities and municipalities across Osječko-baranjska County, we concluded that this is certainly one of the most successful examples of combined approach to demographic problems. It combines both adaptation (caring for elderly and disadvantaged persons in the local communities) and mitigation (providing jobs for unemployed women). Moreover, what is particularly interesting is the way in which it operates. It is a national project, but coordinated on the regional level and run on the local level by NGOs, states social services or similar agencies or both. The project was deemed successful by most of our interviewees. The unofficial information is that, due to its success, it will be prolonged in the next financing perspective and it might be also promoted in other EU countries as a success story. One interviewee noted that The Make a Wish project is good because it corresponds with the structure of people in villages (I.M.).

However, concern was expressed about the future of the project's activities once it ends (I.V., N.N.). Another source of concern was that women who are presently employed are not being prepared for entry into the labour market after the project is over. As a result, there will be around 200 women retrained to be caregivers in certain rural areas, which is not in balance with the demands of the labour market (N.N.). The Make a Wish projects is certainly useful for employing women, but in the interviewee's opinion, it will not bring added value because it does not encompass education (LD).

In this chapter we have focused on two of the relevant examples that might prove to be game-changer and an answer to hindrances that are explained earlier in the chapter 3.2.

3.3.3. Local visions concerning future pathways and available policy support

Despite the negative trends and dysfunctionalities in the management of regional and demographic development policy, local and regional actors interviewed are to a large degree positive for the future pathways (T.B., I.I., L.D., I.V., V.R. Z.Z.). Of course, they also emphasise some of the preconditions that need to be achieved to make the future development positive. Some of the interviewees think that "the worst is over", "the time of depression had passed" and that no further decline is expected (T.B., I.V., Z.Z.). However, the future and the development of Slavonia and related – the development of Osječko-baranjska County will largely depend on the policy of Zagreb towards the periphery (I.I., Z.Z.).

¹³ Source: <http://www.esf.hr/u-vladi-dodijeljeno-28-novih-ugovora-za-poziv-zazeli-program-zaposljavanja-zena-te-predstavljeno-zazeli-program-zaposljavanja-zena-faza-ii/>

Interviewees emphasise that the people are the prerequisite for development, but they are not active, involved and innovative so the activation of human resources is required, especially through the stimulation of entrepreneurship and finding niches (A.Š., V.R., T.B.). Also, the region must not run away from agriculture which is the determinant of the identity of this area (A.Š.) but should not be oriented just towards primary production or be the base for raw materials (L.D.). Processing capacities and value-added products need to be developed. Local product development with added value is an opportunity for small ones (L.D.). Respondents agree that development should be built on the main (natural) resources of the region and that the local level should communicate it to the central level, and the central level should listen and hear the local level (I.I., S.V.).

In bigger scale, without rebuilding of the industry (which used to be an important part of the County's economy) and especially its integration with agriculture, there is no successful development of the Osječko-baranjska County in the future. And tourism is seen as a potentially important upgrade of these foundations (T.B.). Additionally, IT sector is seen as an opportunity for city of Osijek, development of the university and arrival of highly educated people and new industries and innovations (T.B., S.V., A.Š.).

Interviewees do not see the future of the County without immigration (immigration of returnees from the diaspora or through immigration of other nations) but also point out that the immigration of "others" is a very sensitive issue in Croatian society (I.I., A.Š., S.V.). They specifically hope that the Croatian emigrants will come back and bring new ideas, work habits and capital (S.V., I.V.) and the policy for diaspora is emphasised as one of the most important (T.B.).

However, local visions concerning future pathways that were expressed in focus group were rather negative although they emphasised some good examples (local events, tourism, IT industry). Participants of FG think that there will always be some positive practices but in general, trends will be negative, especially regarding demographic situation in rural areas.

