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Inspire Policy Making with Territorial Evidence

POLICY BRIEF

Shrinking rural regions in Europe

Towards smart and innovative approaches
to regional development challenges
in depopulating rural regions

Demographic change in Europe is increasingly becoming a major policy challenge. Predominantly rural regions currently account for 28% of Europe's population. However, over the past decades a shrinking population has become the normal trajectory for many rural regions as agriculture has been restructured and population and employment have become increasingly concentrated in urban centres. By 2050, the population of Europe's urban regions is projected to increase by 24.1 million persons and will provide home to almost half of the EU-28 population (Eurostat 2016). By contrast, the population of predominantly rural regions is projected to fall by 7.9 million. The purpose of this Policy Brief is to identify shrinking rural regions and where they are located in Europe; explore key development challenges and opportunities; examine some policy responses using case study examples from shrinking rural regions; and present some emerging policy recommendations at European, national and sub-national levels.

KEY POLICY MESSAGE

Rural depopulation and marginalisation is an increasing phenomenon across Europe. To address these trends policy-makers essentially have two policy levers: (1) **'going for growth'** – reverse shrinking trends and stimulate population growth; (2) **'coping with decline'** – accept shrinkage and adapt to its economic and social consequences.

While the idea of accepting decline is often politically unpalatable, it is also unrealistic to expect local development strategies to counteract increasing global trends towards urbanisation. Indeed, continued depopulation is predicted to become the new normal in many peripheral rural regions over the coming decades. The task will therefore become one of ensuring a **managed transition** to an economic base consistent with the realities of lower population levels.

Depopulation requires new ways of thinking about rural development which re-envision **shrinkage not as a burden, but as a potential positive opportunity**. Accepting shrinkage can help to reorient rural policies and investment decisions to re-grow greener, smaller and provide new openings to be innovative, modernise governance and public services through more **holistic, proactive and place-based strategies** consistent with 21st Century realities. This requires **coordinated government-led interventions** and planned, strategic coordination of both growth-oriented and adaptation-oriented policy approaches, tailored to local conditions.

1. What are shrinking rural regions and where are they located in Europe?

While the phenomenon of urban shrinkage has been the subject of an emergent research and policy agenda, the issue of rural shrinkage has thus far received far less attention. Currently, there is no commonly agreed definition of what constitutes a 'shrinking' region.

Rather, there is a range of differing interpretations depending on national, regional and local contexts. Typically, in the research literature, depopulation is used as the primary indicator. However, while this indicator is useful in identifying demographic trends, depopulation is the symptom rather than the cause of shrinkage which results from a complex 'vicious circle' of interrelated economic and social factors, presenting acute challenges for regional development and governance (Shrink Smart 2009). Therefore, a wider territorial perspective and cross-cutting analytical framework is essential to explain shrinkage and for proposing strategies of how to cope with it.

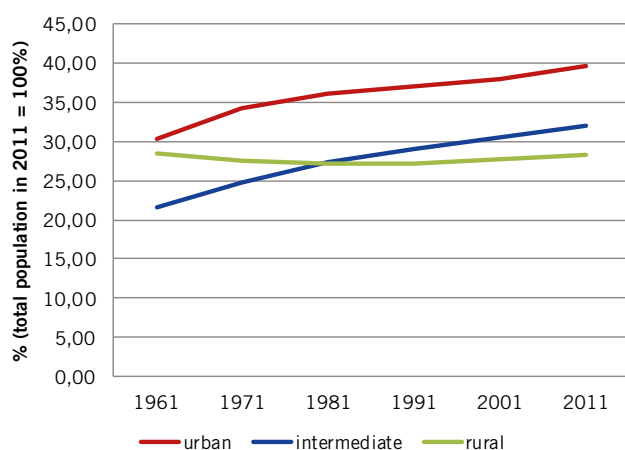
Rural shrinkage is simultaneously a demographic and economic phenomenon and has been interpreted as part

of wider trends in European territorial restructuring, where agriculture has become less labour intensive and economic and employment growth has become progressively tertiarised, favouring larger urban centres. Selective job-related out-migration from rural to urban regions, particularly of younger and well-educated workers, can result in persistent slow-leak depopulation, divestment and a negative natural population balance. Rural shrinkage therefore becomes indicative of a broader structural crisis of economic and labour market decline, peripheralisation and a deepening urban-rural divide – intensifying the inherent disadvantages of rural areas.

Interestingly, at the European scale, while the total population of Europe increased by about 24% between 1961 and 2017, the proportion of people living in rural regions has not shrunk, but remained broadly constant over this period (see **Figure 1**).

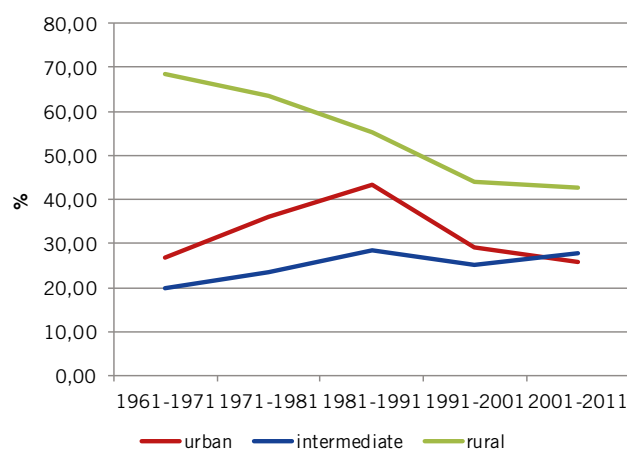
In the 1960s, almost 70% of rural regions were experiencing depopulation. However, this number steadily reduced throughout the late 20th Century (see **Figure 2**).

