Sparsely populated and under–populated areas

SUMMARY

The post-2020 cohesion policy reform is already the subject of debate among policymakers, stakeholders and EU institutions. One issue being discussed in various European and regional institutions is that of the insufficient support for the EU’s sparsely populated and underpopulated areas. The challenges these regions face are very much related to demographic change, and raise the general issue of the level of EU funding for regional development.

Various studies suggest that low population levels and remote locations mean that sparsely populated and underpopulated regions’ economies tend to grow much less than the EU average or to stagnate altogether. They also claim that these regions suffer from a number of structural problems that pose major challenges, such as low birth rates and a lack of transport connections, job opportunities and adequate social services. However, although all these may be considered to be serious problems, various studies suggest that broadband technologies, tourism and agriculture could provide new opportunities to boost the economic prosperity of sparsely populated and underpopulated areas.

This briefing seeks to analyse the issues that affect sparsely populated and underpopulated areas and provide a short overview of the EU support available for this category of region. Details will also be provided of the role of the European Parliament and the views of the various stakeholders.

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Background

The debate on the post-2020 cohesion policy has already begun. A number of local and regional actors, such as the Committee of the Regions (CoR), the Demographic Change Regions Network (DCRN), the Northern Sparsely Populated Areas network (NSPA) and groups of Spanish Regions, have been vocal in affirming that demographic challenges and other issues such as sparsity of population should be taken into greater account when it comes to shaping the future priorities of EU cohesion policy.

Article 174 of the Treaty on the Functioning of the European Union (TFEU) suggests that particular attention should be paid to 'regions which suffer from severe and permanent natural or demographic handicaps such as the northernmost regions with very low population density and island and mountainous regions'. Sparsely populated areas (see Figure 1) also share a special status under Protocol No 6 of the Act on the Accession of Norway, Austria, Finland and Sweden to the EU. Sparsely populated areas are defined in the guidelines on national regional aid for the 2014-2020 period (2013/C 209/01) as: NUTS 2 regions with fewer than 8 inhabitants per km² and NUTS 3 regions with fewer than 12.5 inhabitants per km² (based on Eurostat population density data for 2010). The same guidelines also mention the possibility of promoting support for 'very sparsely populated areas' that are NUTS 2 regions with fewer than 8 inhabitants per km² (based on Eurostat population density data for 2010) or parts of such regions designated by the Member States concerned.

In the academic literature various other terms can be found to describe areas with a declining or thinning population that is usually spread out over a wide rural area. Depending on the emphasis the authors want to attribute to the terms they use, these areas are referred to as underpopulated regions, remote rural areas, thinly populated, fragile, or less favoured areas, etc. They are characterised by low population density, fragile economies generally based predominantly on farming-related activities, lower than national or EU average levels of income and considerable geographical isolation or difficulties of territorial integration with other regions. The academic studies usually conclude that these areas are in need of economic support, 'revitalisation' or certain structural changes that will help them to overcome their difficulties. For practical reasons, this briefing will refer to these categories of regions as underpopulated areas.

Figure 1 – Sparsely populated areas (NUTS 3 level)

Underpopulated areas with similar characteristics to sparsely populated areas do not benefit from any special status. However, they can benefit from a wide range of EU instruments that will be mentioned below.

It is worth noting that while the NUTS 3-level definition of sparsely populated areas includes mainly the Nordic EU Member States, the picture is different when looking at the statistics emerging from an analysis based on Local Administrative Units (LAU2) level (Figure 2). It is clear that there are a lot more sparsely populated areas when one looks at the more local LAU2 level.

**EU provisions for sparsely populated and underpopulated areas**

Regional support for sparsely populated and underpopulated areas is promoted as part of a broader EU investment strategy with the European Structural Investment Funds (ESI Funds): the Cohesion Fund (CF), the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the European Maritime and Fisheries Fund (EMFF). A study conducted at the request of the European Commission on the relevance and the effectiveness of ERDF and Cohesion Fund support for regions with specific geographical features demonstrates that the ERDF and the CF have played a positive role in the development of islands and mountainous and sparsely populated areas.

