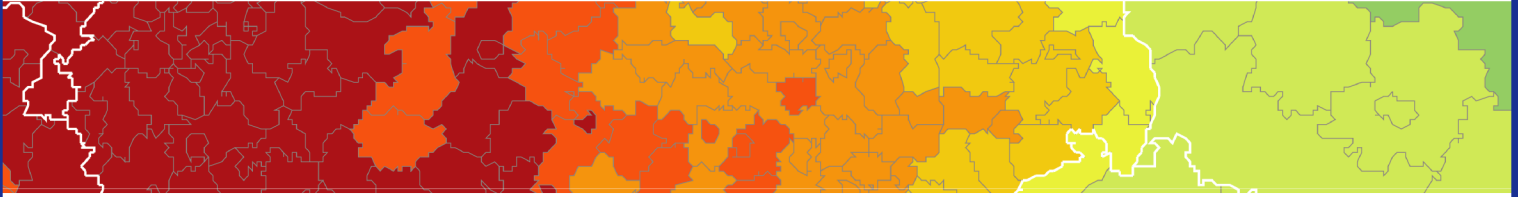




Co-financed by the European Regional Development Fund



ESCAPE European **S**hrinking Rural Areas:

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

Applied Research

Final Report

Final Report

This applied research activity is conducted within the framework of the ESPON 2020 Cooperation Programme.

The ESPON EGTC is the Single Beneficiary of the ESPON 2020 Cooperation Programme. The Single Operation within the programme is implemented by the ESPON EGTC and co-financed by the European Regional Development Fund, the EU Member States and the Partner States, Iceland, Liechtenstein, Norway and Switzerland.

This delivery does not necessarily reflect the opinion of the members of the ESPON 2020 Monitoring Committee.

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Acknowledgements

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Contact: info@espon.eu

ISBN: 978-2-919795-70-3

Final Report

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Version 21/12/2020

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Abbreviations

CAP	Common Agricultural Policy
CLLD	Community Led Local Development
EAFRD	European Agricultural Fund for Rural Development
EC	European Commission
EMFF	European Maritime and Fisheries Fund
ENRD	European Network for Rural Development
EP	European Parliament
ERDF	European Regional Development Fund
ESIF	European Structural and Investment Funds
ESF	European Social Fund
ESPON	European Territorial Observatory Network
ESPON EGTC	ESPON European Grouping of Territorial Cooperation
EU	European Union
GDP	Gross Domestic Product
GNI	Gross National Income
GVA	Gross Value Added
ICT	Information and Communication Technology
LAG	Local Action Group
LAU	Local Administrative Unit
LEADER	Liaison entre actions de développement de l'économie rurale
LFA	Less Favoured Area
MFF	Multi-Annual Financial Framework
MLG	Multi Level Governance
MS	Member State
NACE	Nomenclature des Activités Économiques dans la Communauté Européenne
NUTS	Nomenclature of Territorial Units for Statistics
OECD	Organisation for Economic Cooperation and Development
OMC	Open Method of Coordination
RDP	Rural Development Programme
RUMRA	Rural, Mountainous and Remote Areas (EP Intergroup)
ToC	Theory of Change

Country Codes conform to the Eurostat convention (https://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:Country_codes)

1 Introduction

Rural depopulation is not a new phenomenon. EU policy has responded, in various ways, and with different degrees of effectiveness, since the early years of the Union. However, during the past five years there has been strong renewal of interest across the institutional framework, including the European Parliament (Garcia Perez 2016, Margaras 2016, 2019), the Committee of the Regions (Gløersen *et al.* 2016, Herrera Campo 2017), and the Economic and Social Committee (Stenson 2017). It is also reflected in the establishment of an Intergroup on Rural, Mountainous and Remote Areas (RUMRA), and the appointment of Commissioner Dubravka Šuica, Vice President for Democracy and Demography.

A reassessment of the logic, implementation and effectiveness of European, national, regional and local policy approaches is timely. We are at a critical juncture: rural shrinking has become a very visible phenomenon, fuelling popular discontent. Simultaneously, there is increasing awareness of new opportunities associated with changes in technological, market and social contexts. The COVID-19 crisis will accelerate change and stimulate further debate. Repopulation of depleted rural areas, or at least better adjustment to the demographic status quo, are probably more feasible now than they have been for many decades. The first, very simple, step will be to acknowledge the increasing divergence between “accumulating” and “depleting” rural areas, and the need for tailored policy responses.

Whilst depopulation is, of course, an issue in itself, underlying socio-economic and spatial processes point to the need for a wider recalibration of rural development concepts; an increasing emphasis upon well-being, and a shift away from purely economic indicators (OECD 2016, 2019, 2020). In the context of rural shrinking, conventional economic indicators (such as unemployment rates) fail to capture significant “equilibrium adjustments” (notably prolonged selective out-migration) which have serious, and reflexive, implications for rural well-being.

The structure of this report is intended to “unfold” the empirical and discursive material generated by the activities of the project team. The first section defines rural shrinkage, describes the different processes which cause it, and provides an overview of the evolution of EU approaches and policies. Next, analysis and mapping of available regional data to illustrate the spatial distribution of shrinkage, (and of different types), across rural Europe. A more qualitative/mixed approach follows in a comparative discussion of the eight case studies, which constitute a representative set of territorially coherent examples of the process of rural population decline, its complex local and regional effects, and EU, national, regional and local interventions which address it. The next sections of the report present findings relating to the way in which territorial governance arrangements may affect the effectiveness of policy, and aspects of the current policy landscape. This leads to a more theoretical discussion of intervention logics and good practice in developing appropriate policy. The final section of the report presents conclusions and recommendations, including suggestions for further research. Inevitably the ambition for a concise and easily readable text, avoiding jargon and technical language, necessitates frequent reference to supporting annexes.

2 Definition, Conceptual and Policy Context

Key Messages:

1. *Similar demographic outcomes may result from very different socio-economic processes.*
2. *Four generic types of socio-economic process are responsible for shrinking: economic restructuring, locational disadvantage, peripherization, and disruptive events and political/systematic transitions*
3. *Policy objectives, and outcomes, may prioritize either mitigation or adaptation.*
4. *CAP Pillar 2 has moved away from exogenous, towards (neo)endogenous approaches*
5. *However, its goals relate less to demographic issues and more to economic growth.*
6. *Cohesion Policy has focused on less developed regions where lagging economies and shrinking coexist.*
7. *But it favours urban-centric development models which may exacerbate rural shrinking.*

2.1 An Inclusive Definition

A full account of the origin of the term “rural shrinking” is provided in our Inception Report (Copus *et al.* 2019a p2-4). As a starting point, we have adopted the definition of Grasland *et al.* (2008 p25) “a region that is ‘shrinking’ is a region that is losing a significant proportion of its population over a period greater than or equal to one generation”. Clearly “significant proportion” and “one generation” need to be quantified, and this will be addressed in Section 3.1, however the Grasland definition is helpful in that it underlines the distinction between “shrinkage” and more ephemeral or small-scale fluctuations. Shrinking rural areas are characterised by substantial and sustained depopulation processes.

2.2 Different types of shrinkage process

Accepting the basic principle of the Grasland definition is a helpful first step, but its limitation lies in its inability to help us understand the differing processes which lie behind the (superficially) common outcomes of population decline. Space will not allow us to reiterate the discussions of previous reports (Copus *et al.* 2019a p1-7 and Copus *et al.* 2020 p33) but it will be helpful to mention the technical distinction between rural populations which are currently being depleted by out-migration (**active shrinking**) and those which contract (often despite in-migration) due to their age structure and “natural decrease” (**legacy shrinking**). It is also helpful to distinguish between active shrinking driven by regional or national **rural-urban** processes, and those implicated in European-wide, or intercontinental (**globalised**) flows.

A more fundamental distinction can be made between “**simple**” (demographic) shrinking, and the “**complex**” shrinking processes, which affect the wider economy and society of rural areas, often leading to “cumulative causation”, and “vicious cycles” of decline. Reflection upon our literature review, and case study findings leads us to distinguish four generalised types of (complex) shrinking process. In the real world these often coexist (and interact) within a single locality or region, forming “pathways” to demographic shrinkage (Section 4.5). Nevertheless, it is helpful to separate them as (in theory at least) independent causal narratives:

- **Economic Restructuring:** The phenomenon of shrinkage is commonly linked to the decrease of the agricultural workforce. Most European rural regions have, at some time, witnessed a dramatic change of agricultural structures with severe socio-economic

consequences, and the effects are still observed in many Southern and Eastern European rural regions. In some contexts, the process has, more recently been exacerbated by the decline of traditional extractive or manufacturing activities. Such economic restructuring is generally accompanied by other adverse territorial trends that impact negatively on well-being and cultural life; such as the loss of scope for associated economic activities, reduced basic public services, degradation of natural spaces, abandonment of settlements, weakening of local identity, deterioration of material and immaterial cultural heritage, and decrease in local governance structure and capacity (Sanchez-Sanchez, 2016). Land abandonment may be associated with ecological effects or soil erosion.

- **Locational Disadvantage:** Rural shrinkage is also often associated with “negative” locational characteristics (isolation, sparsity, lack of natural resources, poor quality agricultural land etc), which are perceived as hampering pathways to economic growth. These are often associated with isolation, sparsity and proximity to borders..
- **Peripherization:** This shrinking process should not be confused with *peripherality*, which is a locational disadvantage (Copus *et al.* 2017a,b). *Peripherization* is distinguished by being the consequence of macro-scale processes of spatial reorganisation of economic activity (Lang and Görmar 2019) and globalisation. Peripherization occurs at different spatial scales, often compounding the effects of pre-existing locational disadvantage (described above).
- **Disruptive Events and Political/Systematic Transitions:** The final type of rural shrinking process involves the impact of historical events or transitions, such as those experienced by the CEEC countries during the course of the establishment of state socialist regimes in the 1950s, and at the end of the socialist era in 1989, the Balkan wars in the 1990s, or the EU integration process in the 2000s. Such changes can bring severe repercussions in regions with weak economic structures, triggering shrinkage at both national and rural levels. Persistent gaps in economic performance, institutional legacies and inertia in governance adjustment can contribute to low self-perception of regional actors and slow improvements in quality of life in affected regions.

It is important to note that all these types of rural shrinking process are medium to long-term in duration. The resulting migration has often been accommodated by within-country rural-urban flows, but at other times, (notably during historic periods of strong industrialisation, or rapid adjustments such as EU enlargement), have extended to (globalised) movements across Europe, or beyond. All four processes, but particularly the second and third, may be ameliorated by regional or rural policy, or exacerbated by the effects of “place blind” policies, or, for example, new public management approaches to service provision, if inappropriately implemented.

2.3 Conceptual and Policy Background

Before examining the evolution of EU policy towards shrinking rural areas it will be helpful to make the basic distinction between *mitigation* policies, which seek to break the cycle of demographic decline, and deliver population growth, and *adaptation* which accepts the inevitability of continued shrinking and focuses instead upon the goal of increasing individual wellbeing (Copus *et al.* 2019a p27).

Looking back over the past half century, and considering the “story” of shrinking in rural Europe, the changing technological, political and social context, the evolution of our understanding of processes, and the changing policy response, are intimately interwoven. Space will not allow us to present in detail the paths that EU policy, (the CAP and Cohesion Policy in particular) has

taken to reach the current situation (Copus and Dax, 2020 [Annex 1]). It is nonetheless very important that we mention here some key elements of that story, without which it is not easy to understand the legacy effects which are so prominent in the evidence from the case studies (Section 5) and the expert stakeholders (Section 6). Although there are some common threads running right through from the 1970s to the present day, it is helpful to divide the story into two broad periods; before and after about 2005.

2.3.1 Pre ~2005 - Exogenous Solutions

Before the turn of the century both the academic discourse and policy favoured “exogenous” approaches, in the sense that rural economies and populations were considered to require inputs (whether in terms of funding or economic activity) from *outside*. Thus, the Common Agricultural Policy (CAP) used the livestock headage payments to support farmers in the Less Favoured Areas (LFA), with the explicit objective of population retention. The European Regional Development Fund (ERDF) and the European Social Fund (ESF), addressed rural depopulation in this period through integrated programmes focusing on specific rural areas (Objective 1, 5b and 6), often implicitly relying upon spread effects from (urban) growth centres.

2.3.2 Since ~2005 – Endogenous Approaches

In the new century, at least prior to the recent upsurge of interest, both CAP Pillar 2 and Cohesion Policy have been less focused upon demographic trends in rural areas. At the same time the emphasis upon external inputs to support the worst affected areas has been superseded by initiatives to harness potential strengths and development opportunities within shrinking rural areas themselves. A number of factors have contributed to this:

- Budgetary implications of successive enlargements, and later on, austerity, challenged the affordability of the established approaches. Furthermore, the need to address the impacts of unforeseen external events, such as the 2008 financial crisis, and the migration crisis of 2014-15, has tended to demand the attention of policy makers at the expense of longer-term rural demographic issues. Nevertheless, CAP Pillar 2 (Rural Development), which emerged in preparation for enlargement, incorporated some “territorial” measures which considered the needs of the rural economy (and population) as a whole (rather than agriculture as a sector).
- The academic rural development discourse has increasingly stressed the need for rural areas to look for solutions *within*; building on “territorial capital”, through “*endogenous*” and *neo-endogenous* approaches (Ray 2006). However, the limited human, social and institutional capital of many depleted rural regions resulted in the ascendancy of the concept of “neo-endogenous” approaches, incorporating support (guidance, and finance), from national or European sources.
- Since the turn of the century the menu of rural development measures has evolved, and the degree of flexibility accorded to the Member State (MS) - in terms of the way in which measures are combined within Rural Development Programmes (RDPs), - has gradually increased. This framework has allowed some of the “older” member states to focus their RDPs upon agri-environment measures to the exclusion of territorial measures to counter depopulation. Measures which have more relevance to depopulation (village renewal, basic services etc.) have consistently received a higher proportion of Pillar 2 expenditure in the “New” MS in the east and south (Dwyer 2008, Copus 2010). However overall expenditure on territorial measures has always been relatively low.

- EU “meta strategies” (Agenda 2000, Gothenburg/Lisbon, and EU 2020), have resulted in both Rural Development and Cohesion Policy directing their efforts towards other issues than population trends. The Lisbon Strategy, with its focus upon (economic) growth, jobs and innovation, resulted in the objectives of the (neo-endogenous) territorial measures within CAP Pillar 2 being expressed (and later evaluated), more in terms of employment and economic activity, than the maintenance of rural communities and population. Later, EU 2020 added an emphasis upon sustainability and inclusion.
- Furthermore, the “Lisbonisation” of Cohesion Policy shifted attention away from “negative” demographic issues, towards *supporting potential*, in accordance with the “jobs, growth and innovation” focus. These goals - and boosting *regional* GDP - are most easily achieved in the context of cities, towns or villages. Interventions to improve infrastructure, and nurture the economy of settlements, whilst reducing *inter*-regional disparities, have had a polarising effect *within* regions – exacerbating rather than ameliorating rural shrinking.
- Cohesion Policy has continued to allocate most of its resources to regions with a GDP per capita below 75% of the EU average, successively termed “Objective 1”, “Convergence” and then “Less Developed” regions. The accession of Central and Eastern European (CEEC) countries has increasingly meant a focus upon the East and South of Europe, at the expense of shrinking rural regions in the North and West of Europe.

For much of the post 2000 period, LEADER, has promised considerable potential to address rural shrinking, but has remained outside the two mainstream policies discussed above, as a “Community Initiative”. In the current programming period, it has become part of Community Led Local Development (CLLD).

It is perhaps in recognition of the limitations of the “Lisbonised” CAP and Cohesion Policy that “policy-driven analysis”, sponsored by various EU institutions has explored a number of approaches very relevant to the problem of rural shrinking. For example, the idea that territorial diversity and endogenous assets/capacity can be drivers of development is a recurrent theme (Copus *et al.* 2011). Within the Cohesion Policy discourse, it was termed “smart specialisation” (Da Rosa Pires *et al.* 2014). More recently the same concepts, combined with an emphasis upon information technology and “green” development, have formed the basis for the ENRD’s “Smart Villages” initiative (Copus and Dax 2020 [Annex 1]). The emphasis upon local assets and community action is certainly appropriate to shrinking rural areas.

Another area explored by policy driven research has been rural-urban linkages/partnerships (OECD 2013), on the assumption that improving the functional relationships between towns and their hinterlands could enhance “spread effects”. Those rural areas in which such interaction seems least beneficial have been singled out for special consideration, as “Inner Peripheries”¹. Urban-rural relationships from a rural perspective are also fundamental to the OECD’s Rural Policy 3.0, and are the subject of analysis in the recent DG Agriculture “Functional Rural Areas” initiative (Copus and Dax 2020 [Annex 1]).

There is thus no shortage of competent EU policy instruments to address rural shrinking. However, there is a serious lack of coherence and strategy. We will return to this point in greater detail (incorporating information from the case studies) in Section 5.

3 The Geography of Rural Shrinking

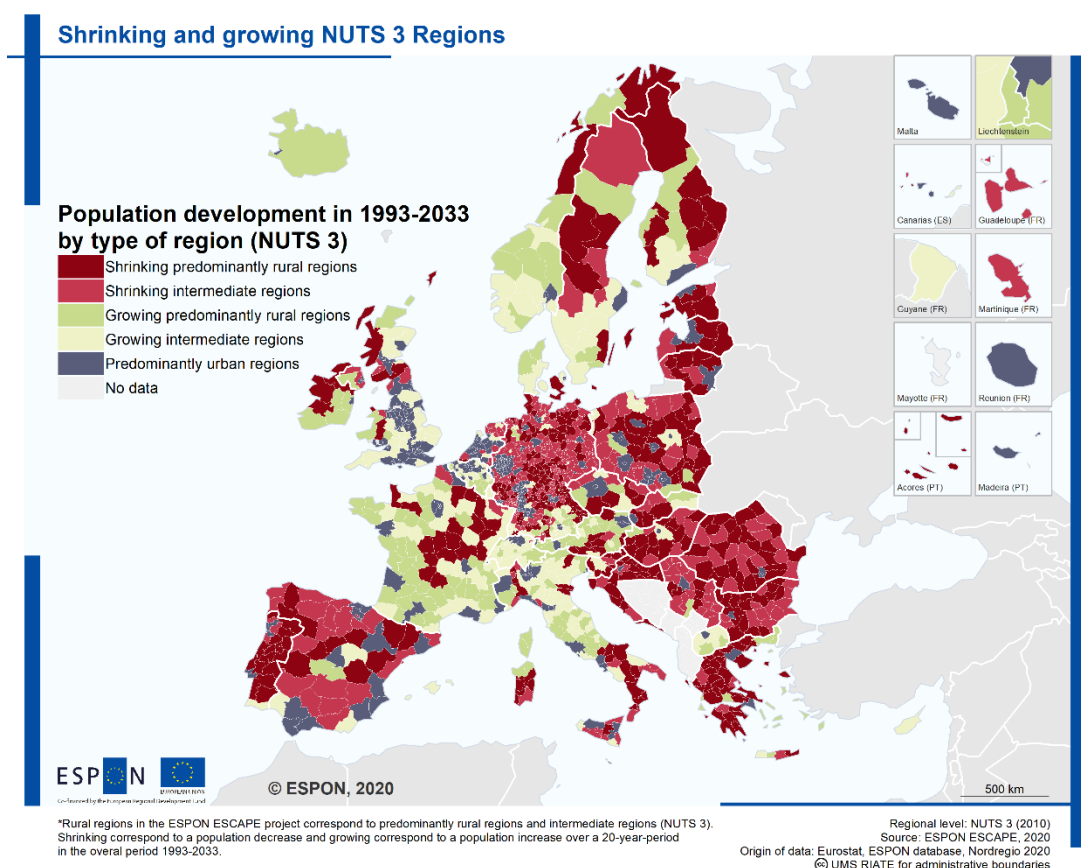
Key Messages:

8. Across Europe almost 60% (687) of Predominantly Rural or Intermediate NUTS 3 regions meet criteria of sustained (past or projected future) demographic decline. These regions cover almost 40% of the area of the EU and contain almost one third of its population.
9. These regions are mostly in the East and South of Europe, with scattered regions in the North and West.
10. The majority of shrinking rural regions are losing population due to “legacy” effects (due to their age structure, low fertility rates, and high mortality rates.)
11. Many, especially in the most intensely affected parts of Europe, are also experiencing “active” shrinking, due to net outmigration.
12. Analysis of Local Administrative Unit (LAU) data shows a more widespread and diverse pattern of shrinking, and substantial intra-regional variation.
13. Cluster analysis of available regional socio-economic indicators reveals five groups of regions and strong underlying East-West differentiation.

