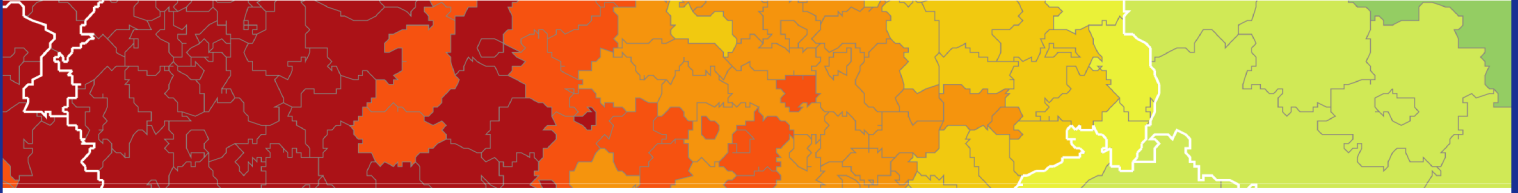


Inspire policy making by territorial evidence



ESCAPE European **S**hrinking Rural Areas:

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

Applied Research

Final Report – Annex 6
Case Study Troyan-Apriltsi-Ougarchin, Bulgaria

Annex 6

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Final Report – Annex 6 - Case Study Report

**Municipalities of Troyan-Apriltsi-Ougarchin,
Bulgaria (LAU 2)**

ESCAPE

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

Version 21/12/2020

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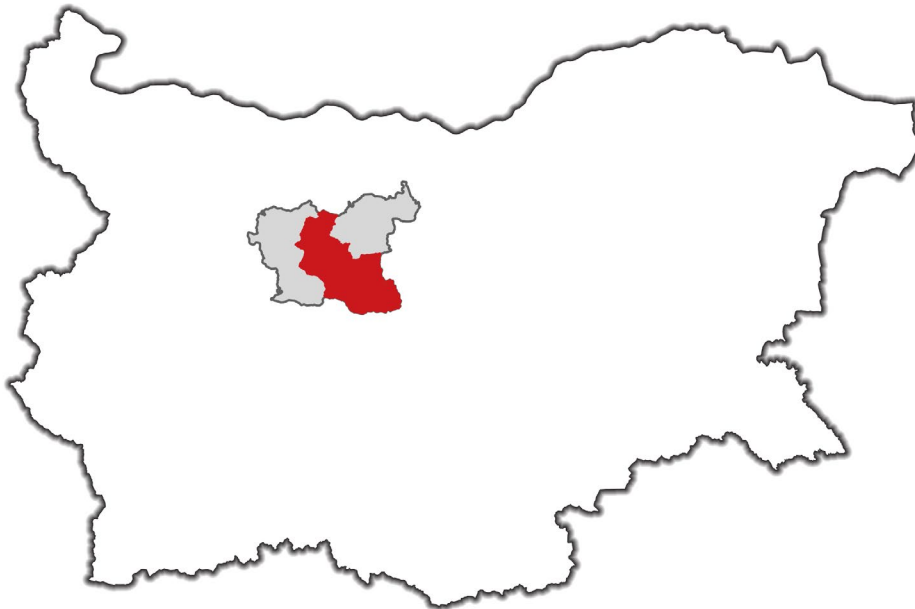
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Abbreviations:

CLLD	Community Led Local Development
CSA	Case Study Area
DFZ	Paying Agency State Fund Agriculture
EC	European Commission
ESIF	European Structural and Investment Funds
ESPON	European Territorial Observatory Network
EU	European Union
HRD	Human Resources Development
I&C	Innovation and competetiveness
LAG	Local Action Group
LAU	Local Administrative Unit
MAF	Ministry of Agriculture and Food
NSI	National Statistical Institute
NUTS	Nomenclature of Territorial Units for Statistics
OPs	Operational programme(s)
RinG	Regions in Growth
RDP	Rural Development Programme
RM	Regular Member
AM	Associate Member

Factsheet of Troyan, Apriltsi and Ougarchin, Bulgaria

Map 0.0 Geographical location of Troyan, Apriltsi and Ougarchin in Lovech NUTS3 unit and in Bulgaria



CS area is shown in red, and the NUTS3 region in grey.

Name: Troyan, Apriltsi and Ougarchin municipalities (LAUs), located in Lovech (NUTS3 unit)

Key Indicators:

Figures refer to 2017 or 2001-2017 unless otherwise specified

Total Population (persons):	2,840 (A); 29,253 (T); 5,670 (U)
Population Density (persons/km ²):	11.9 (A); 32.7 (T); 10.8 (U)
Population Change (%):	-29.7 (A); -20.8 (T); -32.0 (U)
Net Migration (per 1,000):	-4.1 (A); -38.5 (T); -24.7 (U)
Natural Change (per 1,000):	-293.0 (A); -170.2 (T); -295.3 (U)
% aged >65:	36.6 (A); 28.7 (T); 30.0 (U)
GDP per Capita:	9,300* (2016)

* NUTS 3 data; (A) Apriltsi, (T) Troyan, (U) Ugarchin

Typologies:

- Urban–rural typology: Predominantly rural region, close to a city ¹
- Mountain region: > 50 % of population and 50 % of surface ²
- Typology of simple shrinkage (ESCAPE project): Population decrease 1993-2033 due to decrease in both periods 1993-2013 and 2013-2033; fast shrinking rates (<-1)

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 Eurostat, NUTS 3 Mountain regions 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.

Executive Summary (Easy read overview)

The Case study area (CSA) is situated in the North-Western region of Bulgaria (NUTS2), in the Lovech province (NUTS2). It is represented by a group of three municipalities (three LAU 2 units) - Troyan, Apriltsi and Ougarchin, all belonging to the province. Lovech (NUTS3) is categorised as a mountainous region, within the EU ESPON typology. The decrease of the population of Lovech district (NUTS3) has been constant during the last three decades. In the last two decades Troyan lost 25% of its population, Apriltsi – 33% and Ougarchin – 41%. Troyan has been developing as an urban centre since the late 19th century - where crafts and small industry were blooming. During the last 10 years it has become the second most economically developed municipality in the NUTS 3 area. Ougarchin and Apriltsi both became municipal centres and tried to develop as an urbanised area during the Socialist period. Apriltsi is mostly oriented towards tourism and small industries, while Ougarchin is dominated by agricultural activities. Apriltsi is populated mainly by ethnic Bulgarians, Troyan is also home to a small Roma and Turkish ethnic groups and Ougarchin is predominantly populated by Roma.

Outmigration is one of the strongest drivers of shrinkage and depopulation in the CS area. There are two main waves, linked to political occurrences, which shape the outmigration – the first being the “opening of the borders” at the beginning of 90s, and the second - Bulgaria’s pre-accession (2001) and accession (2007) to the EU. In Bulgaria the last global financial crisis 2008-2012 coincided with the application of the EU Directive for Free Movement of People, Goods and Services. This coincidence reinforced the out migration. The emigration process is mostly economically and education driven. The NUTS 3 region as a whole has not managed to recover from the political and economic crises during the last 30 years. The small municipalities like Apriltsi and Ougarchin have been on the verge of extinction as LAU 2 units/municipal centres due to depopulation. The working age population has been steadily declining. This has decreased fertility rates and has increased number of aging population. In 2018 almost half of the population of Apriltsi, a quarter of the population of Ougarchin and a third of the population of Troyan was over the age of 65. Troyan is the municipality with the most positive trend among the three and has the brightest prospects in terms of economic stability, due to its more successful post-socialist pathway of economic recovery. Although, there are four vicious circles preventing further economic development of the CS area: 1) the two small municipalities (Apriltsi and Ougarchin) have been struggling to attract fresh investments and this caused the evaporation of the working force. Now the lack of a working force has hindered the potential for attracting investments; 2) the foreign investments in Troyan have been steadily growing during the last 10 years, there is no unemployment but a lack of qualified labour force due to the permanent and temporary out migration and to the insufficient quality of education; 3) The number of highly educated population increased in the area but high education does not mean high level of employability; 4) Existing informal economic practices increased the phenomenon of personal and family indebtedness and forced locals to migrate out of the town.

Shrinking is definitely a complex process. Depopulation is rather a symptom of shrinking and its consequence, not the same process. Shrinking is related to the quality of life and development of the municipality, with the educational, vocational, age and even ethnic structure of the population, not with the number of residents. Shrinking is described both as a 'matter of fact/evidences' but also as a feeling of locals. As a 'matter of fact', it is due both to historical circumstances and recent trends. The socialist past reinforced the depopulation of rural areas through land collectivisation and soviet-type industrialisation. During post-socialism the privatisation process was transformed into massive closures and hindered the attraction of true and not criminal fresh investments, while enhancing corruption. This complex situation led to personal and family choices deciding to leave the country in search of better personal and social development. The feeling of 'lagging and backwardness' of the country become part of the local culture and is transmitting to youngest generation pushing them to leave. Shrinking as a feeling is evidenced through the perception of locals about 1) the decreasing employability of job seekers and in particular of the youngest, 2) the increasing number of the Roma population, 3) the changing trends in the everyday culture and education, and 4) the lack of leadership and respect for common social norms and rules of law.

Local responses to this understanding of shrinking are different and depend on the socioeconomic position of the actors. The most important businesses in the CS area, in terms of number of employees and turnover, export part of their activities in neighbouring but non EU countries; start to import workers from third countries; apply for EU co-funded OPs, mostly for modernisation of their plants with new technologies, for hiring long term unemployed people or people with disabilities, and for trainings for their workers. The SMEs try also to become subcontractors/suppliers to global chains and to receive EU funds. Technology is viewed as a solution to replace the lacking qualified workers. NGOs rely on donations and cooperation with local authorities to develop activities mostly oriented towards elderly people, children and their families. NGOs also attempt to develop existing cultural centres and crafts, even though they lack fundraising capacities and are rather underdeveloped. Municipalities rely mostly on EU funding but it is limited in terms of scope and does not always match local people's expectations and needs. It is difficult for the locals to distinguish between EU policies and national policy implementation of the EU policies. The suspicion that local institutions reinvent EU regulations and programmes in a different manner is omnipresent. The effective local policy actions are perceived to be networking and seeking for high-level direct person-to-person contacts – both on the governmental level. This strategy further strengthens the centralised governance approach and diminishes the institutional powers of regional and local structures. The biggest rural municipalities like Troyan, which are not supported by the government because of political differences, develop other strategies: to collaborate with local business, and with neighbouring municipalities, to collect municipal funds and to develop their own small but meaningful for the local population initiatives (like the idea of municipal urban garden functioning as a supplier of fresh food for local kindergartens and schools). The local

LAG is an example of a very well-functioning multi-level and multi-actor initiative. Schools, cultural centres, hospitals and public transport are the four institutions suffering mostly from the shrinking and depopulation. Many schools in the area were closed, vocational and general education is not developed very well, the quality of education provided is low, the transport connectivity among settlements in the CS is not always guaranteed or is rare. The same features are typical also for the medical care services - the access to pharmacies and pharmaceuticals is not guaranteed in every settlement. Good practices in this direction are the work of an NGO in Apriltsi, which delivers fresh food and medicines to dependent people living in isolation; local business in Troyan securing important donations for the hospital in the town. A good example is also the sewerage reform in Troyan keeping the price of water for the end users lower and preserving the quality of the service.

All identified good examples of strategies addressing the shrinking process are actually individual and sporadic cases, some of them under execution. To sustain and multiply good examples, a different governance approach is needed. The existing one is overcentralised, there is a lack of specific regional policies; existing regional structures at different NUTS levels are formal. A different approach towards rural areas is also needed with the purpose to better address existing differences and to approach them not only in terms of depopulation but also in terms of shrinking. It became obvious that in Troyan the mitigation strategy towards shrinking is in progress, while in Ougarchin the adaptation strategy prevails. Apriltsi is rather an example for mixture of activities hesitating between both strategies – mitigation and adaptation. Local actors should be empowered and encouraged to participate in different multi-level governance structures like Operational Programs' Monitoring Committees. Local actors should be considered not only for consultation but also for decision-making. The CLLD approach implemented through LAGs should be further encouraged and multiplied as the results achieved in terms of local mobilisation, capacity building and social empowerment is strong. A different approach to plan and attribute EU funds is also needed. The existing system based on NUTS 2 regions is rather ineffective because regions were artificially created and are internally non-homogeneous and regional administrations create additional administrative hindrances. Municipalities should be further reinforced and considered as administrative planning units. Moreover, the implementation of some EU co-funded projects (in particular OPs Regions in Growth) where beneficiaries are different from the executors and sub-executors of the project is an object of criticism. These types of project do not create employment for local population. Additionally, some state institutions in charge of the implementation of EU co-funded programmes (RDP) lack capacity and even become symbols of corruption. These criticisms concern both local structures in charge of the EU funds, and the EU structures and their manner of monitoring and controlling its resources.

1 Diagnosing rural shrinkage and its contexts

1.1 The CS area: introduction

The Case study area (CSA) is situated in the North-Western part of Bulgaria. The lowest territorial level of the case study is represented by a group of three municipalities – Troyan, Apriltsi and Ougarchin, all three belonging to the district of Lovech (NUTS 3). The selection of these municipalities was based upon established strategic, population-related, geographical, economic, historical, and ethnic tendencies.

For strategic reasons the stakeholders from these three municipalities have been collaborating since 2009 when together they established a Local action group (LAG) following the CLLD approach. Other forms of inter-municipal cooperation have been emerging, too. In terms of population, all of the selected municipalities are actively depopulating for different reasons (demographic, out- and in-migration, aging, low fertility and birth rate). One of them (Apriltsi), will probably lose its administrative status of a municipality because of depopulation, while another one (Troyan) will probably be tasked with sharing responsibilities related to the administration of the territory. From a geographical point of view the three municipalities have quite different landscapes allowing for the development of different economic activities: Apriltsi is predominantly mountainous while Troyan is semi-mountainous and Ougarchin is rather plain. From an economic perspective Troyan is the most developed while Apriltsi and Ougarchin are lagging behind. From a historical standpoint, Troyan has been developing as an urban centre since the late 19th century - where crafts and small industry were blooming. Ougarchin and Apriltsi became municipal centres during the Socialist period. The ethnic composition of the population of the three municipalities is quite different. While Apriltsi is populated mainly by ethnic Bulgarians, Troyan is also home to a small Roma and Turkish ethnic groups and Ougarchin is predominantly populated by Roma population. The comparison between these three LAU units as a CS allows us to test the hypotheses of territorial cooperation as a local approach to adapt/ mitigate the population shrinking process.

1.2 The CS area in the contexts of territorial classifications

Lovech area (BG315 NUTS3) is one of five districts making up the North-Western (Severozapaden NUTS2) region within the boundaries of the Northern (NUTS1) region of Bulgaria. With a total area of 4 128,8 km² Lovech is the third largest administrative region in the North-Western region. Its administrative centre and also largest urban centre is the town of Lovech. However, Lovech area is a predominantly rural region, close to a city - these tend to be most affected by shrinkage. Lovech area spreads from the northernmost ribs of the Balkan mountain to the Central Predbalkan and the Devetashko plateau and reaches the southernmost parts of the Danubian plain. These geographic specificities shape roughly half of Lovech's surface as a mountainous region. These mountainous regions are home to more than half of Lovech's population. Therefore Lovech (NUTS3) is categorized as a mountain region, within the EU ESPON typology.

The decrease of the population of Lovech (NUTS3) has been a constant. It is both demonstrated and predicted by demographic data. A steady decline is observable for the time period between 2000 and 2018 with a total population of Lovech area in 2000 of 174 458 and reaching an all-time low of 124 873 in 2018. Because this steady decrease is characteristic for both time periods 1993-2013 and 2013-2033, Lovech is categorized as an area with fast shrinking rates (<-1) within the typology of simple shrinkage.

The decrease of the population of Lovech is due to natural change, on the one hand, and outmigration, on the other. For the time period between 2000 and 2018 the death rates in Lovech remain relatively steady, with a slight decrease (in accordance with the decrease in the general number of the population), barely fluctuating between 3 080 in 2000 and 2 482 in 2018. For the same time period, arrival in Lovech due to internal migration has more than halved from 4 752 in 2000 to 2 181 in 2018 with a steady decrease rate throughout the entire period, reaching an all-time low of 1 728 in 2013. The data for departures due to internal migration almost mimic the trend of the arrivals. For the time period between 2000 and 2018 the departures due to internal migration have almost halved from the all-time high of 5 204 in 2000 to 2 815 in 2018 with an all-time low of 2 319 in 2012. Because the depopulation of the Lovech (NUTS3) area is highly affected by current trends of international outmigration, the area is categorized as actively shrinking due to globalization but also to the urbanisation.

Table 1.1 The CS area in the contexts of territorial classifications

Classifications	Positioning of the case study area
Name	District Lovech (Trojan-Apriltsi-Ougarchin)
Scale and role in national administration (Y/N and level)	NUTS 3 and LAU
NUTS 3 unit covered by the CS area	BG315 – Lovech
Regional typologies	
Urban–rural typology	Predominantly rural regions, close to a city
Coastal regions	Other region
Mountain regions	> 50 % of population and 50 % of surface
Island regions	Other region
Sparsely populated regions	Other region
Border regions	No programme area
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; fast shrinking rates (<-1)
Typology on structural demographic shrinkage	Globalization/Active

Source: Eurostat; ESPON

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



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



1.3 The case study area against the region, the country and the Macro-Region

For the lowest level of case study 3 municipalities (LAU2) in the Lovech district (NUTS3) were selected – Apriltsi (LOV02), Troyan (LOV34) and Ougarchin (LOV36). The depopulation tendencies in these three municipalities follow the general tendency of a negative net migration rate. Outmigration is one of the strongest drivers of shrinkage and depopulation in Bulgaria. There are two main waves, linked to political occurrences, which shape the emigration tradition – the first being the “opening of the borders” at the begging of 90s, and the second being Bulgaria’s pre-accession (2001) and accession (2007) to the EU. However, because emigration is mostly economically and education driven, the levels of depopulation are constantly affected by steady rates of outmigration. On a national level the migration rate for the time period between 2000 and 2017 was -5,14, while for the North-Western region it is almost triple with a value of -13,21.

The region as a whole has not managed to recover from the political and economic crises during the last 30 years. The small municipalities like Apriltsi and Ougarchin have been on the verge of extinction (as LAU 2 units), resulting from international and domestic migration. The working age population has been steadily declining for the entire North-Western region mostly due to emigration. This has led to the plummeting numbers in fertility rates. Those are directly linked to 1) the number of the working age population and 2) the economic stability and independence of the population, which have affected their ability to start and sustain a family.

Table 1.2 Fertility rate Lovech District and national level

	Lovech District		National level	
	Fertility rate (‰)	Total fertility rate (average number of children)	Fertility rate (‰)	Total fertility rate (average number of children)
1990	-	-	-	1,81
2001	8,6	1,53	8,6	1,24
2011	8,7	1,82	9,6	1,51
2017	7,9	1,79	9	1,56

Source: NSI

The migration and lagging economic conditions have led to feelings of austerity and have hindered the fertility rates of the population – a conclusion most evident from the disparity between the national tendencies of a growing fertility rate in Bulgaria (from 1,26 in 2000 to 1,56 in 2017) and dropping fertility rates at NUTS 3 level. At the level of the CS area the number of births decreases constantly but not with the same intensity. During the last decade (2010-) there has been a tendency towards slowing the decrease in birth rate.

Table 1.3 CS area birth rate tendencies

	2001	2011	2017
Troyan	242	205	201
Ougarchin	76	88	48
Apriltsi	15	15	15
Average for the CS area	111	103	88

Source: NSI

The economic austerity of the North-Western region can be depicted in numerical data through the fluctuations in the purchasing power standard (the GDP per capita). It has rapidly grown on a national level (from 28% to 48% PPS of EU28 average), while barely flitching in the North-Western region (from 25% to 29% PPS of EU28 average).

The three CS municipalities follow a different pattern of population change, which however is always linked to the economic development and prospects of the municipalities. Overall, Troyan demonstrates the lowest depopulation levels (although still with a negative population change), whereas Ougarchin and Apriltsi are lagging behind and have reached a point of almost irreversible tendency of extinction. All three municipalities are following the general trend established on a national level with a negative population change (-13,30% for the time period between 2000 and 2017) and a negative population prospect.

