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Opinion of the European Economic and Social Committee on Main challenges faced by EU islands, and mountainous and sparsely populated areas

(own-initiative opinion)

(C/2024/1572)

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1. Conclusions and recommendations

1.1. Based on the current provisions of EU primary law (Articles 174 and 175 of the Treaty on the Functioning of the European Union (TFEU)) and their interpretation, **the European Economic and Social Committee (EESC) is convinced** that there is a solid legal basis that obliges the EU to take action in order to support its islands, mountainous regions and sparsely populated areas, within the framework of EU cohesion policy. The specificities should be determined and implemented in cooperation with the Member States (MS) concerned, as cohesion activity falls within the EU's shared competences regime (Article 4 paragraph 2 TFEU).

1.2. This conviction has led the **EESC to call on** the EU Institutions, bodies and the Member States to incorporate, into the relevant EU cohesion policy documents (e.g. national and regional policy papers, strategic documents, programmes, projects, etc.), common priorities and actions based on coordinated exchanges of experience and expertise, covering all the types of regions mentioned in Article 174 TFEU, and thus transforming words into action.

1.3. The **EESC insists on** purposefully applying the above provisions in their entirety, in order to address structural and geographical constraints and specific needs that hinder these regions' development. A tailored approach, which would boost territorial solidarity, is needed so that no region is left behind. In this respect, the lack of an existing policy to comprehensively address the situation of territories with permanent geographical handicaps, and the systematic negligence of the particular characteristics of these regions in consecutive cohesion reports are regrettable.

1.4. The **EESC believes** in developing tailor-made and place-based opportunities, solutions and policy measures, and earmarking the corresponding funds for the EU's insular, mountainous and sparsely populated areas. Such initiatives will allow these regions, to reverse their 'handicaps' in order to fully exploit their potential, by highlighting their unique landscapes, cultural heritage and their long-standing communities.

1.5. The **EESC believes** that it is of utmost importance to commit all actors, both at EU and national levels, to undertake efforts to assist the EU islands, mountainous areas and sparsely populated areas to meet the challenges they face. This commitment may take the form of a pact (e.g. an Islands Pact, Mountainous Areas Pact, Sparsely Populated Areas Pact, etc.), along the same lines as the Urban Pact or the Rural Pact, in which an EU strategy for each of these types of regions may be developed, taking into account the specificities of each type.

1.6. In the **EESC's view**, the main axis of the EU strategy for each of the three types of areas is to acknowledge their 'disconnection' from the mainland and from centres of economic developments in their respective countries, and to recognise this disconnection as the source of permanent conditionalities that need to be taken into account.

1.7. A targeted approach on each type of these regions is required. The **EESC proposes** adopting a coordinated and interactive method of drafting and implementing the relevant strategies, involving stakeholders from several policy sectors and different governance levels. This approach would allow for exchanging relevant experiences and for sharing and capitalising on good practices, available know-how and evidence, including research and analytical work. This process should identify common challenges, define objectives, and propose actions and the terms of assessing the results of the strategies.

1.8. The proposed method requires reliable data in order to deliver the expected results with accuracy and in a timely and efficient manner. The **EESC points out** the lack of sufficient statistical data and impact assessments of EU sectorial policies in all three types of regions in question (islands, mountainous regions and sparsely populated areas). This raises concerns about the possibility of being able to carry out effective targeted analyses, and of being able to properly identify the main shortcomings in these areas and determining the necessary provisions and actions to overcome them.

1.9. In order to further promote its proposal, the **EESC recommends** that for each category of regions, three preliminary sets of issues are included in the relevant strategies — economic issues, social issues and environmental issues that have strong territorial impacts on each of the types of regions concerned.

1.10. Efforts to address **economic issues** should focus on ensuring the competitiveness and attractiveness of the territories in question, taking into account any additional operating costs deriving from the regions' 'handicaps' (insularity, mountainous terrain, limited population, etc.) and the need for greater flexibility in the use of State aid in these areas. There should also be an aim for additional and more sustainable means of transportation in order to improve the regions' connectivity. The diversification of the economies of these regions — not only between the different types of regions but also between regions of the same category — should be dealt with not as a handicap but as an opportunity to provide economic drivers for businesses, as well as to attract investments in research, innovation and digitalisation.