3.1 An Operational Definition at NUTS 3

A foundational step, which helps frame subsequent analysis, is to define the subset of European (NUTS 3) regions² which both fulfil the Grasland shrinking criteria, and which may also be considered “rural”. The latter criterion was addressed by adopting the Eurostat (2019) definition of “predominantly rural” and “intermediate” regions, and excluding from the analysis those designated “predominantly urban”. This subset of regions was then screened in order to

Map 1: Shrinking and Growing NUTS 3 Regions



identify those regions which have experienced population decline over one or more generations (defined in this context as 20 years), as recorded in the recent past, and projected for the future. The exact calibration of this definition was inevitably a compromise between, on the one hand, making maximum use of the rich availability of data for some EU Member States (MS), and on the other, extending our analysis to cover as many regions as possible. This resulted in the selection of two 20-year periods, 1993-2013, and 2013-2033. The reference year is 2013 because the projection data at regional level from Eurostat is based on the year 2013 and is only available for that year. Data constraints also led to this analysis being carried out with the 2010 version of NUTS.

To be defined as “shrinking”, a rural or intermediate region had to exhibit a loss of (total) population over either one or both these periods. This combination of criteria identified a total of 687 regions, (658 of which are within the EU 28) (Map 1). Thus, according to this definition 59% of all EU28 Predominantly Rural and Intermediate regions are defined as shrinking. This equates to almost half the total number of NUTS 3 regions in the EU. These regions account for 40% of the EU28 area and contained one third of the (2016) population.

3.2 Patterns of intensity and chronology of shrinking

3.2.1 Patterns at NUTS 3 Region Level

We may distinguish between shrinking (NUTS 3) regions, identified above, on the basis of duration (one or two generations) and the rate of decline (population loss as a share of the total population).

The typology represented in Map 2 is derived from the intersection of two statistical “axes”:

- The *duration* of population decrease, in three classes: population decrease in 1993-2013; population decrease in 2013-2033; and population decrease in both 1993-2013 and 2013-2033.
- The *intensity* of population decrease in three classes, using the indicator average annual population change for the period 1993-2033: < -1%; between -1% and -0.5%; and between -0.5% and 0%.

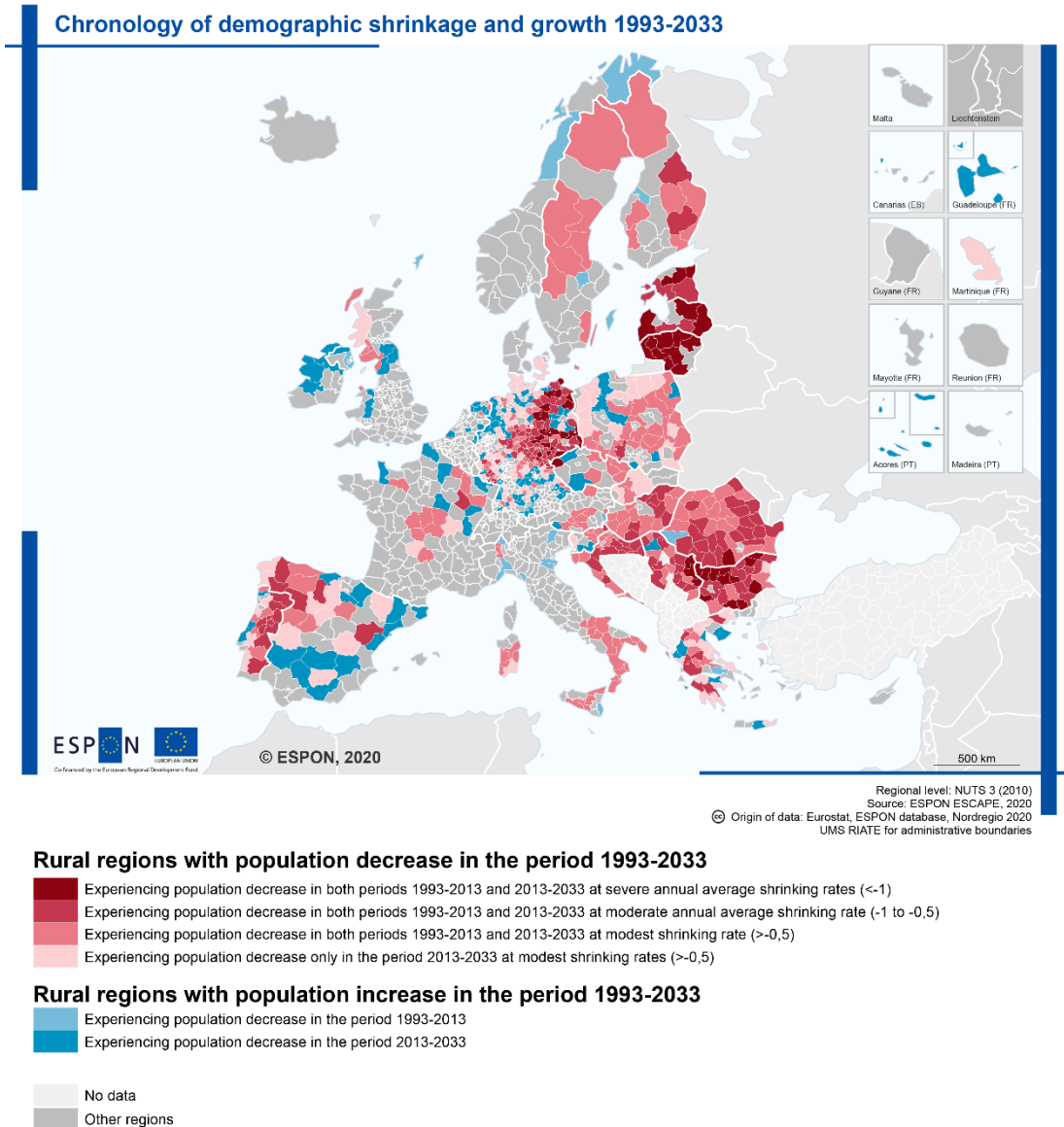
The resulting map shows the 687 shrinking rural regions in six different classes. There is first a distinction between regions having lost population over the entire period of two-generations (regions coloured in red) and the regions which gained population over the entire period 1993-2033, but experienced decline in either the past or the future (regions in blue).

The four red tones differentiate the intensity of average annual shrinking rates in regions with population decrease in the overall period 1993-2033:

- regions experiencing population decrease in both periods 1993-2013 and 2013-2033:
 - at severe annual average shrinking rates (<-1) in 58 regions. These regions are mainly found in Bulgaria, Latvia and Lithuania.
 - at moderate annual average shrinking rates (-1 to -0,5) in 160 regions. These regions are mainly found in Croatia, Estonia, Portugal and Romania.
 - at modest shrinking rates (between -0,5 and 0) in 209 regions. These regions are mainly found in Austria, Czech Republic, Finland, France, Hungary, Italy, Poland, Slovakia, Slovenia and Sweden.

- 113 regions are expected to show population decrease in the period 2013-2033 at slow shrinking rates (between -0,5 and 0) that are more substantial than the population increase of the period 1993-2013, resulting in an overall population decline for the entire period 1993-2033. A large number of these regions are found in Germany, Poland and, Spain.

Map 2: Chronology of demographic shrinkage and growth 1993-2033



The two blue tones differentiate rural regions which grew over the full, two-generation period, but lost population in either the first or second sub-period:

- 24 of these regions showed population decrease in 1993-2013. These tend to be peripherally located within their domestic context. They are for instance located in northern Italy, northern Norway and in parts of Northern Ireland in the United Kingdom.
- 123 of are forecast to experience population decrease in 2013-2033. They are found in Ireland, the Netherlands, Spain, France, Greece, and Germany.

3.2.2 Patterns at a local level

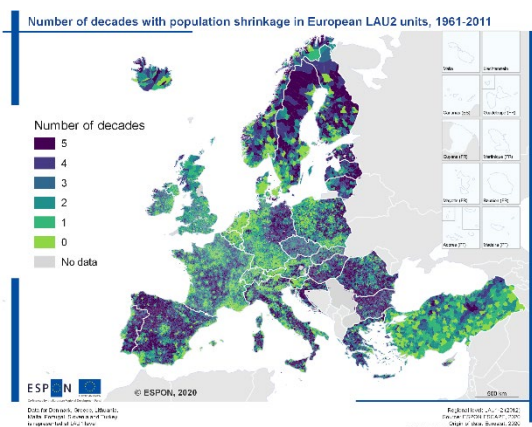
The data available at Local Administrative Unit (LAU) level is generally more limited, (selected years, no components of change, no comparable projections, etc.), restricting the analysis

which may be carried out to the examination of trends in total population. However, such analysis is valuable, since the socio-economic processes which result in shrinking (Section 1.2) operate at a range of geographic scales, very often smaller than NUTS 3 regions. For this reason, various indicators of the duration and intensity of population loss, and of the distribution of population dynamics within higher territorial structures (NUTS 3) have been developed, using a historical (1961-2011) LAU-level dataset, available from Eurostat³. All LAU areas (urban as well as rural) have been included in the analysis below.

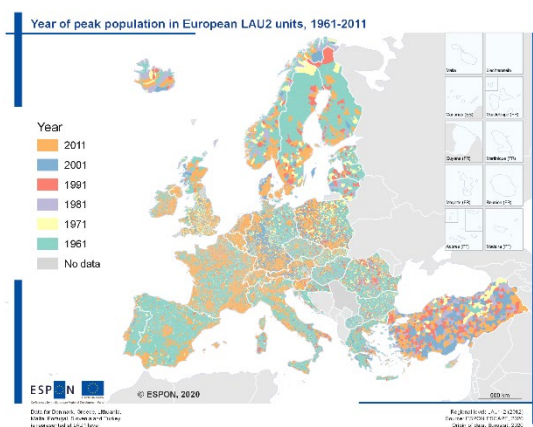
Population figures covering such an extended period allow us to determine where shrinking is a long-established, a new, or a temporary issue. Map 3a shows that many LAU areas, especially in East-Central and Southern Europe, have experienced prolonged periods (4-5 decades) of population decrease since 1960s. A smaller number of areas, including the most dynamic urban zones in Western and Central Europe, exhibited continuous population *increase* over the past fifty years.

Map 3: Local patterns of simple shrinkage in Europe

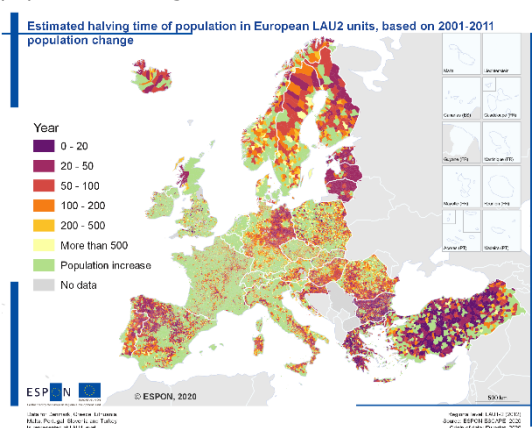
a) Number of decades with population shrinkage in European LAU2 units, 1961-2011



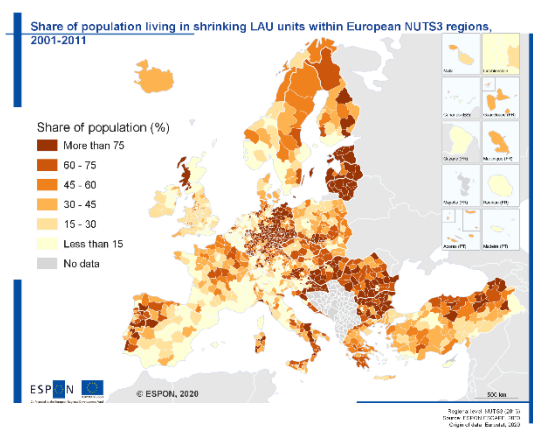
b) Year of peak population in European LAU2 units, 1961-2011



c) Estimated halving time of population in European LAU2 units based on 2001-2011 population change



d) Share of population living in shrinking LAU units within European NUTS3 regions, 2001-2011



LAU level patterns of the *year of peak population* (Map 3b) also reveal a rather divided Europe. The majority of LAU units (especially in the southern and eastern parts of Europe, and in rural areas), reached their peak population in the 1960s, and have faced more or less continuous

population loss since then. Others (mostly in the Atlantic and Central parts of the continent, and in dynamic, urban regions of various countries) showed continuous growth, and only reached their population maximum in 2011.

A different perspective on this chronology is gained by identifying the period (*decade*) of the *fastest rate of shrinkage* (Piras *et al.* 2020 [Annex 2], Map 3). In Western Europe shrinkage mostly peaked between 1961 and 1981, whereas in most post-socialist areas the peak was reached after the turn of the century. There are also country-specific variations (1960s in Portugal and Italy, 1990s in Croatia), linked to industrialisation, opportunities of international migration, and political events.

Variations in the intensity of shrinking can be illustrated by mapping the *average population decrease per decade* or the *average population change over different periods*. These maps are presented and discussed in Annex 2 (Piras *et al.* 2020). The most seriously affected territories in Europe (8-10% or more population loss over a decade) are to be found in Bulgaria, the Baltic countries, the former German Democratic Republic, many parts of Croatia, Italy, Spain, Greece and Portugal. Projecting future population trends by the simple forward extrapolation of measured rates of current (and past) shrinkage (the *halving time of population*) reveals similar patterns (Map 3c).

Information derived from LAU-level population dynamics reminds us that NUTS 3 average data cannot tell us very much about the degree of homogeneity across regions – there may be more complex patterns at the LAU level. A map of the *share of population living in shrinking LAUs* within a NUTS 3 region (Map 3d) shows that the most uniformly shrinking regions are in East-Central European countries, such as the Baltic states, Croatia, Hungary, Romania, or Bulgaria. Similarly, the share of population living in shrinking LAUs is also high in regions of Eastern Germany and (peripheral) parts of Greece, Italy, Spain, Portugal and the Nordic countries.

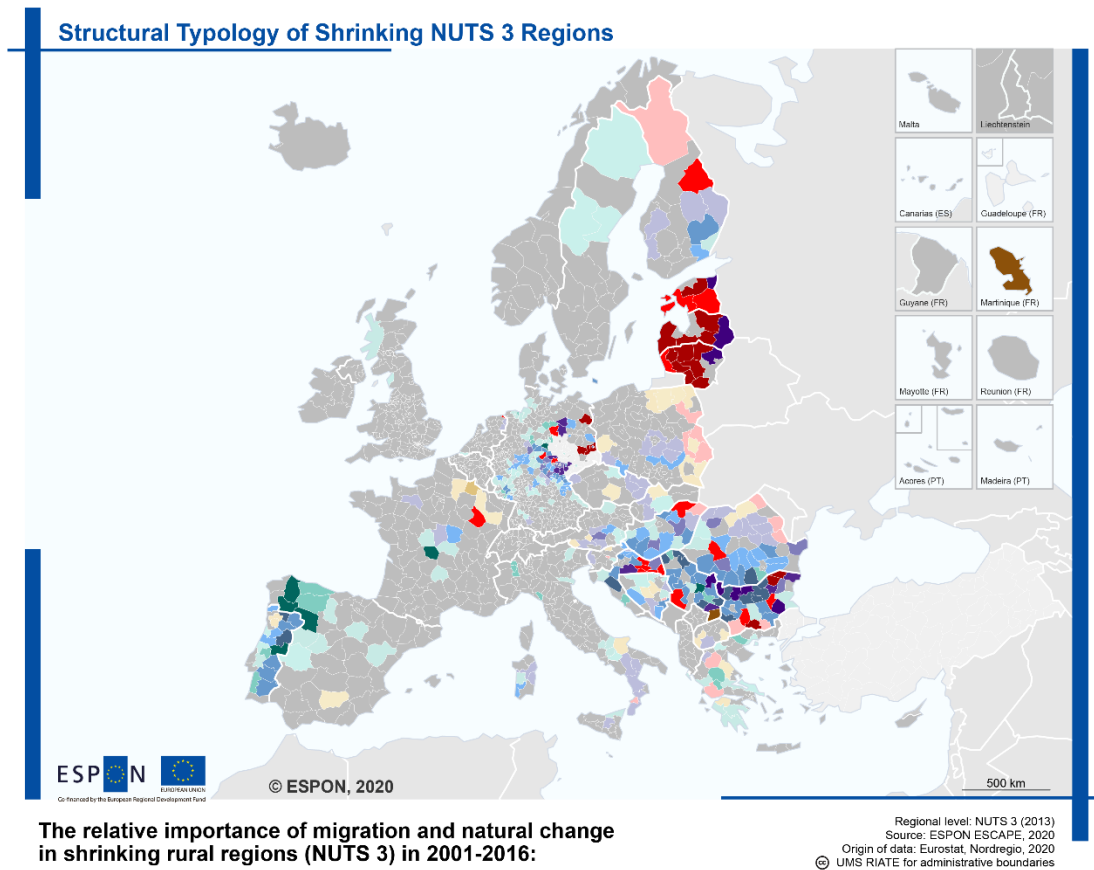
In other parts of Europe there is greater diversity of demographic trends among LAU units within NUTS 3 regions (see additional maps in Piras *et al.* (2020) [Annex 2]). While the *most common region types* are shrinking NUTS 3 with a high share of shrinking LAUs, and growing NUTS 3 with a high share of growing LAUs, there are some exceptions (a high share of shrinking LAUs within growing NUTS 3) situated in Spain, the Nordic countries, Poland and Germany. There are also cases (e.g. in France, Czechia and Slovakia), where growing LAUs are overrepresented within shrinking NUTS 3 regions.