Figure 1
Overall population distribution in European LAU2 regions by type of region



Note: The analysis has been carried out at LAU2 level and the most recent population data available at LAU2 scale. For PT, SI and LT LAU1 data has been used as it is unavailable over this time period.

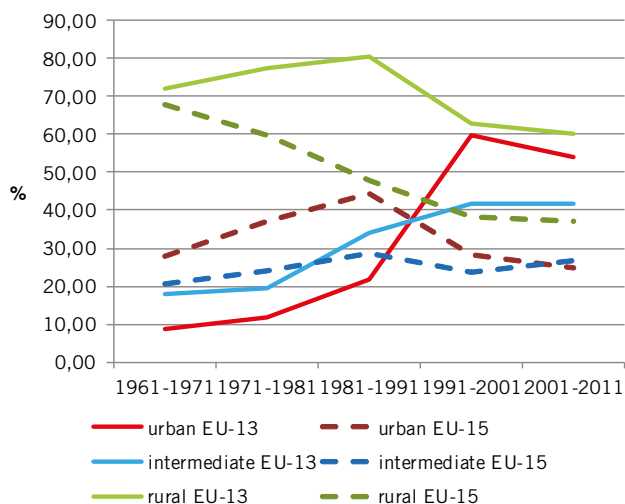
Figure 2
Relative number of shrinking LAU2 regions in Europe



Note: The analysis has been carried out at LAU2 level and the most recent population data available at LAU2 scale. For PT, SI and LT LAU1 data has been used as it is unavailable over this time period.

By 2011, just over 40% of European regions were experiencing depopulation. As illustrated in **Figure 3**, rural shrinkage is more prevalent in the EU-13 of central and eastern Europe with circa 60% of regions experiencing depopulation while, in the EU-15 of western Europe, just over 35% of rural regions are shrinking.

Figure 3
Relative number of shrinking LAU2 regions in Europe divided between EU-15 and EU-13 countries



The overall trends at the European scale, therefore, mask spatially and temporally uneven population dynamics evident in different countries (see **Map 1**). For example, as illustrated in **Figure 4**, between 2001 and 2011, in Lithuania, Estonia, Bulgaria, Latvia and Hungary, more than 80% of rural regions shrunk. However, this trend was reversed in the Czech Republic where less than 30% of rural regions depopulated over this same period. Amongst the EU-15, the Nordic countries of Finland and Sweden (and Iceland) together with the southern European countries of Spain and Portugal had relatively high proportions of shrinking rural regions. Germany also continues to be an outlier in northern Europe, with a high number of shrinking regions, particularly in the former East Germany.

As illustrated in **Figure 5**, however, when looking at a longer time period from 1961-2011, quite different figures are discovered. Rural regions appear to be in a declining situation for a much longer period than the urban regions. This trend especially applies to those countries with many shrinking regions. It is therefore possible to conclude that countries experiencing a large population decline over a longer period started with declining rural regions after which it continued in the urban regions.

Figure 4
Relative number of shrinking LAU2 regions in European countries, 2001-2011