1.11. Addressing **social issues** should entail strengthening good governance and promoting social cohesion and well-being in these regions' communities, by addressing constraints such as demographic challenges, related infrastructure, services and housing needs, and the lack of opportunities in terms of jobs and skill development which leads to difficulties in attracting and retaining talent. The local entrepreneurial spirit should also be enhanced, however without risking the regions' diverse traditions and their unique cultural and linguistic heritage.

1.12. Efforts to overcome **environmental issues** should focus on tackling energy insecurity, thus reducing the vulnerabilities of these regions, while at the same time providing support so that they can meet the objectives of the green transition and achieve decarbonisation goals. A priority should be placed on preserving and/or restoring these regions' biodiversity and fragile ecosystems, and on providing support for securing a just transition towards climate neutrality. In this context, the sustainable management of natural resources (land, water, raw materials, etc.) in these areas and the promotion of circular economy solutions are deemed essential.

1.13. The **EESC believes** sustainable capacity building is a cross-cutting issue for all three types of regions in all the above sets of issues. Sustainable capacity building could deliver on the collective goal of identifying the challenges facing EU islands, mountainous regions and sparsely populated areas, allowing for place-based approaches and tailored solutions to respond to the different, albeit interconnected, dimensions of these challenges.

1.14. **The EESC**, as an institutional forum of expression for social partners and civil society, **firmly believes and advocates** that this entire exercise should involve direct and frank dialogue, including all relevant stakeholders where appropriate (Member States, regional and local authorities, social partners, and the populations), based on their respective competences and fields of action, thus achieving better co-ownership and active participation.

2. General comments

2.1. The EESC notes that in EU primary law there is a clear legal basis for EU action aiming at achieving economic, social and territorial cohesion among the various regions of the Union. Article 174 TFEU defines as aims of the Union the reduction of a) disparities between the level of development of the EU regions and between regions and b) the backwardness of the least-favoured regions. It also provides for regions 'which suffer from severe and permanent natural or demographic handicaps', namely the northernmost sparsely populated regions, islands, cross-border regions and mountainous regions.

2.2. The General Court of the European Union ⁽¹⁾ and the Court of Justice of the EU ⁽²⁾ have interpreted the wording of these provisions as being general terms which grant the Union extensive discretion as to the actions it may take in the relevant policy fields, given the indicative and not exhaustive list of regions mentioned therein. However, the terms 'severe and permanent natural or demographic handicaps' are considered to have specific meaning relating to the insularity, cross-border character, terrain, isolation, or low/very low population density of these regions, and not to other aspects such as the ethnic, cultural, religious or linguistic characteristics of regions, as these latter elements may cause certain increased transactions costs or employment difficulties but, at the same time, they constitute comparative advantages in the form of multilingualism or attractiveness as tourist destinations.

2.3. These legal considerations provide, in the EESC's view, a solid institutional impetus for the preparation, drawing, adoption and implementation of efficient and effective policies, at EU level, for each of the three types of regions referred to in this opinion.

2.4. More specifically, the EESC understands the provisions of Article 174 TFEU as being not of a mere declaratory nature but of having a substantial normative density that obliges the Union to take appropriate action in order to support the regions in question.

2.5. However, the EESC has concluded ⁽³⁾ that so far, regrettably, the schemes adopted and implemented in the context of EU cohesion policy still do not offer comprehensive solutions to the challenges facing those regions.

2.6. Taking into account the fact that EU cohesion policy is a 'shared competence' (Article 4 paragraph 2 TFEU) exercised under the subsidiarity principle (Article 5 paragraph 3 TFEU), and that, so far, the action taken by the Member States has not been successful, the EESC suggests developing a new dedicated mechanism in the form of a pact for each of these regions, such as an overarching framework for the relevant work of the EU institutions. These should include policies, tools, regulations and funding to support these areas in their efforts to effectively tackle their specific and complex challenges.