4 Matching local visions on future pathways of change with potential policy support

4.1 Towards future pathways: enhanced intervention logic along innovative experiences

The research has pointed out some of the most significant issues for more successful future pathways in Osječko-baranjska County. For the start, it is important to stress that although demographic trends are negative, the overall perception of the future perspectives is more optimistic than few years ago (though most of the interviewees are aware of the fact that the consequences of youth out-migration are yet to be seen). We would argue that some of the successes stories, such as Make a Wish project, IT development in Osijek city, tourist development in Baranja and Kopački rit Nature Park and finally Slavonija, Baranja and Srijem Project, which promises to be the biggest strategic investment in Eastern Croatian in the last 15 years (2,5 billion EUR), are all contributing to this rising expectations.

Factors contributing to this more optimistic vision of Osječko-baranjska County might be recognised as follows:

1. Innovative vertical and horizontal partnerships are possible and successful way to develop combined coping strategies for demographic and economic problems

Make a Wish project is a national project, but coordinated on the regional level and run on the local level by NGOs, states social services or similar agencies or both. It enables greater connections between top-down and bottom-up approach, enhances trust among stakeholders from different sector and we would argue even has overall positive effects on the (re)development of social capital. New projects could be envisioned and conducted along the similar lines, building up on the positive experiences and image of Make a Wish.

2. More coordinated and functional approach, supported by adequate EU funds and developed as a national priority, is seen as an important symbol for the future of the region

Although there are critiques that earlier elaborated Slavonija, Baranja and Srijem project is overly focused on infrastructure, and the funds are scattered on 5 counties, numerous local units, 10 economic sectors, which will again not produce the right effects, the overall impression is that the Project is contributing to more systematic developmental policy approach. It is yet to be seen.

Demographic recovery is possible if all policies are included and work in the same direction. Different policies should be combined, including rural development and agricultural subsidies (large sum of money is available) and tax policies. Support and incentives (for manufacturing industries) should be available for investors (I.M.).

3. Education can really make a difference

Interviewees unanimously stressed or supported the importance of University of Osijek and both formal and non-formal education both for demography and economy (especially entrepreneurship). It was mentioned that Osijek is a student city (about 20-25 thousand students), and it will always generate a stay. For those who come from smaller areas, this is an attractive place to live. They are also attractive to undeveloped areas south and east. A system of scholarships should be introduced to encourage students to come to the University (in Osijek), given that people often continue living in the city where they studied. Furthermore, success of IT sector in Osijek is clearly related to education.

4. The importance of cross-border cooperation – more than just cycle paths!

The cooperation between Croatia, Hungary and Serbia is of the vital importance for Osječko-baranjska County. Osijek, Pecs and Novi Sad are seen as triangle of future economic development that should be much broader than tourism.

4.2 Broadened and more suitable policy support

Several suggestions might be of particular importance when addressing future EU policy support concerning demographic and economic trends in the Osječko-baranjska County.

1. Policies should be combined, i.e. focus on the population already living in the area, as well as attracting new people. What is needed is synergy and coordination among different actors/levels in dealing with demographic challenges. We would advise that EU funded projects requires horizontal and vertical coordination in much greater part and/or that coordination and cooperation are financially awarded.
2. A combination of policy measures and a systematic approach is needed, with the importance of creating jobs and providing services of general interest (education, internet, health system) in this process.
3. Currently, concerning the EU funds, interviews often pointed out that there is a lack of continuity; activities are interrupted once the project is over and there is no long-term sustainability, especially for so-called soft projects (e.g. Make a Wish). We would suggest introducing sustainability scheme for the continuation of the most successful EU-funded projects.
4. Public debates and conferences are needed to raise awareness about the issues of shrinkage. We would support more active support for both public sector and NGO projects in this field of operation.

5. It is necessary to address the problem of the cost of maintaining investments from EU funds (e.g. newly built kindergarten in depopulating village). It is necessary to devise a long-term strategy in dealing with similar issues.

6. EU funded projects are mostly social or infrastructural in nature, lacking those that are focused on production and added value.