3.3 Structural differences between shrinking regions

While the previous section showed where shrinking rural regions are located, and how the intensity and chronology varies between different parts of Europe, attention now turns to the two components of demographic shrinking, migration and natural change. The balance between these varies, largely as a consequence of the chronology of the process, allowing us (in theory at least) to distinguish between *active* shrinking and *legacy* shrinking (Section 1.2).

Analysis of these structural differences cannot be carried out on the full number of regions identified as shrinking in Section 3.1. The regions which did not shrink in the past (1993-2013), but were projected to shrink in future, are excluded. A switch to NUTS 2013 was also necessary. Datasets on net-migration and natural change are available for the period 2001-2016 and for 422 of the (shrinking rural) NUTS 3 regions identified above, of which 385 are within EU28 MS. According to this “tighter” definition, shrinking rural regions account for 29% of NUTS 3 regions, 39% of the EU28’s area and 18% of its population. This set of regions was used to produce a “structural” typology of demographic shrinkage, based on components of demographic change.

Map 4: Structural Typology of Shrinking NUTS 3 Regions



Each of the two indicators included in this typology (natural change and migration) is divided into the same number of classes (5), using the same interval for each class (+/-4%) to increase the readability of the map. As a result, Map 4 classifies 422 shrinking rural regions into 24 classes:

- 142 regions are characterised by negative natural population change only (legacy shrinkage). They are represented in shades of green, highlighting the intensity of the negative change. They are mostly found in western Germany, Portugal, Spain, Sweden and the United Kingdom; but also in parts of France, Greece and Italy.
- 107 regions where legacy shrinkage is more important than active shrinkage are represented in shades of blue. They are mostly found in the inland regions of Portugal, southern Romania and eastern Serbia.
- 87 regions characterised by a similar importance of both legacy and active shrinkage are represented in shades of purple on the map. They are mostly found in Finland, central Poland and northern Romania.
- 54 regions where active shrinkage is more important than legacy shrinkage are represented in shades of red on the map. They are mostly found in the three Baltic States.
- 32 regions characterised by active shrinkage only, i.e. negative net-migration only, are represented in shades of brown on the map, indicating intense ongoing out-migration. They are mostly found in France, North Macedonia and Poland.

3.4 Exploring Diversity of Process – A Clustering Approach

In reality, shrinking regions face more complex development challenges than depopulation, involving a range of interrelated issues, including levels of economic activity and employment, sectoral re-structuring, productivity, investments, social capital, territorial management, institutions, and governance capacity. While “simple shrinking” is relatively easy to measure, the interaction between demographic trends and these wider dynamics generates diverse and multi-faceted “syndromes” of decline, often associated with “vicious cycles” that tend to self-perpetuate. In this report these phenomena are referred to as “complex shrinking”.

This section presents a regional (NUTS 3) typology of “complex shrinking”. It does this by applying clustering algorithms to a set of variables selected on the basis of established economic models. The typology broadly reflects the four types of shrinking process described in Section 1.2, (Economic Restructuring, Locational Disadvantage, Peripherization, and Events and Transitions).

3.4.1 Principles behind Selection of Variables

The selection of the variables included in the clustering process was broadly inspired by established development economics models of migration and labour-allocation, which have, for many years, inspired policy; namely the Lewis dual economy model (1954), and the Schultz neoclassical migration model (1964). The Lewis model assumes that surplus labour in the agricultural (rural) sector moves to the modern (urban) sector driven by job availability; the Schultz model postulates that migration is primarily driven by the intersectoral wage differential (here represented by the relative GVA per working unit), with distance (accessibility) affecting migration costs and thus the final decision. In a situation of economic restructuring, there is a progressive movement of labour from low-productivity agriculture to the industrial and tertiary sectors; deindustrialisation and automation reduce industrial employment to the benefit of services, or of other regions; and state withdrawal results in less public jobs. Thus, we expect movements between both territories and sectors, driven by their relative competitiveness and expansion or recession. The EU CAP and Cohesion Policy can act as counteracting forces in

poor or agricultural regions. Changes in land-use (farmland abandonment, building of residential areas) are an outcome of such movements.

While the literature has identified causal relationships between the above dynamics, a cluster analysis should not be understood in terms of causality. It rather identifies sets of characteristics which tend to display jointly in certain units. In this sense, our *simplified, descriptive* typology seeks to find order in the complex and interrelated phenomena observed in shrinking regions.

3.4.2 Database and Cluster Methodology

Our analysis was, despite these theoretical considerations, very much data-driven. First, we identified more than 70 variables at NUTS3 level, that could represent the components of “complex shrinking” in a cluster analysis of shrinking rural regions. Some are available from Eurostat or other public sources; others were derived from these by calculation. For cross-sectional variables, data for 2016 were used, or for the most recent available year. For longitudinal indicators, the period 2001-2016, or the most extended available period ending in 2016, was considered. The database was created in the NUTS 2013 environment, beginning from the list of regions incorporated in the analysis of the demographic components (Section 3.3).

The full list of the variables originally considered, is provided in Piras *et al.* (2020) [Annex 2].

They represent five themes:

- Geography (specificities, macro-regions etc) - 17 variables
- Demography (population distribution and change) - 13 variables
- Economy (GVA, GDP, employment, productivity) - 32 variables)
- Environment (land use, erosion) - 8 variables
- Policy (payments by ESI Funds) – 4 variables.

Following an iterative process of experimentation with clustering (see below), a subset of 29 variables, (Table 1) reflecting demographic dynamics, economic structures/restructuring, and locational disadvantage (accessibility), were incorporated in the final version of the clustering algorithm. Variables were excluded from the clustering procedure for a variety of both practical and theoretical reasons, such as high levels of missing data, or “redundancy” (correlation with other variables). They are nevertheless very valuable for the description of the clusters, and several are featured in Figures 2-4 below.

A Ward’s linkage hierarchical clustering algorithm, which minimises the total within-cluster variance instead of considering a single measure of distance between the units, was deemed the most appropriate to detect the underlying cluster structure. The optimal number of clusters was identified by looking jointly at statistical indices and at geographic patterns emerging from the mapping of different solutions. Since missing variables can cause a unit to be excluded from the process, we restricted the analysis to the EU regions identified as shrinking in the structural typology of “simple shrinking” (Map 4).

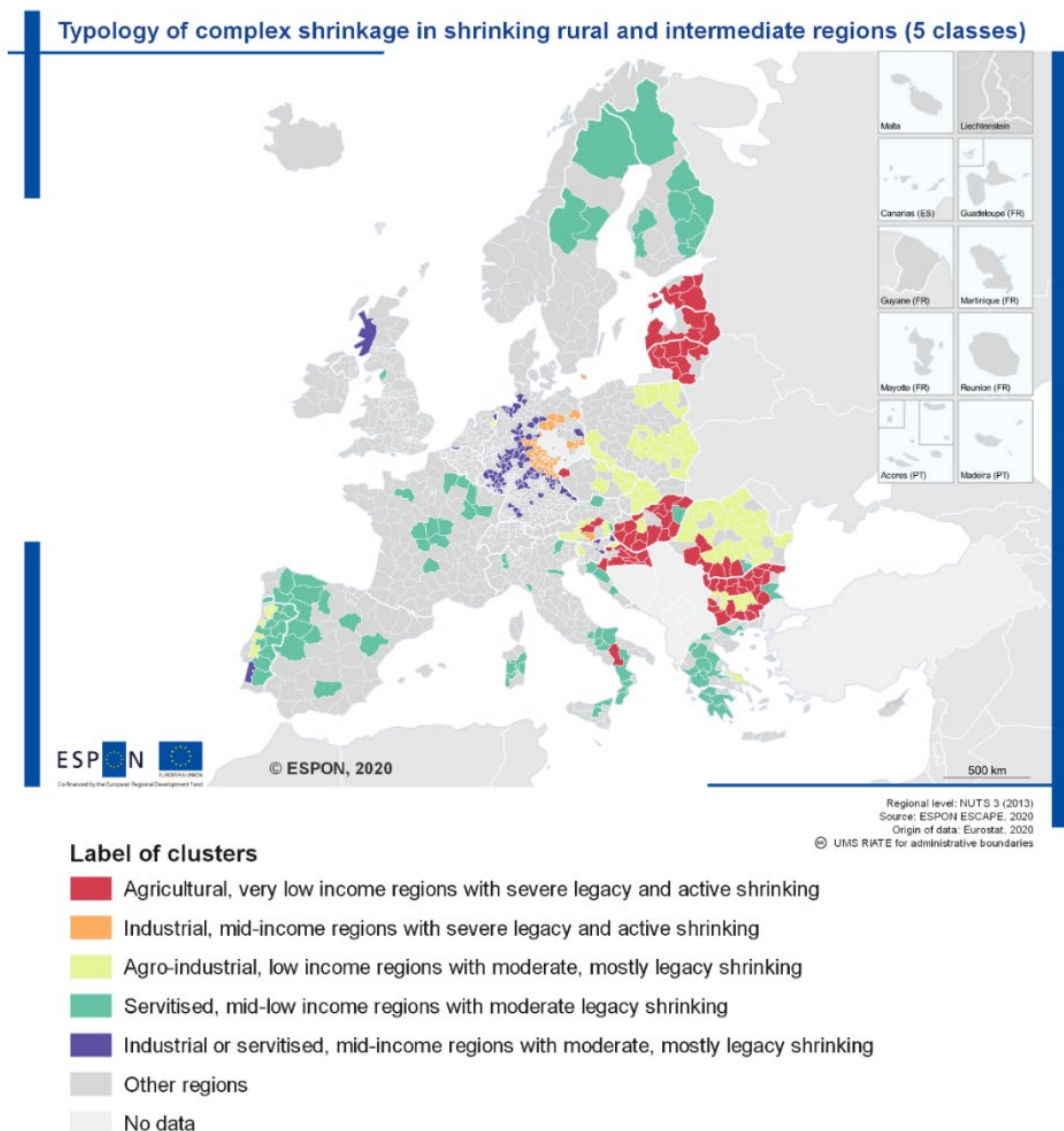
Table 1: Overview of the final 29 variables used in the clustering analysis of "complex shrinking".

Category	Variable
Geography	1. Multimodal accessibility index at NUTS3 level in 2014
	2. Change in the multimodal accessibility index at NUTS 3 level from 2001 to 2014
Demography	3. Concentration of population (0-1) between LAUs in 2011
	4. Change in concentration of population between LAUs (2001-2011)
	5. Share of population living in shrinking LAUs (2001-2011)
	6. Population density (2016)
	7. Share of working age population 16-64 (2016)
	8. Rate of natural change from 2001 to 2016 as a percent of the 2016 population
	9. Rate of net migration from 2001 to 2016 as a percent of the 2016 population
	10. Yearly rate of population change from 1993 to 2013 as a share of the 1993 population
	11. Yearly rate of population change from 2013 to 2033 as a share of the 2013 population
	12. Number of decades of shrinking from LAU data (1961-2011)
Economy	13. Share of GVA produced by the primary (NACE rev.2 sector A) in 2016
	14. Share of GVA produced by secondary sector (NACE rev.2 sector B-F) in 2016
	15. Share of GVA produced the service sector (NACE rev.2 sector G-N) in 2016
	16. Share of GVA produced by the public sector (NACE rev.2 sector O-U) in 2016
	17. Relative change in the share of GVA generated by the primary sector (2001-2016)
	18. Relative change in the share of GVA generated by the secondary sector (2001-2016)
	19. Relative change in the share of employment in the primary sector (2001-2016)
	20. Relative change in the share of employment in the secondary sector (2001-2016)
	21. GVA per working unit as a percent of the national level in 2016
	22. GVA per working unit in primary sector as a percent of the national level in 2016
	23. GVA per working unit in the secondary sector as a percent of the national level in 2016
	24. Convergence to the national GVA per w. u. (abs. % points, 2001-2016)
	25. Convergence to the national GVA per w. u. in sector A (abs. % points, 2001-2016)
	26. Convergence to the national GVA per w. u. in the secondary sector (abs. % points, 2001-2016)
	27. GDP per capita (Purchasing Power Parity) in 2016
	28. Convergence to the EU GDP per capita (absolute percent points, 2001-2016)
	29. Convergence to the national GDP per capita (absolute percent points, 2001-2016)

3.4.3 Typology of complex shrinking

To be of operational use for policymakers, clusters in a typology of "complex shrinking" should be neither too few nor too many, and clearly differentiated in terms of key variables. Given this premise, our typology consists of five clusters. Map 5 shows their geographical distribution; Figure 1 to Figure 3 show the mean value and the standard deviation of key variables within them.

Map 5: Typology of "complex shrinking" in rural and intermediate regions



For an appropriate reading of the results, three caveats need to be born in mind. First, being a NUTS 3 typology, sub-regional differences (apart from those captured by population distribution indices) are not reflected in it. The ESCAPE case studies localities can thus differ significantly from the type assigned to their region. Second, being a macro (EU) level typology, differences *within* the same country, or between countries from the same macro-area, may become less visible. Third, to guide the reader through the complexity of the matter the following discussion is based on average values, but there is relevant residual diversity *within* the clusters.

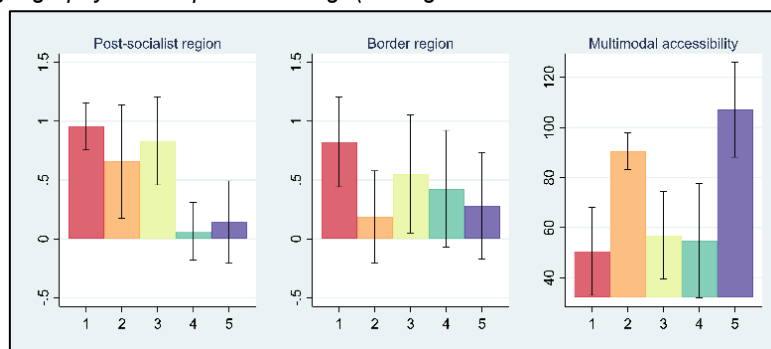
1. Agricultural, very low income regions with severe legacy and active shrinking

These regions are declining due to their disadvantage relative to national centres, which fuels outmigration, and they generally do not have a strong sector to rely on to reverse this trend.

This first cluster includes 74 regions (19.3% of the regions included in the analysis), mostly Eastern European: the Baltics outside their capital regions; most of rural Hungary and Bulgaria; continental Croatia; and south-western Romania. In geographic terms, it presents the largest share of intermediate regions, few coastal and mountain regions, and is characterised by

proximity to borders (including EU borders) and poor accessibility (despite sizeable improvements). These regions show the most severe rate of simple shrinking (-18.7%), equally split between natural change and outmigration. They shrank rapidly in the past (but this trend is more recent than in other clusters) but are expected to shrink less than the second cluster in the future. Shrinking is not evenly distributed, resulting in population concentration and large differentiation in LAU shrinking rates. From the economic point of view, the primary sector is relatively larger than in other clusters, especially in terms of employment, but its importance is declining rapidly. The service and public sectors are relatively small. This results in the lowest GVA per working unit relative to the national average, both in the overall economy (78%) and by sector. This indicator is diverging from that of the other clusters, overall (7.6%) and in each sector. Instead of converging to the national level, the GVA per working unit is even diverging both in the overall economy (-7.6%) and in each sector. Accordingly, the GDP per capita is the lowest of all clusters (43% of the EU GDP), and while converging towards the EU GDP (by 9.7%), it has been diverging from the national GDP by the same percent points. This explains the small and unchanged share of built-up land. Cohesion Fund payments are the highest in these regions, but this is compensated by below-average payments of other funds.

Figure 1: The geography of "complex shrinking" (average value and standard deviation by cluster).



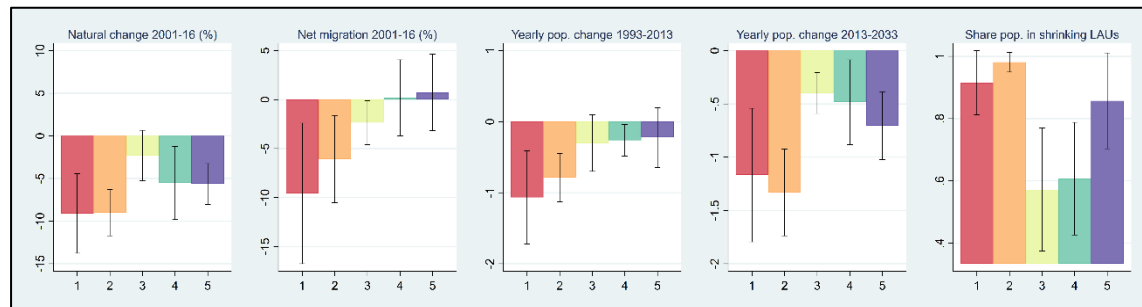
2. Industrial, mid-low income regions with severe legacy and active shrinking

This cluster is catching up through economic restructuring, which is reducing low-productivity jobs, but also damaging an already weak population structure. Thus, these regions are ranked worse than other, diverging but demographically healthier, ones.

This cluster consists of 38 regions (9.9%) located in Eastern Germany (two thirds of the total) and in adjacent Western Germany. Two thirds of these regions are predominantly rural, and they present the best accessibility apart from the fifth cluster (but improvement was by far the most modest). Their rate of demographic shrinking is almost as severe as in the first cluster (-15.1%), with the difference due to lower outmigration. Shrinking has been lasting longer than in any other cluster, and more severe shrinking rates are foreseen in the future. Despite rurality, the primary sector is small in both economic and occupational terms, while the secondary sector, although declining, is the largest of all clusters (38%). The service and public sectors are not gaining much importance. The size of the industrial sector is balanced out by a low product per working unit relative to the national average (77%). Other sectors are not performing well in terms of productivity either, but they are all improving much faster than in

other clusters. The GDP per capita is relatively high, and its convergence rates at both EU and national levels are the fastest among all clusters, probably thanks to high investments. Land is intensively used, and the share of built-up land has increased fast. While these regions do not have access to Cohesion Fund payments, this is compensated by other funds (e.g., the ESF).

Figure 2: The demography of "complex shrinking" (average value and standard deviation by cluster).



3. Agro-industrial, low income regions with moderate, mostly legacy shrinking

Being comparatively weak at national level, these regions are losing population through some outmigration besides natural decrease; however, they are more central, and with a relatively stronger economy than the first cluster.