Because of its continuous depopulation and economically impotent tendencies, Apriltsi is currently facing a critical 4-year period, starting in the year of 2020, where the municipality will either rapidly shift its economic and demographic profile, or will lose its status as an independent municipality forcing it to be fused into one of the larger nearby municipalities³. Losing the status of a municipality could be considered as a natural process of adjusting to the needs of the population, as most of the lowest administrative units in the North-Western region (LAU 2 and LAU 1) were established based upon a territorial logic, rather than on a population-related or economic one. However, in the rural areas municipal administrations are among the most important employers offering permanent employment. Almost all jobs in the administration are suitable for the female population which is crucial to the area (see part 3 and 4). In addition, if one area loses its municipal status this means that the area will lose its financial (relative and small) independence on behalf of the states⁴.

Ougarchin is also following a trend of steady population and economic decline. Although not currently facing such pivotal decisions and consequences in administrative and legal terms, Ougarchin marks an even higher depopulation rate than Apriltsi (for the time period between 2000 and 2017 the population change of Apriltsi was -31,88%, while for Ougarchin it was -39,7%). Ougarchin was initially a larger and more populated municipality than Apriltsi, which allows for the population levels to be more harshly declining, while still retaining population levels above the threshold needed for a status of a municipality. Ougarchin's larger territory

³ The Administrative and territorial Act dictates the following criteria for the establishment and retention of an independent municipality: 1) the population of the municipal centre and the adjacent territories should exceed 6 000 citizens, 2) there should be an established municipal centre with a developed social and technical infrastructure to accommodate the needs of the territories; 3) the municipality needs to ensure the provisions and accommodation of all nearby territories, which have not been included within the boundaries of another municipality; 4) the adjacent territories should not be further than 40 km away from the municipal centre; and 5) the financial independence of the municipality is secured through state budget distribution. Apriltsi could lose its independent municipality status due to the declining population, thus breaching the first condition of sustaining its municipal status (State Gazette 63/1995 (art.8)).

⁴ Municipal budgets are mainly formed by four types of sources; own revenues, revenues from the state budget (for activities delegated to the municipality by the state), revenues from European funds, and (foreign) investments.

also allows for its lower population density (10,5 persons per square meter), compared to Apritsi's (11,6 persons per square meter).

Troyan is the municipality with the most positive trend. Although still marking a negative population change (-23,29%), it has the brightest prospects in terms of economic stability, due to its more successful strategy for recovering after the period of State Socialism.

Table 1.4 Basic demographic and socio-economic trends behind rural shrinkage

Indicators	Spatial level	Case study area (if available)				NUTS 3	NUTS 2	NUTS 0, Country	EU28
	Name	Apritsi	Troyan	Ougarchin	Average of the three municipalities	Lovech	Severozapaden	Bulgaria	European Union
	Code	LOV02 (52218)	LOV34 (73198)	LOV36 (75054)		BG315	BG31	BG	EU28
Total population on 1 January – persons (demo_r_pjanaggr3)	2000	4,169	38,135	9,367	17,224	176389	1 081 257	8 190 876	487 million
	2017	2,840	29,253	5,670	12,588	129222	769 623	7 101 859	511 million
Population change between 2000 and 2017 ([Population 2017 - Population 2000] / Population 2000 * 100) – percentage (demo_r_pjanaggr3)	2000–2017	-31,88	-23,29	-39,47	-31,547	-26,74	-28,82	-13,30	4,95
Population density – persons per km² (demo_r_d3dens)	2000	16,9	41,4	15,9	24,733	42,50	56,30	73,60	111,90
	2017	11,9	32,7	10,8	18,467	31,10	40,50	64,30	117,70
Total fertility rate – number (demo_r_find3)	2000	NA	NA	NA	NA	1,52	1,41	1,26	1,46
	2017	NA	NA	NA	NA	1,79	1,72	1,56	1,59
Net migration rate (Net migration 2000–2017 /	2000–2017	NA	NA	NA	NA	-12,33	-13,21	-5,14	4,54

Population 2000 * 100) – percentage (demo_r_gind3)									
Population projection (EUROPOP2 013) – persons (proj_13rps3)	2020	NA	NA	NA	NA	121 543	728 182	6 975 167	512 million
	2030	NA	NA	NA	NA	100 555	602 424	6 478 694	518 million
	2040	NA	NA	NA	NA	83 176	496 747	6 087 319	524 million
	2050	NA	NA	NA	NA	68 452	407 653	5 781 452	526 million
Working age population (15-64 years old population / Total population *100) – percentage (demo_r_pjanaggr3)	2000	NA	NA	NA	NA	64,17	63,98	67,94	67,09 (2001)
	2017	NA	NA	NA	NA	60,35	61,06	65,18	64,98
GDP per capita – purchasing power standard (nama_10r_3gdp)	2000	NA	NA	NA	NA	4 800	4 900	5 600	19 800
	2016	NA	NA	NA	NA	9 300	8 600	14 200	29 300
GDP per capita – PPS in percentage of EU28 average (nama_10r_3gdp)	2000	NA	NA	NA	NA	24	25	28	100
	2016	NA	NA	NA	NA	32	29	48	100
Convergence of GDP per capita to the EU28 average (1 + [GDP per capita 2016 - GDP per capita 2000] / GDP per capita 2000) (nama_10r_3gdp)	2000–2016	NA	NA	NA	NA	1,33	1,16	1,71	1,00

Source: Eurostat, Regional statistics by NUTS classification (see table names above)

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

1.4.1. Characteristics of the CS area along demographic criteria (Simple shrinking)

The population of Bulgaria has been decreasing for the time period of 2000-2018 – a tendency indicative of depopulation, due to outmigration and low birth rates. Starting at 8 767 000 in 1990, decreasing to 8 149 468 in 2000 and reaching an all-time low of 7 000 039 in 2018, the total number of the population has been following a steady downward curve with each year marking lower numbers than the previous.

The North-Western (NUTS2) is the fastest shrinking region of Bulgaria. As of the 31st of December 2011 the population of the region was 836 601, making up 11,4% of the general population of the country.

The population density of Apriltsi and Ougarchin marks roughly a third of the population density of the North-Western region (43,87 persons per square meter), which is already remarkably lower than the average for the country (66,01 p/m²). The population density of Troyan is closer to the average for the region (32,2 p/m²), which illustrates the overall “better” situation of Troyan in comparison to the other two selected municipalities. Although steadily shrinking, Troyan is depopulating slower (for the time period of 2011 to 2018 Troyan has lost almost 25% of its population) than the entire district of Lovech (whose population has declined with 28%), Apriltsi (which has lost a third of its population for the same time period) and Ougarchin (whose population has decreased with 41%).

Apriltsi and Ougarchin have never been fully and entirely successfully urbanised, which is why the population density of their territories never held the potential of surpassing the national average. Furthermore, the mountainous landscape of their territories has always been more appropriate for a rural type of establishment, supported mostly by agriculture, rather than industry. Nevertheless both municipalities have different economic structures, Apriltsi is rather industrialised while Ougarchin's economy is classically rural. The three most developed economic sectors in terms of annual turnover (NACE rev.2 sectors) for 2018 in Apriltsi were the manufacture of wire products, chain and springs (4 379 600 euros), manufacture of machinery for mining, quarrying and construction (4 050 300 euros) and wholesale of wood, construction materials and sanitary equipment (3 848 380 euros). The three most developed sectors in Ougarchin are: growing of cereals (except for rice), leguminous crops and oil seeds (5 872 00 euros), production of meat and poultry products (5 328 520 euros), and other processing and preserving of orchards and vegetables (3 358 570 euros). Troyan's local economy is dominated by the wood and furniture crafting sector (75 480 710 euros), manufacture of made-up textile articles, except for apparel (57 798 750 euros) and pharmaceuticals (25 029 200 euros). The agricultural development in the municipalities of Apriltsi, Ougarchin and Troyan however has been almost intentionally “sabotaged” by the centralized mechanisms for agricultural funding distribution (CAP's pillar

l). The agricultural budget has been prioritizing wheat production, due to its potential for higher low-risk profit and easy distribution. The mountainous and semi-mountainous regions of the North-Western region, however, do not have the conditions for wheat production – the agricultural potentials of the region are in the field of orchard farming and livestock. It, however, has not been adequately subsidised or encouraged and has almost extinguished. Therefore, the agricultural development of the region could not provide a stable basis for future development or reversal of the tendencies of depopulation and economic and population shrinkage.

The prospects of the much desired reversal of the depopulation tendency are very slim. In all three municipalities the arrivals due to internal migration rapidly decrease, while the number of departures marks a steady increase. Not only is the entire region shrinking, but the evaporation of its population is largely due to economic reasons - few job prospects (Apriltsi and Ougarchin), low official wages (all three), bad educational and transport services (all three). The rates are especially alarming in the municipalities of Apriltsi and Ougarchin, where the shattering of the production industries after Socialism has left the population with virtually no other prospects to sustain a living wage. The emigrants (mostly temporary migration) are overwhelmingly people in working age, in their reproductive years. This is reflected in the age structure of the population of the three municipalities. In 2018 almost half of the population of Apriltsi, a quarter of the population of Ougarchin and a third of the population of Troyan was over the age of 65. The steady decline in the total number of deaths in Apriltsi, Troyan and Ougarchin seems to reflect the tendency of decline in the population, rather than result from higher birth rates or immigration.

The “working age migration” has naturally led to low birth rates (declining in all three of the researched municipalities), as both male and female populations in reproductive age are emigrating. Young families chose to live in bigger cities or abroad, where their socio-economic prospects improve. Starting and sustaining a family is dependent on the individual feelings of economic austerity, which are characteristic of the small municipalities. However, these seem to also result from the nation-wide phenomenon of institutional mistrust and inability to rely on established structural support for raising and having children. On the LAU2 level, tendencies are harder to be established, because of the inherently low number of marriages (due to the low number of residents). Nevertheless, it seems that the importance of marriage regarding the birth rate is quite problematic in Bulgaria: the ratio of unmarried people living in cohabitation increased twice between 2000 and 2018 and 70% of all cohabitations are among people aged between 16 and 39. The number of children born by unmarried mothers is constantly growing, reaching up to 65% in 2017.

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

		1990	2001	2011	2017
Total population (number)	<i>CS area</i>	NA	167 931	139 609	126 961
	<i>National level</i>	NA	7 891 095	7 327 224	7 050 034

Ratio of 0-14 y.o. population (%)	<i>CS area</i>	NA	NA	NA	13.21
	<i>National level</i>	NA	NA	NA	14.10
Ratio of female population in productive age (15-45 y.o.) (%)	<i>CS area</i>	NA	34,75	31,36	28,69
	<i>National level</i>	NA	40,02	37,55	34,87
Population density (persons/km²)	<i>CS area</i>	NA	40,68	33,82	30,76
	<i>National level</i>	NA	71,09	66,01	63,52
Gender balance	<i>CS area</i>	NA	1,04	1,04	1,05
	<i>National level</i>	NA	1,05	1,05	1,06
Old age dependency rate (%)	<i>CS area</i>	NA	55,24	58,63	66,51
	<i>National level</i>	NA	48,83	47,54	54,48
Ageing index (%)	<i>CS area</i>	NA	32,59	37,77	44,37
	<i>National level</i>	NA	24,85	27,81	32,47 ⁵
Crude birth rate (births/1000 persons)	<i>CS area</i>	NA	8,64	8,74	7,81
	<i>National level</i>	NA	8,64	9,67	9,01
Crude death rate (deaths/1000 persons)	<i>CS area</i>	NA	18,16	18,52	20,89
	<i>National level</i>	NA	14,24	14,77	15,46
		1990-2001	2001-2011	2011-2017	1990-2017
Population change (%)	<i>CS area</i>	NA	16,87	9,06	NA
	<i>National level</i>	NA	7,15	3,78	NA
Number of arrivals due to migration	<i>CS area</i>	NA	NA	NA	NA
	<i>National level</i>	NA	NA	NA	NA
Number of departures due to migration	<i>CS area</i>	NA	NA	NA	NA
	<i>National level</i>	NA	NA	NA	NA
Net migration rate (%)	<i>CS area</i>	NA	NA	NA	NA
	<i>National level</i>	NA	NA	NA	NA

Sources: National Statistical Institute

1.4.2. Characteristics of complex shrinkage of the CS area

The economic decline of the entire North-Western region is demonstrable through its failure to replicate the economic leap, which although not sufficient, is marked on a national scale. Although in 2000 the GDP per capita was of a fairly close value to the national (3,418 per capita) and regional level (3,018 leva per capita), the disparity in 2017 was evident – the GDP per capita on a national level (14,280) was almost double the GDP per capita in the North-Western region (8,938). In Lovech (NUTS3) region the GDP grew steadily from 511 million leva (12,910 leva per capita) in 2000 to 1 131 million leva in 2017, but marked a decline to 1.128 million leva (8,804 leva per capita) in 2018 – the data on GDP per capita demonstrate the proximity of the regional economic to that of the case study area and the gap between the values of national level and especially its enlargement in the trend of recent economic development.

⁵ Some data provided by the NSI is different from the same indicators and data provided by Eurostat. The data in the table is based on the data provided by the NSI.

The ratio of jobseekers in 2011 was 7,48% in Bulgaria and 7,73% in Lovech. In 2017 it dropped to 4,44% on a national scale and 5,45% in Lovech district. Although these data illustrate the disparity between the national tendencies and the regional prospects, it is important to keep in mind that each municipality has to tackle specific obstacles and face unique conditions. In assessing the potentially productive strategies for challenging rural shrinkage, the local circumstances bring forth the need for searching specific cures for concrete problems, rather than seeking ways for centralisation and attempting to produce a panacea, which can be applied on a national level and vastly improve the situation on a local level.

The biggest challenge to the economic development of the CS municipalities is overcoming the devastating consequences of the destroyed economy, following the period of State Socialism. They all have specific resources to fall back upon.

Both Ougarchin and Apriltsi have obtained their municipal status during the period of State Socialism, when industrial development was artificially heightened, new factories and enterprises were emerging all over the country and the population was employed mainly in production. The economic drivers were centralized within one or two big enterprises, which employed the majority of the population. Through the privatisation process, the economic potentials of the local space were erased. The lack of job opportunities has led to the emigration of the working age population, which has steadily been occurring since the 90s throughout the following three decades. This process has led to a lack of work force, as a resource upon which the municipalities can rely to reverse the tendencies of shrinking. Therefore, currently the most crucial component (qualified workforce) for attraction of investments is almost missing. Thus, the perpetuating cycle has enclosed its grip upon the local potentials – the lack of investments has caused the evaporation of the working force and the lack of a working force has hindered the potential for attracting investments. This tendency is illustrated by the low to non-existent production values and foreign investments in Apriltsi and Ougarchin.

These tendencies have shaped the only foreseeable alternative for the governance of Apriltsi and Ougarchin as the development of tourism. The natural conditions, low levels of urbanisation and available space for the development of tourist attractions is the resource, which all national strategies for development consider potentially successful. This is why there have been fewer than 200 enterprises of any size in each of these two municipalities. However, it seems that tourist related companies do not contribute enough to the local economies (data about NACE rev.2) as their share in the economic structure is rather modest. This is probably due to informal economic practices (evasion of turnover and taxes), according to the data from the FG discussion.

The situation in Troyan on the other hand seems to represent the almost polar opposite. The foreign investments in the town have been steadily growing from 16 902,5 million euro in 2011 to 20 291,8 million euro in 2018. Production rates are also demonstrating an increase

and the number of enterprises has grown from 1 755 in 2011 to 1 821 in 2018. The economic progress of Troyan could be explained through its historically created stronger economic infrastructure. Although the biggest enterprises in the town were also privatised with a rather negative relative economic effect, the local population has been able to bounce back from this setback through reliance on the craftsmanship and small business establishment. Especially beneficial were the traditional local crafts of handmade wood and furniture crafting and the treated as a national treasure Troyanian ceramic hand production. Those were also met with an appropriate level of foreign investments and subcontracting of local companies, which were executed through remaining links to western production companies. The non-centralized structure of reliance upon personal resources and skills, rather than on a large state established enterprise has had positive consequences, which has allowed for the retention of (and the creation of new) economic prospects for the local population in Troyan.

Table 1.6 Economic indicators of the CS area and at national level

		2001	2011	2017
Number of enterprises per 1000 persons	CS area	NA	38,47	43,50
	National level	NA	49,98	57,63
Number of small-sized enterprises per 1000 persons	CS area	NA	37,89	42,92
	National level	NA	49,26	56,87
Number of medium-sized enterprises per 1000 persons	CS area	NA	0,50	0,50
	National level	NA	0,62	0,65
Ratio of SME in the total number of enterprises (%)	CS area	NA	99,80	99,80
	National level	NA	99,80	99,82
Ratio of NACE.rev2 A (agriculture) enterprises in the total number of enterprises (%)	CS area	NA		
	National level	NA	4,05	4,89
Ratio of NACE.rev2 B-F (industry, construction) enterprises in the total number of enterprises (%)	CS area	NA	NA	NA
	National level	NA	14,76	13,56
Ratio of NACE.rev2 G-U (services) enterprises in the total number of enterprises (%)	CS area	NA	NA	NA
	National level	NA	81,19	81,55
Ratio of working age (15-64 y.o.) population (%)	CS area	NA	63,96	60,65
	National level	NA	68,37	65,18
Ratio of jobseekers/unemployed persons in working age population (%)	CS area	NA	7,73	5,45
	National level	NA	7,48	4,44

Sources: National Statistical Institute

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

The main problems of the North-Western region are the lagging economy, the drastic depopulation, the low levels of employment and hardly securable income. This structural erosion has transpired into all spheres of public and civic life, affecting all social and tangible infrastructures – most evidently the number of dwellings has risen only negligibly in Apriltsi

and Troyan for the time period between 2001 and 2018 (from 3 350 to 3 518 and from 22 376 to 22 386 respectively) and even decreased in Ougarchin (from 6 766 to 6 273).

The main infrastructural challenges faced by the population of Apriltsi, Ougarchin and occasionally in Troyan relate to bad water infrastructure and not reliable electrical infrastructure. Those pose an obstacle to the development of tourism, which is regarded as the most hopeful prospect. The challenges of developing a sustainable tourism site are further deepened by the lacking tourist attractions – no cabins/gondolas or new nature exploration pathways have been developed, despite the numerous attempts.

However, the local population and public service stakeholders' grievances relate to the transportation infrastructure, which accounts for a very low connectivity of the three municipalities to the regional centre and to the capital and international interstates.

The main axis of urbanisation for the region is the second class broadband road linking Nikopol-Pleven-Lovech-Troyan. The two main road arteries, going through the territory of Lovech, are road I-4 and road 1-3, securing its connectivity to the neighbouring provinces of Sofia, Pleven, Veliko Tarnovo, Gabrovo, Stara Zagora and Plovdiv. Most importantly, road II-35 forms the north-west transportation axe. Hemus highway (the so called 'Northern highway') is supposed to link the area with the national road network but is still under construction. If achieved, this highway is intended to provide easier access to the capital Sofia and to secure a pathway for industrial and economic growth through a higher level of connectivity for the region. Although, according to the data from the FG the highway will affect significantly only Ougarchin as it will be situated far from Apriltsi (55-60 km) and Troyan (50-55 km). Apriltsi is 49 km away from the town of Lovech (the NUTS3 centre), which is 53 minutes of driving distance. Troyan is 34 km away from the town of Lovech, which is 33 minutes of driving distance. Ougarchin is also 34 km away from the town of Lovech, at 32 minutes of driving distance. In the CS area there is a railway linking Troyan with Lovech and other towns in Northern Bulgaria but the quality of the railway (speed, cleanliness) is very low. *"If you need 30 minutes to go from Troyan to Lovech by car, you need 1h and 30 min. if you use the train."* (BG_FG)

The unpredicted disadvantages of the bad road infrastructure relate to the limited access of the small municipalities' residents access to public services. Most prominently – to healthcare. Because of a structural change in the healthcare sector, which has been underway since 2000, most of the healthcare services are provided by the private sector. This, naturally, has led to a spike in the healthcare expenses for the population – in fact this is one of the spheres marking the highest increase in household expenses. There are 7 public funded hospitals, providing active treatment for the population of Lovech. Their material base is in urgent need of improvement. For the last five years the hospital in Lovech has been given as an example

for corruption practices and mismanagement of public funds in healthcare on various occasions ⁶.

This tendency even further hinders the citizens' of Apriltsi and Ougarchin access to healthcare. There are no hospitals in both of these small municipalities and their citizens rely on the services of the hospitals in Troyan, Lovech and Pleven (another neighbouring province) for "*more serious cases*". There are only some general practitioners (GPs) working on the territory of two small municipalities - 3 GPs in Apriltsi and 2 GPs in Ougarchin. Access to healthcare services is not the only problem in the CS area. There is also mistrust in the health care services.