7. Family policy (maternity benefits, better working conditions for mothers, assistance with the acquisition of real estate), which is presently a leading measure/approach, should be one component among many within broader demographic policy, as it is not sufficient for revitalisation on its own. The second important component that of migration policy, is governed by the labour market and the Ministry of the Interior via legal acts related to (residence and other) permits for foreigners, and not by systematic demographic measures. (M.S.).

4.3 Enhanced governance approaches

The key problems and needs with regard to effective responses to negative demographic and economic trends stem from the way institutional framework is set up and policies implemented. Institutional structure at different levels (national, regional, local) and in different sectors, i.e. both vertically and horizontally, is overly complex. The key issues include a lack of strategic, long-term thinking (which is crucial for demographic trends) and of coordination among different actors in the system, given that strategies often turn into “a list of desires” (FG participants). Both top-down and bottom-up approaches are seen as important. The responsibility should lay with all levels: state provides the legal framework, counties communicate with the local level, and local government units recognise comparative strengths for development (T.B.). A better vertical coordination among all above-mentioned level of government is needed as well as more clear view on roles and responsibilities of each level, especially of the county (NUTS 3) which is often perceived as being blurred in-between state and local authorities. NUTS 2 regions should be adjusted in order to better reflect economic reality of the country (City of Zagreb (possibly with its functional region) should be separate NUTS 2). A more efficient coordination among ministries is needed, especially those directly concerned with the shrinkage (The Ministry for Demography, Family, Youth and Social Policy; the Ministry of Construction and Physical Planning; the Ministry of Agriculture; and the Ministry of Regional Development and European Union Funds; Ministry of Economy, Entrepreneurship and Crafts etc.) (ZZ).

With regard to the use of both EU and national funds through project financing, more emphasis should be put on projects with long-term benefits (e.g. projects targeting unemployed persons) and sustainability (so that activities are not interrupted once the project

is over). A good example in the frame of adaptation strategies is Zaželi/Make a Wish project, which employs women with poor employment prospects and helps the elderly in rural areas. This project is seen in a positive light, but the question of its sustainability in the long term is raised.

What is needed is to start from resources and needs and move towards programming (and not the other way around!), through working together with the local level. Programmes are often too rigorous and selective. Furthermore, programming is often late, and the implementation dynamics inadequate.

State should develop a system for recognizing and responding to the needs of LAU2 (cities and municipalities) in strengthening their financial and human capital. Constant communication should be present on all levels, and not just at the end of the road – as is often the case in the public system in Croatia (once the proposals, plans, strategies are already prepared and simply presented to the public). Both top-down and bottom-up approach is seen as important.

Furthermore, in terms of general societal issues, a change in the system of values is called for, where work is valued, personal responsibility high, judiciary system effective, and corruption fought against (L.P.R.). In spite of the general awareness of shrinkage, there is a lack of real understanding of severity of the problem (where the topic of population shrinkage is overly used for everyday political purposes) and of the need for systematic changes in policies (which should be all encompassing development policies, rather than partial demographic measures). Therefore, education of employees especially in the government system and public sector is suggested. In addition, wider participation and communication in the planning process (spatial and other forms of planning) or within legal framework is also called for.

5 Policy recommendations

Vision, national strategy and systematic approach are prerequisite for confronting shrinkage

- Develop a clear vision and an appropriate national strategy with more serious approach to tackling the issues of shrinkage.
- A combination of systematic approach and specific policy measures is needed, with the importance of creating jobs and providing services of general interest (education, internet, health system) in this process.

Integrated and synergetic demographic and economic policies

- Demographic policy measures currently primarily rely on family policy (maternity and child support, housing incentives), which is insufficient. They need to be expanded and supported by migration policy and economic policies (e.g. taxation, incentives for entrepreneurs etc.).
- Economic and demographic policies should be synergistically combined at the national level and provide a general focus for lower levels (county, local units).
- Coordination of key laws relevant to migration policies is immediately needed.
- Both mitigation and adaptation measures are seen as important by variety of stakeholders, policy makers and academic experts.