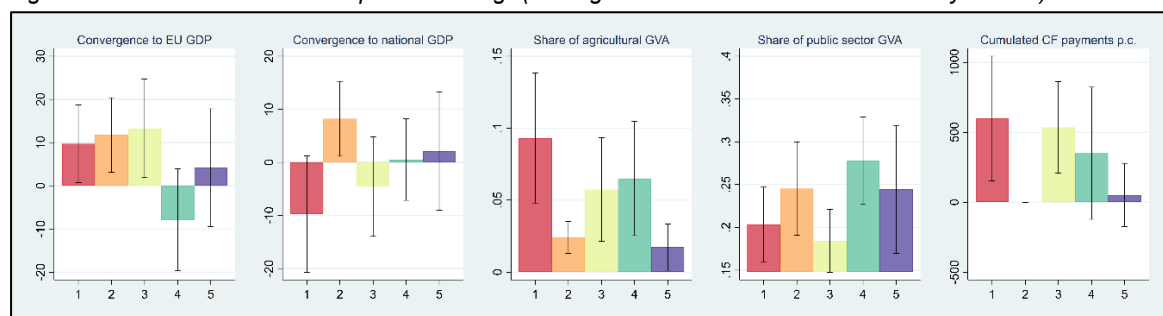
This cluster comprises 78 regions (20.4%), predominantly East European: all Polish and Slovak regions; all but one Czech regions; most Romanian regions; Bulgarian, Hungarian, Croatian and Slovenian regions close to the capitals; and some Portuguese regions close to the main cities. Geographically, four fifths are post-socialist, over half are border regions, and their accessibility is quite poor despite a sizeable improvement. They show the most modest shrinking rate (-4.7%), equally split between natural decrease and outmigration, and the slowest expected shrinking rate in the future. The population is more evenly distributed than in other clusters, and local shrinking rates are not particularly severe – only 57% of the population lives in shrinking LAUs. From the economic point of view, the GDP per capita is slightly above 50% of the EU average, and is converging faster than in the other clusters (13.1%), but is also slowly diverging from the national average. The share of agriculture in GVA is 6% but its relevance in occupational terms is much larger (18%); the industrial sector is relatively large (38%), and growing in both product and occupational terms; services, and especially the public sector, remain small despite a rapid relative increase. Such dynamics result in the lowest relative GVA per working unit after the first cluster, with the gap with national productivity widening both for the overall economy and in all sectors except agriculture. Accordingly, the share of agricultural land is declining less than in other clusters. Cohesion Fund payments are high, while the incidence of other EU funds is close to the average for all regions.

4. Servitised, mid-low income regions with moderate legacy shrinking

These regions have grown in the past despite a "difficult" territory and a weak secondary sector; although their economy is healthy enough to prevent massive outmigration, its state has been worsening, and the "distorted" population structures have resulted in "legacy shrinking".

This cluster of 94 regions (24.5%) is the most geographically diverse and includes the southern and northern EU periphery: all the French, Spanish, Swedish and Finnish regions; most Italian, Greek and Portuguese regions; Adriatic Croatia; and two Austrian regions. There are several regions with geographic peculiarities: 42% coastal, 52% with a majority of mountain population, and a relevant share in Italian islands. The share of unused land is by far the largest (22%) and increasing, while farmland is shrinking and soil erosion is also an issue. Accessibility is almost as poor as in the first cluster, but has improved less. The GDP per capita is about two thirds of the EU level, and differently from all the other clusters, it has been diverging (-7.9%), while stagnating at national level – despite the large amount of EU funds received, particularly for rural development (€1,747 per capita from the ERDF). Shrinking rates are 5.4% on average, all due to natural decrease, and while this is a long-term trend, the rates have been small and are expected to stay as such. However, the large variation in local shrinking rates has caused increasing population concentration. In economic terms, the secondary sector is underdeveloped and losing importance, while the service and public sectors are large (42% and 28% on average) and gaining importance. This results in a relative product per working unit higher than in the previous clusters (85.5%) but slowly diverging from the national level in all sectors, especially agriculture.

Figure 3: The economics of "complex shrinking" (average value and standard deviation by cluster).



5. Servitised, mid-income regions with moderate, mostly legacy shrinking

These are regions with weaker-than-national-average, but still robust economies, which are shrinking due to distorted population structures and low fertility rates.

This very central cluster includes 99 regions (25.9%), almost all in Western Germany, plus the Eastern German city districts (*Landkreis*), three of four Dutch regions, and four of five Slovenian regions. A majority are intermediate regions and a quarter belong to a metropolitan area. Their accessibility is above the EU average, and has been improving. Population density is high and the share of built-up land large and increasing. The moderate rate of shrinking (-4.9%) results from a large natural decrease with a small positive migration balance, and is expected to slow down in the future. Although most of the population lives in shrinking LAUs, its distribution is more uniform than in other clusters, and there is not much difference in shrinking rates. The GDP per capita is slightly above the EU value (103%), but below the national value, and slowly converging at both levels. Hence, EU payments are substantially lower than in other clusters. The economies of these regions are highly servitised, with the tertiary and public sectors even

growing in relative terms. The share of industrial GVA is in line with the average for all regions, but shrinking; and agriculture is negligible. On average, the relative GVA per working unit is higher than in other clusters but still below the national level (89%), and slowly converging in all sectors but industry.

3.4.4 The complex processes associated with rural shrinking

The identification of clusters has illustrated the fact that similar rural and regional demographic trends can be the consequence of a range of specific, and complex, socio-economic processes. Indeed, “simple shrinking” is not necessarily accompanied by economic decline, but by *relative* rather than *absolute* economic weakness, often associated with geographic disadvantages such as peripherality, low accessibility, or a “difficult” territorial structure.

Further analysis described in Piras *et al.* (2020) [Annex 2] reveals that the most persistent territorial cleavages, in terms of “complex shrinking” processes are between the West and the East of Europe, and between a “core” stretching from Austria to the Netherlands, and the eastern, northern, and southern periphery. While the average natural change is negative in all clusters, migration plays a diversifying role, being severely negative in Eastern Europe.

The relations observed in the single clusters in terms of variables suggest that shrinking tends to be associated with a GVA per working unit below the national average, and is more severe where either the largest sectors are declining, or there are no sectors with a comparative advantage. The findings about the importance of *relative* disadvantage are confirmed by the fifth cluster, whose economy is *relatively* less competitive than nearby regions and thus does not attract enough migrants to compensate legacy shrinking.

The cluster analysis suggests some interesting recurrent patterns, from which the following inferences may be drawn:

- First, shrinking rates in different clusters differ mainly because of migration: peripheral regions, especially in Eastern Europe, are unlikely to retain their population if they lack a comparative advantage (a promising sector).
- Second, national convergence matters probably more than EU convergence, because internal migration costs are lower: EU convergence (at the MS level) has been hiding increasing territorial disparities that need to be addressed, especially in monocentric post-socialist countries.
- Third, geographical differences become less relevant in the presence of agglomeration economies and servitization, so that rural Mediterranean regions and sparsely populated Nordic regions can easily cluster together.
- Fourth, sizeable financial support from the EU, or a large public sector, are not enough to prevent shrinking in the long-run in the presence of an unfavourable geography and weak secondary and service sectors.
- Finally, even a sizeable improvement in accessibility is not enough to prevent shrinking in peripheral regions.

4 Rural Shrinking Under the Lens: The Case Studies

Key Messages:

14. *Demographic shrinkage is often associated with a “vicious cycle” initiated by low economic performance, a dependence upon primary or manufacturing industry and low levels of entrepreneurship.*
15. *This drives selective outmigration, which, in turn leads to various human capital deficiencies and self-perpetuating labour market issues, notably a spatial mismatch between available human capital and job opportunities.*
16. *Shrinking demand leads to problems in maintaining service provision, and transport infrastructure, which further encourages the outflow of population.*
17. *The experiences of the eight case studies reveal broadly two “pathways” to shrinking, which combine several of the four generic processes (Section 2.2).*
18. *These seem to be associated with the same E-W differentiation identified by the cluster analysis.*

4.1 Introduction

The eight case studies which are described in this section were carefully selected using a two-stage procedure described in Kovacs *et al.* 2020 [Annex 4], which ensured inclusion of both active and legacy shrinking, urbanisation and globalised migration, and different “macro regions” of the EU. More specifically, a short list of 24 candidate regions was reduced to eight by considering two pairs of criteria: dominant type of shrinking (active and legacy) and main directions of population flows (rural-urban or globalised).

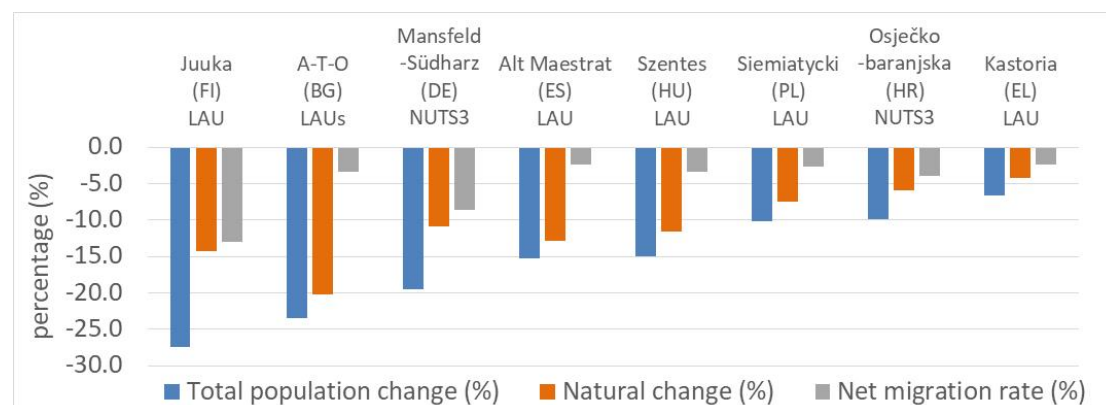
Case studies have important and multiple roles in this project. On the one hand, they provide a better understanding of the phenomenon through eight examples of diverse socio-economic processes linked to rural shrinkage, and on the other, they deliver a wide range of empirical evidence to subsequent project tasks. The case studies have improved our understanding of stakeholders’ perceptions of population decline; shed light on governance frameworks and practices; uncovered coping strategies, intervention logics, and policy tools; revealed anticipated future pathways and approaches (from mitigation to adaptation), and assessed the relevance and applicability of EU-Macro Scale policy goals. Commonly agreed methodological guidelines, and a standard report template, have ensured a balanced and consistent delivery of findings. This section provides comparative reviews of the demographic and wider socio-economic status of the eight areas, (4.2 and 4.3); sketches pen-portraits of each locality (4.4); and summarises the triggers and models of shrinkage observed (4.5 and 4.6).

4.2 Population trends

Strong population decline has been recorded in all case study areas during 2001-2017 (Figure 4) ranging from a 6.7% decrease in Kastoria (EL) to a 27.4% drop in Juuka (FI). In three cases, (Juuka, FI, Mansfeld-Südharz, DE and Alt Maestrat, ES) this trend was contrary to an increase at national level. In the other five cases decline also occurred at country level, though case study areas show higher rates of shrinking. Natural decrease of the population reflects, in most cases, the strong impact of the “legacy effects” of an ageing population. Furthermore, Finish, Spanish and German case study areas show ageing indexes substantially higher than national

average. All case study areas show a negative net migration rate diverging from the national average, ranging between 2.4% (ES and EL) to 13% (FI). More detail on key demographic indicators is provided in Kovács, *et al.* (2020) [Annex 4].

Figure 4: Population change, natural change and net migration by case study area during 2001-2017.



Source: own elaboration from National Statistical Offices

4.3 Complex shrinkage and broader contexts

Population shrinking is not necessarily coupled with economic decline, but unfavourable demographic processes can be both causes and consequences of wider socio-economic challenges of an area.

Regarding economic production and considering GDP per capita, all case study areas represent European rural or intermediate regions, with either medium (Castellón, ES, North-Karelia, FI, and Mansfeld-Südharz, DE) or low income (all others). From a national point of view, all but one of these areas might be regarded as poor performers (measured by GDP per capita), the exception being Castellón (ES). The economic trends of these regions during the past two decades show both converging and diverging pathways compared to national averages. During the period 2001-17, only the North-Karelian NUTS 3 area (including Juuka) and Mansfeld-Südharz (DE) converged with the national average of GDP per capita. Osječko-baranjska (HR) and Kastoria (EL) seem to stagnate from this point of view, while the other case study regions show lagging tendencies.

Poor economic performance has different roots in the case study areas. In Eastern Europe, it is still related, to some extent, to the transitional crisis of the 1990s caused by collapsing (socialist) economies and trade connections, exacerbated in Croatia by the War of Independence. Weaker economies had difficulties to adapt to the changing dynamics and demands of the globalised markets and therefore were unable to retain population in the context of virtually unlimited movements over past decades. The challenge of economic adaptation was more acute in regions with mono-industrial structures or a few dominant activities, which collapsed or declined as their position in global markets was weakened or lost. Examples include copper mining in Mansfeld-Südharz (DE), soapstone mining and processing in Juuka (FI), fur industry in Kastoria (EL), textile industry in Alt Maestrat (ES) and agriculture in general.

Primary industries and manufacturing still play significant roles in the economies of case study areas. While its contribution to the economy is usually lower, agricultural production is still important from the viewpoint of employment opportunities in every case study area (10-20% share in total employment), except for Mansfeld-Südharz (DE). Besides primary activities, most case study regions, and Lovech (BG) in particular, show employment in traditional manufacturing branches above the national average. Examples include the food industry (HU, FI and ES), textile industry, (BG and ES), fur industry, (EL), soapstone mining and metal working, (FI) and copper mining, (DE).

Processes related to entrepreneurship in case study areas also show challenges exacerbated by demographic and complex shrinking processes. Compared to national averages, the numbers of enterprises (per 1000 persons) are lower in all case study areas, and have been throughout the past 10 years. The number and share of middle-sized and large enterprises is generally low and decreasing. The pool of businesses in every case study area is predominantly composed of small and micro enterprises. Since SMEs have limited capacities in terms of investments and employment, the case study areas are characterised by a dearth of recruitment opportunities.

Age-selective migration and a decreasing proportion of working age population are also characteristic of all case study areas. Unemployment rates are high in rural regions (FI, BG, HR, DE) where primary and secondary industries are too small to absorb low skilled labour. This is not the case for example in Szentes (HU), where food industry has continued to provide employment for large numbers of unskilled or semi-skilled population and outmigration has filtered out the high-skilled, therefore unemployment rate is low.

A general lack of qualified labour, reported from Finland, Bulgaria, Croatia, Germany and Greece, also tends to hamper development. As mentioned above, this is partly related to the composition and limited labour absorption capacities of locally based industries. This can result selective outmigration, driven by a shortage of opportunities for higher education and job offers for qualified labour as noted in Alt Maestrat (ES), Mansfeld-Südharz (DE), Lovech (BG) and Szentes, (HU). In such cases a vicious cycle is driven by the current composition of the local labour market, which determines their low attraction capacities towards fresh investments of high-tech industries.

Quality and quantity of service provision (education, health care, public administration) are problematic in all the case study areas, except Osječko-baranjska (HR). Due to permanent migration low fertility rates, the number of children enrolled in kindergartens and schools has decreased over the past decades in all the Case Study areas. This led to the closing down of many schools, for instance in Juuka (FI), Szentes (HU), Lomzynski (PL), Mansfeld-Südharz (DE) or in Apriltsi-Troyan-Ougarchin (BG). The provision of health and social care services is increasingly important in the case study areas due to the accelerated ageing of the population. At the same time, there is a general decrease of service units and a lack of staff (particularly

General Practitioners) compared to national averages. There is also a general lack of opportunities for retail and cultural activities.

The insufficient availability of (good-quality) local services underlines the need for adequate transport infrastructure and provision of public transport services, especially where, the CS areas are located in geographical peripheries (FI, BG, PL), or where the process of peripherization has hampered accessibility of SGI (ES, HU, EL) through increased (relative) proximity. In Alt Maestrat (ES), Szentes (HU), Mansfeld-Südharz (DE), and Osječko-baranjska (HR), opportunities to use online services are limited, because fewer households have broadband access to the internet than the national average. Furthermore, digital illiteracy also may set back the diffusion of such services, as seen in Alt Maestrat (ES).

4.4 Pen-portraits of case study areas

Each of the eight case study areas is briefly described below. Small maps show the location of the area within the Member State. All of the areas illustrate combinations of the four shrinking processes described in Section 2.1, but an impression of their relative importance is provided by the symbols above each map. The meaning of the four symbols is explained in Figure 5.

Figure 5: Symbols for the Four Types of Shrinking Process



4.4.1 Osječko-baranjska County, Croatia

Osječko-baranjska County (NUTS 3) is one of the eastern-most parts of Croatia, bordering Hungary in the north and Serbia in the east. It has a population of 287,124 (7.1% of total population of Croatia) spread across 42 LAU2 units (seven administrative cities and 35 municipalities). The region suffers the consequences of the Croatian War of Independence, transition-related de-industrialisation, and painful adaptation of agriculture to new market conditions. This has resulted in continuous out-migration, which has intensified with Croatia's accession to the EU. Consequently, almost a quarter of the population has been lost since the 1990s. The most important feature of contemporary demographic processes is work-related out-migration. The high unemployment rate, due to lost jobs resulting from the War, de-industrialisation, and privatisation; the resulting lack of diverse job offers; and low salaries, are perceived as the key push factors for out-migration of young individuals and also families. The consequences are visible in the lack of qualified workforce, the lack in dynamism, and a large decrease in the number of pupils in schools. Lack of a clear vision and national strategy for coping with shrinkage, the need to decentralise the state and clearly define roles and responsibilities of all governmental levels, are other important challenges. Support for the most promising economic sectors, such as agriculture (including organic), forestry, food-processing, as well as newly-emerging



opportunities like tourism, and especially the IT sector, is necessary. Supportive policies for both secondary schools, and the University of Osijek, are considered of utmost importance.

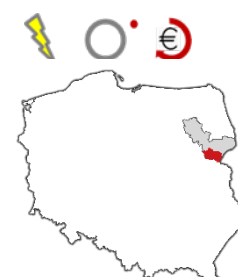
4.4.2 Lovech, Bulgaria

The case study area is situated in the lagging North-Western region of Bulgaria, in Lovech province (NUTS 3) comprising a group of three municipalities, Troyan, Apriltsi and Ougarchin. All three are founding members of a very active LEADER LAG. The roots of depopulation in these rural areas date back to the socialist past, when land collectivisation and soviet-type industrialisation triggered outmigration flows towards urban centres. During post-socialist times the privatisation process resulted in massive closures and hindered the attraction of fresh investments, while enhancing corruption. The Bulgarian EU accession coincided with the global financial crisis, triggering massive outmigration from all social groups in search of better personal future prospects. The feeling of “lagging and backwardness” has become part of the local culture, and is transmitted to the youth pushing them to leave, mostly abroad. The “culture” of shrinking is evidenced through the perception of locals about 1) the decreasing employability of the young in particular, 2) the increasing numbers 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. Shrinkage has affected all institutions operating in rural areas, especially schools, cultural centres, hospitals, and public transport. Municipalities rely heavily on EU funding, but it is limited in terms of scope and does not always match local needs. All identified good examples of coping strategies addressing the shrinking process are actually individual and sporadic, except the LEADER LAG, which has been running for a decade and helps attract funding from a wide spectrum of resources beyond EAFRD. Case study authors argue that to sustain and multiply good examples, a different governance approach is needed, with less centralisation and more emphasis on local specificities, and efficient, not formal, governance at regional scales.