Mostly, the lack of medical expertise is caused by the emigration of qualified medical personnel to other EU member states or to the bigger towns. In addition, many doctors and nurses prefer to work in private hospitals and leave public sector. In the North-Western region (NUTS2) the number of general practitioners has decreased from 689 in 2000 to 607 in 2018. In Lovech (NUTS3) the number of general practitioners has decreased from 114 in 2000 to 95 in 2018. In the North-Western region (NUTS2) there has been a slight increase of hospital beds for the same time period – from 5 441 in 2000 to 5 582 in 2018.

Another aspect of public and cultural erosion, affecting Apriltsi, Troyan and Ougarchin is the bad educational infrastructure in the small municipalities. The largest share of internally migrating population is in the age between 10 and 18 – the age of secondary and beginning of tertiary education. Families from Apriltsi and Ougarchin migrate to the nearby cities and more educationally advanced towns in order to provide their children with access to more quality education. The educational network of Lovech (NUTS3) includes mostly secondary and primary school units, with a few professional gymnasiums, spread among the smaller municipalities (LAU2). The weak linkage between business and labour market and the educational system is considered as one of the most important setbacks for the region.

Furthermore, the educational structure of the population of Apriltsi, Troyan and Ougarchin hints to this phenomenon and to the imbalanced non-direct linkage between levels of education and their potential for securing better employment – their respective shares of highly educated persons is 61,5%, 67,3% and 43,6%. The educational levels are either of overly qualified level, or of under qualification ⁷.

According to the Census data (2001 and 2011) in 2001 the share of population with low level of education was bigger in all three municipalities (54,7 % in Apriltsi, 44% in Troyan and

⁶ The last one is from December, 2019 when the Labour Expert Medical Commission stopped functioning because of corruption allegation. <https://www.mediapool.bg/bolnitsata-v-lovech-ostana-bez-telk-news301442.html>

⁷ Only available data provided by NSI upon specific request are on levels of education in the case study municipalities. Level of education is presented in two groups: 1) population with low level of education (elementary and primary) and 2) population with high level of education (secondary and higher). Note different interpretation than the one presented in table 1.5.

61,4% in Ougarchin), while in 2011 the situation is exactly opposite – the share of people with higher levels of education (according to the definition explained in footnote 5) becomes dominant. Nevertheless, a higher number of people with higher education does not mean higher qualification of the population and does not lead to higher employability. In addition a large share of the North-Western region's population continues to have low levels of education (underqualified population) and is with low professional qualification levels. This phenomenon contributes to high level of unemployment and is an obstacle to the adaptation of employment programmes based on new or high technologies. There is a lacking balance of professional education in a secondary school system and the profiling of students fails to address the actual local needs of the economic infrastructure. *“I receive requests from young people graduated in disciplines like logistics, national security, economy, etc. to hire them in our factory. They are seeking for any type of job. Although they are university graduates, they do not have any specific qualification and competences.”* (9_A2; BG_FG)

Another paradox of the depopulation tendencies demonstrates how once started, the process spreads from the economic to the cultural and overall social structure of the locality. The emigrating families (some of whom leave due to lacking educational infrastructures) cause the closure of the few existing educational institutions. In Apriltsi there were 3 kindergarten task units in 2000, in 2008 they dropped to 2 and since 2014 there has been only one remaining. In Troyan there were 16 kindergarten task units in 2000 and dropped to 7 in 2018. In Ougarchin there were 4 kindergarten task units in 2000, another one was added in 2001 and dropped again in 2006. Other 2 dropped in 2011 leaving the current number of kindergarten task units in Ougarchin municipality to 2.

In the North-Western region there were 421 primary school task units in 2000 and only 260 were left in 2018. In Lovech (NUTS3) the number of primary school task units dropped from 69 in 2000 to 46 in 2018. In Apriltsi there has been only 1 school task unit for the whole time period 2000-2018. In Troyan there were 13 primary school task units in 2000 and only 9 remained in 2018. In Ougarchin there were 4 primary school task units in 2000. In 2009 they dropped to 3 and have remained until 2018. The decline in the number of school task units is explained through the legislation reform in the educational sector in 2007. The most relevant aspect of the budgeting changes refers to the distribution mechanism of “delegated school budgets” based upon the number of students enrolled in the school⁸. Schools with many students received large budgets, whereas school with fewer students received limited funding. As funding is directly linked to the material base, educational potentials and teacher qualifications, the current situation in Bulgaria sets the interconnectedness roughly shaped by the statement: more students – more potentials and better quality. As Ougarchin and Apriltsi are already struggling due to low population and low number of students, the delegated

⁸ A Review of the Bulgaria School Autonomy Reforms, World Bank 2010; https://osis.bg/wp-content/uploads/2018/04/OSI_Publication_Edu_policies_10.pdf; <http://www.oecd.org/pisa/aboutpisa/bulgaria-pisa.htm>

budgeting scheme further hinders their potentials to even begin to tackle the educational inequalities of small-town students and leads to the closing of schools, so that the students can be redistributed within the remaining schools and increase their potential funding.

Troyan provides a good exceptional example of an existing higher educational infrastructure, which aims to address both the lacking opportunities in tertiary education, and the disparity between the offered profiling and the local resources and labour market needs. An Institute for mountainous animal farming and agriculture has been established as part of the Agricultural academy and seeks to produce a work force, specialized in agriculture.

The economic needs of the population cannot be addressed through agricultural development, despite the favouring natural conditions for orchard farming and livestock breeding. Small-scale farming fails to provide new job openings, as it is mostly achievable without labour, due to mechanisation. Furthermore, those natural resources are endangered not only by the lacking workforce, capable of working the land to its full potential (qualified farmers have abandoned their lands soon after the end of Socialism, as funding in the 90s was insufficient). The North-Western region has the highest amount of farmland per capita in the entire country of Bulgaria and agriculture is key to the region's economy. However the water erosion and frequent landslides poses a serious threat to the region of the Danubian riverside. The water erosion is threateningly high for Lovech (NUTS3), where the yearly loss of land equals to 10 tons of earth per hectare. Water erosion is one the aspects of natural change, which is expected to turn into an even deeper problem due to the climate change.

Lovech (NUTS3) demonstrates a high polarisation of the population by income. This means that the disparity between the poor and the rich is one of the highest in the country. The richest 20 percent of the population of Lovech have more than 7 times the income of the poorest 20 percent.

A deeper look into the ethno-religious makeup of the region's population could provide valuable insight into the reasoning and specificities of the local policies and their implementation – especially looking at the Roma population and the policies and practices on both local and national level at distribution of resources and strategies with regard to education, social inclusion, social benefits distribution, labour market and farmland distribution and exploitation.

Table 1.7 Contextual indicators of shrinkage in the CS area and at national level

		2001	2011	2017
Ratio of households with broadband access in the total number of households (%)	<i>CS area</i>	NA	NA	NA
	<i>National level</i>	NA	3,3	56,1
Number of newly-built dwellings per 1000 persons	<i>CS area</i>	NA	67,52	74,70
	<i>National level</i>	NA	53,22	56,06
Ratio of newly-built dwellings in the housing stock (%)	<i>CS area</i>	NA	0,09	0,05
	<i>National level</i>	NA	0,08	0,06
Number of general practitioners per 1000	<i>CS area</i>	0.68	0,67	0,75

persons	<i>National level</i>	0.65	0,64	0,64
Number of hospital beds per 1000 persons	<i>CS area</i>	NA	NA	NA
	<i>National level</i>	NA	0,067	NA
Number of kindergartens per 1000 persons	<i>CS area</i>	0.48	0,38	0,26
	<i>National level</i>	0.41	0,29	0,27
Number of schools (primary+secondary) per 1000 persons	<i>CS area</i>	0.54	0,44	0,45
	<i>National level</i>	0.44	0,36	0,36
Ratio of population with low qualification (%)	<i>CS area</i>	NA	NA	NA
	<i>National level</i>	NA	NA	NA
Ratio of population with high qualification (%) ⁹	<i>CS area</i>	NA	1,02	0,87
	<i>National level</i>	NA	1,72	1,47
Number of NGOs per 1000 persons	<i>CS area</i>	NA	NA	NA
	<i>National level</i>	NA	NA	7,09

Sources: National Statistical Institute

1.5 Governance framework

Three types of actors are responsible for the governance of the regional development at national, regional and local level: 1) various public institutions and consultative official bodies such as ministries, district administrations (NUTS 3), regional councils (NUTS 2) and municipalities (LAU); 2) private actors/enterprises on different levels; 3) different types of NGOs. Those three actors are not internally homogeneous but also each one of them has different responsibilities regarding regional and rural development as well specific tasks regarding mitigation/adaptation of the regional shrinkage.

- *Public actors*

The ministry level: The work of all ministries has impact on the regional development topic but three of them are most concerned: Ministry of Regional Development and Public Works (MRDPW), Ministry of Agriculture and Foods (MAF), Ministry of Labour and Social Policy (MLSP). They are responsible for developing policies, strategies, guidelines and methodologies. They produce the broader and strategic narrative about regional development (See part 3.1.2). The ministries are consulted by multi-level and inter-institutional formal/official bodies like the National Council of Demographic Policy, the Council of Regional Policy and the National Coordination Unit (this one is responsible for monitoring the implementation of the EU funded programmes at national level)¹⁰. Members of these bodies are representatives of different ministries, regional, district and municipal administrations, but also representatives of NGOs, trade unions, employers' organisations, universities and academies of sciences. These formal and official, multi-level, multi-sector and inter-

⁹ Population with high qualification is hereby defined as the sum of population with secondary education and population with tertiary education. The ratio is calculated by the formula (population with secondary education + population with tertiary education)/total population*100.

¹⁰ There are also other consultative bodies responsible for specific topics like environmental issues, or border control, or Black sea development and cooperation, etc. We selected only the most relevant regarding rural areas.

institutional networks have only consultative and expert functions, but mostly formal ones. Their main task is not to create alternative types of policies but to implement the state policy and to translate this to the lowest levels. Monitoring Committees of Operational Programmes represent another type of multi-level and multi-actor consultative but also decision-making bodies having impact on regional development. See part 3 about the composition of these bodies and the representation of stakeholders' interests.

On the regional level, the identified relevant actor is the Regional Council for the Development of the North-Western Region (NUTS 2). All district level administrations and regional branches of trade unions, employers' organisations and various regional NGOs are represented. This Regional Council is responsible for the adaptation of national policies at regional level, for the development, implementation and monitoring of regional strategies and for the coordination among districts in the region. This institutional actor is solely responsible for the NUTS 2 level of the North-Western region. According to us, this can be interpreted as a sign that the NUTS 2 division of regions is quite artificial and does not function as a policy instrument that stimulates the internal regional cohesion and development. The interviews and FG data confirm this hypothesis.

On district level (NUTS 3) an identified key actor is the District administration of Lovech and its District Council for Regional Development which is responsible for the lower level of regional development. This administration is responsible for the cooperation among municipalities belonging to the district but also for the implementation of the state policy at district level. The District administration also elaborates different district level strategies specific for the area. For example, the Lovech District administration and the District Council for Regional Development developed strategies related to Roma integration, children and pupil's development, social care services, youth unemployment and regional smart specialisation. According to the District administration viewpoint, those are the most important problems at district level, e.g. providing special attention to specific social groups is seen as a vital step towards further area development.

The local level is represented by the municipal administrations. Municipalities are considered both by the local population, but also by the national and regional stakeholders as the most important institutions because they are responsible for attracting investments, creating jobs in the area and maintaining public services like health, education, transport, environment. Another crucial responsibility is related to attracting EU co-funded projects. Finally, the local level has the role of developing local human potential through public investments. All these activities are seen as preconditions to mitigate the process of population shrinking. To perform these activities, the municipalities design, implement and monitor local plans for development. But as we explain in the part 3.3., the implementation of these plans relies on OPs funding because of the budget issues municipalities encounter. The mayor is the most important figure at municipal level instead of the municipal council where different stakeholders are represented.

- *Private actors*

The most influential among private enterprises are utility companies like telecom companies, the regional electric utility company (CEZ electro Bulgaria - regional supplier), as well as the sewerage and water supply company (the only utility company which is public in the CS area). Another important group of private actors is comprised of the larger employers, which employ workers with different skills and levels of qualification. Such companies are for ex. Kalinel LTD (1 350 employees so far), which are among the biggest manufacturing companies in the CS area but also in the North-Western region. Micro, small and medium types of enterprises (like Vinprom and Gadevski (Troyan), Baldim-Federn (Apriltsi), Technoles (Ougarchin)) are also important for introducing new technologies and creating jobs. Farms and enterprises, which preserve agricultural activities typical for the region (farming, forestry) and also conserve and develop regionally traditional brands and products (Vinprom Troyan, Technoles) are crucial because they create jobs. More importantly, they serve as labels, establishing local identity, which is important for the native population. Baldim-Federn LTD and Sima Mihov LTD, Kalinel LTD and others are examples of companies, which develop and implement product and technological innovations in their business processes and ensure the creation of new working places, while simultaneously striving for diversification of products. Some companies interact while working for one global company but producing different products (e.g. one enterprise produces textile for IKEA and helped another enterprise to establish contact with the global brand and to start supplying it with furniture, toys, plastics etc.). These are the kind of informal interactions which improve the sustainability of local businesses. Private business actors are very active at municipal level through supporting different initiatives and/or participating in the municipal council (see part 3).

- *NGOs*

According to different sources, the number of NGOs in Bulgaria is about 50 000 ¹¹, but there aren't any data about how much of these NGOs are active. Two types of NGOs exist – those working in the public interest and those, working in private interests. Many of the registered NGOs do not actively participate in the public life and represent 'close private circles' created only with the sole purpose of absorbing EU funds, according to a NGO analyst ¹². In many publications, the manner of functioning of the NGOs in Bulgaria is criticised. Most of these structures impede the possibility of creating a strong civil society although it is expected that they would explicate and represent its interests (Kratesv 2002, Deyanova 2005).

Key NGOs working in the field of regional development can be divided according to the different levels upon which they operate (national and local), but also according to their different target groups, as organisations focus on problems related to specific social groups

¹¹ Index of sustainability of the NGOs in Bulgaria in 2017, Bulgarian Center for Non-for-Profit Law, Sofia

¹² <https://www.bloombergtv.bg/video/todor-yalamov-za-finansiraneto-na-npo-tata>

(youths, elderly people, Roma, children at risk, etc.). The Association of Municipalities is very important at a national level as it represents local interests against the national ones and often participates in discussions with the government. An example illustrating the activity of the Association of Municipalities is its position on the problems, which municipalities face while implementing OPs projects. All municipalities (including Apriltsi, Ougarchin and Troyan) encounter two key problems with the OPs projects. They are 1) to apply the law for public procurement in an appropriate manner (many projects are delayed because municipalities are unable to find subcontractors or fail to act in full accordance with the law) and 2) to support the administrative and financial rules and burdens imposed by OPs managing bodies. The Association of Municipalities advocates for changing the procedures to control the implementation of projects during the next programme period. Local branches of employers' organisations and trade unions are also important at national level. They are responsible for illuminating specific to the region problems related for example to the low levels of official income (identified as one of the drivers for population shrinking in the region) or the need for lifelong learning professional education and skills improvement/pre-qualification. Nevertheless, trade unions in Bulgaria are very dependent on their central managing bodies which, in turn, are dependent on different political parties and interests. Sometimes it is difficult to distinguish between the positions expressed by business associations and those of the two trade unions. Cultural centres (Chitaliste) typical for Bulgaria since the period of establishment of the modern state (second half of the XIX century) also play a very important role but only at local level through ensuring space for spontaneous and informal activities (like folk dances groups), libraries and public space for discussions.

The Local Action Group (LAG) created under the CLLD approach should be mentioned separately. Officially LAGs in Bulgaria are registered as NGOs (according to the national legislation) but the LAG Troyan-Apriltsi-Ougarchin contribution is much more important at regional level in comparison to the work done by the other NGOs which are more centred on the territory of an individual municipality (see part 3.3.-3.4). In the CS area the LAG was created as a specific organisational strategy to ensure collaboration among municipalities and to help them to mutually mitigate the shrinking process while developing projects supporting local population interests and activities. This actor is very active, with a well-established structure in the region and one of the most important ones, after the municipality and the biggest employers. Multi-level governance structures, except for the LAG are not mentioned by our respondents as being effective and efficient. They are rather formal structures.

Overall, the aim of the different types of NGOs engaged in various initiatives regarding regional and rural development is to: 1) support policy implementation in the respective fields (agriculture, regional development) and corresponding priority areas, 2) encourage cooperation and communication between municipalities/local producers/administrative bodies/employers' unions at regional, national and trans-national levels; 3) provide support for the implementation of the Rural Development Programme and execution of different OP projects targeted at regional development; 4) develop local business opportunities, potential

and citizens inclusion 5) develop measures affecting different social groups and in particular people with disabilities or long term unemployed; 6) support social care services for young/elderly population; and 7) support tourism development, local cultural heritage and environmental care. The big number of NGOs existing in Bulgaria should not be interpreted as a sign of a well-established civil society. On the contrary – this should be interpreted as a sign of the individualistic culture typical for the country.

Table 1.8 Map of governance structures

Scale	Single-level governance structure	Multi-level governance structure ¹³
National	Government/ Council of ministers and three most relevant ministries: MRDPW, MAF, MLSP	National council of demographic policy; Council of regional policy; Monitoring Committees of OPs National Rural Network
Regional – NUTS 2	MRDPW – Directorate Strategic planning and regional development programmes	Regional Council for the development of the North-Western Region (NUTS 2)
District – NUTS 3	Lovech province/district administration	District Council for Regional Development
Local – LAU 2	Mayor and municipal administration	Municipal Council; LAG; National Rural network and its local branches

¹³ Different think-thanks also consult lobbying official institutions in the field of regional development and sectoral policies. They are not officially represented in the multi-level governance bodies.

2 Patterns and causalities of rural shrinkage

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

Processes of rural areas shrinking in Bulgaria follow the global trends, with some specificity related to the Communist regime and the Post-communist situation.

National factors (legacy of the past). In 1944, when the Communist regime started, the percentage of the rural population was 75% with relatively small plots of land (Ilieva, Mladenov 2012). Radical shifts began - processes of land nationalisation and consolidation by violent collectivisation of land, facing great resistance in the late 1950s and early 1960s (Creed 1998, Gruev 2007). The collectivisation of land and the transformation of some of the villages into towns or town quarters (Tzekov 2017) led to the rapid depopulation of villages, especially in the 1950s, 1960s and 1970s. This resulted in very high rates of rural depopulation not only for Bulgaria, but also for the demographic history of Europe and the developed world (Tsekov 2017:173). The death rates began to exceed birth rates in the rural areas in the mid-1970s (Ilieva, Mladenov 2012:99). This was combined with processes of industrialisation, leading to employment and improvement of the living conditions in the towns. The consequence of this was the migration of rural population.

Since 1985 “the so-called contracted reproduction of the population has been typical for the country, featuring low birth rates, higher death rates, low marriage rate, increase of consensual cohabitations, higher divorce rates, comparatively low life expectancy, slow generation replacement, interfamilial planning of the number of children, increase of abortions, and natural decrease in population.” (Ilieva, Mladenov 2012:103). The relative share of rural population was declining – from 75,3% in 1946 to 35,2% in 1985 (ibid.:99). This process is common for all former Socialist states in Eastern Europe during the period of 1950-1990 (Gruev 2009:288). But due to repressive policies controlling the out- and in- migration (border control and policy of ‘zhitelstvo’) as well as abortion, the total number of population continued to grow up until 1985.

In the late 1970s and early 1980s, party leaders in Bulgaria became aware of the problem of rural shrinkage and took a number of measures to curb the fall in birth rates, for example encouraging long-term maternity leave. In 1982, a Decree of the Council of Ministers was adopted "on accelerated socio-economic development of settlement systems of 4 and 5 functional types and border regions" for the purpose of resettlement of depopulated regions, but it had no significant effect.

After the democratic changes in 1989 a Law for Restoration of Ownership on Nationalised Real Estate, the so called Restitution Act was issued. Giordano and Kostova describe the process of land restitution as “a process of ‘reprivatisation without peasants’: the restitution of small parcels gave the land to already urbanised people who did not wish to cultivate it. (Giordano, Kostova 2000, 166:168). This led to neglect of agriculture. A process of

deindustrialisation began simultaneously. The two large economic crises – in 1990-1991 and in 1996-beginning of 1997, additionally worsened the situation. Mass migration to the large cities, mainly Sofia, and abroad began. Between 1985 and 2016 the population of Bulgaria decreased by 1,85 million, due to the negative natural growth and net migration. Half of the net migration is due to the violent expulsion of Bulgarian Turks at the end of communism, provoked by the change of their names (Angelov, Lessenski 2017:3). Abadjieva states that 'pockets of extreme destitution persist in the country', and ethnicity is one of the main correlates: 60 percent of the poor belong to ethnic minority groups and many of them are living in the rural areas (46.2% of Roma and 63 %of Turks) (Abadjieva 2008:11–12).