Article 107(3)(c) TFEU allows aid to be used to facilitate the development of certain other areas, where this does not significantly affect competition ('category c' regions). The areas concerned include regions: 'with a GDP per head below the EU-25 average, those with unemployment over 15% higher than the national average or those undergoing major structural change or in serious relative decline, as well as regions with low population density, islands with a population of 5 000 or less, regions similarly isolated geographically and regions neighbouring 'category a' regions'.

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Figure 2 – Sparsely populated areas – LAU2

Data source: [Spatial Foresight](https://example.com), 2015.
According to the sixth European Commission Report on economic, social and territorial cohesion, the new 2014–2020 guidelines on national and regional aid are intended, in part, to maintain and simplify the possibility for Member States to grant operating aid to companies in the outermost regions and sparsely populated areas. However, aid in 'category c' regions totalled around €2.9 billion in 2011 (i.e. just over a quarter of that in 'category a' regions) and was down by 39% from 2008.

In addition, EU Regulation 1303/2013 laying down common provisions for the ESI Funds contains various elements of support for sparsely populated and underpopulated areas. The regulation indicates that northern sparsely populated regions should benefit from specific measures and additional funding to offset the severe and natural or demographic handicaps referred to Protocol No 6 of the Act of Accession of Norway, Austria, Finland and Sweden to the European Union. Annex VII of Regulation 1303/2013 includes a special allocation corresponding to an aid intensity of €30 per inhabitant per year to be allocated to the outermost NUTS 2-level regions and the northern sparsely populated NUTS 2-level regions. That allocation will be distributed per region and Member State in a manner proportional to the total population of those regions.

**Modulation of the co-financing rates**

Article 121 of EU Regulation 1303/2013 also provides for the ESI Funds' co-financing rate to be modulated to take account of sparsely (i.e. fewer than 50 inhabitants per km²) and very sparsely (fewer than 8 inhabitants per km²) populated areas. Figure 3 provides a graphic account of the population density of the EU regions, containing sparsely populated areas as well as regions with fewer than 50 inhabitants per km², that could benefit from this modulation. The less intense the orange colour, the more sparsely populated the region is.

**Agriculture and fisheries instruments**

The EU's common agricultural policy (CAP) can also be used to channel funding towards sparsely populated and underpopulated areas. The 'first pillar' of the CAP is made up of direct payments to support farmers' incomes and market support measures, such as public intervention on markets and private storage aid. Rural development policy represents the 'second pillar' of the Common Agricultural Policy and is funded mainly by the European Agricultural Fund for Rural Development (EAFRD). Both pillars have been vital in supporting rural communities throughout the EU.

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**Figure 3 – Population density of EU regions**

Data source: Nordregio, 2015.
The EAFRD enables Member States to offer special support to certain groups, areas and objectives by including sub-programmes within their Rural Development Programmes (RDPs). Table 1 shows a list of the EU's basic priorities. Member States and regions draw up their rural development programmes based on the needs of their territories and must address at least four of these priorities. RDPs may concern: young farmers, areas with special geographical characteristics such as mountain areas, women in rural areas, small farms, short supply chains, biodiversity, or climate change mitigation and adaptation. They may also cover many other themes that are included in the EAFRD regulation. For instance, Member States (or regions) may grant an additional payment for areas with natural constraints (ANCs) or less favoured areas (LFAs) of up to 5% of the national envelope.