4.4.3 Siemiatycki, Łomżyński, Poland

The Łomża subregion (NUTS 3) is located in Podlaskie Voivodeship (NUTS 2) where the case study area Siemiatycze, Hajnówka and Bielsk districts (LAU 1) are located. After World War II, due to the shift of Poland's borders the area became peripheral, bordering the Soviet Union, nowadays Belarus and Lithuania. Population started to shrink in the 1950s due to socialist forced industrialization. After 1989, the political transformation led to the collapse of the local wood and chemical industries as well as small farms, therefore unemployment rose sharply. Consequently, the population of Łomża subregion has decreased by almost 10% since 1990 (15% in Siemiatycze district), and the ageing index has increased from 45.3% to 121.6%. The GDP per capita of the Podlaskie region (NUTS 2) was only 72.4% of the national average in 2017; it is among the least developed regions of Poland, and the gap between its GDP and that of the rest of the country is growing. Directions



of departure of local citizens, mainly the youth, were large cities of Poland and industrial hubs abroad. The case study area is, however, gifted by significant natural values of European importance; the consequent strict restrictions make this asset, an extended forest, underused. The local economy has also been weakened by poor agricultural potentials (poor quality of soils) and weak manufacturing sectors. Over and above, insufficient cooperation between self-governing authorities of various levels (voivodship NUTS 2, powiat LAU 1 and commune LAU 2) exacerbates factors hampering development. This problem results mainly from limited competences and financial resources of local governments (powiats and communes), low social awareness, low human and social capital in the area, low level of social trust, and lack of expert support for development activities at the level of local NGOs and institutions.

4.4.4 Mansfeld-Südharz, Germany

The Mansfeld-Südharz (NUTS 3) region exemplifies the long-lasting population decline history of the East of Germany. Shrinkage is conditioned by the re-unification process (1989) and the subsequent collapse of the copper mining industry. These political and economic changes accelerated negative demographic trends in the area, above all through immediate migration to West Germany (or beyond). This resulted in an “ageing” society and a very sharp drop in fertility rates in the 1990s, from which this region never recovered. Nowadays, discourses are not limited to demographic concerns, but imply a high degree of awareness of the complex interrelations of socio-economic processes and the strong dependence of shrinking regions on “core” economic areas. Although a high level of local attachment is expressed within the case study area, actions for mitigating the demographic decline are assessed as largely “in vain” or insufficient. For a decade the political agenda has aimed at enhancing place-based approaches, supported by a multitude of thematic networks on demographic issues at national and regional scales. The main policy challenges and recommendations observed in the case study area relate to the feelings of being neglected and the application of “project” structured policy support, rather than long term planning. That approach pays attention to regional problems just for a while or as a “model” area, pretending shrinkage would just be an “exceptional period”. The widespread assessment of local and regional actors is that policy schemes have to achieve a position where continuous commitment and frameworks for support without “time gaps” would be provided. Socio-economic trends can hardly be influenced by these piecemeal approaches and do not enable shrinking regions to escape the widely experienced “vicious cycle”.



4.4.5 Szentes, Csongrád, Hungary

The Hungarian case study area, the town of Szentes and its surroundings, is located in the Great Hungarian Plain. In Szentes district (LAU1) two-thirds of the population live in the market town of Szentes, and the rest is spread over seven villages, varying in size from less than 400 to more than 4,000 inhabitants. The area



is characterised by traits of “inner peripherality” linked to its geographical position (lying in between two regional centres), and accessibility issues (the main railway lines and highways bypass the town of Szentes). Shrinkage in the past decades has been driven primarily by legacy (demographic) effects; the ongoing high outmigration plays a secondary but still important role in population decline. What is painful in most local stakeholders’ minds, is the selectivity of outmigration; the negative migration balance has been particularly high among the educated/skilled citizens. Shrinking human capital has been a painful consequence of overall shrinkage, and was identified as a key problem. Due to the high importance of agriculture in the area, the population has always been vulnerable to the forced re-allocation of agricultural properties, as of collectivisation during the Communist era, and “de-collectivisation” after the fall of State Socialism. The scale of the transition crisis was so dramatic, especially in villages that, even two decades later, the number of jobs reached only 50% of the 1990’s figures in the villages and 78% in the town of Szentes. Concerning coping strategies, the goal of attracting industries, preferably with high value added and demand for qualified labour, is still at the top of the priority list, at least in the town. Desired interventions addressing the quality of life and improved public services are equally present in the thoughts of local actors.

4.4.6 *Alt Maestrat, Castellón, Spain*

Alt Maestrat county shows characteristic traits of Southern European shrinking rural areas (importance of agriculture, mountain conditions and remoteness). However, *Alt Maestrat* also has interesting singularities; Its location in the “losing side” of an intermediate wealthy region where the population is increasing, and the relative proximity of dynamic industrial clusters and economic centres. *Alt Maestrat* is therefore a transition area between the wealthy coastal plain and the inner demographic desert of Spain, sometimes referred to as “Southern Lapland”. Since 1991, population has decreased by 25%, and the ageing index has increased from the already extremely high value of 200 to 302 (more than double the national average). Historical development patterns have fostered the concentration of infrastructure, population, and activity at the coast, resulting in economic marginalisation of the area. Local actors feel like “*second-class citizens while contributing equally to taxes*”. This perception is also reinforced by the legacy effects of past policies and investments resulting in rural “abandonment”. During the past decades, the region has lost population in selective processes of out-migration of the youth and more qualified people, who do not find sufficient opportunities to develop their professional aspirations, causing a vicious circle of ever greater abandonment. In addition to education and labour-motivated migration, another push to resettle is related to expectations, mainly of younger generations, about lifestyle, socialisation and leisure. Furthermore, one of the main shrinkage drivers is the socio-cultural stigmatisation of rurality linked to a clear dominance of urban models of success. An increasing political awareness during the past years has not been translated into effective policies or strategies.



4.4.7 *Kastoria, Western Macedonia, Greece*

The Municipality of Kastoria (LAU 1), in Western Macedonia Region, is one of the areas experiencing most serious shrinkage in Greece. It is a mountainous area surrounding the Kastoria Lake. As a marginal border area, it is also a gateway to Albania and to other Balkan countries. The fur industry, which is the dominant activity of the area, first experienced decline in the 1980s, and is again experiencing a 10-year decline due to the EU trade embargo with Russia. The remaining economic alternatives linked to agriculture and livestock farming offer low profitability, and are limited by poor access to energy, water supply and lack of investment in infrastructure and technology. Although Kastoria Municipality has important environmental and cultural assets, there is no significant tourism development. These economic factors, together with the legacy effects of past migrations during the 1960s, have led to a population decline of 5.8% over the period 2001-2017, associated with low fertility rates and ageing. A large proportion of the working age population (15-64 years), mainly young and skilled people, left in the period 2001-2017. As a result, the area experiences a problematic population structure and high unemployment. The economically active population accounts for 45% of the total; 25% is unemployed, and retirees are 23%. Shrinkage is also exacerbated by the lack of quality public and private services and poor quality of roads, - especially in agricultural and less accessible mountain areas, - the lack of specialized labour force, and the settlement of the incoming migrants (mainly Albanian) in other parts of the country. On the governance side, there is a lack of policy mechanisms - formal or informal - at any administrative level, which address simple or complex shrinking, and this makes it difficult to deal with the problem.



4.4.8 *Juuka, North Karelia, Finland*

Juuka (LAU 2), in south-eastern Finland, can be seen as an archetype of a small, rural and remote Finnish municipality that has been facing population decline for many decades. From 1972 to 2018, Juuka's population almost halved. Currently, the major cause of shrinking is ageing, with almost four times as many people dying each year as being born. This ageing process is, to a large extent, fuelled by earlier out-migration processes (to industrial areas, due to agricultural and forestry mechanisation, and for better educational opportunities). Nevertheless, out-migration still takes place particularly among younger age cohorts for educational or job-seeking purposes. Shrinking has impacted the municipality in a variety of ways: declining tax income, oversized service infrastructure and need for "right-sizing" (e.g. of schools, certain types of housing etc.), decreasing shopping opportunities, a somewhat dysfunctional housing market, and increasing pressure on services linked to ageing. With regard to the perception of shrinking, natural population decrease is taken as a given, as well as the need for a realistic approach to it. There is a sense of mistrust and "being forgotten" towards the national level and its purported focus on urban centres as engines of growth. Juuka also implements mitigative activities (attraction







of new residents) through positive communication (especially aiming at potential pensioner returnees), paying a symbolic “baby bonus”, and aiming to attract high-school students from Russia. There is an increasing prevalence of the understanding that vitality and local well-being is to be gained from something other than population growth, including soft factors (lively socio-cultural environment, leisure facilities and active civil society and organizations).

4.5 Different pathways through the shrinking process

All four types of shrinking process described in Section 2.2 are clearly seen in the case studies (Table 2), though as anticipated, it is often hard to disentangle them. Here we distinguish those which are inherently geographical, from those which are driven by either long-term restructuring trends, more rapid “peripherization” processes, or short-term events or transitions; and describe how different parts of Europe have taken different pathways through them.

Table 2: Perceived incidence of the four types of shrinking process in the case studies

Case study	Economic restructuring 	Locational disadvantage 	Peripherization 	Events and transitions 
HR	XX		X	XXX
BG	XX	X		XXX
PL	X	XX		XXX
DE	XX		X	XXX
HU	X		XX	XXX
ES	XX	X	XXX	
EL	XX	XXX	X	
FI	XX	XXX	X	

4.5.1 Locational Disadvantages

Starting with geographic contexts as important factors underlying shrinkage, *peripherality*, which sets considerable limitations in nearly all case study areas, should be highlighted. In most cases, (especially Siemiatycki (PL), Szentes (HU), Mansfeld-Südharz (DE)) remoteness from urban centres has been a decisive factor in shrinkage. Poor connectivity may be exacerbated by remoteness or mountainous characteristics of the area, as in Kastoria (EL), Juuka (FI), Alt Maestrat (ES), and (partly) in Lovech (BG). On the other hand, relative *proximity* to wealthier urban areas seems to have acted as a migration pull factor, exacerbating poor economic connectivity, and leading to weakening of economic and human potentials in Szentes (HU), Mansfeld-Südharz (DE), Alt Maestrat (ES) and Lovech (BG).

With the exception of the Bulgarian, Hungarian and Spanish cases, all the case study areas experience some degree of “border effect”. Siemiatycki (PL), became peripheral due to the shift of Poland's borders after World War II and is now an EU-border, Mansfeld-Südharz (DE) still experiences challenges for being a border area, and Osječko-baranjska (HR) lost much of its gravitational influence and previous connections with Serbia after 1991. Kastoria (EL) is a gateway to/from Albania and other Balkan countries, and Juuka (FI), although located in an

EU-border region, experiences a relatively low interaction with Russia due to its long distance from the border.

Some of the case study areas are located in regions lagging behind in their regional contexts and experiencing lower average incomes due to this reason. The high share of agriculture in the economy of most case study areas offering generally lower salaries and more demanding working conditions is also one of the underlying causes of shrinkage. In such contexts, future prospects for the youngest population cohorts are hindered by the increasing unprofitability of agriculture, which in some cases is coupled with industrial decline, and the seemingly limited economic alternatives. The low level of entrepreneurship, narrow business networks and low capabilities of providing a diversified spectrum of jobs are negative experiences common to peripheral rural areas, especially in Finland, Poland, Hungary, Bulgaria and Spain.

All these locational disadvantages occur in a cumulative manner through reduced opportunities for young people. Such push factors, together with attraction of “better” living conditions of urban areas, converge in selective out-migration (with very low rates of return). The resulting vicious cycle, driven by the poorly qualified workforce, and the lack of young people, is a painful consequence, which deprives peripheral rural areas of adequate human and social capitals, and makes dealing with shrinkage all the more difficult.

4.5.2 Economic Restructuring, Events, Transitions, and Peripherization

In practice these three kinds of shrinking process are difficult to distinguish; since major political events such as the fall of socialism, and EU accession have released a pent-up demand for economic restructuring and spatial reorganisation, of which peripherization represents “the dark side”.

The gradual long-term decrease in birth rates is a factor contributing to shrinkage in all case study areas, coupled with ageing as the legacy of earlier rounds of out-migration (with a lower importance of legacy effects in the Croatian, Bulgarian and Hungarian case studies).

Rural areas have generally been affected by out-migration in the past, for three reasons: unemployment as a result of mechanisation in agriculture and forestry, and the search for better educational opportunities, or industrial jobs in cities. During 1950s and 1960s urbanisation developed rapidly fuelled by industrialisation and urban lifestyles inducing intensive outflow from rural areas. In Eastern Europe forced industrialisation was launched by the Communist regimes, and was, in Bulgaria and Hungary, for example, accompanied by the strong push effect of collectivisation. Post-Socialist development models have largely favoured investments in the fields of industry and services in urban areas, while rural areas remained on the margins of national and regional development plans and investments, leading to increased territorial imbalances.

During the years of transition, the collapse of socialist economies led to de-industrialization and high unemployment in all Eastern European case study areas. The sudden and extended loss of agricultural jobs was also a universal pattern in here. More recently, a globalised, “active”

type of shrinkage, accelerated by EU accession, played a key role in Croatian and Bulgarian territories, and to a lesser extent in the Hungarian, Polish and East German case study areas. The scale of the transition crisis, exacerbated by the impact of the Global Financial Crisis and, paradoxically, by consequences of EU accession, resulted in irreversible, and still ongoing, shrinkage in the Eastern European case study areas. This has increased territorial imbalances, out-migration, and territorial disparities, which coupled with the impacts of globalisation, has been termed “peripherization”. The legacy of massive outmigration at the beginning of the 1990s is still identifiable among the causes of rural shrinkage in these countries.

4.5.3 Macro-scale Contrasts – Pathways through Shrinking

The forgoing discussion of the main features, causes and triggers of rural shrinking, seems to have hidden within it a broad macro-scale contrast between the pathways taken by the Northern and Southern case studies (within the EU15), and those of the East (New Member States).

- (i) The first pathway (illustrated by the Finnish and Spanish case studies) involves long-standing issues of peripherality and locational disadvantage, consolidated by several rounds of urbanisation (metropolisation), or by gradual spatial restructuring (concentration of resources in the coastal area), which delivered intense selective out-migration, leading to distorted age structures and strong legacy effects.
- (ii) The second pathway is characterised by many of the same processes, but in a compressed chronology, with “events and transitions” causing rapid and systemic changes in social and economic structures, which have been termed “peripherization”. This pathway could be termed “disrupted rural development”. It has its roots in the radical political shift in Eastern Europe in the aftermath of World War II. Communist industrialisation of the 1950s and 1960s almost immediately induced waves of outmigration from rural areas in each Eastern case study country. The push was even stronger and more selective in countries where industrialisation was coupled with hard-line collectivisation of the peasant property and establishment of large-scale collective farms (Hungary, Bulgaria). The robust population loss of the 1950s-1960s was followed by continued rural outflow in the next decades, driven by both pull effects from urbanisation, and the push effects of the restructuring of the rural economy. Finally, since German unification and rounds of EU accession in 2004, 2007 and 2013, an ongoing outmigration wave, driven by opportunities for making a better living in the West, has depleted “deep” rural areas beyond the suburbs. Such ‘globalised flows’, together with the increased attraction of urban centres, especially metropolitan areas, threaten rural areas with further labour and population drain in all investigated cases.

Despite structural differences between these two pathways, they do have commonalities such as high rates of legacy (demographic) effects, ongoing selective outmigration filtering young people out of shrinking rural regions resulting in interrelated issues of “scales” and “qualifications”, so that the economies of these rural spaces are usually too weak (and too small) to be able to attract significant fresh investments and keep their own qualified people or attract professionals from outside. A vicious circle is clearly evident in each case study through intertwined and accelerated outmigration, ageing and worsening fertility rates.

5 The Response: Governance Arrangements and Policy

Key Messages:

19. Effective implementation of policies to address shrinking requires high functioning multi-level governance structures.
20. In the context of ESIF policy, strategic and innovative policy making capacity at the National level is essential – and sharing good practice lessons in the context of national policies.
21. At the same time, devolution of appropriate strategy making and implementation capacity to local and regional levels is foundational.
22. Good communication across the governance system, and innovative partnership arrangements can strengthen policy impact.
23. Since full “repopulation” is often impracticable, and abandonment is politically unacceptable, most policy approaches will be hybrids of mitigation and adaptation.
24. Policy for shrinking rural areas needs to reflect broader societal objectives than economic growth, such as inclusion, spatial justice, and wellbeing, and support a Just Transition.
25. Holistic, integrated, and locally-tailored strategies are required, which reflect the processes and pathways which lie behind demographic trends.
26. At the European and national levels these should be supported by the clear articulation of a constructive, forward-looking, medium/long term vision for shrinking rural areas.
27. Translation of the vision into practical guidance and support for local action, across a wide menu of interventions will increase its potential for real change.
28. A shared vision, ESIF coherence, and simplified administrative procedures, together with a framework for continuity of support (rather than short-term projects) will be essential.

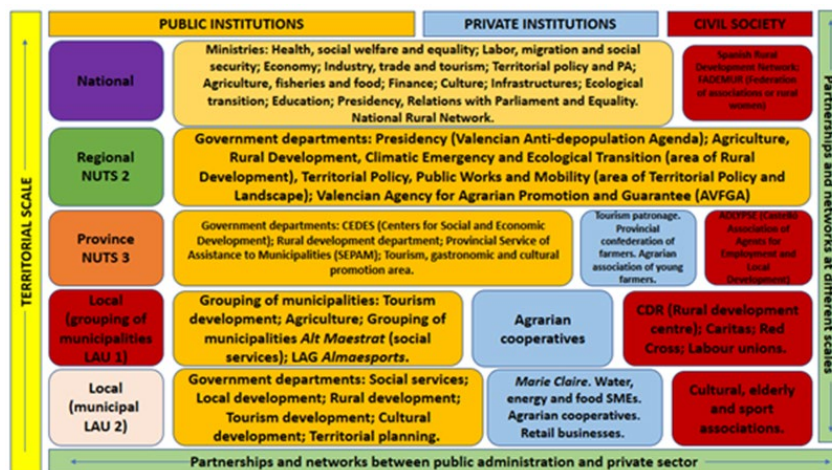
In this section, drawing upon the case studies, the interviews we conducted with expert stakeholders, and our literature review, we consider:

1. The role of governance and institutional networks
2. Stakeholder assessments of existing and planned policy frameworks and approaches

5.1 The Roles of Governance Structures and Institutional Networks

Institutional thickness (Amin and Thrift 1995) is a key concept in the analyse of governance structures. Three dimensions play important roles in building institutional thickness in a region. First, there has to be strong interaction between different actors. Second, there has to be an institutional structure that allows building mutual action and trust. Thirdly, there has to be a shared mode of policy and strategy for a region.

Figure 6: Institutional map for the Spanish Case Study



The analysis of case study governance structures and institutional networks was facilitated by *institutional mapping* initiated at the outset of investigations, and subsequently updated throughout the case study phase in response to findings as they emerged. This provided an understanding of how governance arrangements, configurations of power and interest determine policy responses to the shrinking process, and the distribution of contested resources. “Institutional maps”, such as the one shown in Figure 6, and “power/interest grids”, allowed us to identify important actors along the public/private/civil spectrum, and across different spatial scales (Kahila *et al.* 2020b [Annex 14]).