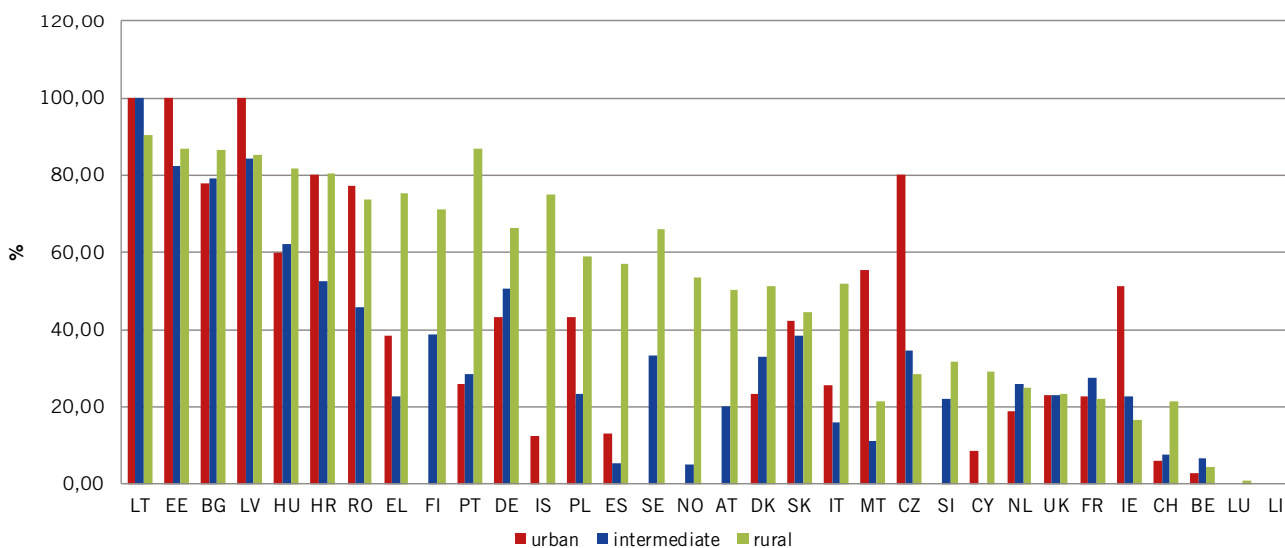
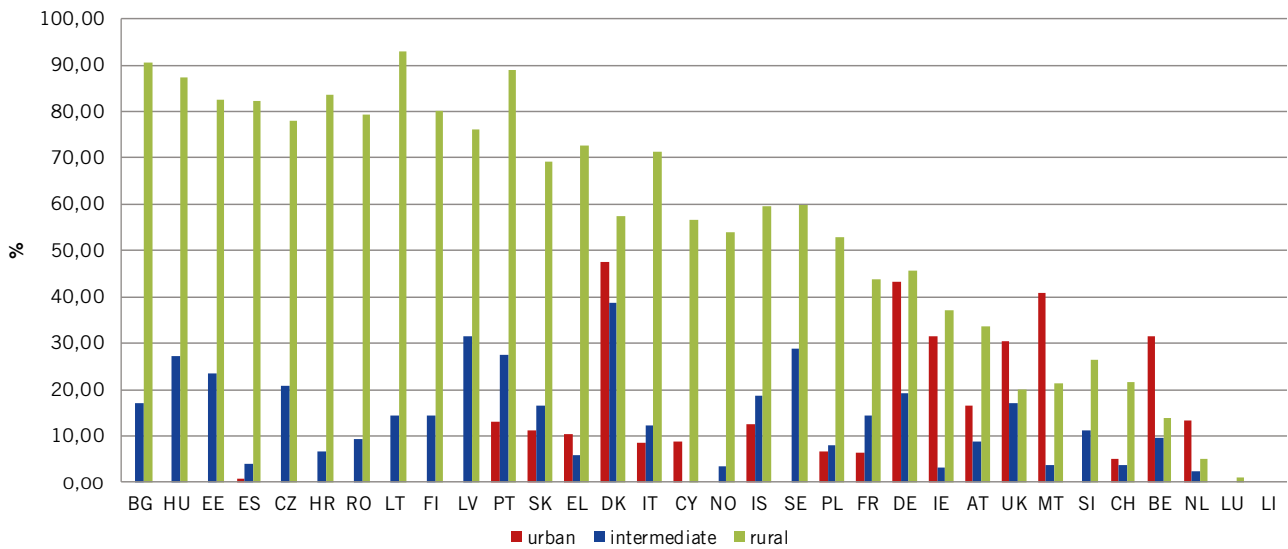
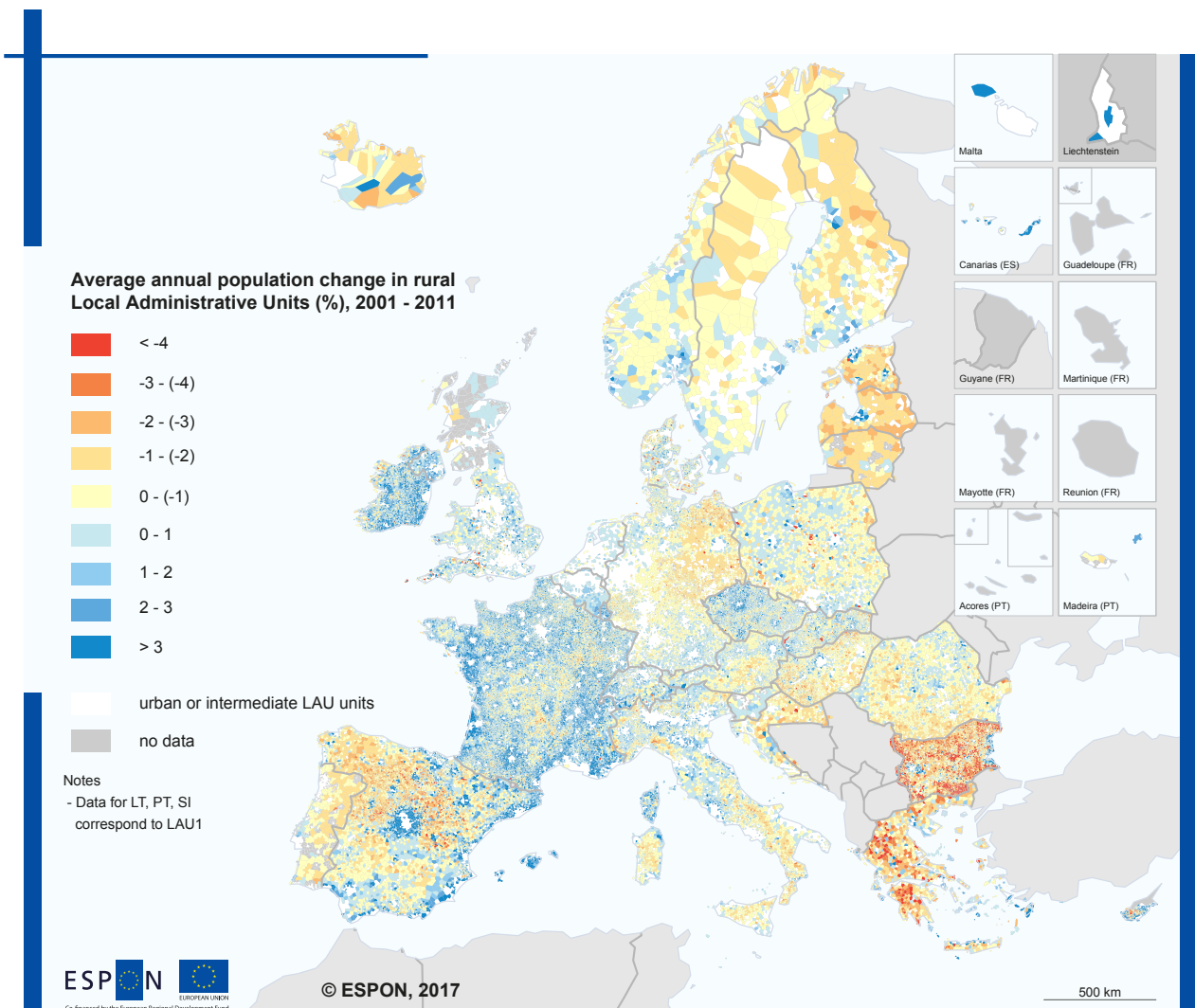