"Since 1990 the rural population has constantly maintained a natural decrease of –10‰, more than two times as unfavourable as the national average... The migration rate is more than 25‰ (average annual) in more than half of the municipalities in Bulgaria, including North-Western Bulgaria." (Ilieva, Mladenov 2012:104-106). At the moment the relative share of rural population (in villages) is 27%. Healthcare in the villages is beyond criticism. So is education - a number of schools were closed, the share of school dropouts in big cities in Bulgaria is 3,9%, while the value of the indicator in rural areas reaches 27,9% (MS, 2018: 21). Tzekov argues that the loss of rural population and the desolation of increasingly large agricultural areas, the reduction of arable land and its self-afforestation, together with the destruction of communal, technical and road infrastructure are the most obvious consequences of rural depopulation. Tzekov calls this process "social disaster and shocking depopulation" of rural regions (Tzekov 2017:169). In this situation, migration, both towards cities and emigration, is thought of as an upward social mobility linked to physical relocation that gives new perspectives.

The global trends are related to abovementioned processes of industrialisation, 'pushing' the labour force from villages and leading to urbanisation, with higher employment opportunities and better living conditions. Ger Duijzings argues that at the end of Socialism, Bulgaria was "the most urbanised country in South-Eastern Europe. With 70 percent of inhabitants living in urban settlements, Bulgaria is the only Balkan state that can compare with countries in Western Europe, where urbanites make up between 70 to 95 percent of the population" (Duijzings: 3). The other global factor is the larger opportunities for out-migration and transnational mobility, especially after Bulgaria's accession to the EU in 2007. The emigrants from Bulgaria are around 1 million, approximately 700 000 had left due to economic reasons (Angelov, Lessenski 2017:3). After the accession to the EU temporary, especially seasonal mobility had increased, too. Unfortunately, there are no reliable data about the number of migrants and their profile.

2.2 Evolution of shrinkage in the CS area

The Lovech province/district which represents the NUTS 3 level of the CS area includes eight municipalities: Lovech, Apriltsi, Letnitsa, Lukovit, Teteven, Troyan, Ougarchin and Yablanitsa. Among them only the municipality of Lovech is considered as an urbanised area (more than

30 000 people). Legislation considers the other municipalities as rural areas. According to Lichev and Georgieva (2018), having in mind its geographic, historical and socio-economic features, Lovech province is considered to belong to the mountainous and semi-mountainous parts of Central-Northern Bulgaria (which does not correspond to the NUTS 2 North-Central region). Central-Northern Bulgaria includes three districts: Lovech, Veliko Tarnovo and Gabrovo. According to Lichev and Georgieva, the area covering the three provinces should be considered as one specific region, because it has similar depopulation processes and requires a common regional policy. The depopulation process in this area can be outlined by three larger periods:

- The Pre-bourgeois and Bourgeois period, comprising two stages. *The first stage* lasted until Bulgaria's Liberation from the Ottoman rule (1878). Lovech area was characterised by a network of small towns (craft and commercial) and thousands of very small villages, mainly neighbourhoods (mahali) and huts (kolibi), as well as few large farmsteads (chiflics). The second stage began after the Liberation and lasted until 1946. Immediately after 1878 the population declined as the Turks, who sold their lands to Bulgarians, left the country. Bulgarians bought small parcels of land, so small farms predominated in the North-Western mountain villages (Gruev 2009: 95). Since the beginning of the 20th c., population growth had been increasing. Small industrial enterprises had been established in the towns - such was the case with the town of Troyan. Part of the rural population from the nearby neighbourhoods turned into industrial workers.
- The Socialist period consisted of two stages. Its first stage included the period 1946-1965. The development of the CS area followed the general trends in the country - violent collectivisation, leading to the decline of agriculture in the mid-1950s (Gruev 2009: 295), industrialisation and urbanisation. Statistics show that the population in the Lovech area remained stable in these years, but mass migration from the villages to the district towns began. The population of the town of Lovech had tripled in the period 1946 -1965. Lichev and Georgieva indicate the second stage of the socialist period from 1965 to 1992, characterised by continuing migration from villages to towns. 1975 marked the beginning of negative natural population growth, due to the new reproductive model – a nuclear family with two children. The change in the reproductive models is due both to socio-cultural reasons, like cultural (urbanised versus non-urbanised life style) and educational (higher and better education) changes, and to political reasons (shortage of dwellings in the towns and small urban flats) (Kovacheva 2010). In 1992 the land was returned, but the owners who had already spread around the country, gave it away to cooperatives. After 1992 migration and emigration intensified inducing depopulation processes, which led to the desertification of the smallest settlements.
- The post-socialist period. Its first stage was from 1992 to 2001. It is marked by the turnover in agriculture and the start of deindustrialisation in the region. Despite privatisation of the enterprises, the production in Troyan was retained, albeit with a

reduced number of employees. This intensified the migration processes to bigger cities in the country and abroad. There was a sharp fluctuation in the demographic processes - a collapse in fertility rates and increase of mortality (1997), the process of demographic aging accelerated. Depopulation continued. The most recent and last stage, started in 2001 and still continues up to nowadays. Depopulation processes are spread not only to rural settlements, but to towns, too. A lot of Troyan's larger enterprises closed after the economic crisis in 2008. Migration to the capital and major cities, and especially abroad, due to the EU free movement of people, is increasing. Small villages continue to depopulate. Recently there has been a prospect of some revival of the economy related to alternative tourism, small wood processing companies, and specific farms promoting certain breeds and organic agriculture.

To summarise, the factors that led to the shrinking of the CS area were 1) the nationalisation and collectivisation of land and 2) industrialisation during Socialism. They led to migration to the towns and to a new model of reproductive behaviour. An urban standard of living and lifestyle model could also be considered a viable factor, because urban life is more appealing. Other contributing factors could include the controversial Agrarian reform from 1992, the initiated processes of de-industrialisation, and the insufficient and poorly constructed transport infrastructure. Paradoxically, the good education provided in Lovech schools, especially that of the famous language high school there (the first one established in the country at the end of XIX century), is another impetus for migration out of the small establishments, in a situation of openness and global mobility.

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

A total of 19 interviews were conducted. 3 of them were with senior administrators at the national level, 3 at the regional and district levels. 13 interviews with different local stakeholders were conducted - representatives of local authorities, business, farmers, NGOs, including cultural institutions. In addition one focus group (FG) with 12 participants was conducted.

There are three types of shrinkage perceptions. The first and most dominant one perceives shrinkage as a very serious problem, which, if not managed, will have fatal consequences. The second type defines shrinking in rural areas as an inevitable trend and therefore as something "normal" and "natural". And finally, shrinking is not seen as a serious problem, because mobility is a norm and settlements as administrative structures lose their significance.

Shrinkage is perceived as a complex process. The problem is not so much in the depopulation as a whole, though the demographic problem is mentioned (*"From the 242 babies born in 2017, the number has dropped with 79 last year"* (9_A2_LAU2)), but in the structure of depopulation, related to migration processes: young, active, qualified people are leaving. This tendency is due to two reasons: they do not find adequate professional and well

paid realisation; and there is no entertainment and cultural life in those small municipalities. This was the leitmotif of all of the interviews. There is a disparity between the qualification of the population and the capacity of the localities to provide job positions and opportunities: *“People are either outstanding overachievers, or poor barely surviving unskilled labourers – no job positions for both groups”* (9_A2_LAU2). There is a kind of vicious circle – the settlements are depopulated and at the same time there is a lack of labour force for the enterprises – for activities that require skilled, but not too qualified labour. Another paradox relates to the fact that actually new residents are coming to the settlements - mostly Roma, i.e. there is no real depopulation, but there is a perception of shrinking. The Roma are not seen as a solution to the problem, but as part of it, because, according to some respondents, they have deteriorated the quality of life - education, hygiene, tranquillity, culture. Depopulation and shrinking are not perceived as parallel and interconnected processes: there may be a lot of people and, at the same time, a shrinking process to be underway; the opposite situation is also possible – a few people could live in a settlement and it still can be perceived as a developing one. Shrinkage is related to the quality of life and development of the municipality, with the educational, vocational, age and even ethnic structure of the population, not with the number of residents and natural growth.

- *Context and causes*

All respondents define shrinkage as a result from both legacy and ongoing processes, related to both globalisation and internal processes.

Legacy: Some of the respondents mention, but vaguely, that the process started during Socialism, most point its beginning after 1989, due to: 1) Privatisation of factories, which had been sold piece by piece; this had led to deindustrialisation and finally to lack of job positions. There is a common conviction that the industry is the basis of the life in a locality (*“During the Elprom [a large industrial enterprise, m.r.] period, the region was full of life”* (17_C2_LAU2)). 2) The lack of adequate regional policies of the state after 1989 - lack of *“deliberative”* (respondent's evaluation) regional development plan; overcentralisation, which is related to arbitrary choice of supported by the state municipalities, lack of state investments. 3) The restitution of the land was not much commented, only two respondents mentioned *“the lost connection between the people and their land”* (13_B2_LAU2; 6_A3_2_LAU2), which is related more to the socialist nationalisation of the land, which led to this *“lost connection”* and finally to non-successful restitution.

The ongoing processes: Migration of the young, active and educated to the cities and abroad, because they look for better adequate professional realisation, higher salaries, better quality of life, they pursue *“modern dynamic life”*. *“When the culture disappears, the spirit of the place disappears... the main reasons for the process of depopulation are the increased demands for a higher standard of living on the one hand, and on the other - a sharp decrease in the quality of life in the town, related to a decrease in: the quality of education and in the entertainment and cultural life”* (A3_1_LAU2). And it is not always that people want to be paid

more. They want more opportunities for their children, their education and development. The other up to day reason according to some of our respondents is the lack of adequate regional policies, related to the lack of state investments and adequate social policy.

The explanation of the type of shrinkage is mostly based on everyday talkings, personal experience, figures are rarely cited, analysis are not provided. One of the mayors pointed out the deficit of regular information about main indicators and trends in the region, that is why she wants to establish an Analytical information center to fill this gap.

- *Challenges:*

Economic: lack of skilled, but not overly qualified people to work in the enterprises; gender imbalance in the offered jobs – the available jobs are suitable for men (heavy work in the wood processing, tractor drivers for the agriculture businesses). Many families leave, because they cannot be supported by only one family member in regular employment. Low official salaries are a deciding factor.

Governmental: lack of support for small companies; state bureaucracy; lack of public transport.

Cultural/ Quality of life: poor education, Roma pupils dominate the classrooms and the Bulgarian pupils leave, accompanied by their parents. No medical care is provided in the villages.

Specific challenges, related to mobility: *“They [working age people working temporarily abroad] work 6-9 months abroad and when back home they rely on social benefits matching their salaries from the countries, where they used to be employed. So the social benefits they receive are twice the amount of the salary they would earn if employed in the local companies.”* (9_A2_LAU2)

- *Coping strategies, local policy responses and future pathways.*

The coping strategy could be defined both as mitigation and as adaptation. The main focus is on attracting new inhabitants and tourists, the limiting migration is secondary. The ongoing and future strategy is oriented towards finding and disseminating resources, which could solve the key challenge: to make the rural areas attractive – with more jobs, opened by new interesting businesses, which will provide high payment; with an improved educational, recreational, cultural milieu; and at the same time to keep the relaxed and peaceful spirit of the places, which is in contrast to the fast and busy urban life.

A) The main coping strategy at the moment, seen as a future pathway, too, is to develop tourism – recreational weekend spa tourism, as well as cultural tourism, related to exposure of crafts and production. This means building guest houses, opening spa facilities, and developing craft production.

B) Gentrification – creating a pleasant and comfortable atmosphere for attracting IT or other professionals, and young families with children, to live in the settlements, working online or in

nearby towns; or at least to buy vacation homes and spend weekends there. The resources for this are present – calm life, fresh air, beautiful sights, opportunities for walks and sports. Building *“attractions for tourists, sports halls and parks for young mothers with their baby-strollers, along with a better water infrastructure”* is seen *“as the most pressing and prosperous perspectives to the settlements”* (12_B1_LAU2).

C) Improving the quality of life. This process has started in Troyan. The mayor of Troyan invests in that – reviving theatre performances, developing sports - there are over 20 sports clubs for young people, there is a cinema, forms of practicing of amateur art; good social care services - a new Centre for children with disabilities, social care services for seniors, hospital for pulmonary diseases. The municipality grants scholarships to medical students for their commitment to return to work in Troyan for at least 5 years.

D) As for the problem of migration, the solution is in the realm of wishful thinking: to find a large and perspective investor (in a priority sector), who could provide a lot of different types of jobs with higher payment and in such a way as to prevent workers from going to the UK.

E) Development of organic farming (supported by the RDP) is mentioned on the last place. Troyan municipality won an award in Berlin for innovative practice – they take care for an orchard garden with organic eco-products and disperse them for feeding the children in kindergartens.

F) At the same time many projects were developed in the last years to support at-risk social groups, e.g. people with disabilities, long term unemployed, Roma. The idea is to adapt local population to the shrinking while engaging them more and more in different types of activities.

- *Governance patterns, policy responses*

The government policies are criticized in general for the lack of adequate regional strategies, tailored to the specificity of different localities and for funding municipalities affiliated with governing parties. There is a strong critique of over-centralisation, but on the other hand there are many requests for more active state intervention, for example: *„To provide young families with state/regional funding in establishing their own small businesses in the locality – targeted funds, financing specific initiatives (for example small farms, producing meat or dairy products).”*; *“government leaders should find sustainable investors and improve the overall living standards”*; *“to build better infrastructure between towns/villages in the region in order to ensure quick and convenient mobility”*; *“to support the local businesses – taxes and fees adaptation to local realities in order to ensure bigger salaries. This support could be done also on networking level – state representatives to explore opportunities for collaboration with other region or business”*; *“To develop and finance organisation of young professionals who are motivated to lead the region through different initiatives”* (BG_FG; almost all interviews). To develop specific regional policies, stimulating particular sectors – for example agriculture (more relevant for Ougarchin as a flatter region), livestock breeding (for mountain regions)

and the support of specific social groups (young educated people) is the only adequate policy response according to all respondents.

As for the EU co-funded projects, there are two opposing visions. The first one evaluates them positively, because they are perceived as a valuable financial resource, oriented towards improving the underdeveloped areas (machine upgrades, helping business development). The second opinion is more sceptic – EU co-funded projects are assessed as supporting the economy, but not really solving the problems as they follow a more general logic that is not sensitive to local nuances, needs and capabilities. The effective local policy actions are seen as networking and utilising high-level direct contacts – either on governmental levels, or with large businesses, to negotiate a solution to a problem.

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

During the Pre-accession period (2001-2006) and afterwards during the two programme periods (2007-2013, 2014-2020) Bulgaria developed several national operational and non-operational programmes (OPs) co-funded by different EU Funds with the purpose of implementing different sectoral EU policies. Regional OPs do not exist in Bulgaria.

Table 3.1 Operational programmes co-funded by the EU Funds (2014-2020)

Name of the programme	Budget (in Euro)	EU contribution	EU Funds
Transport and transport infrastructure	1 887,6	1 604,4	ESIF: European fund for regional development and Cohesion fund
Environment	1 770,4	1 504,8	ESIF: Cohesion policy; European fund for regional development
Regions in growth	1 543,2	1 311,7	ESIF: Cohesion policy; European fund for regional development
Science and education for intelligent growth	701,2	596,0	ESIF: European Social Fund and European Fund for Regional Development
Innovations and competition	1 270,1	1 079,6	ESIF: European Fund for Regional Development
Human Resources development	1 092,2	938,7	ESIF: European Social Fund
Good governance	335,9	285,5	ESIF (all funds)
Initiatives for SME	102,0	102,0	ESIF: European Fund for Regional Development
Rural development programme (only 2 nd pillar)	2 917,8	2 366,7	ESIF: European agricultural fund for rural development
Fishery and aquaculture	113,5	88,1	European maritime and fishery fund
Foods	12331207,2	104839385,7	The European assistance Fund for the most deprived
Programmes for cross-border and territorial cooperation (Interreg, Danube, ESPON, URBACT, BlackSea)	-	-	European Fund for Regional Development
Other operational programmes co-funded by the EU: Fund Asylum, migration and integration, Fund Internal security, Environment protection and climate change, Local development, Local development, poverty reduction and improved inclusion of vulnerable groups, Fund for bilateral relationships Justice, Home Affairs, Cultural entrepreneurship, heritage and cooperation, Renewable energy, energy efficiency and energy security.			

Source: [http://2020.eufunds.bg/bg/0/0/Operational Programmes, EU Funds contribution Report 2018 of the Ministry of finances](http://2020.eufunds.bg/bg/0/0/Operational_Programmes,_EU_Funds_contribution_Report_2018_of_the_Ministry_of_finances)

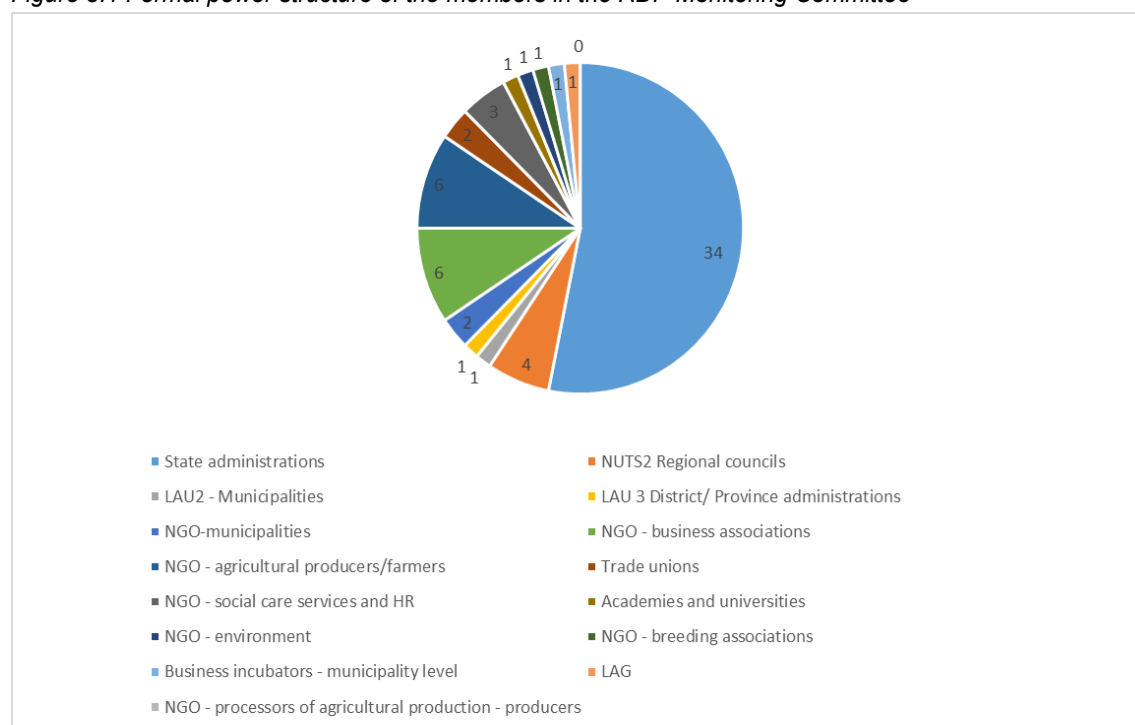
The implementation of all OPs concern the development of both rural and urbanised areas but three specific European policies and their respective funds concern (directly or indirectly) the process of rural shrinking more specifically. The first one is the European Cohesion policy implemented in Bulgaria through the Operational Programmes Regional development (2007-2013) and Regions in growth (2014-2020). The second is the Common agricultural policy and its two pillars (Pillar I “direct payments per unit of land” and Pillar II - Rural development

programmes 2007-2013 and 2014- 2020). The third is the European Social policy and its European Social Funds which support the Operational Programme Human Resources Development. Collected data about EU funds absorption suggest that OP Innovations & Competitiveness is also very important for all types of business but only in the case of Troyan.