Decentralization, defining roles and responsibilities, better vertical and horizontal coordination and communication

- The responsibility for tackling shrinkage should lay with all government levels: state, counties (NUTS3) and cities/municipalities (LAU2).
- A better vertical coordination among all above-mentioned level of government is needed as well as more clear view on roles and responsibilities of each level, especially of the county (NUTS3) which is often perceived as being blurred in-between state and local authorities.
- NUTS2 regions should be adjusted in order to better reflect economic reality of the country (City of Zagreb (possibly with its functional region) should be separate NUTS2).
- A more efficient coordination among ministries is needed, especially those directly concerned with the shrinkage (The Ministry for Demography, Family, Youth and Social Policy; the Ministry of Construction and Physical Planning; the Ministry of Agriculture; and the Ministry of Regional Development and European Union Funds; Ministry of Economy, Entrepreneurship and Crafts etc.).

- State should develop a system for recognizing and responding to the needs of LAU2 (cities and municipalities) in strengthening their financial and human capital.
- Constant communication should be present on all levels, and not just at the end of the road – as is often the case in the public system in Croatia (once the proposals, plans, strategies are already prepared and simply presented to the public). Both top-down and bottom-up approach is seen as important.

Civil society already plays an important role but should become more trustworthy

- Increase the cooperation between public sector and civil society in order to strengthen NGO capabilities to more directly and actively respond to consequences of shrinkage (*Make A Wish* project is a good example that should be supported in the future financial perspective).
- More substantial state funds should be used primarily to support NGO's and projects that have reputable results to avoid negative public perceptions that burden part of civil sector at the moment.

Confronting shrinkage by directly supporting entrepreneurship and cooperation between actors

- Fighting shrinkage means also providing adequate and well-paid jobs. As local government does not create businesses itself, rather it lays the groundwork for development, more efficient policy measures are needed to support entrepreneurs who are recognizing and using the economic opportunities.
- Support the most promising economic sectors, both traditional such as agriculture (including organic), forestry, food-processing industry or more innovative including tourism and especially IT sector.
- Support networking of family farms, small-scale industries and distribution channels.

Education – Capable, motivated and creative people are the key to confront shrinkage

- Support the University of Osijek, as it is important for keeping young people and attracting new students in the region from at least five nearby Counties but also from Vojvodina (Serbia) and Bosnia and Herzegovina. An increasing cooperation between the University and business sector is already evident and it should be actively supported by economic incentives.
- Align secondary school and university curricula with the current and wished for economic structure of the County.
- Inform and educate policy makers and stakeholders, broaden their perspective in order to enable deeper understanding of complex phenomenon of shrinkage. In-house seminars and trainings could be introduced in cooperation between academia and public authorities on all level of government.

EU funds are of great importance but:

- Separate Operational programme for the Region is needed.
- In project planning, start from the resources and needs and move towards programming (and not the other way around!), through working together with the local level.
- Improve the analysis of the long-term effects once the project is done and support sustainability of successful ones.
- The Council for Slavonija, Baranja, and Srijem regions has potential to significantly contribute to better allocation of funds, and the overall coordination and development. Considerable future work is necessary to make it a success.

Celebrate and make visible success stories

- „Advertise” all positive demographic and economic developments, in order to counterbalance predominantly negative perception of the County created due to out-migration.
- Develop proper marketing & media strategy (based on the real facts) in order to promote the County to educated young professional and families.

Help change societal climate

- Support the change in the system of values where work is valued, personal responsibility is important, judiciary system effective, and corruption effectively and visibly fought against.