Figure 5
Relative number of shrinking LAU2 regions in European countries, 1961-2011



Map 1
Population change in predominantly rural regions, 2001 - 2011



Regional level: LAU2 / 1 (2011)
Source: ESPON, 2017
Origin of data: Eurostat, ESPON, 2017
©UMS RIATE for administrative boundaries

2. Key development challenges of shrinking rural regions

Symptoms of shrinkage

The general symptoms of shrinkage are well described – a declining population results in a growing mismatch between the supply and demand of services, creating difficulties for both the public and private sectors. As a result of weak local markets, services become underutilised, poorly maintained and often become unviable and have to be withdrawn. Local living conditions and quality of life deteriorate, unemployment rises and skilled labour becomes scarce, causing the emergence of abandonment and obsolescence. This further erodes the attractiveness of a region and the rotation of a downward spiral of demographic decline through falling fertility rates and an enforced aging of the remaining population. For example, in 2015, the majority of European regions with high shares of elderly populations, and with a corresponding high old-age dependency ratio, were rural regions. The three highest shares were recorded in the interior Portuguese region of Pinhal Interior Sul (33.6%), the central Greek region of Evrytania (31.0%) and the north-western Spanish region of Ourense (29.4%) (Eurostat 2015)

Innovation capacity

The loss of skills and talent can significantly affect local innovation systems, disconnecting them from the global economy. This hits small and medium-sized enterprises (SMEs) and micro-enterprises hardest as they are more dependent on the availability of skilled workers (Tietjen and Jørgensen 2016). Rural regions tend to have a higher dependency on smaller enterprises with the average share of employment about 10% higher in rural areas (38% on average) than in urban areas (27% on average). In several EU-13 Member States, where the phenomenon of rural shrinkage is most acute, the difference between the employment rate in rural and urban regions

is particularly high. On the other hand, in some rural regions, a depleting population and the need for lower-skilled agricultural workers, means that they can be disproportionately affected by foreign immigration, with consequent impacts for social cohesion.

Precarious governance

Governance quality has a particular positive effect as drivers for employment in micro enterprises (ESPON, 2017). However, shrinkage places substantial pressure on public budgets, which are simultaneously burdened with reduced fiscal income, rising costs and higher social expenditure. This places governance capacity in a precarious situation while simultaneously inhibiting proactive entrepreneurship policies. The European Commission's lagging regions report, for example, highlights a very strong correlation between lagging regions, particularly in eastern and southern Europe, and poor quality of governance as the main obstacle to development in low-growth regions (European Commission 2017).

The importance of the local governance level, as the scale where the integration of development strategies offers the best potential to tackle the problems associated with shrinkage, is well reflected in the literature (Martinez-Fernandez et al. 2012). However, shrinkage takes specific forms in different territorial contexts and each local situation is unique, socially contested and constantly changing due to many factors at multiple scales (Tietjen and Jørgensen 2016) Municipalities that have the greatest need to develop strategies to cope with shrinkage are often those with the least capacity to act which requires a comprehensive policy response, a long-term perspective and consistent, simultaneous commitment at multiple governance scales.

3.

Changing policy paradigm

In order to address the challenges associated with demographic change, it cannot be left to the market to find solutions and effective government-led policy interventions are needed (Martinez-Fernandez et al. 2012).

According to the EU Shrink Smart project there are essentially three potential policy responses: (1) to do nothing – either to deny that there is a problem or to recognise the problem but not to respond; (2) to try and reverse the trend towards population decline and to stimulate population growth; and, (3) to accept decline and to manage its consequences through re-orientating policies and investment decisions towards a more holistic, proactive and spatially differentiated approach. Combining these approaches, policymakers essentially have two choices: conservative (growth-orientated) and radical (accepting/mediating) (Rink et al. 2012). This is not an either/or policy choice. Both approaches can play an important role in integrated rural development policies, tailored to local contexts within the overall context of a shrinking population and to find new innovative ways to effectively anticipate and creatively adapt to future demographic trends.