The practices observed within the varying governance structures in the eight case studies constitute a wide array of different policies, programmes, strategies, and instruments, that have been developed to deal with the issue of depopulation/shrinking. The multifaceted nature of depopulation/shrinking processes, evident in the case studies, is taken up differently at various levels of administration. Therefore, even where the depopulation/shrinking processes observed in several case studies seem to have similar causes and historical “pathways”, local responses may vary in their nature, intensity and speed.

5.1.1 The national level

In all case studies the national level (mostly in form of Ministries) plays a crucial role in regional and rural development, and thus also in relation to depopulation/shrinking processes, especially as a channel for funding from both EU and national sources. From the Brussels perspective, the quality and effectiveness of interaction with National actors varies between MS, and this is perceived to be associated with variations in administrative capacity for innovative responses to rural shrinking. It is nevertheless clear that the majority of national governments only *indirectly* acknowledge depopulation/shrinking processes in relation to problems of economic restructuring, social inclusion and environmental issues. In that sense, national-level governance structures do not, on the whole, support the local level directly in the form of specific tools with a traditional regulative aim, but rather through more indirect means, often without specific financial incentives.

In some case studies/countries, the national level is also seen as a source of guidance and policy input through, for example, strategies, spatial plans, territorial development concepts or even dedicated institutions (DE, ES). These countries have also been relatively successful in the formation of organisations, networks and interest groups that deal specifically with demographic change. As a new institution directly created at the national level to respond to demographic challenges, the Spanish General Directorate of Policies Against Depopulation can be mentioned (Ortega-Reig 2020 *et al.* [Annex 10]). Germany, as a result of its experiences in the eastern parts of the country, serves as an example how the problems and needs of shrinking regions can be integrated into national spatial development strategies (Machold *et al.* 2020 [Annex 8]). In addition, the Federal Government's Demographic Strategy from 2015, building on a previous version from 2012, represents a strong example of a national-level guidance document on demographic change and shrinkage. Germany has also been active in the

establishment of different expert groups that deal with the causes and consequences of demographic change in particular territories (Machold *et al.* 2020 [Annex 8]).

5.1.2 The regional level

The balance of powers and competences between national and regional authorities varies considerably between the case study countries, and this impacts both upon the way in which responsibilities are allocated between the centre and the regions, and in turn on the regional manifestations of shrinkage itself. The importance of regional governance structures is evident in the Spanish, German, Polish and Finnish case studies, but less important in the Greek, Croatian, Bulgarian and Hungarian case studies. The first group of three also shows internal variation. The Spanish administrative system, for example, ensures high autonomy to provinces and municipalities. The German system also guarantees strong regional and local government. Finnish municipalities exhibit substantial autonomy in local development, whilst the regional level is relatively weak. Regional governance structures in these three countries, despite their differences, are well established, and they have relatively well-functioning procedures to cope with the causes and consequences of rural shrinkage. In Spain, the recently created Valencian Agency against Depopulation (AVANT) is expected to focus on tackling depopulation trends in its NUTS 2 region.

The Croatian, Bulgarian, Hungarian and Polish case studies suggest that the socialist past, and the legacy of former institutions, still constrain local governance structures. There seems to be a tendency for regional governance structures to limit the capacity to take advantage of EU (ESIF) financial support. Several case study reports mention that synergetic relations between EU policy instruments are lacking and that the absence of place-based approaches at the regional level impedes potential implementation of policies addressing rural shrinking. By contrast, regional governments, networks, and organisations are very important in federalised Germany, and in Spain where high levels of autonomy are granted to regions and provinces.

5.1.3 The local level

Despite being equipped with varying levels of autonomy and resources in different European countries, the local administrative level (municipality) is generally seen as an important provider of welfare services, initiator of local development projects, and as the interface between local population and policy making. All these functions are obviously relevant to the management of rural shrinkage. Several case study reports argue that directions of development can and should be varied and selected at the level of municipalities. However, the local level of governance commonly has the most tasks, but the least financial resources.

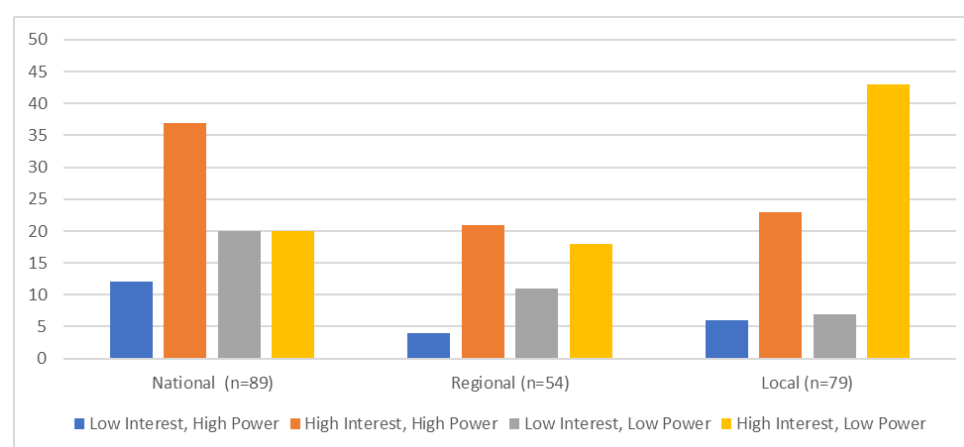
There is a noticeable shift in the operational environment at the local level to steer the agenda towards more holistic approaches. Unfortunately, due to weak interest in depopulation/shrinkage at the national and regional institutional level, the realisation of coherent long-term strategies at municipal level is often problematic. Furthermore, governance structures at the municipal level are in many countries conditioned by economic regulation and financial incentives that directly or indirectly “steer” their operations. This often results in

restricted room for manoeuvre for local government, and limited possibilities to act independently. The need to empower the local level in policymaking, giving it a stronger voice within multi-level governance processes, was also echoed in the interviews conducted with European Commission officials (Meredith 2020a [Annex 3]). In this regard, the concept of *territorial governance* (Schmitt and van Well 2016), might be useful as a holistic planning tool designed to empower the sub-national level and enhance the role of local and regional knowledge in policymaking processes.

5.1.4 Civil society

With regard to private and third sector organisations, the emerging picture is rather complex. In Bulgaria, NGOs play an important role in facilitating and developing municipal cooperation, business opportunities and social services (Slavova *et al.* 2020 [Annex 6]). They are also often directly involved in tackling rural demographic shrinkage (Forys and Nowak 2020 [Annex 7]). In Croatia, “some of the most successful programmes, in terms of both adapting to and mitigating rural shrinkage, are run in coordination with NGOs, but they face problems in terms of funding and face criticism over use of funds” (Lukić *et al.* 2020 [Annex 5]). The activities of NGOs are also often perceived as soft and small-scale (Forys and Nowak 2020 [Annex 7] p22), or poorly used (Koós *et al.* 2020 [Annex 9]).

Figure 7: Levels of ‘interest’ and ‘power’ at different administrative scales with regard to rural demographic shrinkage



5.1.5 Perceived patterns of interest and power

As previously mentioned, institutional mapping was carried out in each of the case studies. This provided a list of the organisations relevant to the mitigation of and/or adaptation to demographic shrinking. In addition, these actors’/organisations’ levels of; a) interest and b) power, with regard to demographic shrinkage, were assessed. This made it possible to produce “power/interest grids” for each case study region (Kahila *et al.* 2020b [Annex 14]). Analysis of these grids (Figure 7) indicates that high interest/high power combinations are strongly represented in the “national” category, supporting the interviewees’ often-mentioned view that the national level is of high importance with regard to the response to shrinking. High interest/low power combinations are common at the local level, raising the question how to

mobilise existing interest/power for the benefit of both regional and local levels. The association of low interest with high power at the national level, and of high interest with low power at the local level reflects the 'sense of powerlessness' expressed in several case studies. A way out of the conundrum might be for the national level to empower, resource and guide the local level allowing it to assume a stronger and more effective role in the fight against shrinkage.

This also draws attention to capacities within governance structures and abilities to integrate national, local and regional interests, civil society and social groups and develop coherent strategies. Ideally, there should be negotiation between various activities and interests that interact for different purposes, implementing a multiplicity of actions. Taking advantage of such opportunities and overcoming constraints requires not only a solid understanding of the local/regional contexts, but also accountability and strong leadership at various levels of government, as well as sufficient autonomy of local authorities/communities.

5.1.6 Interaction between levels of governance

Effective communication and co-operation between the national and regional/local levels is seen as important for efficient deployment of EU Cohesion Policy funding. However, particularly in centralised countries (BG, HU) these vertical connections, a hallmark of multi-level governance, are often very formalised and lacking in quality. In addition to this lack of vertical integration, a number of case studies report that there is a distinct lack of horizontal cooperation between different sectors, particularly at the national level (ministries), which, despite widespread efforts to advance better sectoral integration, often continue to work in rather compartmentalised fashion (HR, EL, FI). This is a particularly problematic aspect, since most case study authors stressed the need for holistic and integrated approaches in order to effectively tackle rural shrinkage.

An exception to the evident lack of integration might be Germany, where the benefits of its tradition in spatial planning policy are evident, striving for balanced living conditions in all areas, integrated strategy-making across sectors and scales, and the safeguarding of public service provision. Here, several ministries are seen as important for co-ordination at the national level. It also emerged that in Germany high levels of interest and commitment to tackling demographic shrinkage exists at the national level, but this does not necessarily have locally-felt positive effects (Machold *et al.* 2020 [Annex 8]).

Generally speaking, many case study interviewees expressed negative opinions about cooperation between local and national administrations in combatting shrinkage. Criticisms included that the national level is detached and aloof from the challenges and problems faced by shrinking rural areas (FI, BG), that this level often lacks a clear vision or strategy to cope with rural shrinkage (HR, FI), or that policy-makers do not even understand the severity of the problem of demographic decline (HR).

At the local level an all-too-common situation of increasing tasks and responsibilities coupled with declining financial resources was observed; municipalities face a lack of human resources,

resulting in weak administrative capacity and decision-making power, which in turn reduces the municipality's capabilities to develop novel approaches to counter shrinkage, or to initiate and implement complex projects (EL, FI, HU, DE, ES). A sense of being left alone with problems of shrinkage by higher levels of government/governance, especially the national level, has also been expressed (FI, HU). In some cases, it has been reported that the central state has also established barriers to the effectiveness of the local governments, for example by limiting their independence and power of initiative (PL), or manifest simple negligence towards local government (HU).

5.1.7 Innovative governance structures

As mentioned in the previous sections, all case studies underlined the importance of high-level institutions in regional and rural development. In some case studies, high level governance structures were identified that could be considered as somewhat innovative. It was, for example, noted in the German case study, that the federal state of Saxony-Anhalt has established a joint, cross-sectoral, inter-ministerial Working Group and Monitoring Committee for ERDF, ESF EAFRD funds for the programming period 2014-2020 (Machold *et al.* 2020 [Annex 8] p34). In the case of Finland, an inter-ministerial working group on sparsely populated areas has recently been established. Although the work of this group is not directly aimed at shrinking areas as such, the policy discourses on sparsely populated and shrinking rural areas are to some extent intertwined with each other in the Finnish governance setting.

Perhaps the most interesting innovative structures and strategies concerning rural shrinkage are to be found at regional and local levels. Several case studies uncovered innovative structures set up between regions and municipalities. Regional and inter-municipal cooperation was highlighted as an innovative and effective way to answer to the challenges presented by rural shrinking. Some of these collaborative structures are based on *ad hoc* and relatively informal co-operation on specific problems and topics, while others are more institutionalised in the form of sub-regional inter-municipal partnerships. A good example of inter-municipal cooperation was presented in the Spanish case study, where inter-municipal cooperation has resulted in positive outcomes, especially in the sector of social services (Ortega-Reig *et al.* [Annex 10] p66) Inter-municipal cooperation has been also highlighted in the case studies of Bulgaria (Slavova *et al.* 2020 [Annex 6]) and Finland (Kahila *et al.* 2020a [Annex 12]), where this type of cooperation has been used to tackle imminent problems and obstacles caused by shrinking processes.

In a couple of case studies, the regional level alliances are the innovators of regional development. For example, the federal state of Saxony-Anhalt established an "Alliance for demographic development" in 2011. This platform consists of experts and persons representing several different groups, associations and institutions. The objective of this regional body is to provide discussion, cooperation and exchange of good practices among the participants (Machold *et al.* 2020 [Annex 8] p25) Another compelling innovation is presented in the case study of Szentes (HU), where in 2018 the largest municipal alliance launched the Hungarian

Village Programme, aimed directly at shrinking rural areas of Hungary, using indirect measures such as development of infrastructure and public services (Koós *et al.* 2020 [Annex 9] p77)

Another governance innovation identified from the case studies is the public-private-civic coalition, which is commonly associated with special economic zones. A good example is described in the Croatian case study, where the municipality of Antunovac developed a business zone in 2010 for the purpose of enhancing the structure of its business sector. This business zone consists of several logistics and distribution centres and a textile company (Lukić *et al.* 2020 [Annex 5] p46). The business zone concept was also implemented in the Polish case study area: The Suwalki Special Economic Zone is an intriguing example of innovative cooperation between local government institutions and the private sector, where the public-private coalition works together to attract investments to the region (Foryś and Nowak 2020 [Annex 7] p22).

5.1.8 Connecting local mobilisation with European funding sources

The implementation of EU structural funds tends to be located almost exclusively at the level of national and regional/local governments. Nevertheless, various NGOs and organizations of civic engagement at lower levels of government often participate, contributing to regional/local strategy building and discussions, but regional/local strategic processes are often lacking the necessary resources. Mobilisation of local governance is therefore normally based on the utilisation of EU structural funds to improve the overall quality of various actions. However, this also implies that an active role should be given to regional and especially local government in making the most of the management of EU structural funds. There seems to be a lack of horizontal coordination and integration between public and civil society actors leading to a situation where acute problems are not sufficiently dealt with at source (Lukić *et al.* 2020 [Annex 5]). Consequently, concerted efforts to establish stronger cooperation among local stakeholders by enhancing the involvement of civil society groups and third sector voluntary organizations should be made, reflecting also the EU Commission Officials' view in the interviews (Meredith 2020a [Annex 3]) that “social capital” (i.e. collective action) at the regional and local levels was the most important factor for overcoming rural shrinkage issues). It was also emphasised in the case studies that the implementation of EU structural funds is lacking continuity as activities are interrupted once the project is over and long-term sustainability is hardly considered. One challenge is that the effectiveness of EU structural funds is measured only through financial indicators instead of looking at the overall impact, in order to understand the holistic performance of such instruments.

Finally, specific regional/local pathways of depopulation/shrinkage process and nature of the resultant problems set the frame for the mobilisation of local governance and determine the ways in which shrinkage is dealt with. Various “opportunity structures” are dependent not only on institutional thickness but also on trust between regional/local actors on which they are able to build coalitions and from which they are able to gain resources. In all eight ESCAPE case studies, local actors lack vital resources and capacities to deal efficiently with

depopulation/shrinkage processes in the most appropriate way. Consequently, it is necessary to acquire additional financial and human resources and especially integrate actors that have the necessary resources. A coalition of actors with interest and resources was initiated in the Bulgarian case study municipalities of Troyan-Apriltsi-Ougarchin (Slavova *et al.* 2020 [Annex 6]), where private business actors initiated an informal regional strategy linking less developed municipalities to the most developed one. Local businesses were suffering from the lack of employment opportunities and launched a regional strategy that aimed at better economic integration of the settlements and at strengthening the connectivity between municipalities. Later on, this regional strategy paved the way for the establishment of a common LAG. It is interesting to note that, after launching the regional strategy, local businesses started to invest in health care and cultural events as well as to support municipal initiatives that could not be covered by EU structural funds.

5.2 EU and National Policy Responses to Shrinking

We now turn our attention to policy approaches and content, beginning with a reminder of the current EU policy landscape, picking up from the “historical” background provided in Section 2.

5.2.1 The current EU and National Policy Context

In practice, it largely falls to the EU Common Agricultural Policy (CAP) and Cohesion Policy to design, implement and support initiatives that, either directly or indirectly, tackle issues associated with rural shrinkage⁴. Rural Development Policy, known since 1997 as CAP Pillar 2, provides funding that aims (among other things), to diversify employment and improve basic services (EUTA, 2011). Pillar 2 provides a range of support, including financial, for farmers and rural communities to design and implement initiatives that meet a range of economic, environmental, and societal challenges through the implementation of national/regional Rural Development Programmes (RDPs).

Through national, regional and cross-border implementation projects, Cohesion Policy (also referred to as Regional Policy), aims to reduce economic, social and territorial disparities of “less developed” areas, particularly regions facing industrial and agricultural decline, through national, regional and cross-border implementation projects. The 2007 Lisbon Treaty (Art. 174) extended/clarified the remit of Cohesion Policy by adding “territorial cohesion” to social and economic cohesion as overarching goals of Regional Policy. This places an EU obligation to consider the needs of “rural regions, areas affected by industrial transition and regions which suffer from severe and permanent natural or demographic handicaps.” (EU 2008).

Multiple policy documents related to Cohesion Policy specifically recognize challenges of rural decline and peripherality (e.g. EU, 2008, EC, 2008, EUTA, 2011). However, until recently, Cohesion Policy has prioritized a “growth oriented” approach, aiming at reducing disparities through economic and social development initiatives, that allow declining rural regions to “catch-up” with better performing regions.

Existing policy initiatives have a near unanimous aim to *mitigate* rural depletion with growth-oriented development initiatives. Notwithstanding this, there has been relatively little inter-policy co-ordination. In an attempt to overcome this, the EU introduced Community-Led Local Development (CLLD) in 2014. The CLLD approach mirrors that of LEADER as an integrated, place-based, and “bottom up” method bringing together local public, private and civil-society stakeholders. The CLLD approach was introduced with the objective of enabling sub-regional stakeholders to design integrated territorial development plans that are co-funded from the funds covered by the Common Strategic Framework – the EAFRD, ERDF, the ESF and the EMFF. The CLLD approach has emerged with considerable potential to address the challenge of supporting the diversity of rural areas across the EU, including those experiencing rural shrinkage (ENRD 2019).

It is apparent that although there are EU policy fields specifically targeting the issue of rural development, there have been relatively few initiatives that respond specifically to the complex territorial factors driving rural shrinkage in an evidence-based way. Many policy initiatives seem to be directed at mitigation of rural depletion through (economic) growth-oriented development initiatives. Coordinated, place-based initiatives to develop adaptive strategies, promoting well-being while acknowledging that “going for growth” in some areas is not appropriate, are less common.

Most “national” policies designed to counteract rural shrinkage problems in the case study countries were found to be small-scale initiatives financed through the EU regional development and CAP funds⁵ (see below).