2.7. A significant step forward in this direction is to identify the main challenges that these regions must face. While they are all deemed to share the same structural handicaps either within a Member State or between Member States, thus calling for an integrated approach to all the relevant interventions, it is crucial to identify challenges with particular impact to each category of these regions, in order to establish substantive points of reference on which the policies for these regions will be based and developed. The diversified demographic developments in these areas exemplify this need.

2.8. For instance, while most of the EU's mountainous regions (representing 13 % of EU population) have been affected (or will soon be affected) by depopulation, wide and diverse population trends and densities can be seen in some areas (e.g. reductions in South East Europe, increases in South West Europe and Central Europe).

2.9. As for the EU's islands (representing only 4,6 % of the total EU population), it has been found that for the period 2016-2020 their population had somewhat increased by a mere 2 %. It should be noted, however, that there is a shortage of relevant statistical data ⁽⁴⁾.

⁽¹⁾ Judgment of the General Court of 10 May 2016, *Izsák & Dabis v. European Commission*, T-529/13, ECLI:EU:T:2016:282, paragraphs 86-87.

⁽²⁾ Judgment of the Court of 7 March 2019, *Izsák & Dabis v. European Commission*, C-420/16 P, ECLI:EU:C:2019:177, paragraphs 65-71.

⁽³⁾ EESC exploratory opinion on 'The future of cohesion policy in the post-2020 period' (OJ C 228, 5.7.2019, p. 50).

⁽⁴⁾ Haase, D. and Maier, A., 2021, Research for REGI Committee — Islands of the European Union: State of play and future challenges, European Parliament, Policy Department for Structural and Cohesion Policies, Brussels.

2.10. The EU's sparsely populated areas are, by definition, hampered by low population figures, as they are defined as those regions with fewer than 8 inhabitants per km² (at NUTS 2 level) and with fewer than 12,5 inhabitants per km² (at NUTS 3 level) ⁽⁵⁾. In principle such areas are to be found in the northernmost regions of Sweden and Finland (known as Northern Sparsely Populated Areas) but during the last years some cases of reduced population density are being noted in the Mediterranean region ⁽⁶⁾.

2.11. Such diverse demographic trends call for a more flexible approach for each type of region, while at the same time maintaining the integrated approach prescribed by Article 174 TFEU.

3. EU Islands

3.1. Eurostat defines islands as territories having a minimum surface of 1 km², which are located at a minimum distance between the island and the mainland of 1 km, with a resident population of more than 50 inhabitants and no fixed physical link with the mainland. Furthermore, islands are classified as NUTS level 3 regions (NUTS 3), which can be composed of several islands, not just one insular territory ⁽⁷⁾.

3.2. Such regions have their own particular characteristics in terms of economic and social development, population, size, administrative organisation, natural environment etc., and this variety is noted not only between groups of islands but also between islands within the same group, thus necessitating differentiated approaches while, at the same time, it must be borne in mind that insularity poses common challenges for all islands ⁽⁸⁾.

3.3. Traditionally, in terms of policy planning, insularity is considered to be a permanent and unchangeable geographical feature which involves additional costs (transport, energy, waste management, public services, necessity goods and services) that hamper the development and competitiveness of the islands, while particularly exposing them to biodiversity loss and climate change ⁽⁹⁾.

3.4. The EESC has identified, on a previous occasion, three dimensions that define insularity: smallness, remoteness and vulnerability. A relevant SWOT analysis provided the following description of the current context of the EU's islands: *Strengths*: the quality of life, the presence of a high density of natural and cultural capital and a strong cultural identity, as potential sources of new wealth and employment in the islands; *Weaknesses*: limited accessibility, limited public interest services, limited private services and networks, lack of economies of scale and market organisation; *Opportunities*: the demand for quality of life, quality and safe food products, specific-interest tourism and residential services; *Threats*: climate change, globalisation, economic crises, rising energy prices, water scarcity, soil degradation and extinction of fishing stocks ⁽¹⁰⁾.

3.5. Within this context, a series of challenges for the EU's islands have been identified and divided into various categories (see below). These categories, although distinct, may have interrelated aspects.