To govern the implementation of the OPs during the current programme period the parliament elaborated a particular law establishing roles of all governance structures (State Gazette 101/2015). On the top is the government which approves all programmes and measures and suggests projects to be funded. The lower level is represented by the vice minister in charge of coordination of all OPs, he is also appointed as a spokesperson between the state and the Commission. The Minister of Finance is responsible for the payments and financial issues of the EU funds. Every OP has its own Monitoring committee (MC) which is a multi-level governance structure responsible for the programming of the OPs, for the elaboration of the eligibility criteria on different measures and application procedures, but also for the elaboration of annual programmes for implementation of the OPs. The Committee is composed by two types of members – regular (RM) ones having rights to vote and associated members (AM) without rights to vote.

The analysis of the formal power structure of the MC of RDP shows that 1) the regional multi-level structures (regional and district councils), municipalities and multi-actor structures like LAGs are almost not represented in the MC; 2) central state administrative structures are overrepresented and dominate the decision-making process. Civil servants are 34 out of 64 regular members.

Figure 3.1 Formal power structure of the members in the RDP Monitoring Committee



Source: our calculations based on the publicly available data

The overrepresentation of the public administration contributes to the prioritisation of centralisation and central state control over the decision-making process and marginalises the local and regional actors. One very important actor (as its members create jobs for female workers in rural areas) – the associations of processors and producers of agricultural production was excluded from the RDP MC committee 'by accident' from the group of regular members and is mainly represented in the group of associated members.

The MC of the OP Regions in growth is composed of 54 regular members. All regional councils for development are represented but municipalities are represented only through their national association. LAGs are not represented at all and again the representatives of central state administration are prioritised. Similar is the situation in the MCs of the OP HRD.

The ex-post and interim Impact assessment studies on the implementation of the Operational programmes funded through the ESIF (European Structural and Investment Funds) (including funding for the 2nd pillar of the RDP and for the programme on fishery and aquaculture) show that its implementation contributed directly to the increase of the national GDP (with 1,2 % by 2015 and with 3,5% by the end of 2018). ESIF also helped to mitigate the unemployment at local level: municipalities which had received more support by the EU co-funded programmes decreased their number of unemployed population at about 10%. (EU Funds Contribution Report 2018 of the Ministry of finances)

An example of such type of projects directly impacting the level of unemployment in the CS are the projects developed by LAG together with an enterprise from the textile industry to create new jobs for long term unemployed in Troyan. The project is funded by OP HRD (see part 3). The OPs have a positive effect on the private investments, too. While the net effect of programmes on the private investments in 2015 was 0,2% by the end of 2018 it was estimated at 10,9%. EU funds also directly contributed to the increase of the employment rate of people aged between 15 and 64 years with 5,6% by the end of 2018. The expected indirect effects will be an increase of the quality of the working force. At the same time, the programmes implemented during the first programme period (2007-2013) and in particular the Regional development programme contributed much more to the development of the urbanised areas than to that of their rural counterparts. The focus was on the transport infrastructure because the construction of highways has been an absolute priority for the Bulgarian governments since 2009 up to now. Only few municipalities and their territories (mainly in South Bulgaria) were prioritised (the capital city attracted 44% of the whole budget for transport infrastructure). There is also a specific programme OP Transport but funds from other programmes are also used to develop all kinds of transport infrastructure. Projects related to the social (schools) and cultural heritage infrastructure, local administration and social services employed mostly local population. Other types of projects related to dwelling (energy efficiency) and transport infrastructure have created jobs but not for the local population where the projects are implemented. The data from our interviews show that this

discrepancy between the initial purpose of the projects (to contribute to the development of the local economy by providing employment opportunities) and the implementation of EU co-funded projects without hiring local workers (living in the area where projects are implemented) is an object of criticism among the local population and administration.

- *OP Regions in Growth (OP RinG)*

The OP Regions in growth (2014-2020) was approved by the commission in June 2015 and by the end of 2018 23,9% of the whole budget of the programme was contracted. The programme Regions in Growth (RinG) has 8 priority axes:

1. Sustainable and integrated urban development (no CS municipality supported by this axis);
2. Support for Energy Efficiency in support centres in peripheral areas (from the three CS municipalities Troyan is the only one supported by this axis through projects about improving the energy efficiency of existing dwellings);
3. Regional educational infrastructure development (no CS municipality supported has been by this axis);
4. Regional Health Infrastructure (no CS municipality has been supported by this axis);
5. Regional social infrastructure (one project in Troyan was supported);
6. Regional Tourism (no CS municipality has been supported by this axis);
7. Regional road infrastructure (no CS municipality has been supported by this axis);
8. Technical support.

One of them (2) is specifically designated to support peripheral territories and small towns with potential to become small regional support centres and to mitigate the depopulation. Troyan (CS area) is considered to be one of the regional support centres and is specifically designated to receive support (see 3.3.) (OP RinG, Annex Model for operational programmes under the Investment for growth and jobs goal, 2015:14). Three other axes from this programme are designated to support territories including these in rural areas: 3 is focusing on educational infrastructure, 4 on health infrastructure and 5 on social infrastructure, addressing the deinstitutionalisation of children and daily care social centres and services for parents, children and elderly people. A project in Troyan was supported. The next axis (6) is focusing on regional tourism projects supporting the development of various tourist services. The objectives of the programme are designated both to adapt the regions towards the profile of their local population, (mostly aging population but also people with disabilities and unemployed persons), while attracting tourists, and to create jobs for the active (working-age) population and to prevent them from leaving the region. The programme contributes to the increase of the share of employed people. However, most of the new employees are not from

the rural regions but come from the urbanised territories. No tourist projects were funded in the CS area from this programme.

- *CAP's second pillar: Rural Development Programme (RDP)*

The 2nd pillar of the CAP is implemented in Bulgaria through the Rural Development Programme. The programme was approved by the Commission also in June 2015, but faces several obstacles to be implemented. Only 8 out of 15 measures (1. Knowledge transfer; 2. Advisory services; 4. Investments in tangible assets; 6. Young farmers; 7 Non-agricultural activities in rural areas (Small infrastructure); 8. Investments in forest development; 9. Producers groups; 10. Agroecology and climate; 11. Organic farming; 12. Natura 2000; 13. Regions with natural and other restrictions; 14. Animal welfare; 15. Forestry preservation; 16. Cooperation; 19. LEADRE/CLLD) have been launched by the end of 2018. Meanwhile, measures related to the European Network for Rural Development (Measure 16 Cooperation (EIP-Agri) and Measures 19 LEADRE/CLLD) faced the most serious problems. While Measure 16 (16.1 EIP-Agri) was just launched under pressure exercised formally and informally by local organisations and the Commission in autumn 2019, the first contracts under Measure 19 were signed with 1,5 years of delay (Summer-Autumn 2019). According to the Ministry of Finances and its econometric model to measure the impact of EU funded programmes on the macroeconomic indicators (the so called Sibila simulation econometric model), the RDP did not contribute to the increase of employment as insignificant number of jobs were created in comparison to the other OPs. The data from the interviews confirm this. This programme contributes mostly to the modernisation of the agricultural sector (machinery and other technologies) and to the improvement of public infrastructure (roads and public spaces and buildings) in rural areas. RDP has positive effects on rural areas but at the same time the programme indirectly contributes to the increase of the shrinking process while not supporting the job creation in one of the most important economic sectors in the rural regions – agriculture and its supporting non-agricultural activities. Measure 7 was only used for rehabilitation of public spaces in small towns and villages.

64 LAGs applying the CLLD approach were approved by the Ministry of Agriculture and Food covering 118 municipalities (LAU 2) out of 265 (our calculations based on data from the Catalogue of LAGs in Bulgaria (2014-2020)). LAGs face serious administrative problems to manage the implementation of their strategies and in particular to administer the selected projects. Paying Agency State Fund Agriculture (DFZ) which is the public body responsible for the payments and ongoing control over the project implementation controls their activities rigidly and LAGs are partially losing their autonomy. Formally DFZ is working under the umbrella of MAF and is responsible for all payments provided by the European Agricultural Fund for Rural Development. However, permanent conflicts exist between these two structures – MAF and DFZ (Slavova et al.2016). The term employed by locals to describe this structure and its manner to function is: “*DFZ, this is State within the State*”. Thereafter, this discourages local communities to apply for projects supported by the RDP. LAG Troyan-

Apriltsi-Ougarchin (the CS area) is one of the most successful ones in the country but probably because this LAG tries to avoid contacts with DFZ and to implement its local strategy using other OPs, different from RDP.

The other EU strategies like the one on EU Smart villages and Bio economy are not applied in Bulgaria. Limited but important impact in the rural regions has the programme Life+ and Environment. The OP Human Resources provides important support for the CS area with projects helping to create new job opportunities for long term unemployed persons, for people with disabilities, as well as to support social enterprises (see part 3).

In the case of rural areas we identified two formal multi-level governance approaches – the LAG and the National Rural Network (NRN) and its regional branches. However the NRN in Bulgaria was only active between 2013 and 2016. Sometime between 2017 and the beginning of 2019 the network stopped working and then it was re-established in 2019. It is too early to understand its impact for the development of the CS area. The well-developed LAG we identified in the CS area turn into sorts of thanks to collaboration between business, farmers and LAG's managing body. Both approaches were developed under the EU pressure and with its support.

3.1.2 Regional and local policies directly impacting rural shrinkage

The national policy towards population shrinking is composed by several strategic documents addressing different territorial and governance levels (national, regional and local) and by specific sectoral policies addressing regional development, agriculture, transport, social policy, tourism, etc. All funding instruments implementing regional and sectoral policies are actually co-funded by different EU funds analysed in the previous section. There are no specific national or regional instruments relying solely on funding through the national budget, except social benefits for low income families with children, general health services, primary public education services, subsidies for unemployed people (up to one year), pensions and social aid for people with disabilities. All these exceptions are called “social payments” and their amount is insignificant at individual level (for ex. the financial support for children between 3 and 15 years is less than 20 euros per month).

Since 2012 BG government has developed several strategic documents related to regional development and in all of them rural areas are underlined as one of the key national strategic priorities. These documents are:

1. The National Strategy for Regional Development (2012-2022), where rural regions/ municipalities without a stable urban centre and with low levels of population density are highlighted as a specific priority for further development and support. The case of Ougarchin (CS area) is specifically mentioned in the strategy (p.23) as an example to illustrate these kinds of settlements, which have been established as small urban centres during the Socialist period on the basis of extended villages with the purpose to prevent the population flight. The MRDPW is responsible for the implementation of this strategy but our respondents did not

mention this document as important for the CS area. Moreover, with the exception of three respondents on the national level, everyone else stated that they had never heard of this strategy and its implementation.

2. Another strategic document focusing on rural areas is the National Strategy/Concept for Territorial Development (2012-2030). The responsible institution is again the MRDPW. The purpose of this document is to define, based on different types of data and following the integral approach, regions which need specific support. Five zones/categories of regions were highlighted: a) the Danube municipalities, b) mountainous municipalities, c) border municipalities, d) coastal municipalities and e) internal peripheral territories. All of these categories encompass only municipalities in the rural areas with low population density, which correspond to the term “depopulation regions” (p.26). The case study area addresses two types of these five most shrinking areas: the mountain and internal peripheral ones. None of our respondents mentioned this document as important for the CS area.

3. Another strategic document specifically addressing the population shrinking is the National Programme for Development: Bulgaria 2020, where the development of the rural areas is considered as a key priority once more. We did not find evidence for the implementation of this programme.

4. The Government Programme for Sustainable Development for the period 2014-2018 and its part related to the regional policies pays specific attention to the lagging [izostavasti] in their socio-economic development regions. As such are considered: the North-Western region and specifically the districts of Vidin, Montana and Vratza, the regions around the mountains Strandja and Sakar (SS) (both border regions and situated in the South East) and the mountains and border regions. To mitigate the shrinking in these regions the government created: 1) a specific Strategy for Economic Recovery and Development of the North-Western Region, Strandja and Sakar and other mountainous and semi mountainous lagging regions¹⁴ and 2) an Investment Programme for the Purposeful Integration of the Lagging Regions in Bulgaria (see the next part of this chapter for more details about this programme); 3) a specific evaluation scheme of the projects funded by the operational and non-operational programmes (EU co-funded programmes) giving additional points to projects implemented in these regions. According to our respondents, this is the only region-related advantage they really use in their work. *“Our region became part of the Northwest when Bulgaria joined the EU because of the distribution of EU funds. Before 2006, Lovech was part of the North Central region. The only benefit of this move is that when we apply for EU programs they give us more points because we are part of the most backward region.”* (BG_FG). 4).

In the same document (4) a Strategy for the Bulgarian Village is planned to be developed but this has not happened to this day. Except for the focus on lagging regions and villages, in this strategic document rural areas are also an object of specific strategic measures identified as

¹⁴ The lagging regions object of discussion in the strategic documents encompass 54,5% of the territory of the country where living about 30 % of the population in 149 municipalities (LAU 2)/ out of 265 (Purposeful investment programme for development of the NW, SS and other lagging regions, p.2-12)

important by the national government. The priority of the government is to increase the quality of life while supporting investments in infrastructure and conservation of local cultural and natural heritage, the non-agriculture related activities, the CLLD (LAG), etc. The development of agricultural activities is also among the priorities but is distinguished from the development of rural regions, e.g. the rural areas are not considered by the government only as areas for agricultural activities.

5. The national Demographic strategy was elaborated in 2006 and up dated in 2012. The ministry of Labour and Social Policy is responsible for the implementation of this strategy together with the Council of Demographic policy established in 2012. This strategy also stresses the problem of shrinking rural areas and of lagging regions. According to the updated version of the Strategy “in the context of transition from growing population regime to shrinking population regime the purpose should be to improve the quality of life of every citizen” (p.6). This objective aims to adapt to shrinking and not to mitigate it. Population shrinking is a ‘matter of fact’. The objective of the Strategy in its first version (2006) was not the same. It was to mitigate shrinking and in long term to stabilise the number of population. (p.5) Several measures are formulated in both versions of the Strategy (but almost the same) to tackle the situation of adaptation to shrinking. Among them is improving the quality of education, public environment, children and elderly people social care services, etc. The general message formulated by the two version of the Strategy regarding the rural area (understood as villages) is that this is the most intensively and the fast shrinking areas in Bulgaria, where the risk of poverty is the highest (in particular with regard to the female poverty). Special attention is paid to the statistical coefficient of total fertility rate. It is mentioned that although the fertility is highest in towns, the total coefficient is highest in the rural areas (again understood as villages). According to the Council, this means that more children are born by one woman in villages. This raises the question of quality of life of children in rural areas (Report on the implementation of the Demographic strategy 2011, p.10). Actually the implementation of this Strategy is understood mostly as an academic and statistical achievement. Every year the Council of Demographic Policy produces a report based on demographic data collected by the NSI showing changes in the demographic indicators and formulates general policy recommendations. An important methodological remark is that the Strategy does not apply the EU concept of rural and urban areas but uses the concepts of town and villages as they are understood as administrative units. All conclusions are formulated at national level and at the level of towns and villages. The Council does not monitor policy implementation of its recommendations.

- *Implementation of the strategic documents at regional level:*
 - *NUTS 2: North-Western region*

In order to implement the national strategies and to help the most lagging regions (the Northwestern region, Rodopi mountain region and Strandja-Sakar) to mitigate their negative development, the Regional plans for development of these three areas were drafted along

with an appropriate funding instrument for their implementation: The Purposeful Investment Programme has already been mentioned. We will focus more specifically on the Purposeful Investment programme and Plan for the North-Western Region. It was extremely hard to understand through desktop research if this Investment Programme has received a final approval from the government and furthermore if it was ever applied. According to our respondents (at the regional level), this investment programme was soundly conceived with the participation of all stakeholders but has never been approved and implemented by the government and/or the regional administrations. Respondents at the local level stated that they had never heard of such a document. Nevertheless, it is important to highlight some elements from this document. The main objectives of the Investment Programme are: 1) to overcome the economic backwardness, 2) to increase employment, 3) to attract investments in the region and 4) to mitigate the negative shrinking population processes. The aim is to help the region to reach levels of shrinking comparable to those of the other regions in the country, which also suffer from population flight (except for some urban centres). The period of functioning of the programme should be no less than 10 years. European Structural and Investment Funds (ESIF) are considered to be the main source of funding for the development of the programme. ESIF will fund investment projects suggested by the municipal (LAU) and district administrations (NUTS 3) responsible for the region. This governance model applied for running the programme seems to be quite appropriate as it is based on the bottom up model of decision-making about the relevance of the investment projects which should mitigate the process of complex shrinking. In order to attract investments, the implementation of several measures is planned: business preferences and different tax reliefs, including ones when enterprises investing in the region employ long term unemployed persons for at least one calendar year, etc. One of the main conclusions of the Investment Programme is that the North-Western region doesn't have enough financial resources and human capital to sustain and improve its own development (p.42) Another important conclusion is that the region is an artificially created set of districts and municipalities, which do not communicate with one another, e.g. the internal territorial cooperation is not successful and is not utilised for the purposes of development (p.47). The main instrument for development identified in the Investment Programme is the attraction of investments in manufacturing and industrial plants. The agriculture is not seen as a sustainable economic sector which can help the region to overcome the socio-economic problems it faces. Moreover, the manner in which agriculture has been developed for the last decade is an object of criticism, mainly the implementation of the CAP's pillar 1 (p.48). All measures and recommendations in this document seem to be well formulated and adequate to the identified problems but the question why this programme is not implemented remains open.

- *NUTS 3: District plan for development*

The district administration of the respective CS area (Lovech) elaborated a Strategy for District Development (2010-2015), where a key priority is to mitigate the depopulation of the

settlements in the district through job creation, sustainable employment and improvement of the competitiveness of the regional economy. Municipalities (LAU 2) belonging to the district of Lovech are grouped in three categories (p.63-64): industrial lagging urban centre (Troyan), lagging rural area (Apriltsi, Letniza, Lukovit, Teteven, Ougarchin), lagging mountain areas (Apriltsi, Teteven, Ougarchin). The strategy suggests that according to its characteristics every type of municipality should develop specific economic activities. Troyan should attract new industrial plants based on high technologies and also mitigate the process of industrial lagging. Apriltsi should be specialised in alternative tourism and should also rely on its natural characteristics of being a beautiful mountainous settlement with its local folk and food traditions (Bacon [Slanina] Fest). Ougarchin, being situated both in the mountain (some of the villages belonging to this municipality) and in the plain (another part of Ougarchin's villages), should further develop its forestry business and agricultural activities. Again, at NUTS 3 level we only found strategic documents. No specific funding instrument for the implementation of the strategic goals was discovered.

- *LAU 2 level: Municipal plans for development*

The lowest level implementing the regional policies is represented by the municipalities and their Municipal Plans for Development. In these documents the municipalities plan how many public and private investments they should attract in order to develop their areas. The EU co-funded programmes are the main source of public investment explored by the three municipalities in the CS area. The other sources of co-funding are the state and municipal budgets but they represent 20-25% of all funding.

In sum, we can say that the rural and regional development including the process of shrinking in Bulgaria is guided mainly by the European concepts and policies and their implementation at national, regional and local level. At a national level, the state only developed strategic documents but no specific national instrument, which could enact these policies, was developed and implemented. Our hypothesis is that at national level the problem of population shrinking is mostly used for political (including populist) purposes, as a narrative to attract public attention. This issue is not an object of specific policy measures, except the EU co-funded OPs created under the pressure of the EU and in the context of the EU membership of Bulgaria.

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

First of all, the lack of regional policies during the post-socialist transformations is considered as a major mistake. The reforms of the administrative-territorial division, including the last one from 2006-2007, carried out because the allocation of the EU funds are not taken as a form of regional policy. Established regional institutions (T. 1.6), are defined as completely inactive because of the lack of real power to implement specific policies in the regions (regional administration) and, above all, their advisory functions (regional council). *“The regional level,*

to me, is a different thing [not related to the application of real policies/a powerless structure with no agency] – I can just go and share my grievances. But nothing else.” (12_B1_LAU2)

The lack of regional policies directly affects depopulation, as large municipalities "suck" the population out of the smaller ones, with more resources available for investment in the public environment. According to the respondents, the only example of a kind of non-written but actively applied regional policy pursued by governments after Bulgaria's accession to the EU is the 'hidden' policy to invest mainly in several big cities (Sofia, Burgas, Plovdiv, Stara Zagora, Blagoevgrad, etc.). The lack of regional policies means centralisation, especially in relation to the finances and budgets of municipalities and informal political/governmental selectivity of investments. All 19 interviewed actors (local, regional and national) believe that municipalities, which are the main bearers of the concept of a region, are "left to themselves". The most important figure for the development of the region/municipality is the mayor. If the mayor represents the ruling party this is a prerequisite for attracting more financial resources allocated by the central government to the municipality while using different instruments, including OPs. Furthermore, the mayor may utilise his/her personal qualities - whether he/she is active and willing to develop the municipality, and his/her skills in using personal contacts and resources to achieve public goods and goals. In short, it is not the formal institutional governance framework that is important but the charismatic qualities, personal contacts and party affiliation. Shrinking is interpreted as a 1) result of general political (selectivity) and policy (on paper but not implemented) processes typical for the whole country and 2) as an outcome of the mayor's actions taken or not to create jobs and to develop the territory.