5.2.2 Findings from the case studies and expert stakeholder interviews

Both the case studies and the interviews carried out with expert stakeholders at both EU and National level have provided evidence of the way in which current EU support for shrinking rural areas, - notably through CAP Pillar 2 and Cohesion Policy, - are performing. They also reflect upon national policy. These primary sources are supplemented, as appropriate, by reference to key policy documents and legislation. The methodology, and detailed findings are described in Weber *et al.* (2020), [Annex 15], Section 1.1, as well as Meredith, (2020a) [Annex 3].

There are both intended, and unintended, impacts of the way in which EU approaches have evolved, and of the way in which Member States are utilizing the range of intervention tools provided. These become clearer in the light of the important distinction between *mitigation* and *adaptation* approaches (Section 2.3).

The need for greater clarity and definition of rural shrinkage

The Treaty of Lisbon (Art. 164) stipulates the objective to utilize EU policies to reduce socio-economic disparities in rural areas. Across all case study regions, EU Cohesion Policy and CAP are regarded as essential for developing national, regional and local initiatives to overcome challenges posed by rural shrinkage. While shrinkage is recognized in related Cohesion Policy and CAP documents (e.g. EC 2008; EUTA 2005, 2011) as a contributing factor

in the decline and stagnation of rural areas, the causes and drivers of shrinkage – and the systemic challenges facing EU rural regions - are not clearly defined in these policy frameworks, despite the clear understanding of the causes and processes associated with shrinkage being demonstrated by EU, national and regional policy stakeholders interviewed as part of the research. As a consequence, EU policy objectives and regulations have not triggered Member States to consider rural de-population as a key focus of their operational programmes.

A more nuanced approach to growth may be helpful

As described in Dax and Copus (2016), RDPs are seen mainly as a vehicle for supporting the growth-oriented, agriculturally focused rural intervention logic, rather than directly acknowledging and tackling broader rural development challenges in an integrated and holistic manner⁶. However, following publication of the EU Green Deal, the Farm to Fork Strategy and the Bio-diversity Strategy (2020), this will hopefully evolve in the coming years to become more reflective of the challenges facing the EU concerning climate and bio-diversity.

There is an emerging consensus (EC, 2017a, World Bank, 2018), that sometimes shrinking cannot be reversed; that an overarching economic growth ethos is not necessarily appropriate; and that interventions should pursue *adaptation* and management in order to maximize wellbeing. Even though EU Cohesion Policy recognizes the need to promote regional growth and development in rural areas, the issue of rural shrinkage has not received a nuanced and adaptive-oriented focus in terms of its policy priorities. Instead, it continues to be hampered by assumptions about urban areas as engines of growth and implied spread effects to rural areas.

Local and regional stakeholders were critical of the economic growth orientated focus of EU policies arguing that a narrow focus on economic development did not solve many of the underlying causes of rural shrinkage and masked fine-scaled geographical differences within regions. Stakeholders in the Finnish case study (Kahila *et al* 2020a [Annex 12]), noted that EU Cohesion Policy has increasingly focused on cities and their capabilities to stimulate economic growth and innovation, which has widened the gap between urban and peripheral rural areas. This was supported by some EU stakeholders who pointed out that an emphasis on growth (economic cohesion) generally benefitted stakeholders in urban areas when it came to allocation of regional funds in the last programme period. Furthermore, some of the spend on infrastructure in rural regions was not considered to bring significant benefits to local communities.

Hybrid and coordinated strategies, blending mitigation and adaptation

Commission officials noted that they regard the issue of rural shrinkage as a complex policy problem that goes beyond depopulation and outmigration. Interviewees pointed out that it is not simply a case of developing mitigation *or* adaptation policies, rather a combined policy response is required, blending both (Meredith 2020a [Annex 3]). More specifically, policy measures could be defined as both mitigative and adaptive, especially when considering medium- to longer-term timeframes.

Similarly, national policymakers interviewed in the case studies noted that rural shrinkage is a complex and heterogeneous problem that makes the development of coherent (long-term) and effective national plans a major challenge (Weber *et al.* 2020, [Annex 15] Section 1.3.1). However, coordinated and integrated policy responses have not been well-developed across national ministries and key sectors. Such strategies would be valuable to better contextualise and embed EU funding support into coordinated national efforts. Therefore, future EU policy guidance might both develop a distinct rural development perspective that acknowledges the limitations of relying only on growth-oriented development initiatives, whilst also incentivising national rural development programmes to explicitly consider demographic challenges including shrinkage.

A more targeted and coordinated response at EU and national levels.

There is room for increased cross-DG policy coordination on the issue of rural shrinkage, particularly between DG AGRI and DG REGIO. This limited coordination was also highlighted as a key challenge in the case study interviews (Weber *et al.*, 2020, [Annex 15] Section 1.3.1), which described a desire for more systematic and integrated coordination and collaboration across DG's, and greater flexibility in how EU funding sources are delivered in relation to the rural shrinkage issue. The Common Provisions Regulation was identified by interviewees as offering significant potential to support such coordination, but the challenge of harmonising EU funds during the next budgetary period was perceived to be substantial.

Interviews with Commission officials confirmed that the development and growth of rural areas is a central concern. This was also highlighted in the political guidelines for the next European Commission (Von der Leyen, 2019), calling for a more targeted and integrated policy perspective on the issue of rural shrinkage in the next programme period (Meredith 2020a, [Annex 3]). The political guidelines also outlined an important role for rural areas in the implementation of the new Green Deal, particularly with regard to a 'fair transition' by establishing the bioeconomy, circular economy initiatives and developing sustainable food sources production systems (Meredith 2020b, [Annex 16]). EU policy stakeholders highlighted the need to maximize opportunities presented by development of the bio-economy and the circular economy to support the diversification of rural economies. The case studies (Annexes 5-12) reflected this perspective and highlight the important role that digital technology can play in marketing and advertising rural areas, businesses and products.

Closing the gap between EU policy and local intervention.

Interviewees in the case study regions were critical that EU policy lacks recognition of the heterogeneity of local needs (Annexes 5-12). Likewise, at the EU level, there was a view that whilst there are many policy options and tools available, there was a reluctance on the part of Member States to adopt these. Currently, most "national" policies designed to counteract rural shrinking are predominantly small-scale initiatives financed through the EU regional development and CAP funds. In the Bulgarian, Greek and Croatian contexts, coordinated nationally-financed policies are virtually non-existent (Weber *et al.*, 2020, [Annex 15] Section

1.3.1). Enhancing the role of regional and local actors in the development of rural shrinkage policies was, therefore, a key theme across all case studies. Commission Officials strongly supported place-based policy making approaches in the search for solutions to rural shrinkage, including the vital ongoing need to empower the sub-national level in developing, as well as implementing policy, in the context of, coherent, long-term national rural development strategies.

In response to the growth in support for nationalist parties in rural areas, there is some evidence from the EU interviews and case studies to suggest that EU institutions and national governments are beginning to pay closer attention to the issue of rural shrinkage and the growing rural-urban divide. For example, the Polish, Hungarian and the Bulgarian governments are introducing new national programmes targeted at small towns, villages and rural areas. However, as the Hungarian case study pointed out (Koós *et al.* 2020 [Annex 9]), these policies will have little impact if they do not come with adequate financial support. It was agreed across all case studies that substantially financed strategically targeted national level programmes are required to meet the challenges posed by rural shrinkage. Such programmes would give rural areas and the issue of rural shrinkage explicit recognition, so that local and regional stakeholders would not have to continue competing for EU and national funding with urban areas or, “Just Transition Territories” (JTTs)⁷.

Negative connotations associate with “rural shrinking”.

The term “shrinking” has become closely attached to negative connotations of depopulation and demographic decline⁸. There is a danger that rural population policies become synonymous with negative attitudes to “lagging”, “challenged” or “declining” regions. The concept of rural shrinking needs to be clearly defined and accepted in policy circles, and disassociated from perceptions of failure, so that interventions can be built around positive notions of rural “transition”, “transformation” or “restructuring” – terminology that promotes positive images of rural life around which economically sustainable pathways, ecological performance and resilient development can be combined⁹.

A need for detailed guidance at the local level

Several EU policy stakeholders pointed to the multiple policy options, tools and measures that may be relevant to shrinking rural regions. As one EU policy stakeholder pointed out, whilst “the policy toolbox is full”, the challenge is to identify which policy options work best for specific rural regions. The case study findings (Annexes 5-12) confirmed the point that there is no one-size-fits-all policy approach to solving the issue of rural shrinkage, since rural areas are so heterogeneous in terms of land structure, geographical position, socio-economic position and demographic profile.

However, the case studies (Annexes 5-12) revealed a perceived lack of EU guidance on exactly *how* to tackle the drivers of rural shrinking. This was confirmed by one Commission Official who pointed out that the EU has not prescribed any specific policies for dealing with the issue of rural shrinking, but only provided the financial framework to facilitate the development and

implementation of policies at the national and regional levels (Meredith 2020a [Annex 3]). It was suggested that the regional and local levels would benefit from more guidance from the EU and national levels when it comes to different rural shrinkage policy options.

Rather than the EU providing specific guidance on how to deal with shrinkage, it seems that a form of multi-level governance structure, thematically focused on the issue of shrinkage, extending from EU levels through national, regional and local levels, may be appropriate. Dissemination of existing local and regional better-practices approaches is already facilitated through the ENRD, and National Rural Networks, but these would need to be replicated in relation to Cohesion Policy. A number of examples of existing local solutions are offered in Weber *et al.* (2020) [Annex 15], Section 1.3.2.

The importance of scale in frameworks for geographical targeting

As noted in Section 2, Cohesion Policy has for many years been targeted on “Less Developed Regions”, which are identified as NUTS 2 regions achieving GDP per capita less than 75% of the EU average. We saw in Section 3 that many shrinking rural regions are much smaller, occupying parts of NUTS 3 regions. Many shrinking rural areas do not get access to Cohesion Policy funding because they lie within NUTS 2 regions which have GDP per capita indicators which reflect the performance of cities and towns.

The Bulgarian case study (Slavova *et al.* 2020 [Annex 6]) noted that EU regional policies and funding would be more successful if they were deployed at the municipal level, rather than broader NUTS 2 or NUTS 3 regions in which struggling rural areas can often be overlooked. EU policy stakeholders are exploring the development of a “functional rural areas” concept, in the hope that it could greatly improve the territorial classification system and targeting of funding. However, substantial conceptual and methodological challenges remain (Meredith 2020a [Annex 3])¹⁰.

The weakness of project-based policy.

It was a common viewpoint of case study interviewees that EU projects are too short-term, and a long-term perspective, that integrates targeted EU and national level policies, is required. They highlighted the essential nature of EU policy support (Weber *et al.* 2020, [Annex 15], Section 1.3.2). However, the persons responsible for LEADER implementation in Germany and Croatia noted of EU funded projects that “there is a lack of continuity and there is no long-term sustainability.” Many case study interviewees were appreciative of the LEADER and CLLD format as it gives local actors a central role in policymaking. Yet, many argued that the LEADER and CLLD approach should be upscaled with local and regional stakeholders given greater financial autonomy to determine how larger sums of EU money should be spent on shrinkage issues. It was strongly argued within the case studies that long-term EU level rural programmes and strategies dedicated to the issue of rural shrinkage are required. Such programmes would give rural areas and the issue of rural shrinkage explicit recognition, so that local and regional stakeholders would not have to continue competing for EU and national funding with urban areas.

6 Towards Evidence-Based Principles and Rationales for Intervention.

Key Messages:

29. *Specific interventions and approaches in pursuit of a refreshed vision for shrinking rural areas must be evidence-based – reflecting an analysis of pathways to shrinkage.*
30. *Such pathways are intrinsically complex, and conditioned by spatial, and temporal (technological) contexts.*
31. *In developing such responses consideration should be given to specific and realistic goals, including partial mitigation and adaptation.*
32. *Theory of Change is an effective means to articulate and communicate the diagnosis.*
33. *Four generic policy rationales may be identified in the discourse: compensation for territorial disadvantage, relocalisation, global reconnection and smart shrinkage.*
34. *A four-step procedure for developing evidence-based policy, including diagnosis, elaboration of an intervention logic, learning from best practice, and appraisal, is proposed.*

We now turn from diagnosis to consider potential solutions. The key point here is that interventions to mitigate or adapt to rural shrinking need to reflect an explicit and coherent appreciation of the processes which drive negative population trends. Only then can they successfully disrupt the spiral. This implies a close, and up-to-date, link to evidence. Otherwise actions risk reflecting misjudgements or anachronistic assumptions, and this will, at best, result in sub-optimal outcomes, and at worst a local sense of being misunderstood and neglected.

Within the context of rural development, the link between evidence and policy is usually referred to as the “intervention logic” (EC 2017a). Here we use a similar approach, known as “Theory of Change” (ToC) (UNDG 2018). According to Valters (2015 p6) ToC “can give practitioners the freedom to open up the ‘black box’ of assumptions about change that are too often side-lined”. It thus allows us to identify the weak or false assumptions of policy which have undermined the effectiveness of European (and national) attempts to address rural shrinking. It also helps us to better understand examples of good practice – how and why they work – and provides a basis for evaluating outcomes – going beyond quantifying final outcomes by exploring underpinning processes.

The development of practical policy for EU, MS, regional or local level involves a number of contributions from a range of sources and numerous actors. Ideally the task should be a collaborative one. In general, interventions are best designed with local knowledge of the complex shrinking process. However, the same broad principles may be adapted to EU, MS, or regional level.

6.1 Background Considerations

6.1.1 Complexity.

Whilst it is very important to keep in mind the overall goal of mitigating or adapting to shrinking, it is also necessary to reflect upon the complexity of the socio-economic context within which the demographic process is situated. Just as the processes which power the downward spiral extend far beyond the components of demographic change, so mitigating interventions must

be cognisant of many related vectors of change. Patterns and trends of economic activity are the most obvious starting points, but migration reflects broader issues of wellbeing, which are in turn driven by a constantly evolving technological context, shifting social aspirations, and mores. Neither is it safe to ignore the governance and institutional framework. The complex nature of shrinking processes calls for a cautious framework, and “soft” ties between problems and solutions. This points to the need for a paradigm shift whereby multilateral approaches (including adaptation) supersede simplistic, linear, mitigation logics in pursuit of conventional growth objectives (Garretsen *et al.* 2013).

6.1.2 Appropriate and Interrelated Goals

It is very important to be clear about the long-term goals of demographic policy. Given the strength of legacy effects, full mitigation or trend reversal may not be realistic. Partial (strategic) mitigation, and adaptation should be considered. However, it is not just a question of distinguishing between mitigation and adaptation. In reality, and especially in the case of adaptation policies, these are usually “nested” within wider aspirations, such as those associated with the Lisbon and Europe 2020 strategies. Neo-liberal economic/competitive/efficiency priorities (jobs, growth and innovation) are increasingly questioned. Addressing the needs of shrinking rural areas may well be facilitated by a recognition of these shifts in societal values. For example, concerns over climate change seem likely to valorise some of the intrinsic and hitherto “public good” territorial assets of shrinking rural areas. Similarly, the COVID-19 crisis may have shifted perceptions of distance working and work-life balance in ways which may accelerate trends in the spatial re-organisation of economic activity, which had previously been rather cautious in realising new technological opportunities for “re-localisation” and dispersal.

6.1.3 Adaptation to Local Conditions

As our analysis of the history of relevant policy domains (Copus and Dax 2020 [Annex 1]) underlines, many past and present strategies remain at an abstract, horizontal level, lacking commitment to place-sensitive details of implementation, and for this reason fail to achieve their high expectations in terms of mitigation.

6.1.4 Globalisation

Although it is evidently very important for policy which addresses rural shrinking to be “place sensitive”, taking account of local or regional conditions and trends, this needs to be complemented by full awareness of the ubiquitous impacts and implications of globalisation. Again, this underlines the need for future-oriented interventions, which “ride the wave” of change, rather than attempting to lock it out.

6.1.5 The role of changing societal norms

In view of on-going changes of technologies, socio-economic systems and institutions and regional dynamics are evolving rapidly, and reveal a wide range of possible spatial consequences, individual behaviour and social change. Social norms and values are evolving, with significant repercussions for spatial notions and concepts.

6.2 Common Strategies to Address Shrinking in a ToC Framework

In Section 2 we described four common antecedent processes which lead to shrinking; *economic restructuring, locational disadvantage, peripherization, and events and transitions*. It is clearly very important that a strategy chosen to “turn around” shrinking, takes careful account of the process which have produced it. However, as we have seen in our case studies, in specific geographical contexts two or more of these processes are commonly blended, so that hybrid responses are often required.

Bearing this in mind, it is helpful to distinguish four main types of strategy. The list is not necessarily exhaustive, or strictly objective – it is the view of the authors. These types are generic/abstracted, they would rarely be observed in their “pure” form in the real world. It is also important to note that none of the strategies try to change the components of population change directly. All of them address the complex underlying socio-economic and spatial processes. The four common strategies are:

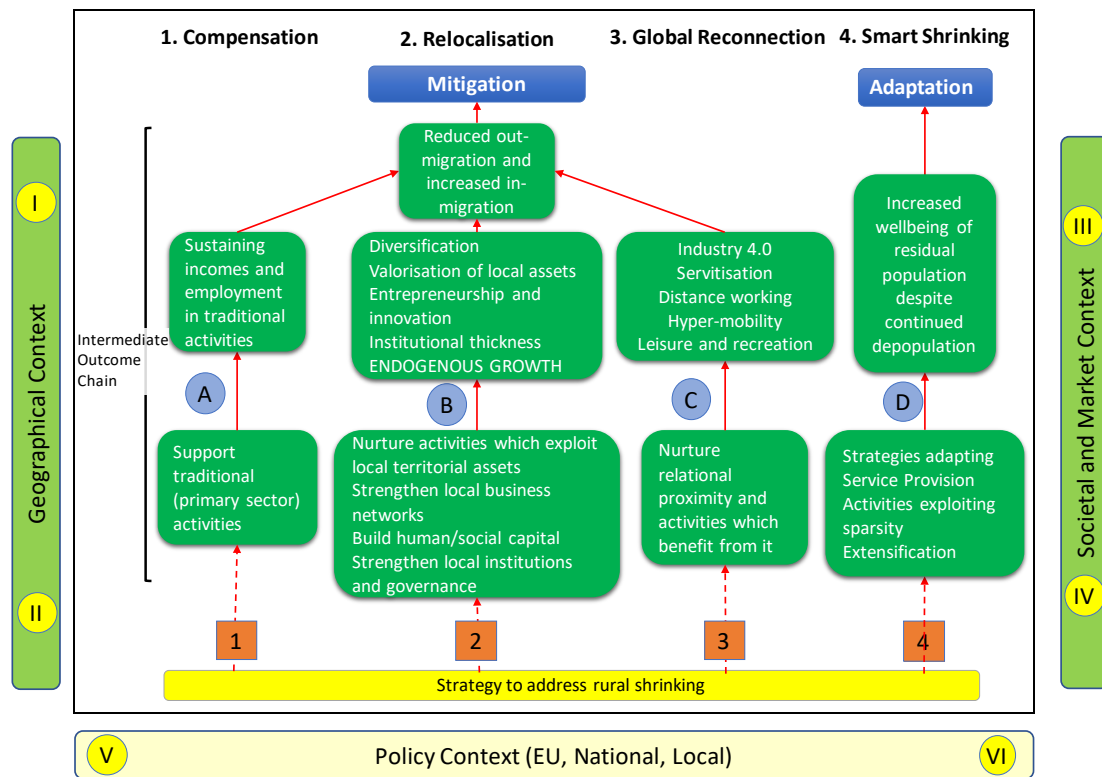
1. Compensation for disadvantage, supporting traditional industries so that they can retain employment, thus discouraging out-migration. This was the rationale for the Less Favoured Area policy prior to the early years of this century (Copus and Dax 2020 [Annex 1]). It is an approach which has fallen out of favour more recently. Ultimately this strategy seeks to slow the rate of out-migration and thus mitigate shrinking.