**Table 1: EU priorities for rural development programmes**

- Fostering knowledge transfer and innovation in agriculture, forestry and rural areas
- Enhancing the viability and competitiveness of all types of agriculture, and promoting innovative farm technologies and sustainable forest management
- Promoting food chain organisation, animal welfare and risk management in agriculture
- Restoring, preserving and enhancing ecosystems related to agriculture and forestry
- Promoting resource efficiency and supporting the shift toward a low-carbon and climate-resilient economy in the agriculture, food and forestry sectors
- Promoting social inclusion, poverty reduction and economic development in rural areas.

Source: European Commission.

Other instruments such as the fostering of knowledge and innovation through the European Innovation Partnership Network for agricultural productivity and sustainability (EIP-AGRI) may also help sparsely populated and underpopulated regions to address their weaknesses through technological innovation. Furthermore, the establishment of the European Network for Rural Development (ENRD) and the National Rural Networks (NRNs) also support regional rural actors in developing the exchange of experience and good practice, boosting cooperation and joint learning, and improving the planning and implementation of rural development programmes.

For certain rural communities that depend on fishing activities, the European Maritime and Fisheries Fund (EMFF) can meanwhile help fishermen make the transition to sustainable fishing, support coastal communities in diversifying their economies and finance projects that create new jobs and improve quality of life along European coasts. The European Fisheries Areas Network (FARNET) brings together Fisheries Local Action Groups, managing authorities, citizens and experts from across the EU to work on the sustainable development of fisheries and coastal areas.

**Challenges for sparsely populated and underpopulated areas**

The EU's sparsely populated and underpopulated areas are far from being a single homogenous category, but they do have a number of serious problems in common.

**Low population density – demographic trends**

The low population numbers of sparsely populated and underpopulated areas generate a number of challenges for their economies and social structures. Younger members of society prefer to migrate to more economically vibrant regions and cities in search of better job prospects as, in most of these territories, professional opportunities remain
limited and confined to specific fields (e.g. agriculture and tourism). As a result, the local economy stagnates on account of the loss of active labour and lack of new business ventures. The remaining population gradually gets older, as many of these regions suffer from a low birth rate and a lack of young people. The high proportion of elderly people creates additional needs in health and social provision that entail considerable costs. These needs are not easily met owing to economic austerity measures and other structural reasons (e.g. lack of doctors and qualified personnel in these regions). In the case of the Mediterranean countries, the recent financial crisis had a severe impact on social services on sparsely populated/underpopulated regions. These services, which were already limited prior to the crisis, are now considerably reduced. According to a JRC Report on Regionalisation of demographic and economic projections, if the current economic and demographic trends continue, one would expect a growing number of regions to be classified as ‘less developed’ and consequently, additional demand for cohesion policies to support them.

Higher rates of poverty
According to an EPRS briefing on EU demographic indicators, the risk of poverty is higher in thinly populated areas and lower in intermediate density and densely populated areas. As Figure 4 shows, poverty seems to affect rural areas disproportionately.

Figure 4 – People at risk of poverty or social exclusion by degree of urbanisation, by country, 2014 (% of population)

According to a European Commission report on poverty in rural areas, there are four main categories of problems that characterise rural areas in the EU and determine the risk of poverty or social exclusion: demography (for example, low population levels, the exodus of residents and the ageing population in rural areas), remoteness (lack of infrastructure and basic services), lack of education facilities, and labour market issues (lower employment rates, persistent long-term unemployment and a greater number of seasonal workers). Many of these categories of problem are features of sparsely populated and underpopulated regions.

Lack of adequate transport connections
Sparsely populated and underpopulated regions are usually remote. Transport and a lack of connections with cities constitute a major problem for such areas. Accessibility
to many of these areas is problematic and can be characterised by non-existent, infrequent, and often expensive, transport. Passenger transport, as well as the transport of products and resources needed to provide services, to and from these regions imposes additional costs upon economic activity. Sparsely populated and underpopulated areas may also constitute border areas, with the fact of being located at the periphery of the Member State to which they belong further exacerbating difficulties in the transfer of goods and people.