The second important omission is the limited ability to apply the principles of local governance. Practically, municipal finances are controlled by the central government, which does not allow municipalities to have their own and fully independent investment programmes. The planned investments of the municipalities, which are evident from the analysis of the municipal development plans, rely mainly on the funds from the OPs. It is therefore no surprise that an MRDPW representative concludes: *“OP projects are also seen as those which are efficient and are making a change in the area.”* (BG_2_REG_NUTS2). Centralisation leads to unequal, opaque and party-dependent competition on the part of municipalities to receive government resources. This is evident by the approaches, which mayors use to obtain resources. *„I prefer to go to the ministries. It doesn't matter that I am a member of the ruling party. Anyone can go. But thanks to the party, everything that needs to happen is happening.”* (B1_LAU2; C1_LAU2). Centralisation also prevents the targeting of appropriate individualised measures to specific municipalities, and the same approach is applied to all. The lack of regional policies targeting the specifics of the municipalities, combined with municipal budgetary insolvency and the dependence of the municipalities on the ruling party, not just on the government, leads to depopulation and forces the population to move to larger and richer municipalities.

Third, since OPs are the main public source of funding for municipalities, criticism is directed at their implementation. The most criticised is the implementation of the CAP (first pillar), as well as the RDP, (second pillar). Direct payments per unit area have been criticised for: 1) not creating new jobs for rural residents; 2) mainly stimulating the production of cereals and therefore forcing agriculture into a row material/stuff oriented monoculture; 3) concentrating public resources (direct payments and leased municipal land) and private assets (land purchase) into the hands of one (in smaller municipalities) or several (in larger municipalities) farmers. This leads to a kind of oligo-monopoly of land use. The second pillar of the CAP/RDP is criticised for the management and monitoring method applied by the Paying Agency State Fund Agriculture (DFZ). This state agency is criticised 1) for constantly changing the rules for application of different measures, 2) for changing the initially developed rules during the process of application and after the selection of projects, 3) for extending the period of project selection sometimes up to a year, and 4) for applying non-transparent monitoring procedures for projects, 5) for corruption scandals with regard to privileging civil servants and their relatives close to the ruling party (including members of parliament and deputy ministers), 6) for over-concentrating resources in measures aimed at investments in machineries, sports infrastructure and rehabilitation of municipal and rural centres, rather than at improving the labour market or the processing facilities and rural tourism. *"I think that there is something fundamentally wrong with the National Programme for Rural development. This is a programme, which is supposed to help develop tourism – guest houses and such. And they shut it down, because of the scandals with fraudulent exploitation."* (16_C1_LAU2). Municipalities, LAGs and business actors have experience with different OPs, and the management and implementation of RDP is described as the most problematic and dissuasive for people to develop activities in rural areas and hence in the regions themselves. OP targeted at HR development are criticised for the way they implement, for example, training and retraining programmes that offer too much general knowledge but fail to introduce them into a new profession or train specific skills. This OP is criticized also for the temporary employment it creates and these jobs often lead to segregation of the rural population by employment status (temporary vs permanent) but also by ethnicity (mostly Roma people are employed at temporary jobs and in specific sectors like cleaning). Despite criticism of the implementation of these programmes, they still create some economic activity or partially support the activity of the actors, which is reported as positive, but "piecemeal" and insufficient.

The fourth and last group of criticism refers to the governments' attempt over the last twenty years to cover up the real problems with the creation of populist strategies. An example of this is the Demographic Strategy and its updated version. According to our respondent, a member of the Council of Demographic Policy, the creation of this strategy is completely meaningless. This is a document which cannot be implemented. According to him, the strategy was created: *"just to have something that people want to have and to demonstrate that the state is considering the most important issue in the country – the depopulation. However, financial*

investments in families which decide to have a child is not an instrument to control the birth rate, it is a populist political instrument to control the less educated.” (3_BG_3_NAT) The elaboration of this strategy aims to explain depopulation as being related mainly to demographic characteristics and changes in marital and family patterns and thus to shift the focus away from the main one, which is that depopulation is due to bad governance, inefficient policy and political practices, and the lack of regional policies that cover all sectoral needs.

The outlined criticism describes the implemented policy strategy for governing rural regions - it is a policy of municipal self-adaptation to depopulation rather than an attempt to mitigate it or to apply ideas of “smart adaptation”. If in some municipalities attempts are made to adapt or to mitigate the shrinking process, as in Troyan, this is despite official policies and due to the use of local strategies, EU resources and leadership.

The investment in transport infrastructure in the last 10 years done by the government, but funded through EU OPs, is mentioned as a good practice, underlying mainly the current construction of the Hemus highway (the ‘North highway’). However, this investment is estimated to be very late and therefore stimulated depopulation. According to the respondents, for many years the government’s attention has only been focused only on Southern Bulgaria, in which two completely new highways were built in 10 years and the existing one was finished. No new highways have been built in Northern Bulgaria.

However, there are areas which are not covered by Common European Policies, only national policies are applied for their implementation and those seem to have the greatest impact on the depopulation of the regions according to the respondents. Such is the educational policy, the implementation of which involves the closure of schools (see part 1), characterised by a decline in quality and by aging and lacking teaching staff. The implementation of this policy literally drives families with children to leave rural settlements, with ethnically segregating effects. There are also exceptions from this ‘rule’ but these are isolated cases. Health care policy is another example. Similarly, there are settlements with no public transport or basic shopping facilities, including pharmacies.

Recommendations are 1) to develop real regional politics with specific funding instruments, oriented towards key public sectors like education, health and transport connectivity and towards attracting people to work in these public sectors, 2) to decentralise municipal budgets but not only ‘on paper’, 3) to define specific regional measures for different types of rural areas, 4) to diversify agricultural production and to develop processing facilities related to it.; and 5) to think about depopulation not as a demographic issue but as a complex socio-economic problem, as a shrinking.

3.3 Local responses to shrinkage

3.3.1 Coping strategies

We discovered two groups of strategies, which local actors use to cope with shrinking: the first one relies on private initiative and informal networks. It employs local and private resources and aims to adapt to the situation of shrinkage (and through adaptation to mitigate the shrinking of the population). **The second one relies on policy support.**

- *Local strategies relying on private initiative and informal networks*

Troyan is the biggest of the three CS municipalities and is perceived by the other two as a specific regional economic (employment) centre in the area. We have noticed a big discrepancy between the manner in which Troyan is described in the policy documents as 'lagging economic centre' or as peripheral support centre and the perception of locals describing the municipality as the most developed in the area. This is because Troyan is considered to be in a period of strong economic revival/development after suffering during the last economic crisis (2008-2012) and offers jobs to many people from the region. So the first coping strategy we discovered is the informal regional strategy linking less developed municipalities to the most developed one. This strategy was invented by the private business organisations which, suffering from the shrinking population problem leading to the shrinkage of the available work forces, employ people from the neighbouring municipalities and develop their own private transportation structures. At the same time public transport facilities among three municipalities are weak and irregular. This is an obstacle for the further integration of settlements and there are no available public funds or projects which could strengthen the connectivity. A continuation of this informal regional strategy is the establishment of common LAG. During the previous programme period LAG was established by the actors from two municipalities – Troyan and Apriltsi, but during the current period Ougarchin joined it for administrative ¹⁵ but also for regional purposes (common projects, employment, transport). Now the three municipalities have a common purpose – to attract people to stay/return or to come '*in the region*'. This strategy is implemented by the three municipalities, as they seem to be more and more connected - municipal and administrative borders start to have less importance than regional borders created through connectivity and interdependences.

During the last 10 years municipalities and in particular their mayors have been forced to develop strong relationships with local private business organisations and this is another informal local strategy they use. This concerns mainly the mayor of Troyan, who started her third term in October 2019. She is not a representative of the ruling party and coalition (GERB – Patriots') but of the opposition (Socialist party) and struggles to have equal access to funds like its colleagues from the ruling party. Local businesses started to invest in health services, in cultural events and to support different municipal initiatives that cannot be covered by EU

¹⁵ If a LAG is composed of more than one municipality, its chances to attract public funding increase, due to the requirements of the RDP.

co-funded programmes. As one of our respondents - the biggest employer in the Lovech District based in Troyan says: *"I am from the ruling party, and I am in the managing body of CRIB [the closest to the ruling party national business association] and can tell you that Boyko [Borissov – the Prime Minister] supports only mayors from GERB [the ruling party]. And this is not the case of Troyan. (...) I support the local hospital; I help schools and the kindergartens... first of all I am from Troyan."* (9_A2_LAU2) All municipalities in our CS area try to develop good relationships with the local business as a specific strategy to find additional sources of funding, to negotiate job opportunities (serves as an informal mediator between job seekers and local businesses) and this is the fastest and easiest way to find solutions to some problems for which no appropriate programmes and measures exist. Private support goes for offering municipal grants for students enrolled in specific programmes (like medicine) against the obligation to return and to work in the region for at least 5 years. Some of this support, combined with public funding support, is used to develop cultural and sports activities for children (all ages) while supporting theatre, cinema, sports clubs, exhibitions, etc. The municipality of Troyan also has its own fund for assisted reproduction and every year helps many families. The same fund exists for helping the local population with atypical illnesses requiring expensive treatment. While using private resources and relying on patriot type emotional oriented local businesses, the municipality invests in cultural and social initiatives in an attempt to mitigate the depopulation. The business sector in other two municipalities is rather small and helps to co-fund some ongoing cultural initiatives. In addition, the two other mayors - one elected for the first time (Apriltsi) and another one just re-elected (Ougarchin) are representatives of the ruling party and they can also rely on central state support. In return many of the local business leaders participate in the local governments and take part in different consultative bodies. While participating in local governance, businesses' willingness to support different municipal initiatives will remain strong.

- *Strategies relying on policy support*

To implement their municipal development plans, municipalities rely on OPs funding. They use funds to address mainly three types of social groups: 1) the youngest (residents and non-residents who visit the territory on a regular basis during the weekends), while developing projects to renovate sports and cultural centres, schools and to entertain different cultural activities (folk dance groups, theatres, choir), 2) groups in risk (living on the territory) – elderly/dependent people, people with disabilities, low income people experiencing difficulties to cover their basic needs (food, heating, clothes), and 3) tourists through developing tourist itineraries, renovating urban areas, developing festivals relying on local or "reinvented" rural area resources. The OPs funds represent an opportunity for municipalities to create additional but often temporary jobs and to offer them to some of the youngest people or to people from the Roma minority. *"Next to every person in the municipal administration approaching the age of retirement I put [employ] one young person just to offer to her/him a job and to retain her/him here in the town, and not to lose him/her. You see how many young people we have*

here in the municipal administration.” (12_B1_LAU2) In the small towns like Apriltsi and Ougarchin, the municipal administration is one of the biggest and probably the most important employers, in particular for young women. The identification of these three social groups (young, elderly people/ people with disabilities and women) means that local administrations try both to attract people to come into the region, and also to adapt the situation to the needs of the existing population in order to help local people to feel more integrated. All mayors consider the depopulation as something that is common for the whole country and cannot be stopped but can be mitigated through representing the region as a source for reinvention of the calm rural life. To describe the situation of depopulation and the efforts done by the locals to adapt to this, one of our respondents used the metaphor of a *“downhill car that you keep pushing your brakes on”* (14_B3_LAU2). Apriltsi and Ougarchin consider the natural endowment, cultural rural traditions and the agriculture as the key resources which should be used to convince locals to come back and to attract tourists. The main strategy used by Troyan is to rebuild the town as a “local economic tiger” offering less skilled but also high skilled non-agricultural jobs, as well as a good, calm and clear living environment with plenty of entertainments for families.

The private actors are much more oriented toward developing policy supported strategies helping them to increase their competitiveness. They apply for OPs related to training/qualification and employment (new and existing jobs) and to introduction of new and improved production facilities and innovations. This is because many of them are already part of the global supply chains of different global companies like IKEA, BRAUN, automotive corporations or have kept involved in some international markets and still continue to export. Most of them are working as sub-contractors, but it appears that they struggle to find workers to implement their projects. In Troyan a group of three of the biggest employers are preparing to welcome in March 2020 the first 30-50 workers, coming from abroad (India, Kazakhstan, Vietnam). For this purpose, they rely on bilateral agreements signed by the governments of the respective countries. Workers will stay for up to three years and then they can be replaced by others. They will be employed in textile and wood and furniture industries. Nevertheless, it seems that the main problem faced by the local business is not with the depopulation as a whole but with the shrinkage of the qualified work force. The shrinkage of the work force in the area is due mainly to the temporary mobility and immigration of people working abroad but also to the area close to Troyan (70-80 km) which is economically very well developed (Sevlievo) and absorbed qualified workers during the crises 2008-2012. Nevertheless, the temporary workers are seen as the main problem because they are working for a limited number of months abroad (in Western Europe), come back, but do not return on the labour market and rely on unemployment benefits and on money they had saved. *“Next morning, go to Tiffany Cafe downtown, this is the meeting point of all people returning from abroad. They are young and most of them are very well qualified but they didn’t come back here to work, they are now in vacation, relying on subsidies. They will stay here some months up to a year and then they will abroad again and then back, etc. And the state, me and you,*

we pay them for not working." (9_A2_LAU2). A third strategy developed by private actors to deal with the shrinking labour force does not rely on policy support directly but on a family-centred strategy instead. In all three municipalities all business actors we interviewed rely on the different generations of their families to continue developing their businesses. Family businesses keep people in the region. Young generations are very well educated, some of them abroad, but returned to Bulgaria and are now a vital part of the family business.

The local NGO actors are much more oriented towards reinventing some traditional crafts in new ways. They use cultural practices or create new ones based on old and popular symbols to offer social services. They are keen on uniqueness of the craft production and on the imbedded social relations and rely on that (uniqueness) for attracting tourists. They hope to be able to bring back the natives, who left the region to live and work in other towns but come back during the weekend (social relations) and are part of the cultural and social life in the region. This is why the NGOs' main strategy is to participate in and to organise local fests, regular dance session and competitions, local meetings. Those practices are also aimed at helping elderly people. A good example in this direction is an NGO initiated by someone living abroad and collecting donations for developing social care activities for elderly and isolated people in the area of Apriltsi. This NGO created a daily social care centre (including recreational and work therapy activities for elderly people), and facilities for preparing and delivering fresh food. The approach of the NGO is to develop activities and to offer resources to the local municipality to sustain and manage these activities, with the support of the available EU funds. But this model of cooperation does not function very well, as the quality of the services dropped down when since they were transferred to the managements of the public institutions. It is interesting that local NGOs did not apply for EU funding. They rely on the state subsidies (in the case of traditional cultural centres - Chitaliste), on bilateral negotiations with mayors which rent them some public spaces appropriate for their activities, and on donations from abroad. Only LAGs, in some cases develop projects where cultural centres take part and use public resources to renovate the existing infrastructure (the case of Chitaliste in Apriltsi).

- *Resources*

The main resources different local actors rely on in order to retain active citizens in the region, to bring back the natives, who had left, and to attract newcomers are:

- The developing economy of the region converting itself to the global markets while using traditional for the region crafts (ceramic), industrial (wood, textile, electronics, machineries) and agricultural production (plums, organic milk and meat, wild berries and herbs), including new "treasures" like natural truffles (Ougarchin);
- The natural endowment in terms of mountain attractions (Central Balkan) and environment and the reinvented beauty of the rural life as a kind of escape strategy from busy, noisy and dirty urban centres;
- Rural cultural and social life relying on personal relationships.

The governance of these resources does not rely on specific formal arrangements between local actors. The personal figure of the mayor, not simply the institution of mayor, is the most important in the governance process because the mayor acts as an employer, decides on which OPs measures to apply, chooses the priorities, and is the figure linking rural areas to the central state. None of our respondents mentioned the Municipal Council (MC - the local parliament) as an important structure in the local life, although many of them are members of the MC. On paper the MC has important powers and can break every mayor's initiative. In the three municipalities we did not discover a conflict between the mayor's power and the multi-level governance structure which is the MC.

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

According to our CS data four of the operational programmes are predominantly addressing (directly and indirectly) the population shrinking process in the investigated area by trying to develop agricultural and non-agricultural practices (RDP); by supporting small and medium enterprises, innovations and competition (OP Innovation & Competitiveness – I&C) and by supporting human resources development through training and education, temporary job creation and social care and services development (OP HRD) and finally by boosting regional development in terms of infrastructure, renovation/energy efficiency of dwelling, etc (Regions in Growth OP – R&G). The general purpose of all these funds is to mitigate (if possible) the population shrinking but *mostly* to adapt regions to the situation of shrinking. The beneficiaries applying for these funds at CS level can be different. Municipalities and LAGs are also specific types of institutional and collective beneficiaries.

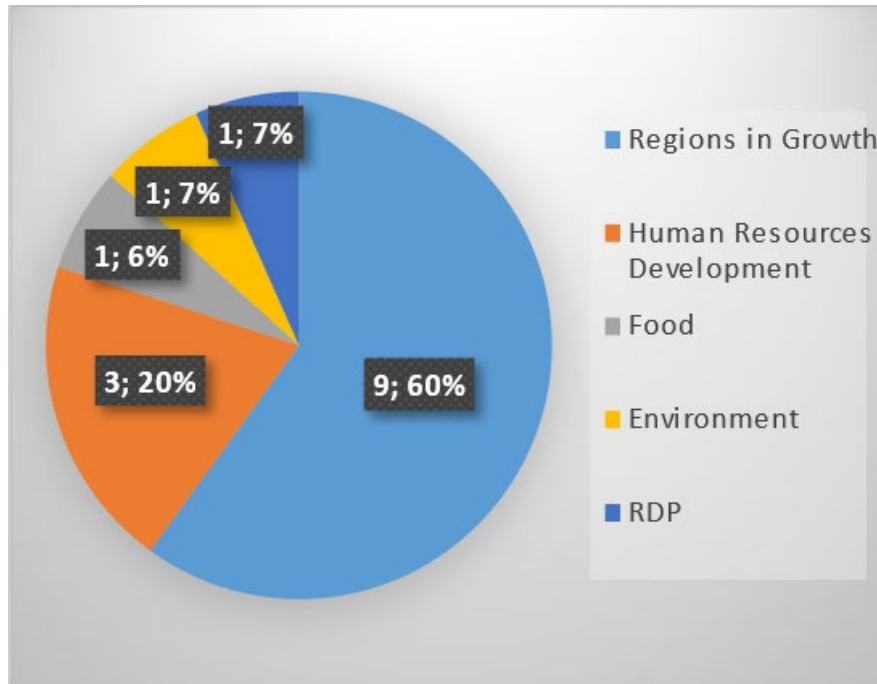
- *Municipalities as beneficiaries of OPs funded projects*

During the current programme period (2014-2020) the municipality of Troyan is a beneficiary of 15 EU co-funded projects (9 782 013 euros)¹⁶. Other municipalities in the CS area are also trying to collaborate though joint project applications. This is the case of the project about composting municipal waste which is collaboration between Troyan and Apriltsi (OP Environment). Still, a key problem with municipal projects observed by our respondents is that local population often only uses the final results of the project rather than being involved in its execution. For example, the municipality of Troyan is involved as a beneficiary in all 7 projects related to energy efficiency of public and private buildings but the executors of the diverse activities are almost the same enterprises and only some of them are registered in the Lovech District Court, e.g. are local. This is not an illegal practice and actually is commonly used by public beneficiaries but is an object of criticism from the local population. The Public Procurement Act which is mentioned as the key obstacle to the possibility to employ predominantly local enterprises in the municipal projects. Local enterprises cannot compete with the biggest in the country which can usually offer the lowest price for the requested

¹⁶ All data about OPs projects at LAU level were collected through the publicly available archive on the official website created by the government: <http://2020.eufunds.bg>.