In situations where shrinkage has become the new normal, and unlikely to be reversed in the short-to-medium term, devising meaningful strategies therefore requires a more fundamental change in governance perceptions. With the predominance of growth-orientated policy cultures, however, there is often little substantive discussion about how a region can pragmatically adapt to

intractable demographic trends and successfully shrink. Instead, the reality of depopulation is often presented as a taboo which does not fit with one-size-fits-all normative policy goals and political perspectives, resulting in an overriding policy imperative to reverse depopulation and return to growth, and not very often leading to success. The very idea of adaptation planning for shrinkage has not been widely accepted to date as it is generally considered counterintuitive and defeatist amongst politicians and civil society at large. This makes it difficult to find workable solutions which require creative new ways of thinking and context specific solutions.

The concept of shrinkage should be explained to decision-makers as an alternative to perspectives, which understand depopulation as a simple linear process and associated exclusively with negative outcomes. In particular, 'Planned Shrinkage' approaches propose that growth is not always necessarily synonymous with development. Moreover, accepting shrinkage can help to turn challenge into opportunity and to create new knowledge for policymakers to re-grow greener, smaller and provide new openings to be innovative, modernise governance and public services, and to adapt to inevitable economic and demographic conditions outside of local control. Most importantly, strategic choices have to reflect the local potentials of places and policies have to set the realistic level of ambition to make sure they bring expected results. Holistic, proactive and place-based strategies consistent with 21st Century realities are important prerequisite for stimulating the endogenous potential of rural areas.

4.

Emerging policy responses to rural shrinkage

Mobilising endogenous resources

Maintaining social cohesion and dynamism in conditions where economic and social fabric is being eroded requires integrated strategic solutions and committed long-term governance. Moreover, in circumstances where depopulation is significantly driven by exogenous factors, a new partnership between public and private sectors becomes a core issue. From an economic sustainability point of view, the literature on shrinkage emphasises the importance of diversifying the local economy to creatively mobilise endogenous resources and comparative territorial advantages (e.g. natural capital, local heritage, renewable energy, tourism etc.); increase resilience and adaptive capacity by selectively downsizing infrastructure and rightsizing the local economy; improve environmental

sustainability; and ensuring access to basic services and infrastructure in order to improve liveability and the quality of life.

Promoting social innovation and ICT

Information and communication technology (ICT), digitalisation and knowledge-intensive activities are fundamental to the restructuring of rural regions in response to shrinkage. This includes new, smarter ways to harness ICT to more efficiently deliver public services and generate new employment opportunities. For example, throughout Europe, one trend which is clearly becoming more prevalent is ageing. The proportion of people of working age in the EU-28 is decreasing while the relative number of those retired is expanding – a trend which is expected

to increase significantly in the coming decades (Eurostat 2015). Shrinking rural regions are particularly affected by ageing populations and can therefore offer a proving ground for catalysing what is now called the 'silver' economy, where new technologies, products and services are being designed for and, sometimes by, older populations, as well as increased opportunities in the leisure and residential sectors. Another area which is anticipated to experience increased demand is the 'white' economy and the economic opportunities of healthcare and medical services. ICT enables integrated person-centred care with more focus on prevention, early detection and independent living and can empower people to manage their health and support their healthy lifestyle choices.

However, harnessing these technological opportunities requires enabling support to local governments and businesses, especially in skills development, ICT infrastructure and broadband. Social innovation is also crucial and requires a fundamental rethink of the role of older people and a new intergenerational pact in order to transfer e-literacy skills; support access to e-health and the familiarisation of older workers with digital services. Equally, older workers can act as mentors to younger workers. Retaining older people in the workforce and making productivity-enhancing investments in human capital can also boost economic growth and job creation in rural regions. Migrant skills can also become more important for social inclusion, because migrants have traditionally occupied a large subsector of the care economy and are

therefore already well positioned and integrated in employment networks (Martinez-Fernandez et al. 2012).

Fostering ecosystem services and the green economy

Shrinking regions offer a natural 'green' advantage due to the decreased pressure on the environment, increases in green spaces and decreases in pollution. Rural regions consequently present enhanced opportunities for promoting the green transition and the reorientation of the local economy towards low-carbon development and innovative solutions to environmental concerns, for example, the application of circular economy principles to recycling agricultural waste; promotion of locally produced products supported by technology and ICT; and implementing, and taking full benefit of smart diversification in agri-food, energy, biomass, tourism and cultural activities etc.

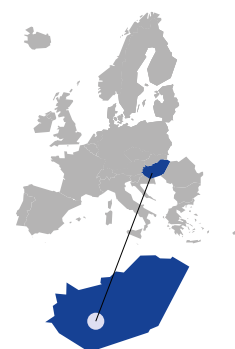
This shift reflects the need for more comprehensive transformations of economies and societies driven by climate protection, sustainable sharing economies and resilient development pathways, and which may open an additional dimension for understanding and treating declining rural regions in new ways. In such a context, shrinkage can be viewed, not as a burden or lack of success, but, on the contrary, a chance or opportunity for fundamental societal reorientation, preservation of rural environment and a break from development pressures (Pallagst 2013).