3.6. The economic challenges include the need to balance the economic use of land resources with their limited availability, the need for higher investment and production costs in industrial sectors hampered by the insularity factor, the inability to benefit from urban financial spill-over, the difficulty of diversifying islands' economic model (thus reducing the competitiveness of their enterprises, and especially SMEs), the so-far limited use of and expertise on ICT, the concentration on one sector (usually tourism, agriculture or fisheries) that leads to dependence, and seasonal employment resulting in limited financial resources on average annual terms and limited development of more sustainable sectors, with a high potential for the islands to become test beds for innovation (e.g. marine renewable energy, aquaculture, etc.) ⁽¹¹⁾.

⁽⁵⁾ Margaras, V., 2016, EPRS-Briefing: Sparsely populated and under-populated areas, PE 586.632.

⁽⁶⁾ Carbone, G., 2018, Expert Analysis on Geographical Specificities: Mountains, Islands and Sparsely Populated Areas — Cohesion policy 2014-2020, Final Report.

⁽⁷⁾ Haase, D. and Maier, A., 2021, Research for REGI Committee — Islands of the European Union: State of play and future challenges, European Parliament, Policy Department for Structural and Cohesion Policies, Brussels.

⁽⁸⁾ Carbone, G., 2018, Expert Analysis on Geographical Specificities: Mountains, Islands and Sparsely Populated Areas — Cohesion policy 2014-2020, Final Report.

⁽⁹⁾ CoR opinion on enhancing Cohesion Policy support for regions with geographic and demographic handicaps (Article 174 TFEU) (OJ C 79, 2.3.2023, p. 36).

⁽¹⁰⁾ EESC exploratory opinion on 'Islands in the EU: from structural handicap to inclusive territory (Exploratory opinion)' (OJ C 209, 30.6.2017, p. 9).

⁽¹¹⁾ Haase, D. and Maier, A., 2021, Research for REGI Committee — Islands of the European Union: State of play and future challenges, European Parliament, Policy Department for Structural and Cohesion Policies, Brussels.

3.7. The connectivity and accessibility challenges refer to the need for proper connection to and from the islands with sustainable, low cost and frequent transportation; the islands' remoteness from large (European and national) markets and urban centres (which affects the availability of goods and services and reduces the possibility of business development and growth); the double or triple insularity effect; and the lack of increased local production, which leads to imports of goods such as food, energy, fuel and healthcare, among others, thus affecting the islands' living conditions, independence and security ⁽¹²⁾.

3.8. The blue, green and environmental challenges refer to the sensitivity and fragility of islands' ecosystems (further increased by climate change results such as drought, water erosion, flooding, soil salinity etc.), the impact of activities such as tourism on the natural and cultural environment (e.g. pollution, water consumption, etc.), the need to tackle water shortage by ensuring appropriate water supplies in terms of quantity and quality (especially for drinking water), the limited capacity of the islands (both in terms of space and processing) to manage increased quantities of waste, and the isolated and weak energy sources and networks of the islands leading to energy imports and the use of fossil fuels instead of greener and more sustainable options ⁽¹³⁾.

3.9. The social challenges refer to achieving social equity, i.e. providing affordable housing, essential public services (such as education, health, social care and communications) to islanders on the same terms as inhabitants of the mainland, increasing employment opportunities for the island population (especially young people in order to prevent them from leaving), providing upskilling possibilities through higher education in the islands, combatting early school-leaving, increasing lifelong learning opportunities (leading to professional diversification), and accommodating — both in terms of housing and social inclusion — the large numbers of migrants that have arrived in the islands ⁽¹⁴⁾.

3.10. The governance challenges refer to the need for effective interaction between the various levels of governance in islands, as well as the necessity to re-examine the classification of the islands and the use of GDP as the only criterion for determining the degree of development (additional indicators may be the Power Purchasing Standard, the Social Progress Index, and SDG performance), the need for dedicated operational programmes on the islands, and the shortage of refined statistical data for the islands, thus hindering well-informed decision-making about them.