Articles 90 and 91 TFEU state that the common transport policy should encourage territorial cohesion. However, although EU funding for transport projects – such as the trans-European transport networks (TEN-T) or the Motorways of the Sea (MoS) – exist, these do not always cover sparsely populated or underpopulated areas. An opinion by the Conference of Peripheral Maritime Regions of Europe (CRPM) mentions the absence of periphery-to-periphery connections as well as the inequality of the links between different seaboards and corridors that has a disproportionate effect on areas with various special geographical features, including sparsely populated regions.

Environment
On account of their remoteness, sparsely populated and underpopulated regions sometimes possess unique natural features that lend them ecological importance. They can be rural, insular or mountainous regions, with limited arable land producing unique local products that form part of their culture and identity. However, their ecosystems are also fragile. They can be vulnerable to drought, land erosion and loss of biodiversity. The extreme weather conditions that characterise many of these regions (whether cold or heat, or wet, dry or windy weather) also generate additional costs for the inhabitants in terms of energy consumption, insulation and transport. Depopulation often leads to the abandonment agriculture as a form of land use, which in turn has adverse environmental impacts such as soil erosion, and an increased risk of forest fires where land is no longer maintained by farmers. Furthermore, the goal of becoming energy efficient or ecologically self-sustaining through wind, tidal and solar power remains unfulfilled for many sparsely populated and underpopulated regions.

Monoculture economies – economic stagnation
According to a Nordregio working paper, economies in sparsely populated areas consist of a patchwork of local specialisation. The study also suggests that in the sparsely populated territories of the Nordic countries, central Spain and the British Isles, the most common specialisations tend to be in the primary sector (agriculture, forestry, fishing and mining), energy production, the manufacturing sector and tourism accommodation (hotels and restaurants). The study suggests that these regions could further strengthen their economies by empowering already existing local clusters.

Another Nordregio study claims that, even in the most economically dynamic northern, sparsely populated areas, strong economies are, in many cases, the result of a single, large, high-performing industry that may be susceptible to various external factors (e.g. price fluctuations, or financial crises). As a result, certain economic sectors that constitute the backbone of their economies may be quite fragile. For instance, declining fish stocks and fluctuations in the prices of minerals can place considerable strains on local economies. Tourism may create new opportunities for sparsely populated and underpopulated areas but is susceptible to economic crises and geopolitical instability. Therefore, diversification of the economy towards other activities is deemed necessary. However, this is not always an easy task, as most sparsely populated and
underpopulated regions are far from urban centres and cannot therefore benefit from urban financial spill-over like other rural areas. Owing to their size, resources and the high cost of transport, they cannot develop economies of scale as other territories do.

In addition, agriculture in sparsely populated and underpopulated regions is hampered by their remote location, the small size of holdings, low diversity of production, dependence on local markets, and – in some cases – climate conditions. Farmers sometimes struggle to maintain competitive and viable holdings in a global economy, and low incomes deter young people from staying in family businesses. Agricultural activity remains dependent on the supply of raw materials and lacks easy access to mainland markets. Fisheries tend to be important for the communities of sparsely populated areas. They are of particular importance to the economies of Spain and Portugal, and of local importance to the sparsely populated communities of Sweden and Finland. The fisheries sector is also susceptible to various environmental challenges.

Although the EU's common agricultural policy and regional policy may have provided certain positive measures for rural areas, they have not taken fully into account the special characteristics of sparsely and underpopulated areas. In addition, it is up to Member States to implement many of the positive measures that are included in EU regulations such as Regulation 1303/2013. It may be the case that the Member States are not always willing to take them into account. A certain notion of 'mainstreaming' for sparsely populated and underpopulated regions – i.e. special provisions to steer the way EU programmes and policies are to be developed for these territories – may help to address many of the issues that affect sparsely populated and underpopulated regions.