CASE STUDY

Tamási district complex development programme, Hungary

The Tamási district is one of the most disadvantaged districts of Hungary. During the 2007-2013 EU funding period the 'Tamási District Complex Development Programme' was developed and aimed at increasing territorial and social cohesion across the region through dedicated, integrated EU funding. One of the innovative features of the programme was its 'multi-fund' character meaning that ERDF and ESF funding was made available in a combined manner. Programming at grassroots level was also unique with experts working with communities in helping to develop the content of the development programmes and facilitating the creation of measures targeting the most vulnerable social groups and the extreme poor, who frequently belonged to ethnic minorities. Dedication of resources meant that applicants from the most disadvantaged localities did not have to compete with more advanced regions for funds.

One of the main advantages of the Complex Development Programme, as compared to traditional horizontal support schemes, was that interlinked project packages were approved instead of financing independent and isolated projects. This encouraged synergies and harmonisation of individual initiatives. Therefore, the methodology of the Complex Development Programme was innovative due to its "place-based" approach, relative flexibility, and also due to the alignment of resources at a small territorial scale. The Complex Development Programme strengthened trust between actors, built relationships, encouraged co-ordination and co-operation producing positive experiences as regards moving toward a more 'place-conscious' direction (ESPON 2017b).



Realising integrated place-based approaches

Whether it is in transport, public service delivery or labour markets, there are many examples of individual initiatives to respond to the problems of shrinking rural regions. However, when it comes to concrete, integrated policies which seek to overcome the fragmented focus and single sector orientation in rural development policies, initiatives are scarce. One potential opportunity for a strategic, joined-up approach is the emerging 'Smart Village' concept proposed as part of the EU's 'Cork 2.0 Declaration – A Better Life in Rural Areas'. The EU Action for Smart Villages seeks to combine the actions of several policy areas relating to rural development, environment, regional and urban development, transport and connectivity. Smart Villages therefore aim to enhance traditional and

new rural networks and services by means of digital and telecommunication technologies, innovations and the better use of knowledge, for the benefit of inhabitants and businesses. Focussed investment in ICT can support quality of life; higher standard of living; ensure basic access to public services and infrastructure; better use of resources; lessen impact on the environment, and provide new opportunities for rural value chains in terms of products and improved processes. The concept of Smart Villages does not propose a space-blind or one-size-fits-all solution. Instead, it is territorially sensitive; responsive to the needs and potentials of the respective regional contexts; and supported by new or existing territorial strategies for surmounting local limitations and promoting balanced territorial development. Good governance, citizens' involvement, enhancing human capital, capacity and community building are also key elements.

CASE STUDY

'For Sweden's rural areas – a coherent policy for work, sustainable growth and welfare', Sweden

Swedish rural policy came under scrutiny in the 2017 OECD Swedish Territorial Review, which argues that current government policy fails to comprehend the particular challenges faced by outlying areas and a more coherent approach focused on developing rural strengths and potentials is required. As a result, sectoral policies such as education and health services, spatial planning, and transport do not have a clear and coherent 'rural articulation'. The 2017 Parliamentary Report produced from the enquiry, entitled *'For Sweden's Rural Areas – A Coherent Policy for Work, Sustainable Growth and Welfare'*, outlined the need to develop a more integrated and holistic approach to national rural policy. The report highlights the importance of Swedish rural areas for the development of the green economy and tourism, but notes a failure to exploit business potential and discrepancies in access to public services compared to urban areas. The report outlines three broad overarching goals for developing a coherent rural strategy, including:



1. Equal conditions for citizens to live and work in rural areas;
2. Increasing the capacity of rural areas to exploit opportunities for entrepreneurship and employment in a manner that is sustainable in the long term;
3. Increasing the opportunities of rural areas to contribute towards the positive development of the economy

More specifically, the report makes a number of more focused recommendations, such as, emphasising the need for businesses in sparsely populated areas to interact with local, national and global actors. This should be achieved by increasing the financial capital available to businesses, the development of good digital communication opportunities and creating stronger networks with research bodies and innovation centres. Improving access to the labour market and a skilled workforce is regarded as essential. This will be achieved through increased investment in education and training centres, relocating public sector jobs to rural municipalities and offering skilled workers incentives to move to rural areas, including reduced student loans and easy access to services of general interest to improve the quality of living. Finally, the report raises issues regarding the governance of rural areas, particularly in relation to the important role of the state in promoting employment, establishing cross-sectoral coordination and synergies between public and private actors and enhancing the role of societal groups in regional activities (ESPON 2017b)

CASE STUDY**Gran Sasso Science Institute, Abruzzo, Italy**

The Abruzzo region in Italy has experienced a long and intense history of emigration, mainly from small rural municipalities. Between 2000-2015 the region lost 60,000 people in the 15-34 age group (-17.5%) and the proportion of people aged over 65 is significantly higher than the Italian and European average. Abruzzo was therefore the target for various regeneration policies designed to strengthen the knowledge-based economy, focused on traditional approaches to developing the internal resources of the area, innovation and competitiveness. It was, however, a fragile structure and when the 2008/2009 economic crisis hit, the economy collapsed.