4. EU Mountainous Areas

4.1. It has been repeatedly established that mountainous areas in Europe are very diverse. It is therefore very difficult, if not impossible, to define a typical mountainous region. Furthermore, even within large scale massifs, there are significantly diverse characteristics. As the delineation of mountainous areas at NUTS 2 level has demonstrated, very few European regions are entirely mountainous. Almost all consist of both lowland and mountainous areas, with the latter usually located along a border of the region and shared with one or more adjacent regions ⁽¹⁵⁾.

4.2. The EU mountainous areas are extremely rich in terms of natural and cultural heritage, as many are classified in the Unesco World Heritage List and the majority are protected areas. They also present great biodiversity and are full of natural resources. Because of these factors, and the attractiveness of their heritage, mountains have been identified as having great development potential, especially in the tourism sector ⁽¹⁶⁾.

⁽¹²⁾ Haase, D. and Maier, A., 2021, Research for REGI Committee — Islands of the European Union: State of play and future challenges, European Parliament, Policy Department for Structural and Cohesion Policies, Brussels.

⁽¹³⁾ Carbone, G., 2018, Expert Analysis on Geographical Specificities: Mountains, Islands and Sparsely Populated Areas — Cohesion policy 2014-2020, Final Report.

⁽¹⁴⁾ Haase, D. and Maier, A., 2021, Research for REGI Committee — Islands of the European Union: State of play and future challenges, European Parliament, Policy Department for Structural and Cohesion Policies, Brussels.

⁽¹⁵⁾ 'Cohesion in Mountainous Regions of the EU'.

⁽¹⁶⁾ Carbone, G., 2018, Expert Analysis on Geographical Specificities: Mountains, Islands and Sparsely Populated Areas — Cohesion policy 2014-2020, Final Report.

4.3. Nonetheless, EU mountainous regions are exposed to natural threats and challenges, mainly linked to climatic changes and consequent risks for the environment (glacier retreat, drought, water erosion, flooding, soil salinity, soil erosion, steep terrain etc.)⁽¹⁷⁾. Their climate has changed, as demonstrated by the average rise in temperatures and the upward movement of snowlines (even during winter). It is considered likely that in many mountainous areas (e.g. in Scandinavia or the Alps) the winter precipitation will change from snow to rain and in summertime the windspeed will increase, thus increasing the probability of landslides and rockfalls⁽¹⁸⁾.

4.4. The impact of these changes is considerable. The reliability and safety of transport towards, within, and from these areas are significant challenges not only for the local population but also for visitors/tourists and the economic activities (tourism, recreation, commercial freight etc.) taking place there. Providing proper protection of roads, railways and settlements from any type of hazard (floods, fires etc.) will help transform such threats into opportunities for development with the provision of structures and utilities (buildings, water, energy etc.) that will support sustainable growth⁽¹⁹⁾.

4.5. One field of particular interest for EU mountainous areas is forestry, as well-maintained forests protect against natural hazards or threats such as pests and diseases, while at the same time providing benefits such as biomass fuel and materials for construction. Mountainous forests create a special habitat for rare plants and animals, which are a source of attraction for visitors as well as of products to support the regional economy. Most of the relevant areas enjoy a protected status that supports their environment and landscape and allows for other activities with added value such as recreation, tourism education, research on relevant issues, creation of employment etc.⁽²⁰⁾.

4.6. The economic profiles of the EU's mountainous regions reflect quite different levels of development among them. The employment distribution in the primary, secondary and tertiary sectors of economy indicates a very strong presence of agricultural employment in some regions, while in others employment exists mainly in industry and services. Such differentiations reflect either preference for tourism and public services or limited alternatives to traditional agriculture activities⁽²¹⁾.

4.7. In any case, the economic activities undertaken in the EU's mountainous regions are negatively affected by climate change and the limited availability of land. Particularly tourism, as a primarily seasonal activity, does not ensure a continuous income flow, while year-round tourism activities (e.g. rural tourism, agrotourism, ecotourism, community-based tourism, cultural tourism, sports tourism, leisure tourism, etc.) may also undermine these regions' environmental sustainability⁽²²⁾.