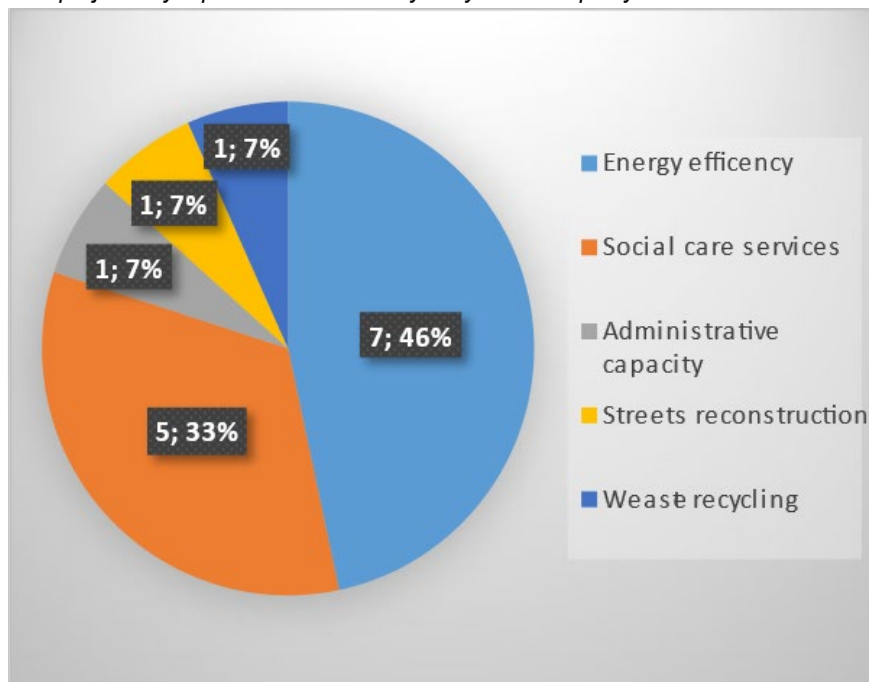
services. Nine out of 15 of the EU co-funded projects of the municipality of Troyan are supported by the OP Regions in Growth and 3 out of 15 by the OP Human Resources. This means that the EU cohesion and social funds supported 12/15 projects and have the biggest influence at municipal level in the most developed municipality in the CS. The municipality of Troyan implemented only one project funded by the RDP (measure 7 small infrastructures).

Figure 3.2 Contribution of the OPs – lead beneficiary Troyan municipality



Source: Our calculations on the basis of publicly available data on the eufunds.bg

Figure 3.3 OPs projects by topic - lead beneficiary Troyan municipality



Source: Our calculations on the basis of publicly available data on the eufunds.bg

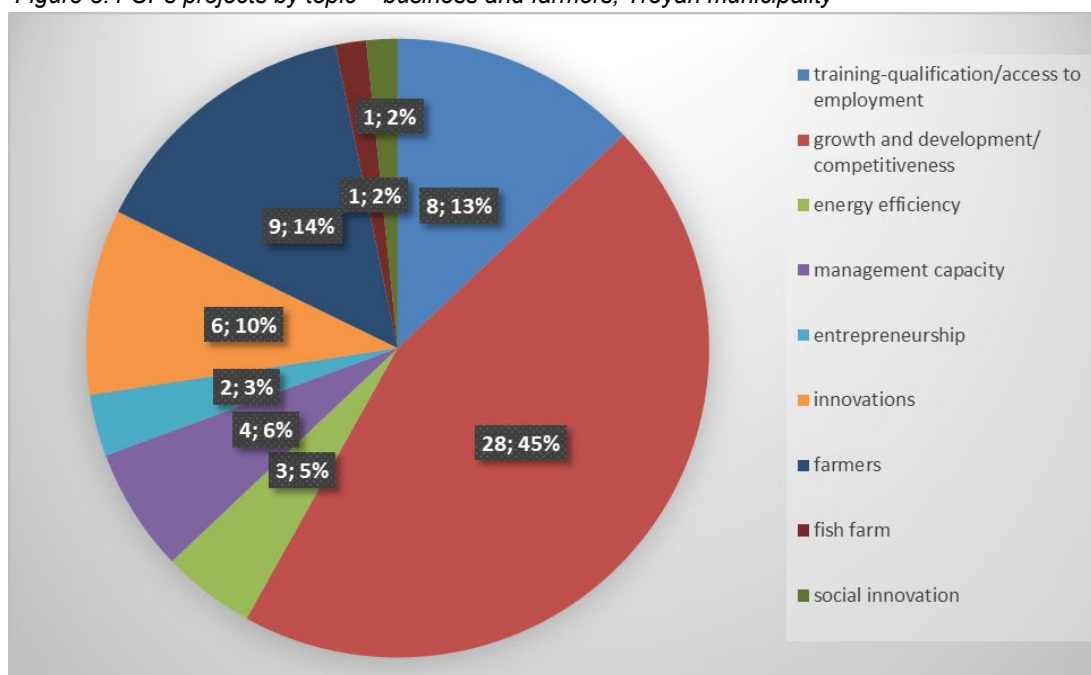
The municipality of Ougarchin itself is a beneficiary in three projects (733 481, 0387 euros). The first project is funded by the OP Foods through which the municipality offers warm food to less fortunate and elderly people. The second project is funded by the RDP (measure 7), through which the municipality is renovating the municipal park and central space of the town of Ougarchin and of two other settlements. The third project is about offering different social and health services to dependent elderly people and is funded by the OP HR. All these projects are in line with the adaptation strategy, followed by the municipality's attempt to offer services to two of the social groups at risk, living on the territory – elderly people and the less fortunate. These projects also try to address the needs of the young population through renewing public spaces. These projects have little impact on job creation in the territory as the main suppliers of the services in these three projects are enterprises employing people from other regions. Still, those projects have important social impact in helping people by providing access to social services and to renovated urban spaces. This is also in line with the adaptation rather than the mitigation strategy.

The municipality of Apriltsi is a beneficiary in 7 EU co-funded projects (1 780 051,615 euros) One of them is a previously mentioned joint project with Troyan on municipal waste. 4 others are funded by the RDP and its measure 7. Project funding was used to reconstruct and furnish the last remaining school in the municipality, to renovate the sport centre and one of the cultural centres and to reconstruct some streets. The commitment of the municipality to these projects can be interpreted both as an adaptation and mitigation strategy oriented approach towards the younger population. However, on the other side, all these public infrastructure renovations are supposed to be used by tourists visiting the region looking for different attractions and by newcomers in Apriltsi who are buying houses and making them their second homes. This is the only one of our three municipalities where the RDP has the biggest influence for the future development of this rural area. This is because the municipality was attracted by the non-agricultural measures offered by the programme. Actually all municipal projects were elaborated and executed together with LAG and it is the LAG administration which helped a lot to deal with all administrative burdens. Otherwise, the municipality itself would have been unable to execute and implement the projects. The other two projects (OP Foods and OP HRD) realized in Apriltsi are oriented towards elderly and less fortunate people and they are exactly the same as the projects in Ougarchin. This social type of projects of the municipality were supported by the activities performed by the NGO Apriltsi Foundation which is collecting donations to further develop social care services. During the projects development municipalities are not only relying on their knowledge of the local needs but also trusting the technical and expert knowledge of independent consultants. Municipalities, and in particular the small ones have weak administrative capacity to draft complex project documentation and often consultants have a decisive role while choosing which measures to apply. It is not by chance that the consultants' association (BACEP) is represented in the monitoring committee of all OPs.

- *Business actors*

Business actors are much more interested in other OPs as their strategies are oriented toward adaptation to the shrinking work force process through technological and technical modernisation which helps them to increase their competitiveness. Private actors in Troyan take advantage of the funds provided by four OPs, among which is the OP on Innovation and Competitiveness with 43 funded projects absorbed out of 62 (13 940 337,6 euros), followed by HRDP (9 out of 62) and RDP (9 out of 62) and by the OP Maritime affaires and fishery.

Figure 3.4 OPs projects by topic – business and farmers, Troyan municipality



Source: Our calculations on the basis of publicly available data on the eufunds.bg.

Projects funded by the RDP concern exclusively one particular measure – 6.1. which supports the establishment of a new farm and its young farmer. All funded projects under this measure support the development of orchards (plums and apples) which are typical for the region. The only exception of this trend is one project aimed at development of processing facilities. All projects funded by the RDP were signed between 2018 and 2019. This is a sign for the lagging of the programme’s implementation. The LAG is very active while supporting SME and farmers in applying for projects. 13 out of 62 private actors’ projects in the municipality of Troyan were developed together with the LAG. Some of these projects are oriented towards improving the competitiveness of SME. Other projects focus on supporting the development of different social innovations. A third group is dealing with improving the qualification of unemployed people and the creation of new jobs. One project supported by LAG is about social innovation, e.g. providing social care services for children and their parents. All projects developed by LAG were funded by HRD programme or by I&C. No were projects funded by

the RDP which again is a sign of the lagging of the programme's implementation but also of the LAG's resistance to apply for measures under this programme (if possible) because of low administrative capacity of DFZ they experienced. One of the main objectives of the strategy for local development of the LAG is to stimulate job creation and social innovation in its respective area. From the project supported by LAG it is obvious that this multi-actor structure tries to foster project development competences and skills in the organisations of the respective micro and small businesses. LAG is also working with medium and large business organisations with the purpose of negotiating job creation and boosting the qualification of the labour force. However, its focus is on micro/family and small business organisations. This is a kind of strategy to support the less qualified and the less experienced with project management to have access to resources and to keep them working in the region.

The absorption of EU funds by local business actors in Troyan suggests that they try to adapt towards shrinking. Their plan is to attempt mostly to modernise their enterprises with new technologies in order to help the production sector to become less vulnerable to the shrinking of the work force. At the same time, most of the business actors are trying to improve the qualification of their workers and employees, as well as to hire fresh workers, mostly less qualified, thus giving them a chance to find jobs in the area. This is LAG which mostly tries to convince businesses to apply for HR development projects through qualification and training and to serve as a mediator between the less qualified population and the local businesses.

Different OPs funded 15 different projects developed by private actors in Ougarchin (1 414 106, 068 euros). Five projects were developed together with LAG and all are oriented towards social entrepreneurship, job creation, integration of less fortunate people and marginalised populations. All of these 5 projects are funded by OP HRD. Nine projects are funded by the RDP and are oriented towards young farmers (measure 6) and organic agriculture (measure 11). One project (the most important in terms of funding) is covered by the OP Maritime affairs and Fishery and supports the establishment of a fish farm. The absence of projects funded by the I&C OP confirms that Ougarchin is mostly oriented towards development of agricultural activities. In comparison to Troyan and Apriltsi, this municipality is less industrialised and a major part of its population is less educated. EU co-funded projects confirm the adaptation strategy, which the actors implement in order to adapt themselves to the existing human resources and investment opportunities in their development.

All 10 projects developed by private business actors and farmers were funded by the OPs on the territory of Apriltsi municipality (1 692 618, 045 euros). Half of them were developed together with LAG and are funded by the OPs HRD and I&C and are oriented towards new job creation, social enterprises and improving the competitiveness of the micro and small enterprises. The strategy of the LAG is to adapt the region to the situation at hand and through this to mitigate the shrinking process. In contrast to Troyan, where the unemployment rate is very low, in Apriltsi this is an important issue. Creating jobs, requiring different levels of qualification, for the local people is one of the main strategies to mitigate shrinking. Other four

projects which are oriented towards energy efficiency, innovation and competitiveness are funded by OP I&C. Only one project is funded by the RDP (new farm for a young farmer).

3.3.3. Local visions concerning future pathways and available policy support

- *Mitigating shrinking process in Troyan: “We need complex regional policies to improve the quality of life.”*

In the three municipalities we were able to discover three different local visions for the future pathways which need different types of policy support. It is obvious that local actors draw these visions according to their specific economic, social and personal positions as it is hard for them to speak about depopulation issues in general. The most important tool through which the local actors are trying to mitigate and even to stop the shrinking process in Troyan is the economic development (industry and crafts). To have a strong business community and to offer more and more various categories (requiring less skilled and high skilled labour) of jobs is the most important pathway to stop the shrinking processes. In Troyan shrinking is interpreted mainly through the concept of employment. Nevertheless, two additional concepts are also associated with it – the quality of life which reflects mostly the issues with the development of public services like education, health, culture and entertainment, and connectivity which deals with transport infrastructure (better and regular connectivity between different settlements in radius of 60 km.). The concept of nature is also touched upon, but it is rather part of the quality of life theme. The shrinking process is explained by the locals as one of development of linkages between these three concepts. Currently in Troyan there is no unemployment, but the quality of life and connectivity are in no good condition. The reason behind the lack of unemployment is the effort of the local businesses and their efforts, e.g. reliance on private resources. The low quality of life and level of connectivity is due to the missing regional policies and state support. Certainly, the local understanding is that shrinking is neither a demographic, nor a family issue. This is a complex socio-economic question and is an expression and a kind of evaluation of the quality of the existing policies and their implementation in relation to the three abovementioned concepts.

- *Adaptation toward shrinking/decline in Ougarchin: “We need support to maintain public spaces and to become a visiting destination, to survive.”*

Locals in Ougarchin have different understandings regarding the developments of the shrinking process. Due to the fact that they almost completely lost their public services in terms of health services and schools (currently only one existing in the town but was segregated and is considered unimportant for the future development – existing rather for statistical purposes as of now), part of the surrounding settlements have not regular connections with the municipal town. The future vision is aimed at adaptation to shrinking through maintaining local cultural rural life. This vision was described as a powerful structure for the local population but also for the local migrants living and working in the biggest towns, who only return for the weekends. Cultural life is also important for attracting tourists and even persuading newcomers to buy houses in the area. Cultural life is closely linked to

another concept of adaptation related to reinvention of the rural areas through festivals, local food, and environment. The purpose of this concept is to attract tourists, but also locals in migration. The third concept is connectivity. Ougarchin relies on the highway (still under construction) to make the town more visible and accessible. The municipality also hopes that the highway will reinforce its local importance being the only relatively big settlement in the area serving as a 'central point' for the surrounding villages. Undeniably Ougarchin does not rely on its own local businesses to create jobs as its companies are rather with a micro and agricultural profiles. They do not expect to attract investments in the region as they haven't qualified work force. Moreover, local cultural activities and tourism offer jobs (public administration and subsidised temporary jobs) and attractions for women who are very important for the shrinking process. Having this vision, the most important policy tool for this area are funds related to rehabilitation of small infrastructure in the rural area (RDP), and all funds related to social enterprises and innovations and integration of less qualified workers (HRD). They have the potential to create jobs for women (mostly related to local culture and traditions, or in small local businesses).

- *Apriltsi: between adaptation and mitigation through a new food processing industry and mountain tourism*

In Apriltsi we discovered three other concepts used to describe the possible future pathways. The first one is oriented towards available resources, which should be further explored and in a smarter manner. It includes plans for 1) the mountain which should be made more accessible to tourists and should offer more attractions, 2) for supporting recreational tourism and 3) for utilising the geographical location, which influences the economic development of the municipality. Apriltsi is situated between two 'micro economic tigers' in the broader region – Troyan in West and Sevlievo in the East. The 3-4 most important local enterprises (SME) are oriented towards industry production (subcontractors of global corporations) like the majority of enterprises in Troyan and Sevlievo. Apriltsi's industrial potential has already been reached (having in mind the lack of a work force, and the existing one's absorbed by Troyan and Sevlievo). There are no processing facilities to offer local and non-local food to tourists. Such processing facilities could potentially offer jobs to women and to the young temporary workers, who are abroad, but might be seeking an opportunity to return to Apriltsi. Apriltsi's industry needs diversification. The current development of tourism is not fully achieved, due to the so called 'dead season' (a time of the year, when no tourists come to the area), which lasts for 2-4 months per year. Different attractions are needed to reenergise tourism. In contrast to Ougarchin, in Apriltsi an investor in the food processing industry is actively being sought. There are also livestock breeding farms in Apriltsi, a local fest is being organised and non-agricultural activities are being diversified (e.g. educational services). But in order to develop all these activities, the locals need policy support. Firstly, the existing sewerage should be renovated but municipality is not eligible to apply for EU funds (see part 4). Secondly, Apriltsi needs to negotiate with the energy supplier (there is only one supplier in the area) to invest in improving the electrical infrastructure. Apriltsi also needs to reconstruct its

streets and pavements. This municipality illustrates very well how the lack of policy support could hinder the development of existing natural, social and economic resources, which have the potential to attract a regular population and visitors.

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

4.1 Towards future pathways: enhanced intervention logic along innovative experiences

It is hard to say that local actors have a common vision regarding the future pathways in relation to specific policy support. It is more correct to say that local visions exist, but they depend on the position of the actor and their own plan to develop their activities. We will try to summarise local visions by municipality, as they have quite different social, economic and rural profiles, despite being neighbouring areas belonging to one district.

- *Troyan*

This is the municipality, to which is difficult to imagine itself as a rural area, as the term “rural” in Bulgarian is associated with villages and small towns like Apriltsi and Ougarchin. Troyan become “rural” because of the official policy related definitions applied to split the regions into two categories after 2006, using the sole criteria - number of living population. But local population does not accept this term and considers it artificial and not suitable to represent the town and the municipality. One of the reasons for this spontaneous local criticism of the “rural” as an EU policy concept is the local development of crafts and industry. The resistance of these two sectors during the economic crises and their flexibility to become part of global industries is the main innovation of the municipality. Firstly, it helps not only to adapt but to try to mitigate the depopulation. Troyan builds its historical but also contemporary identity on these two economic sectors. Secondly, in terms of economic development Troyan is comparable and almost equal to the central district town – Lovech. Furthermore, it offers jobs to thousands of employees traveling every day from Lovech to Troyan. This phenomenon is perceived by locals as a sign of urbanisation and not of ruralisation. The criticism towards the policy concept of “rural” can be interpreted also as an expression of the future vision: to mitigate and even to stop depopulation. Consequently, according to the understanding of locals, the shrinking population process not always leads to loss of local identity or to identity change and this should therefore be considered on the policy level. This means that the shrinking process is rather complex and cannot be interpreted only from a demographic point of view. This understanding can explain the vision of local actors towards future development. Troyan will continue to develop as an ‘economic tiger’ in the area and will start to attract newcomers or to retain its population through offering more and more medium to high qualified jobs in the industry-based services and crafts. These economic prospects will be more attractive, as they will come in combination with the calm and comfortable living environment, close to the nature and local cultural and natural heritage endowments (like Troyan monastery and Central Balkan). One of the hindrances which may stop this process is the development of educational services (primary and secondary education) and the development of cultural institutions. Active and younger people need entertainment, attractions and quality education. The development of these activities is not well enough integrated in the EU co-funded projects implemented by the municipality and by the business

actors across the territory. Another problem which became more and more visible is the segregation of population by ethnicity and culture. One of the latent conflicts we discovered in the gathered qualitative data is between the visions of the representatives of cultural institutions on one side and the business actors, on the contrary one. The latter rely on the Roma minority from the region and try to integrate them by offering jobs, transport and other social services. Cultural institutions like museums and galleries, on the other hand, remain on the offensive and perceive the increased number of Roma as a threat to the region's development and to the old time 'bourgeois type' of culture.

Several groups of people were designated as potential targets to help mitigate shrinking. At first glance these are workers coming from abroad, followed by young skilled people who want to leave big urban centres and to explore small towns like Troyan (there are already such examples of IT engineers and their families). The third group encompasses a part of the temporary workers who will stop to travel between Bulgaria and Western Europe and will find well paid jobs in Troyan. This may happen if the level of salaries increases together with the level of qualification of the workers. The way to ensure this is to use new technologies and to introduce innovations. This is why many of the business actors apply for projects related to the enhancement of their competitiveness and to workers' trainings. So, the main resource of Troyan is the local developing business and craft industry and its capacity to attract new social groups, through offering jobs and natural endowments while increasing the quality of life.

- *Ougarchin & Apriltsi*

The future pathway designated by the local actors in these two municipalities is related to agriculture and tourism development but the latter is understood in a different way. The new mayor of Apriltsi will try to attract important and serious investors in the field of the processing industry. Thus, he will try to create more jobs for local young populations. He will also try to apply for EU funded projects to develop mountain attractions. His idea is to attract two groups – locals (who are living there or those who are travelling to work abroad and are not always present in the area) and tourists. He did not believe that the newcomers are important for the development of the municipality, as in Apriltsi there are many newcomers who buy/build a second home there but do not participate in the local life. They just use the natural endowment of the area but do not develop activities attracting other people. There is a latent conflict between locals who contribute to the life in the region and the newcomers who are just users of the existing resources. Local business is rather small and also relies on local employees. Mountain tourism development is the main resource of Apriltsi and should be utilised in an innovative way to attract the population.