In 2009 a major earthquake caused extensive destruction. As part of the response, the Gran Sasso Science Institute (GSSI) was developed to offer a different perspective compared to previous regeneration programmes. It focused on the 'extraordinary' event of the earthquake and on the unique resources and experience of the territory i.e. the 'hard sciences' research potential and the development of an internationally recognised centre of excellence for research in geology and physics to attract international high-skilled researchers. In 2016, the Ministry of Education recognised the GSSI as new university.

The source of funding of the GSSI is almost completely public and has proven successful in attracting human resources from abroad, fuelling regeneration in the human capital of the territory. While it is very early days, one expected outcome is a general increase in local economic activity. A second expected outcome is the creation of new start-ups and spin-off enterprises (ESPON 2017a).



5. Policy recommendations

The key message from this Policy Brief is that shrinkage is not just a practical problem but, critically, a matter of representation and presentation. Conventional policies typically function under the premise of growth allocation where shrinkage in one region is not considered as important as growth in another. A key prerequisite for developing multi-dimensional and innovative solutions to address shrinkage is therefore a change of perception and for national, regional and local governments to accept and adapt to emerging trends of an ageing and declining population, rather than seeking to fight against it. The conventional praxis of regional development, however, has developed a strong anchor in a growth-orientated policy paradigms and therefore adapting to declining trends is typically outside the "international planning box" (Martinez-Fernandez et al. 2012). Thus, policy innovation

in a shrinking context is not an easy task, particularly in rural regions which are often characterised by conservative structures and resistant to change.

Moreover, strategic solutions cannot be based on addressing one factor alone but must holistically take into account the interplay of shrinkage drivers, both horizontally and vertically, at national, regional and local scales. While shrinkage is not a new phenomenon, it is a relatively new research and policy discourse and, outside of shrinking cities, there are no real-world European examples of municipalities which have explicitly adopted an adaptation-orientated development strategy to address shrinkage. Nevertheless, some emerging policy pointers can be gathered from a review of the literature.

National and sub-national levels

(i)

Promote multi-scale integrated strategic spatial planning:

A recurrent theme from the literature is that shrinkage can only be addressed through system-wide strategies at multiple scales, both horizontally and vertically. Efforts made at the local municipality level alone will not be sufficient and more consolidated and collective efforts at national/regional levels are essential, including for prioritising and allocating appropriate resources and funds and formulating strategies.

- **Policy response:** The better alignment of development/infrastructure policies with spatial planning policy can be supported with the establishment of professionalised specialised cross-sectoral agency, or expert authority, to steer rural restructuring in shrinking rural regions and to ensure strategic planning and monitoring at a higher spatial scale; together with a more holistic approach to the differing dimensions of shrinkage. For example, coordinated multi-settlement strategic planning can strengthen intra-urban networks, enhance service delivery and achieve a more efficient use of public resources and infrastructure in tightened fiscal conditions through establishing incentives for regional cooperation and limiting the negative impacts of intra-regional competition. However, while strategic co-ordination is crucial, policies must always be responsive to local situations which require tailored instruments and growth/adaptation strategies.
- **Driving actors:** Member States, regions.

(ii)

Improve scenario planning and demographic checks:

Regional planning is future-orientated praxis. However, foresight methods are rarely used in policy development processes, in any meaningful sense. Scenario planning and forecasting can assist practitioners in this task, provided that the scenario choice criteria are realistic and not merely optimistic. It can also help inform political actors of likely demographic trends and provoke credible policy responses.

- **Policy response:** Embed scenario analyses into strategic spatial planning processes in order to diversify practitioners' reasoning in dealing with regional development issues and specifically provide ways to constructively address the consequences of shrinkage together with providing a rationale for selected strategies. Furthermore, national and sub-national govern-

ments need to develop a 'demographic check' monitoring systems that continuously inform their ongoing needs in line with fluctuating demographic and economic dynamics. Training and skills development programmes should also play an increasing role in understanding demographic and related shifts (Martinez-Fernandez et al. 2012).

- **Driving actors:** National, regional and local governments.

(iii)

Take a long-term perspective:

Shrinkage implies major long-term challenges for the economic, social, political and cultural potentials of European rural regions. In a process like demographic decline, policy responses need to be patient and accept that progress will be slow. While politically challenging, this requires a model of regional governance with a clear vision; operational objectives and long-term resources; commitment and leadership incorporating local, regional and inter-municipal cooperation and the collaboration of public and private stakeholders.

- **Policy response:** Shrinkage strategies need to be far-seeing, coherent and holistic, and address all of the economic, social and environmental issues associated with depopulation, and not focus on, for example, economic development. There is often a tendency to hastily seize upon short-term 'economic saviours' regardless of the potential longer term consequences, perpetuating boom and bust cycles and potentially weakening local resilience to exogenous forces and producing unsustainable outcomes. Breaking this cycle implies the articulation of other values in addition to the economic ones, such as offering sustainable environments for housing, prioritising well-being and nature tourism businesses.
- **Actors:** National, regional and local governments

(iv)

Strengthen institutional capacity:

Shrinking regions suffer from precarious financial problems and have restricted budgets due to the growing needs of an ageing society in tandem with a reduced tax base, making them extremely reliant on external funding sources. This produces a perverse effect, since it often promotes a dependence culture and an aversion to policy innovation.