4.8. EU mountainous regions' topography is a place-specific asset, further enhanced by nature-based assets and climate specificities, on which tourism may be developed. However, the spatial concentration of tourism in some mountainous areas gives rise to the intensive use of natural resources, affecting their sustainable development prospects, while, at the same time, the efforts to support mountain tourism with ecological, social, cultural and economic aspects are hampered by limited promotion, awareness, and stakeholder participation⁽²³⁾.

4.9. The overall development effort in mountainous regions entails 'hard' infrastructure for transport and telecommunications investments, as an obvious option to tackle the inherent handicaps and address the challenges of these areas.

⁽¹⁷⁾ Carbone, G., 2018, Expert Analysis on Geographical Specificities: Mountains, Islands and Sparsely Populated Areas — Cohesion policy 2014-2020, Final Report.

⁽¹⁸⁾ 'Cohesion in Mountainous Regions of the EU'.

⁽¹⁹⁾ 'Cohesion in Mountainous Regions of the EU'.

⁽²⁰⁾ 'Cohesion in Mountainous Regions of the EU'.

⁽²¹⁾ 'Cohesion in Mountainous Regions of the EU'.

⁽²²⁾ Carbone, G., 2018, Expert Analysis on Geographical Specificities: Mountains, Islands and Sparsely Populated Areas — Cohesion policy 2014-2020, Final Report.

⁽²³⁾ 'Cohesion in Mountainous Regions of the EU'.

4.10. Improved transportation infrastructure may improve connectivity and facilitate exports, but can also open up local markets to greater competition. Broadband access is crucial for improving the effectiveness of activities in many fields such as tourism, education, provision of services of general interest, e-government etc. Increasing incentives (namely profitability) for potential private investors in such schemes, as well as reducing costs (i.e. achieving economies of scale) for public provision of such schemes is a common challenge for mountainous regions, islands and sparsely populated areas ⁽²⁴⁾.

5. EU Sparsely Populated Areas

5.1. This category of EU regions is, in general, characterised by low population density and considerable geographical isolation or difficulties of territorial integration with other regions, while their economies are generally based predominantly on farming-related activities and their income is lower than national or EU average. Such areas are in need of economic support, 'revitalisation' or structural changes that will help them to overcome their difficulties ⁽²⁵⁾.

5.2. Their demographic patterns demonstrate a continuous population decline; however, these trends are more obvious in inland areas rather than in coastal areas, where tourism activity has contributed to the stabilisation of population figures ⁽²⁶⁾.

5.3. Nevertheless, it is commonly found that the young population of these areas prefers to migrate to more economically vibrant regions and cities in search of better job prospects. The remaining elderly population creates additional needs in health and social provision services, thus creating further costs ⁽²⁷⁾.

5.4. The demographic conditions in the EU's sparsely populated areas are further aggravated by their remoteness, which negatively affects transport services and the accessibility of these areas. In particular, the Northern Sparsely Populated Areas are the least accessible in Europe, with very limited road infrastructure, and they rely mostly on maritime and air transport, which are often expensive options ⁽²⁸⁾. The absence of effective connections is noted not only between the EU's sparsely populated areas and the urban centres of Europe, but also at periphery-to-periphery level, thus increasing the disproportionate effect of their inaccessibility ⁽²⁹⁾.

5.5. The northern sparsely populated areas are located well away from the core European common market places and undertakings, which causes difficulties in competitiveness due to more difficult access and increased costs for transporting raw materials and finished products. Therefore, improving physical and digital accessibility is of paramount importance for these areas, to reduce isolation and increase the competitiveness of their enterprises on the market ⁽³⁰⁾.

5.6. Cooperation to ensure the interoperability of different transportation systems is crucial, especially within the context of EU action as a means of securing the territorial continuity of the European northern regions. This can be achieved also by promoting ICT. Digital technology contributes to shortening distances in physical and economic as well as social terms ⁽³¹⁾.

⁽²⁴⁾ 'Cohesion in Mountainous Regions of the EU'.

⁽²⁵⁾ Margaras, V., 2016, EPRS-Briefing: Sparsely populated and under-populated areas, PE 586.632.