Conclusions

The case study area, Osječko-baranjska County was for many decades' synonym for a wealthy countryside and a good life. Since at least 19th century this was a typical in-migration area employing population in agriculture, forestry food processing and timber industries. In the socialist period, agriculture went through the ideological changes but nevertheless kept its importance and the industrial development was booming. Demography mirrored positive economic development. However, Homeland War in the beginning of the 1990s resulted in direct and indirect human losses as well as a massive material damage. Osječko-baranjska County had suffered tremendously during the War and after the neighbouring Vukovarsko-srijemska County had the highest direct demographic losses in Croatia (Živić, 2005). Furthermore, war caused forced migrations of the population and it is estimated that until mid-1992 nearly a fifth of the pre-war population of the region (Eastern Croatia) have left, of whom only some have returned to their former place of permanent residence (Matišić & Pejnović, 2015). The consequences of the destructive effects of the war, transitional de-industrialisation and slow and painful adaptation of agriculture to the new market conditions resulted in the continuous out-migration, intensified with accession to the EU.

Eventually, Osječko-baranjska County is currently facing serious demographic challenges. Simple shrinkage is evident in negative demographic change (almost quarter of population lost since the 1990s) as a result of both natural decrease (e.g. rate -5.42‰ in 2017) and negative net migration change (e.g. -5.36% between 2011 and 2017). Furthermore, the population is getting older, with ageing index reaching 134.69 (2017). In many ways, these trends reflect overall demographic situation of Croatia, albeit with more negative tendencies in comparison with national average. The most important feature of contemporary demographic development of Osječko-baranjska County is certainly youth work-related out-migration. Between 2011 and 2017 the total of 52,284 people left the County. At the same time, 35,941 arrivals to the County have been reported. However, it is widely recognised that those official data from Ministry of the Interior, are heavily underestimated and that numbers of departures are certainly higher.

Complex shrinkage is primarily revealed in the economic decline of the County. Due to the deindustrialization and privatization County experienced huge loss of jobs between 1990 and 2015 (more than 22.000 in the County capital Osijek alone) with half of the enterprises either liquidated, non-active or in bankruptcy (Matišić & Pejnović, 2015). This further impacted the emigration of the younger and more educated population, which is subsequently mirrored in the accelerating the aging and the negative natural and total change of the population. So high unemployment rate is unanimously perceived as a key factor in the population shrinkage. Closely related are lacks of opportunities for younger people, limited employment possibilities, and low salaries. Societal and political climate (dispute between leading politicians on

regional and national level), the existence of clientelism and connections with political parties as factors important for getting job were also stressed.

The consequences of shrinkage are generally visible in the lack of qualified workforce, the lack of young people and liveliness, and a large decrease in the number of pupils in schools, especially in rural areas. Although a large number of abandoned houses our houses for sale is also evident, population shrinkage is not as visible in the agricultural landscape, because, paradoxically, there is a lack of available agricultural land. It is also still not visible in the decline of services of general interest. With the respect to the fact that our society is getting older, one of the important long-term consequences is the increase in the share of pensioners (with the issues of sustainability of the pension system)

Desk analysis revealed four of the most important policies addressing local governments in supporting their economic development and demographic situation from national level: 1. preferable position of Osječko-baranjska (and nearby Slavonia counties) in competing for irretrievable EU grants for local development projects; 2. Regional development law of Croatia considers 40 of 42 of Osječko-baranjska County LAU eligible for state support because they are considered less developed according to national regional development index; 3. In Osječko-baranjska County 21 (of 42) local self-government units are affected by the Law on Areas of Special State Concern (currently contains mainly regulations on housing). Assistance is primarily reflected in greater co-financing of their projects.; 4. Rural Development Programme supports development of social infrastructure (especially kindergartens, primary schools etc).