- **Policy response:** Although external financial support is decisive, it is important to maintain the competences of rural regions and to stabilise established governance networks in order to ensure their long-term sur-

vival through flexible support and to make sure they do not lose their financial and decision-making autonomy. In circumstances where public budgets are retrenched, it is understandable that there is an urge to privatise services. However, it is essential to maintain, expand and strengthen local government assets to promote local entrepreneurialism.

- **Driving actors:** National and regional governments, local communities.

(v)

Improve communication and partnerships:

Shrinkage presents all regional actors with acute challenges. It is therefore important to provide stakeholders with a voice even if it means (in the short run) an absence of consensus, time delays, higher costs etc.

- **Policy response:** Good communication and community participation is essential to increase the awareness of demographic trends, build political capital and ownership of future potentials and realistic development pathways. Enhanced social inclusion can help form trust in the community and, a clear strategy, has the potential to influence decisions about whether people stay or leave. This requires a partnership approach, a focus on good governance and citizens' involvement. The latter is especially important in places where public resources are limited. The lack of financial means can be efficiently compensated by active communities contributing to the quality of life and well-being of local people through voluntary work and joint action.
- **Driving actors:** National, regional and local governments.

(vi)

Develop alternative economies and smart diversification:

Maintaining employment is critical to shrinkage adaptation strategies. Shrinking regions therefore need to develop economic diversification strategies to promote local resilience, focussed on harnessing endogenous resources and, where possible, encouraging entrepreneurs to settle within rural regions.

- **Policy response:** Develop smart diversification strategies for regional innovation. Opportunities relate, *inter alia*, to the increasing demand for quality and healthy food; changes in tourism and residential patterns; and new rural policies supporting the evolution of agriculture. Furthermore, the 'silver' and 'white' economies

will become increasingly important in the future, driven both by the emergence of new consumer markets for products and services tailored to ageing populations, and by the need to improve the sustainability of public expenditure linked to ageing. Regional innovation potentials, however, can only be capitalised upon through targeted investment in ICT in the context of joined-up regional adaptation strategies. Shrinking rural regions are also ideally placed to capitalise on the 'green' economy. In the context of the rapid depletion of natural resources and environmental pressures, the relevance of the green economy to rural areas is wider than just agriculture and forestry but also linked to other EU environmental and economic policies, including the circular economy and the EU Bio-economy Strategy, which proposes a comprehensive approach to addressing ecological, environmental, energy, food supply, natural resource and societal challenges by 'producing more with less' and as a key element for smart and green growth in Europe.

- **Driving actors:** European Commission, national and regional governments.

EU level

(vii)

Improve comparative research for shrinking rural regions:

As rural regions typically have a lower significance in territorial development policies, to date there has been a strong urban bias in shrinkage research. Further research attention should therefore be given to shrinking rural regions. While these regions have less resources and capacities, they are also essential for achieving the goal of European territorial cohesion.

- **Policy response:** Greater comparative research could help develop better knowledge of the causes and consequences of demographic change and, instead of marginalising the problem, achieve more acceptance and positive recognition of the economic, social and environmental potentials of shrinking regions; strengthen the policy debate; and change negative perceptions of adaption-orientated development strategies. For example, further research on Europe's rural regions is a topic which the ESPON 2020 programme aims to address during 2018.
- **Driving actors:** European Commission, Joint Research Centre, ESPON, Horizon 2020.

(viii)

Roll-out the Smart Villages concept:

The Cork 2.0 Declaration, agreed by the European Commission and Member States in 2016, includes a 10-point manifesto to improve the quality of life in rural areas. Villages are the lynchpins of rural economies and societies, where services and infrastructure can be concentrated. Multi-settlement strategic planning is important in the context of shrinking regions where services can be shared amongst accessible locations to provide multi-functional service hubs; optimise shared resources; and maximise the impact of ICT for public service provision.

- **Policy response:** The Cork 2.0 Action Plan includes a number of concrete actions which the European Commission and Member States are committed to implement in the short-term. These include the development of the Smart Villages concept which is an important step towards future-proofing rural communities and aimed at helping rural regions to become 'smart' through promoting digital technologies, supporting rural businesses and enhancing quality of life. An EU Action for Smart Villages has been published and the European Commission is considering a Smart Villages inter-service group that would work on developing a strategic approach to promoting the development of Smart Villages through EU funds in the medium-to-long term.
- **Driving actors:** European Commission, Member States.

(ix)

Enhance place-based Cohesion**Policy funding:**

At the supra-national level, EU funding plays a crucial role in the ability of rural regions to react to demographic change. For example, the Rural Development Programme 2014-2020 is a major source of funding for promoting social inclusion, poverty reduction and economic development in rural areas. The importance of EU programmes is not in providing financial resources but also in steering national and regional agenda-setting. However, while the opportunity currently exists to deploy a multi-fund approach, the current constitution of EU funding programmes is often complicated and inflexible, and shrinking regions frequently lack the institutional capacity, resources and knowledge to access EU funds and to develop integrated policy and funding responses.

- **Policy response:** Simplify procedures and engage in extensive training and capacity building in order to allow different EU funds (and financial instruments) in shrinking rural regions to be deployed more effectively in a combined fashion through multi-fund, place-based development strategies.
- **Driving actors:** European Commission, Member States.

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