The mayor of Ougarchin seems to be very realistic in saying that the depopulation cannot be stopped. According to him, the task of the municipality should be to adapt to this process by trying to make the municipality more attractive for people living outside but returning on a regular basis in the area for different purposes (extended families living there, the purchase of second home, participation in cultural and tourist events, organised by the municipality, local

NGOs, hunting, etc.). He believes these are naturally existing social relationships, which bind people to the local environment. Those natural relationships with the area should be reinforced. This might be achieved through EU funding to gentrify the public space. This will stimulate people to come back and spend more time in the area. Some of people might be inclined to relocate in Ougarchin, while still traveling to work in the bigger cities in the area. The *rural tourism* is the main innovation in the area. A better transport connectivity would link Ougarchin to the nearby towns and thus to support this kind of development. The main resource to achieve this aim will be the highway (which is still under construction).

4.2 Broadened and more suitable policy support

One of the main challenges in the CS area is related to the *policy definition of rural*. Rural areas are so different in their specifics in terms of landscape, land structure, geographic position, socio-economic and even demographic profile. Therefore, it is hard to apply common concepts and policies (even if those were structured in different measures) to help the different establishments to adapt or to mitigate the shrinking population problem. To address the shrinking process in rural areas, EU policies will be supportive if they introduce different concepts of “rural” based not only on the number of population but also on the complex socio-economic and territorial characteristics. Funds, measures and application procedures should be developed according to these different concepts of rural. The introduction of a new concept is suggested – the concept of multi-rural.

Another point raised in the discourse of our respondents concerns the applicability of the concept of planning regions as NUTS 2 in its current form. The implementation of this concept during the accession period introduced a number of new regional structures and institutions. Their purpose was to centralise regions and to better address the problems of rural and urban areas. However, in Bulgaria these regional structures do not function properly and did not successfully impose the concept of “region” and “regional policies”. The municipality structure in general was, and still continues to be, the most powerful structure of governance. Thus, EU regional policies would be more successful if they directly address this administrative unit, rather than trying to create a new one. The EU policies should be organised on a municipal, multi-rural and multi-urban basis and not at an abstract and artificially created regional basis.

An additional point concerns the effectiveness of the EU funds to create employment in rural areas. Local populations enjoy the final results of the EU co-funded projects but in the majority of the cases, locals did not participate in the implementation phase of the projects. This effect of the EU funds is interpreted as an injustice and as a sign that something is happening in the region, but locals feel excluded. The Public Procurement Law's requirements are mentioned as ‘responsible’ for this injustice but at the same time there is kind of criticism towards the manner of EU funds implementation.

Sometimes it is difficult to distinguish between EU policies and national policy implementation of the EU policies. The suspicion that local institutions reinvent EU regulations and programmes in a different manner is omnipresent. Many actors would prefer to apply for

projects directly to the EU institutions than dealing with the national administration and governance structures. Sometimes, the manner of functioning of the national institutions, such as the DFZ (Paying agency State Fund Agriculture), is a precondition for criticism towards EU policies. A recent example is the implementation of the Measure 16.1 (RDP) about the establishment of Operational groups (EIP - Agri) under which the local LAG decided to apply together with a group of farmers, food processing and science actors. According to the EU guidelines and the respective regulation (1305/2013), science actors should not to be included as a compulsory partner in the Operational groups, by difference from farmers. According to MAF, which drafted the national guidelines to apply for this measure, two compulsory actors should be present in the OG – science actors and farmers. The expert body of LAG is feeling a bit confused as to how to interpret the guidelines and which are the best guidelines to follow when applying for this measure – the EU Regulations and guidelines or the national guidelines.

One local issue related to the implementation of the EU policies emerged during the discussions. It appears that as a consequence of the reform of centralisation of the municipal sewerage operators under the umbrella of the NUTS 3 district administrations (2012), some municipalities refused to follow this policy and opted to keep their independent sewerage operators. But now these municipalities (about 20 in the whole country out of 263) are not eligible to apply for EU funds to renovate their sewerage. Moreover, when at a district level more than one operator exists, no one can apply for the EU funds. This rule was developed by the government to put pressure on municipal operators to join the district operator. In the Lovech district Troyan is the only one municipality which refused to obey this rule and preserved its municipal sewerage operator with the purpose of keeping the price of water for the end users lower and to preserve the quality of the service¹⁷. Nowadays, Troyan is the only one among the three municipalities which does not experience serious problems with the sewerage systems. The two others try to deal with this problem through personal connections with the respective ministry. In brief, due to the national regulations interpreted as imposed by the EU and coupled with internal political multi-level governance conflicts, some basic services like sewerage are not guaranteed in the rural areas.

Last but not least, local actors doubt the correctness and authenticity of the existing statistical data. According to local actors, there are huge gaps and disparities in the available data. Thus, the central state administration and the EU administration use data which do not reflect the actual regional profiles. The mayor of Troyan decided to develop a municipal data service to collect regional type of data and to demonstrate the realistic profile of the municipality. The data on unemployment are particularly confusing. The two state structures responsible for collecting and announcing unemployment data are the NSI and the Employment Agency.

¹⁷ - <https://www.investor.bg/ikonomika-i-politika/332/a/kak-obshtinite-shte-bydat-nakarani-da-zakriiat-vik-drujestvata-si-141425/>

Both announce different data about unemployment and it is difficult to decide which one to refer.

4.3 Enhanced governance approaches

- *Key problems*

Several key problems were identified related to governance mechanisms in different sectors and levels.

1. The over-centralisation of governance structures and the overrepresentation of central state administration and its agencies should be overcome. This problem mainly concerns the decision-making process related to EU funds. A more flexible approach is needed, in order to offer more space for municipalities to participate directly in the decision-making processes and in particular in the programming of the OPs. *“It was postulated by the MRDPW that Troyan is considered as a “support centre in the periphery” and because of this categorisation the municipality become eligible to apply for the axis 2 of the Regions in Growth OP. When the axis was launched they [the ministry administration] called us and they asked us to develop projects for energy efficiency. Nobody asked us if this [energy efficiency] is the most urgent action to undertake. They just decided that this one should be and that is it.”* (BG_FG)

2. Municipal budget dependency on the central state budget should be decreased. More financial flexibility would help to better address local problems.

3. The Public Procurement Act contributes indirectly to segregate the actors eligible to participate in the public procurement procedures and through them - segregates regions. As it is applied now, The Act most frequently excludes local actors from rural areas to participate in public procurement procedures, as they are local and by definition small to medium enterprises. It is not by chance, that the National Association of Municipalities tries to introduce some changes in the legislation and in the instructions for its application. The purpose is to increase the chance of local actors to participate in public procurements.

4. Collaboration between municipalities should be further stimulated through different measures. LAG is the only successful example in this direction. Another should be created.

5. New regional policy approaches are needed to develop a smart and flexible definition of rural areas based on the complex understanding of shrinking and focusing more on public sector services like education and healthcare and transport connectivity.

6. Better control is needed on informal economic practices, in particular in the field of employment and income policies. Jobs in rural areas are known for their low salary level. This concerns mainly the jobs in local public administration. Jobs in private sector are known for their low formal level but also for the informal economic practices. Most often, patrons offer the employees the minimum wage for the country (Since 01.01.2020 it has been 610 leva, equal to 305 euros per month) with additional bonuses (which are not an object of taxation). All taxes and benefits are calculated based upon the gross monthly income (excluding the

bonuses, paid by employers by hand). Thus, benefits and taxes are payed on the minimum wage and the additional bonuses remain undeclared. This leads to officially low salaries which are practically high for the economic standards in the area. Nobody knows how many people in the Bulgaria, who work in the private sector, are employed under this 'low salary-high incomes' mechanism. Nevertheless, the existence of this system makes workers and their families illegible to take official bank loans because of the official low incomes. They rely on non-bank loans offered by non-bank financial institutions which offer fast and easy (less formal) service but on highest rates. This creates high austerity and precarity levels. Frequently, workers leave their jobs and temporarily go to work abroad because their incomes do not suffice to cover the monthly loan rates. These kinds of debts and informal economic practices are observant in the rural area, including in the CS area. They force the rural population into external migration, even into temporary economic migration.

All these suggestions to enhance governance mechanisms directly or indirectly are related to the shrinking process of rural population. They are all an expression of the bad implementation of different sectoral public policies – transport and connectivity, education and quality of employment.

- *innovative solutions for more coherent and effective governance approaches*

Empirical evidence from our CS shows that three innovative governance approaches can be identified: the first one is the local governance approach at municipal level including good collaborative practices between local businesses, the municipal administration and the mayor. This kind of collaboration allows actors to 'forget' about political partisanship and to identify collective solutions for common local problems. But these occur only at the municipal level. The other governance structures (NUTS 2 and NUTS 3 level) we identified were created top down by the force of law, but they do not have any particular importance for the governance process in rural areas. The second effective governance approach is this of inter-municipal collaboration which is achieved when neighbouring municipalities share common problems (waste, water, electricity). This type of collaboration is occasional, irregular and should be reinforced and further stimulated. The third multi-level governance structure is this of LAG. The CS LAG is extremely active and helps different municipalities to apply for projects and to have more and more connections, to exchange experience, and to work together.

- *effective collaborative structures and coalitions*

These are the collaborative structures established between local policy decision makers and local business. Together they define solutions towards jobs' creation and the improvement of the quality of public services and environment through their support for local initiatives. Another example for an effective collaboration is "business to business". It occurs when a company, which has become part of the global supply chain, helps another local company to do the same. Some NGOs, like the one which is active in Apriltsi, succeed to collect

donations and to develop facilities for seniors and for young people. The local LAG is another successful example.

- *Building more effective governance arrangements at local/regional levels?*

More effective governance arrangements can be built through supporting neighbouring municipalities to participate in collaborative projects to address regional problems, beyond the municipality. These kinds of projects are almost exclusive cases, but they show that more and more municipalities work together when they start to exchange resources and develop regional, rather than just municipal, kind of thinking and practices. In addition, the LAG has already some experience in working with actors from three municipalities on more than 22 projects. It can help local actors to identify regional objectives and to collaborate further - in particular in the field of connectivity and education.

5 Policy recommendations

1. Issue: Lack of adequate, relevant for the particular area regional strategy or the exciting one is just on paper and thus considered ineffective.

Related Policy recommendations:

- Rethink Regional policy and build an Action Plan for its further implementation while trying to address as much as possible existing differences in rural areas.
- Once a regional strategy is built, rethink the flexibility and practicality of its application to the respective cities/villages within particular region. Seek opportunities towards some sort of collaboration/partnership/resource sharing between actors in the region.
- Provide regular updates on progress to the local population in order to increase the overall satisfaction and awareness of information flow regarding policy priorities, achievements and objectives in an accessible and open manner.

2. Issue: Limited municipality autonomy in terms of decision-making in finance allocation - centralised distribution of public funds, perception of imbalance in the division funding, and the disproportionately more favourable funding conditions to bigger municipalities.

Related Policy recommendations:

- Rethink the overall NUTS decision-making strategies, organisation and functionality. One region consists of areas/cities/villages with diverse even sometimes opposite issues. Consequently, specific local and then regional policies that are aiming at certain sectoral development should be built – for example crops agriculture (more relevant for flatter regions) and livestock breeding (more relevant for mountainous regions).
- Expand independence of municipalities' work – especially in decision-making when financing local gentrification, social services and environmental care settings.

3. Issue: There is a need for more adequate tourism development.

Related Policy recommendations:

- Extend the communal and governmental effort to stimulate the local area conditions to achieve the level required, so they would be able to develop and support tourism.
- Improve the tourist infrastructure. Tourism is not only about accommodation availability, but it is also about experience, area exploration and progressively even more about cultural/craft tourism. A four-season suitable tourist infrastructure is needed to stimulate people and engage them in discovery, exploration, and travels around the area. This goal could be achieved through the development of organic farming, eco trails, cycle paths, recreational activities, cultural activities and institutions, festivals, museum and gallery exhibitions, music concerts, various open area sports.

4. Issue: Lack of job opportunities vs lack of work force/ low employability level vs low salaries - the three-sided problem.

Related Policy recommendations:

- Support vocational education in specific sectors of local interest together with more practically oriented secondary education to compensate the mismatch between the needs of large production enterprises and the available human capital and local capabilities.
- Advocate and support changes in the law to regulate the “temporary migrant workers” practice. Temporary workers work abroad for some months. Upon their return receive disproportionately high social security benefits from the Bulgarian unemployment bureau for one year. Thus they are demotivated to work locally during this time or even to seek a job.
- Foster the adoption of better conditions for production company establishment to compensate the natural limitation of working places (consequential to modernisation of work places). Agriculture and breeding are sectors that require fewer people involved in the process while factories and production need more labour force.
- Popularise targeted new business openings funding programs, which support new, small rural family businesses. Thus adopting a strategy to compensate for the gender specific work. Some rural areas are employing more males in wood production for example while others - more females in textile industries. This leads to imbalance in employment within family members – the entire family is often forced to migrate if one family member becomes unemployed.

5. Issue: The “Pojectification” trend. Even though European projects are perceived as one of the rare opportunities to deal with economic shrinkage sometimes benefits are less utilised.

Related Policy recommendations:

- Take steps to decrease bureaucracy (and the complexity of application) and to increase the influence of the municipal administration in consultation with the programming of the OPs – thus demonstrating expertise and competence in conveying key requirements, but also providing local specialist support with the application/orientation toward most relevant programmes, based on local needs.
- Adapt EU project opportunities to the local necessities (not vice versa). For example, expected scarce application for a program targeted at developing skills and competences in a region where there is a lack of work force.

6. Issue: Presence of mobile living/working phenomenon. People are inhabiting not only one city/village but a whole area/region in a complex and functional pattern. There is a tendency of people living in one place, working in another, using the social services of a third one, and having their cultural and entertainment activities in other nearby ones.

Related Policy recommendations:

- Seek ways to address relevant for the business needs, like a public-funded transport system. Ensuring good quality transport between cities/villages in closer proximity or same region/area would improve the area's connectivity and economic prospects.
- Introduce mobile services – connecting cities/villages to exchange resources. Various sorts of institutions on wheels would be a good start - hospital, school, library, internet etc.

7. Issue: The younger population is moving away from the rural areas to the bigger towns in the search of better career prospects, a more fast-pace life, richer experiences and entertainment opportunities. On the contrary, few precisely young and educated people are returning to their roots and homes, establishing their family lives in a more peaceful environment.

Related Policy recommendations:

- Advocate for vocational education in certain sphere. Exclusively built educational programmes with differentiating profiling could ensure outstanding individuality at least regionally but also possibly on a national level (for example certain type of crafts, organic farming).
- Establish Youths Leadership Units. Great examples of its success are the young teachers in the rural areas, IT specialists, who work remotely (the so called "IT nomads") or start-up companies that establish the basis of novel business corporations.

Conclusions

Shrinking is undeniably a different process from depopulation, although both are intertwined. The concept of shrinking offers a perspective to the understanding of depopulation as an economic, cultural and social process as opposed to only a demographic one. Our main task in this report was to understand how both processes interact and which type of strategies their interaction produces in the CS area of Apriltsi-Troyan-Ougarchin. Their interaction may produce a kind of vicious circle leading to the development of an adaptation strategy in the area which respectively could be seen as a sign of further deepening of the negative trends. However, vicious circles can be turned into virtuous ones, led by a mitigation strategy in an attempt to stop the negative tendencies and even to turn them over.

In the CS area of Apriltsi-Troyan-Ougarchin we found that the interaction between shrinking and depopulation is negative mainly due to policy, economic, cultural and educational reasons. **On the policy level**, regional policies in Bulgaria exist mainly on paper and are not truly applied. We noticed an over-centralisation of the decision-making process fully controlled by the government and the ruling party; the existing multi-level governance structures are formal, rather a 'façade'. Thereafter, there is a lack of capacity in different state and regional administration structures. Yet, this cannot be addressed while they are not actively engaged in decision-making and are powerless and fully controlled both by the government and the ruling party. This is a kind of policy governance-related vicious circle, which we identified at the national level but it directly affects the implementation of EU policies and funds, too.

We discovered two governance structures, which do not function as 'façades' – the local municipal administrations and the LAG. Moreover they are suffering from the described policy vicious circle. Local municipal administrations (and in particular Troyan) in the CS areas are successfully developing as a powerful governance structure, despite engaging in several conflicts (for ex. the sewerage reform) with the central government. Local CLLD - LAG also became an important multi-level and multi-actor governance structure by avoiding cooperation with the most problematic central state governance structures. 'Avoiding the state' became the most successful governance strategy only for municipalities/mayors, which don't belong to the ruling political party. Municipalities which are from the same party as the ruling one rely on personal contacts to attract government attention and to receive more subsidies. For these municipalities 'ruling party affiliation' is the most reliable strategy. Actually both strategies confirm the powerlessness and 'façade' character of the formal governance institutions and rules. This reality discourages many people (through the experience and feeling of shrinking) and pushes them to leave the area or the country in search for institutional, policy and economic security abroad (depopulation throughout in and out migration). This policy and governance vicious circle prevents the implementation of mitigation strategies towards shrinking and depopulation and implements the adaptation strategy while supporting formal 'façade' structures, which are fully controlled and centralised.

Considering **economic** and **educational point of view**, there are several important issues impacting negatively both shrinking and depopulation processes: 1) the two small municipalities (Apriltsi and Ougarchin) have been struggling to attract fresh investments and this caused the evaporation of the working force but now the lack of a working force has hindered the potential for attracting investments; 2) the foreign investments in Troyan have been steadily growing during the last 10 years, there is no unemployment but a lack of qualified labour force, due to the permanent and temporary out-migration; foreign workers from third countries were hired and economic activities were outsourced in neighbouring Balkan countries; 3) The number of highly educated population increased in the area but efforts in high education improvement do not necessarily lead to high level of employability; 4) the lack of unemployment in Troyan does not mean increased living standard. Existing informal economic practices in the field of incomes increased the phenomenon of personal and family indebtedness and pushed locals to outmigration in search of higher declared incomes. Local businesses and NGOs try to transform this vicious circle through linking employment/employability, with education and income increase mostly by using EU co-funded projects and by becoming part of global supply chains. Business organisations and NGOs also invest in different social initiatives supporting cultural centres, hospitals, local social funds and cultural initiatives, and developing tourism-oriented activities in order to 'reinvent the rural life'. These activities are oriented toward the social empowerment of locals and toward attracting newcomers and local migrants, in hopes to mitigate economic shrinking and depopulation.

The most difficult element of this complex shrinking process which hinders the possibility to transform the economy- and education-related vicious circles into virtuous ones is the **quality of education**. The lack of and aging of the teaching staff, in combination with the lack of appropriate programs and methods, forces many families with children in school age to leave the area. In some rural areas (Ougarchin but also Troyan) some of the existing schools also suffer from segregation, e.g. the majority of students are Roma and this is an additional factor pushing families away. The reform in education which has been implemented since 2005, the so called 'money follows the students'/ 'delegated school budgets', increases educational shrinking and thereafter – depopulation.

Last but not least, another vicious circle which became more and more visible is the segregation of population by **ethnicity and culture**. While the local business relies on the Roma minority from the region and tries to integrate them by offering jobs, transport and other social services, cultural institutions like galleries remain offensive and perceive the increased number of Roma as a threat for development and for the old time 'bourgeois type' of culture. The ethnic and cultural composition of rural areas are changing and gradually deepening this a controversial issue to the level of pushing some people away due to misinterpretation of this change as equal to shrinking.

We have noticed that there is a diversity of activities undertaken by different actors in the area that are build on different assumptions and follow different strategies. There is not one dominant strategy which prevails and probably this is one of the possible explanations of the continuous shrinking and depopulation processes. In addition, rural areas are extremely different from one another and it is difficult to apply the same policy approach to all of them. A new approach towards rural area is needed. Such that is built on and incorporates the logic of different types of shrinking distinction (policy, economy, culture and education) and depopulation but also in order to further foster the empowerment and cooperation of local actors.

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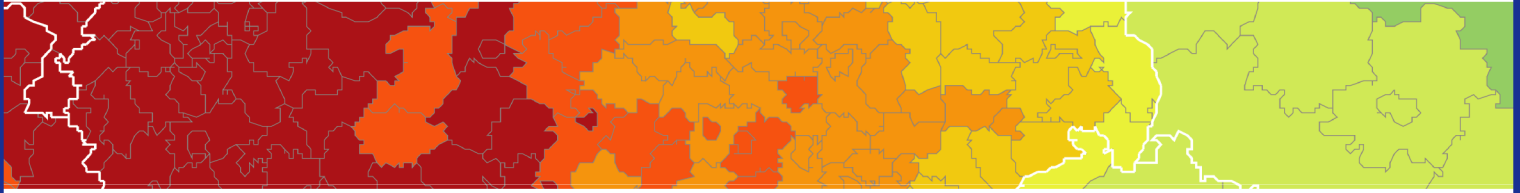
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