2. Re-localisation strategy, which seeks to nurture economic activities which exploit local territorial assets (especially environmental or cultural), and to strengthen local business networks, in order to improve local retention of value added, and to provide a more supportive context for home-grown innovation and entrepreneurship. Consideration is also given to strengthening local institutions, governance and social capital. This approach combines aspects of neo-endogenous development with principles of smart specialisation. This strategy is distinctive in its emphasis upon building upon local resources to create an economy and society which is self-sustaining and resilient. It seeks to mitigate shrinking by creating the conditions for positive net migration. However, both this, and the third approach below also imply considerable efforts to improve the local capacity to act, and in this sense are also adaptive. The ENRD’s Smart Villages initiative (Copus and Dax 2020 [Annex 1]) is broadly along these lines, although it also incorporates elements of the third approach below.

3. Global Reconnection strategy. As its name implies, this strategy contrasts with the preceding one in its focus upon enhancing the links which tie the shrinking rural area into the global economy. In other words, it seeks to overcome the disadvantages of a less accessible physical location through a form of development which fosters “relational proximity”. The outcome could be the development of “Industry 4.0”, with a reliance upon knowledge intensive activities and high levels of digital connectivity. It is likely to imply diversification and servitisation of the local economy, high levels of personal mobility, perhaps associated with distance working. Leisure and recreation activities may well be a strong component. Again, this is

principally a mitigation strategy, seeking to change the rate of net migration by reducing out-migration and increasing in-migration.

Figure 8: Common Mitigation and Adaptation Strategies for Shrinking Rural Areas in a ToC Framework



LEGEND			
KEY BASELINE ASSUMPTIONS (Selected examples only)			
A	Compensation for disadvantage counters market and structural trends		
B	The local territorial asset base and human capital has sufficient potential		
C	Digital infrastructure is sufficient to allow dispersed activities to compete		
D	Community acceptance and buy in		
CONTEXTUAL CONDITIONS AND DRIVERS (Selected examples only)			
I	Measures can be targeted at appropriate level of granularity		
II	Basic connectivity in rural areas		
III	Sufficient social capital in shrinking areas to deliver change		
IV	Sufficient market access for new/expanded economic activities		
V	Appropriate multi-level governance structures		
VI	Devolution of responsibility to appropriate levels		
STRATEGIES			
1	Compensation	3	Global Reconnection
2	Relocalisation	4	Smart Shrinking

4. Smart Shrinking. The final type of strategy has become known as “smart shrinking”. It differs from the preceding three in that it explicitly abandons any attempt to change the population trend, but focuses upon adapting to it, in ways which benefit local communities by increasing, or at least sustaining, their levels of well-being. This might be achieved by innovative forms of

service delivery, which address the issue of spatial justice, or reduce the costs associated with the declining user-base. Alternatively, economic activities which exploit the sparsity of population, or extensification of existing activities, may sustain incomes.

It is important to reiterate that real world policy cannot fit neatly into just one of these generic types, and that rarely, if ever, is an adaptation component absent from mitigation measures.

Figure 8 is a simplified version of a ToC diagram developed by the RELOCAL project (Copus *et al.* 2019b). The main elements of the diagram are largely self-explanatory. However, it is important to emphasise the important role played by the “baseline assumptions” (blue discs). If these assumptions do not hold true the sequence of intermediate outcomes (green rectangles) which links the intervention to its long-term goal, breaks down, and the intervention will fail to deliver. Similarly, there are a range of “contextual conditions and drivers” (around the edge of the diagram) which play important roles in determining the success, or otherwise, of the measures. More detailed diagrams are provided in Dax and Copus (2020) [Annex 13], articulating the ToC for LFA, CAP Pillar 2 and Cohesion Policy.

A possible fifth strategy, which we have not included in Figure 8, is that associated with Cohesion Policy (Dax and Copus 2020 [Annex 13]). It is not shown because it is not a strategy addressing the needs of shrinking rural areas, but rather a strategy for the development of relatively large (NUTS 2) regions. As explained in Dax and Copus 2020 [Annex 13], this approach views cities as the engines of regional growth, and posits that rural areas will benefit from “spread effects”. As noted in Section 2 and Copus and Dax 2020 [Annex 1], research and pilot projects in the field of urban-rural interaction and cooperation, have attempted to enhance such effects. It is important to emphasise that the above four types of strategy do not map onto the four types of shrinking in a one-to-one way.

6.3 A Four Stage Process of Policy Development

Valters (2015, 7) has suggested that the following principles should guide the development of intervention logics: (i) Focus on process; (ii) Prioritise learning; (iii) Be locally led; and (iv) Think compass, instead of roadmap (Valters 2015, p7). These aspects are relevant throughout all the following steps, which should be considered as elements of an iterative process.

- **Frame narrative types:** The analysis of case studies has confirmed the divergence of, and crucial role of narratives in shaping local and regional strategies. This provides a basis for the main approaches and alternative perspectives on intervention logics. Conclusions from this analysis are inspired by the diversity of types of shrinking processes assessed, and the capability to conceive adequate narrative frameworks.
- **Initiate a suitable rationale for intervention:** Regional governance processes aimed at strategy building face the problem of devising understandable action/procedures in a complex system of inter-related drivers and outcomes, agents and power relationships, knowledge and insecurity, scales and measurement, and formal and informal action. Suitable intervention logics need to take account of a range of devices (“principles”) of

conceptual considerations that engage in feedback loops that link the various action points in the “sequence of activities” to one another (Copus *et al.* 2017a p16). The core criteria for selecting appropriate procedures are led by generic guidelines for local development processes that are sharpened by the focus on emerging narratives and policy relevance, leading to priorities for future action with regard to shrinkage.

- **Review good practices:** In a third step, it will be helpful to assess available practices, and review the role of those activities in mitigating and adapting shrinking processes. In this regard, a literature review, including grey literature of policy implementation and stakeholder concepts, contributions by networks and involved actors, will provide a wide range of local and regional experience, and support assessment of interdependence of action on other governance scales (“multi-level governance” assessment). This implies the review of local and regional intervention strategies and concepts.
- **Provide and value a considered appraisal:** The evaluation design of policies should be seen as an integral part of intervention logics, not as an appendix for legitimization of policy implementation (Martinez-Fernandez *et al.* 2012). Interventions are therefore to be checked with regard to their contribution to impact on spatial processes, and particularly impacts on shrinkage processes. In a long-term perspective their contribution to the change of underlying narratives and paradigms are to be assessed. Moreover, assessment is to be oriented at the different types of shrinkage observed, revealing appropriateness of the selected approach and interventions.

The suggested continuous reflection, and return to the previous stages/elements of policy elaboration, underscores the need for a long-term view of interventions. Past and current structures, regional processes and policies, and relate shifts in territorial conceptual models should be reviewed. It should be emphasized that the integrative perspective of local and regional levels should be seconded by higher administrative levels, a view largely supported by stakeholders of various case studies (Kovács *et al.* 2020 [Annex 4] and Annexes 5-12). Designing regional strategies and operational programmes requires an understanding of the complex drivers and relationships of actions, linked to a profound assessment of the cause-effect analysis of spatial changes.

The discussion of (new) intervention logics should also refer to the basic foundation and reasons for spatial concentration processes, peripherization and shrinkage. Questioning the economic growth paradigm is essential and will have immediate consequences on the relevant narratives, the opportunities and awareness of options, inclusiveness of future policies and realization of transition towards sustainable development pathways. As international experts to the OECD New Economic Approach discourse point out (OECD 2019), it won't be sufficient to replace current economic schemes just by “green economy” growth terminology as long as inherent values and views on socio-economic objectives have not changed. The pressing social and ecological needs have a clear dimension and impact on spatial effects, and necessitate an altered view and approach for intervention for shrinking rural regions.

7 Recommendations and Priorities for Future Research

There has never been a better time to reconsider policy for rural areas. At the time of writing (October 2020) we stand upon the threshold of far-reaching changes in the spatial organisation of economic and social activity, arising from the lasting effects of COVID-19 upon our personal and working lives. The crisis, and the public health policy response, seem likely to propel us forward through a period of accelerated behavioural and technological change, which will contribute to shifts in lifestyle values and population distribution.

The thirty-four *Key Messages* of the ESCAPE project, summarised at the beginning of each section of our report, provide the basis for twenty specific policy related *actions* (Table 3), relating to ten *themes*, and four broad *spheres* of change (Figure 9).

Figure 9: The Four Spheres of Change



7.1 Spheres of Change and Themes

The four spheres of change, to which the findings of the ESCAPE project speak, cover the entire policy process, from the visions and goals which provide the overall strategic direction, through the collection and application of evidence, to practical implementation, monitoring and evaluation, within the context of an optimised framework of institutions and governance. These four spheres are interdependent, and all of them need to be addressed.

Within these four broad areas the specific actions are grouped into ten *themes*. For example, in the second sphere of change, one action concerns the collation and communication of evidence, five actions are concerned with the application of evidence to policy, and three are designed to improve the balance of different kinds of solutions within hybrid approaches.

7.2 Overview of the Recommended Actions

The *Key Messages* highlighted in this report underline the timeliness of a renewed vision for rural Europe. A very substantial share of rural regions is experiencing depopulation, others are projected to move into negative territory during the next couple of decades. It is therefore extremely important that such a vision recognises the contrasting needs of depleting and accumulating rural areas, acknowledging the specificities of both, building upon existing strengths, and responding early to new opportunities. In doing so we recommend a broadening of goals, beyond economic growth, to address (territorial) inclusion, spatial justice, and well-being. Furthermore, a Just Transition to a decarbonised economy and society presents opportunities for many shrinking rural regions, although many would benefit from strengthened capacity to respond.

Table 3: Summary of the Specific Actions Recommended by the ESCAPE project

Spheres of Change	Themes	Specific Actions (Key messages, upon which these are based, in parenthesis)
A: Vision and Goals	<i>1. Vision</i>	a) Develop a vision for rural areas which acknowledges the fundamental distinction between “accumulating” and “depleting” rural areas (26)
	<i>2. Goals</i>	b) Elevate the priority within rural and regional policy, of goals addressing inclusion, wellbeing, spatial justice, and Just Transitions (5, 24)
B: Evidence, Diagnosis, and Policy Rationale	<i>3. Evidence Base</i>	c) Establish a European Observatory of Rural Shrinking, to assemble evidence, and to articulate and disseminate policy relevant interpretation of rural change (29)
	<i>4. Application of evidence to policy</i>	d) Acknowledge that most shrinking is due to legacy effects, rather than active migration, and accept implications for policy (10, 11) e) Recognise complexity of processes and pathways to shrinking, including SE -NW Europe differences (1,2, 9, 13, 17, 18, 25) f) Consider alternatives to urban-centric growth models where these are inappropriate (7) g) Embrace economic/spatial restructuring; diversification, servitisation, digitisation, industry 4.0, COVID effects etc (14, 32) h) Encourage the use of Theory of Change in policy design, to ensure a direct response to place specific processes of socio-economic change (29, 30, 32, 34)
	<i>5. Hybrid Approaches</i>	i) Promote an evidence-informed balance between mitigation and adaptation (3, 23) j) Establish realistic and SMART objectives, not simply (economic) growth or repopulation (31) k) Require evidence-based assessment of human capital gaps, service provision “pinch points”, and similar responses to the wider impacts of shrinking (15,16)
C: Implementation	<i>6. Systemic Responses</i>	l) Foster integrated approaches to policy – at all levels of governance (25) m) Nurture enhanced coherence across ESI fund administration and implementation, at both EU and MS levels (28)
	<i>7. Scale, Focus and Duration</i>	n) Favour tailored responses at appropriate scale (regional or local) (12) o) Acknowledge the strong differentiation between depleting and accumulating rural regions, perhaps through formal policy designation (analogous to Cohesion Policy’s “Less Developed Regions”. (8, 9, 13) p) Develop longer-term interventions required to address longer-term processes, at both EU and MS levels (28)
D: Governance Empowerment and Capacity Building	<i>8. Guidance and Capacity Building</i>	q) Provide guidance and support for MS when developing ESIF programmes (20, 27) r) Support local capacity development and facilitate strategic input to design and financing of initiatives or interventions, based on national policy good practice. (20,27)
	<i>9. Multi-Level Governance</i>	s) Support functioning multi-level governance (devolution of competence to appropriate level of governance, good communication, innovative partnerships etc) (19, 21, 22)
	<i>10. Local Empowerment</i>	t) Empower shrinking rural areas, ensuring representation in policy discourses, giving them a strong voice, and fair (just) access to resources and policy benefits, relative to regions where the population is growing. (19, 21, 22)

The second sphere of change relates to need to strengthen the ties between evidence and policy approaches, avoiding “one size fits all” interventions, expressing sensitivity towards regional and local environments and pathways, and at the same time building upon signs that the future is likely to present new opportunities. In essence we are arguing for a policy environment which nurtures tailored neo-endogenous approaches driven by rationales which are explicitly derived from an understanding of the local processes of demographic change. A necessary corollary of the wider goals mentioned above will be the need to find better ways to measure success. Demographic indicators, together with a place-sensitive appreciation of the processes behind them, can add value to conventional economic measurements.

The third sphere of change, implementation, in part reiterates calls which have been heard through several decades, such as the need for systemic, integrated and coherent approaches, at all levels, (EU, National, Regional, Local), and the need for greater continuity when tackling inherently long-term demographic issues. It also argues for a departure from established principles of EU Rural Development policy, in proposing the formal recognition of differentiation between depleting and accumulating rural areas, so that the former may be more consistently the subject of the most appropriate interventions.

The final group of four specific actions are concerned with Governance, Empowerment and Capacity Building, responding to the widely held impression that shrinking presents challenges in terms of capacity for territorial adjustment and development, and the maintenance of sufficient influence in institutional terms.

7.3 Priorities for Future Research

The findings and recommendations of this report highlight two major knowledge gaps which are beyond the remit of ESPON ESCAPE. These are opportunities for further research:

1. The potential for dis-agglomeration of economic activities to the benefit of remoter rural areas (outside Functional Urban Areas) which was already evident, but will be strengthened by changes in working practices as a result of COVID-19 restrictions. The research would explore success factors and constraints for rural areas in taking advantage of these trends, and formulate suggestions for pro-active policies to support shrinking rural regions in anticipating and exploiting such opportunities.
2. There is much that we do not understand about the potential of shrinking rural areas to support, and benefit from the decarbonisation of the European economy. Therefore, a second opportunity for further research is to explore the potential for facilitating a stronger positive contribution of such regions to transition to a low carbon economy, and thereby contribute to the Farm-to-Fork strategy.

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Endnotes

¹ ESPON PROFECY (Processes, Features and Cycles of Inner Peripheries in Europe) [Final Report](#) 2017

² As in most ESPON research, we have carried out much of our comparative EU-wide analysis at the NUTS 3 level due to the relatively good availability of harmonised data. However it is important to be aware of the disadvantages of using regions which in many cases are too large to capture patterns in detail. Indeed it is a well-established fact that configurations of boundaries affect the patterns mapped. (Rebah et al 2006).

³ <https://ec.europa.eu/eurostat/web/nuts/local-administrative-units>. See also Gløersen & Lüer, 2013.

⁴ See also Weber et al., (2020) in Annex X, Section 1.2 for supplementary overview of CAP II, Cohesion Policy and LEADER/Community Led Local Development (CLLD) overview.

⁵ The Polish, Hungarian and the Bulgarian governments are introducing new substantially financed national programmes targeted at small towns, villages and rural areas. However, as the Hungarian case study pointed out, these policies will have little impact if they do not come with adequate financial support. It was agreed across all case studies that substantially financed strategically targeted national level programmes are required to meet the challenges posed by rural shrinkage.

⁶ See also Weber et al. 2020, [Annex X] Section 1.2.4 for additional critique of EU policy as providing direct support for shrinking rural regions.

⁷ Just Transition Territories (JTTs) are regions identified on the basis of the “carbon intensity” of industry in the region, the numbers employed in mining coal, lignite and industry, and the production of peat and oil-shale. A fund of €7.5 billion in ‘fresh’ funding is targeted towards these regions which are not necessarily rural regions. To access the fund Member States are required to match each Euro drawn from the fund with €1.5 from either their ERDF or ESF+ budgets. Whilst this may have a relatively minor effect in some Member States it could result in resources being diverted from budgets that had been allocated to (rural) regions that are not classified as JTTs.

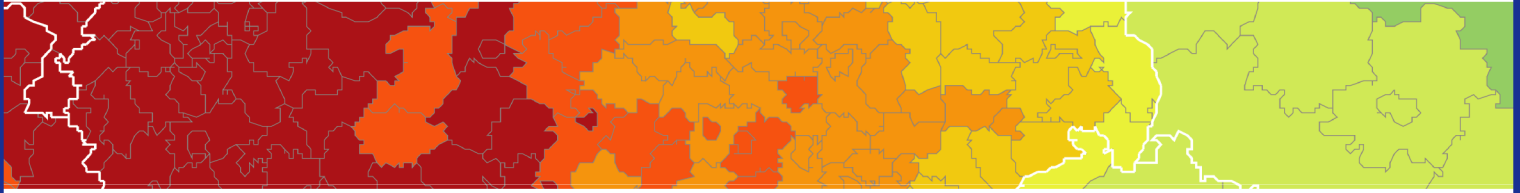
⁸ Many regional actors interviewed as part of the case studies noted that the term “shrinkage” has negative connotations, with those that remain living in rural areas being perceived as failures for not having the education, skills or finances to move away to more economically prosperous urban areas (Interviews 2020).

⁹ This perspective reflects the views of EU stakeholders who emphasised the need to challenge and change the dominant narrative associated with rural regions, particularly those experiencing or at risk of shrinkage.

¹⁰ The term “functional” would certainly have to be redefined to fit a rural context as most rural areas cannot be considered “functional” given that they lack the critical mass of industries and businesses around which to foster economic growth and development. Hungarian and Bulgarian case study participants pointed out that the idea of “functional areas” would not work in a rural context and it is more important to look at how to establish stronger links and connections between rural areas and existing “functional urban areas”.

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ISBN: 978-2-919795-70-3

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The ESPON EGTC is the Single Beneficiary of the ESPON 2020 Cooperation Programme. The Single Operation within the programme is implemented by the ESPON EGTC and co-financed by the European Regional Development Fund, the EU Member States and the Partner States, Iceland, Liechtenstein, Norway and Switzerland.