⁽²⁶⁾ Gløersen, E., 2022, Research for REGI Committee — Cohesion Policy in Northernmost Regions of the EU, European Parliament, Policy Department for Structural and Cohesion Policies, Brussels.

⁽²⁷⁾ Margaras, V., 2016, EPRS-Briefing: Sparsely populated and under-populated areas, PE 586.632.

⁽²⁸⁾ Carbone, G., 2018, Expert Analysis on Geographical Specificities: Mountains, Islands and Sparsely Populated Areas — Cohesion policy 2014-2020, Final Report.

⁽²⁹⁾ Margaras, V., 2016, EPRS-Briefing: Sparsely populated and under-populated areas, PE 586.632.

⁽³⁰⁾ Carbone, G., 2018, Expert Analysis on Geographical Specificities: Mountains, Islands and Sparsely Populated Areas — Cohesion policy 2014-2020, Final Report.

⁽³¹⁾ Carbone, G., 2018, Expert Analysis on Geographical Specificities: Mountains, Islands and Sparsely Populated Areas — Cohesion policy 2014-2020, Final Report.

5.7. In the EU's sparsely populated areas the most common business activities tend to be in the primary sector (agriculture, forestry, fishing and mining), energy production, the manufacturing sector and tourism accommodation (hotels and restaurants) ⁽³²⁾. In the northern parts of Europe, a recent economic development has been noted, due to the acceleration of major industrial investments, attracted by access to hydroelectricity, extensive available land and well-established industrial traditions. These factors constitute game changers for the regions hosting the new production plants, as they are expected to generate new jobs. However the major challenge will be to fill these positions and adopt measures to attract talent from other regions and countries and to train locals are necessary ⁽³³⁾.

5.8. While certain economic activities (such as mining and industrial processing) generate high incomes, their monothematic natures makes them susceptible to external factors such as price fluctuation or financial crises, thus increasing the fragility and vulnerability of the economy of these regions. Therefore diversifying business activities and creating new business models or modernising existing ones is also another option ⁽³⁴⁾.

5.9. A key factor to boost economic activity diversification in EU sparsely populated areas is innovation and knowledge. Promoting cooperation and linkages between enterprises and universities in scientific fields that may diversify economic activity is essential. Moreover, the geographical and extreme climate conditions, especially in the Northern Sparsely Populated Areas, are suitable for testing activities, providing a basis for introducing many business ideas stemming from natural resources, cold climate and Arctic conditions. In the same vein, the natural resources of these territories are also important for increasing the use of renewable energy ⁽³⁵⁾.

5.10. Increases in economic growth will improve employment in the EU's sparsely populated areas. These regions, especially in northern Europe, have displayed a remarkable ability to adapt, as their unemployment figures have reduced in recent years after the spikes caused by the 2008-2009 economic crisis. However, there are significant shortages of skilled labour. Addressing this would call for a holistic approach involving actors from different sectors and geographic levels (e.g. public authorities, private companies and representatives of civil society), that will promote regional investment, implement labour market policies and introduce tailor-made education and training schemes ⁽³⁶⁾.

Brussels, 14 December 2023.

*The President
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Oliver RÖPKE

⁽³²⁾ Margaras, V., 2016, EPRS-Briefing: Sparsely populated and under-populated areas, PE 586.632.

⁽³³⁾ Gløersen, E., 2022, Research for REGI Committee — Cohesion Policy in Northernmost Regions of the EU, European Parliament, Policy Department for Structural and Cohesion Policies, Brussels.

⁽³⁴⁾ Margaras, V., 2016, EPRS-Briefing: Sparsely populated and under-populated areas, PE 586.632.

⁽³⁵⁾ Carbone, G., 2018, Expert Analysis on Geographical Specificities: Mountains, Islands and Sparsely Populated Areas — Cohesion policy 2014-2020, Final Report.

⁽³⁶⁾ Gløersen, E., 2022, Research for REGI Committee — Cohesion Policy in Northernmost Regions of the EU, European Parliament, Policy Department for Structural and Cohesion Policies, Brussels.