At the regional level, in Osječko-baranjska County population shrinkage is not targeted through more complex or encompassing policies (apart from County or LGU policies focusing e.g. on specific partial measures such as housing support for families, or support for pupils/students). However, projects (mostly financed by EU finds) directly or indirectly affecting rural shrinkage in Osječko-baranjska County are numerous. In the current financial perspective, the total allocated amount was 250.521.815,90 EUR (except Rural Development Programme which contributed 138,676,532.34 EUR), while in the last pre-accession period 2007-2013 it amounted to 269.726.340,74 EUR. Both mitigation and adaptation strategies are present.

Some of the most successful programmes in both adapting to and mitigating rural shrinkage are run in coordination with NGOs. Moreover, some NGOs in Osječko-baranjska County are clearly very competent in fundraising (even on the EU level) and conducting many local programmes (e.g. NGOs Slap, Zvono, Inkluzija, Proni and Izvor). However, some stakeholders argue that civil sector spend too much state money uncontrollably and are not adequately trained to assume the role of the state in the sectors they deal with, primarily in social care.

One of the possibly most important institutional responses is the foundation of The Council for Slavonia, Baranja and Srijem (of which Osječko-baranjska County is a part). It was

established in 2017 as an advisory body in the field of coordinating the implementation and monitoring of the use of EU Funds. The Council is chaired by the Prime Minister of the Republic of Croatia and consists of representatives from national, regional and local administration as well as those from academic and business sectors. Target amount for the Slavonia, Baranja and Srijem Project equals to 2.500.000.000,00 EUR. More than half of target amount was contracted. Our interviews revealed mainly optimistic attitudes while simultaneously being critical towards using much of the funds for communal infrastructure, conservation and restoration work of cultural monuments (castles etc.) which need further funds for up-keeping, instead of investing in the activities focused primarily on economic development.

Although The Council for Slavonia, Baranja and Srijem as well as some other positive examples (e.g. *Make a Wish* project which employ almost 3,000 women across Croatia to support and care for nearly 12,000 elderly and disadvantaged people in their communities (with 53 project in Osječko-baranjska County) or Business zone and entrepreneurial incubator in Municipality of Antunovac or IT Software City Osijek)) raise hopes, research revealed that what is currently missing is clear vision, national strategy and systematic approach for confronting shrinkage. Furthermore, integration of demographic and economic policies is seen as prerequisite for successful future. Concerning the governance patterns, decentralization, defining roles and responsibilities, better vertical and horizontal coordination and communication are some of the most necessary steps. Moreover, confronting shrinkage means taking care about securing diversified and well-paid jobs by directly supporting entrepreneurship and cooperation between actors. Since educational structure of the population is getting worse due to out-migration, supportive policies for both secondary schools but particularly University of Osijek are of the utmost importance. Finally, success stories should be made more visible (than bad news) by developing proper marketing & media strategies (based on real facts) in order to promote the County to educated young professionals and families.

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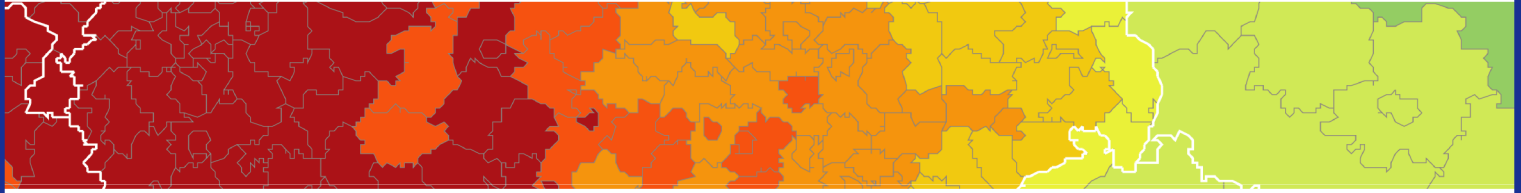
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ESPON EGTC

4 rue Erasme, L-1468 Luxembourg - Grand Duchy of Luxembourg

Phone: +352 20 600 280

Email: info@espon.eu

www.espon.eu, [Twitter](#), [LinkedIn](#), [YouTube](#)

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