**Unemployment – lack of professional development**

Unfortunately, as certain sparsely populated and underpopulated regions possess fragile and small economies, they cannot always maintain their human capital, and lack expertise in emerging fields such as information and communications technologies (ICT). According to Eurostat statistics urban areas often register relatively low shares of early leavers from education and training. On the contrary, the share of early leavers is often relatively high in peripheral and remote areas (particularly in certain southern European regions), where students may be forced to leave home if they wish to follow a particular specialisation, while those who remain in the same region may be presented with relatively few opportunities for higher education. Moving to another place for education purposes places a considerable financial burden on families. According to the Eurostat Regional Yearbook 2015: 'a high number and a wide range of graduate jobs are generally on offer in capital cities, it is therefore not surprising that many of the EU's capital regions reported a high proportion of their population aged 30-34 years old having attained a tertiary level of education'. Furthermore, life-long learning opportunities that contribute to professional diversification are not always easily accessible in sparsely populated and underpopulated regions. A number of sparsely populated and underpopulated regions have actively supported the establishment of tertiary education establishments in their territory in order to address these challenges.

**Lack of a comprehensive framework of EU support**

The EU system of funding allocates funds to regions in accordance with their GDP level, in three main categories: less developed regions, transition regions and more developed regions. There is a focus on GDP to the detriment of other indicators that, if taken into account, would show a more complete picture of the specific challenges that sparsely populated and underpopulated regions face. Furthermore, local and regional players
have been active in arguing that additional support elements are necessary to enable regions to tackle demographic challenges. For instance, the CoR opinion on the EU response to the demographic challenge suggests that cohesion policy should play a more vigorous role in tackling demographic issues, in accordance with the explicit mandate of Article 174 TFEU. It also adds that the EU's response to demographic change should be broad, coordinated and integrated, as this is a cross-cutting issue. Furthermore, DCRN claims that the EU 2020 strategy should pay greater attention to demographic challenges. It also suggests that more financial assistance should be allocated to regions facing demographic problems.6

Opportunities for growth

The opportunities offered by ICTs may offer a partial solution to the problems that these regions are facing. However, the limited use of ICT and low broadband coverage in some areas owing to the meagre financial incentives for operators also pose a major problem. These opportunities go hand in hand with innovation. The northern sparsely populated areas perform better in this respect, however, whereas the southern European under–populated areas seem to be lagging behind (See Figure 5 – Regional Innovation Scoreboard). Regions in eastern and southern Europe tend to belong to the lowest innovation categories (moderate innovators or modest innovators).

The Nordregio working paper Making the best of Europe's sparsely populated areas suggests that regional policies should promote the more efficient use of these areas' assets more proactively so as to grasp new development opportunities, for instance through reinforced territorial cooperation and expanded business networks, instead of focusing excessively on 'overcoming' their permanent locational disadvantages by means of 'hard' infrastructure. An Interreg IVC report on demographic change provides various regional strategies designed to counteract issues of demography and suggests ways to strengthen social and education services and boost economic diversification.7

Smart specialisation strategies based on sustainability may also help these regions further strengthen and promote their relatively strong niches. Article 2(3) of the Common Provisions Regulation defines research and innovation strategies for smart specialisation (RIS3) as 'national or regional innovation strategies which set priorities in order to build competitive advantage by developing and matching research and innovation own strengths to business needs in order to address emerging opportunities and market developments in a coherent manner, while avoiding duplication and fragmentation.

Figure 5 – Regional Innovation Scoreboard 2014

Data source: EU Regional Innovation Scoreboard, 2014.
of efforts’. Sparsely populated and underpopulated areas are of particular importance as they can offer potential for renewable energy production (e.g. solar, geothermal, wind and biomass energy), offsetting the negative footprint of big urban centres. Their natural surroundings mean that sparsely populated and underpopulated regions can also be seen as idyllic places for alternative, 'close to nature' lifestyles. Their natural and cultural assets can attract new economic activities, such as more tourism. Furthermore, owing to their remoteness, sparsely populated and underpopulated areas offer unique edible products that could benefit from EU geographical indication and traditional product recognition schemes.

The European Parliament’s position

In its resolution on new territorial development tools in cohesion policy 2014-2020: Integrated Territorial Investment (ITI) and Community-Led Local Development (CLLD) (2015/2224(INI)) the European Parliament recommended that local and regional authorities pay particular attention to projects aimed at adapting localities and regions to the new demographic reality. It made suggestions on the adaptation of social and mobility infrastructures to demographic change and migratory flows, the creation of specific goods and services aimed at an ageing population, support for job opportunities for older people, women and migrants, development of enhanced digital connections and the creation of online platforms. In another resolution on the implementation, results and overall assessment of the 2012 European Year for Active Ageing and Solidarity between Generations (2014/2255(INI)), the EP emphasised the fact that regions with serious natural or demographic disadvantages – such as sparsely populated regions, islands and mountain areas – are especially hard hit by the problems associated with ageing and have fewer resources and less infrastructure in place with which to promote active ageing. The resolution called for consideration to be given to whether stimulus plans are useful in addressing the problem of ageing, which is generally made worse by parallel processes of depopulation affecting many of the regions concerned, and which can pose a threat to the survival of those areas.

Furthermore, an EP parliamentary intergroup on Rural, Mountainous and Remote Areas (RUMRA) was launched on 2014. It is supported by a number of civil society organisations as well as a growing number of Members across a broad political spectrum.

Stakeholders' views

In its opinion on the EU response to the demographic challenge, the Committee of the Regions (CoR) suggests that the EU’s current response to demographic challenges is limited and poorly developed, and indicates that cohesion policy should play a more vigorous role here. It suggests that the EU should seek to mainstream demographic considerations across all policy areas and should include budget headings with a view to enabling further development of these policies. More use could be made of the ERDF, the ESF and the ESI Funds in general to tackle demographic challenges. The CoR calls for measures to fight transport isolation and the digital backwardness of rural, peripheral and remote areas. It also commissioned a study on the impact of demographic change on European regions, underlining the challenges and opportunities for regions expected to face demographic problems.8

A number of local and regional players have been actively raising the profile around the EU institutions of issues of demographic interest to the regions. These include the
Demographic Change Regions Network (DCRN) and the Northern Sparsely Populated Areas network (NSPA). Considerable work on sparsely populated and underpopulated areas has meanwhile been conducted by various universities and research centres, such as the Nordic Centre for Spatial Development (Nordregio), Population Europe, and the Depopulation and Rural Development Studies Centre of Saragossa, Spain. The European Commission recently launched a Knowledge Centre for Migration and Demography. Furthermore, certain Member States, such as Sweden, have already recognised the importance of demography in regional policy and have added measures to tackle demographic issues to their main regional strategies.9

Outlook

Underpopulated and sparsely populated areas face a number of common challenges such as depopulation, an ageing population, a lack of adequate social services, and economic decline. EU funds offer a number of ways to tackle these challenges. In certain cases, their use by Member States has been limited. A move to apply 'demographic mainstreaming' to Member States' regional planning and a clear commitment to it in EU funding programmes could help to address the problems that sparsely populated and underpopulated areas face. Although the challenges for sparsely and underpopulated areas are considerable, the outlook is far from bleak. Local agricultural products, ICTs, the establishment of clusters and education facilities, smart specialisation strategies and tourism may further contribute to the economic growth of sparsely populated and underpopulated regions.

Main references

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Interreg IVC analysis report, Demographic change, 2014.


Endnotes

1 For an analysis of the terms of sparsely populated and other related territories see (ADE), Study on the relevance and the effectiveness of ERDF and Cohesion Fund support to Regions with Specific Geographical Features – Islands, Mountainous and Sparsely Populated areas, 2012, pp. 10-13.
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3 For a summary on transport challenges see: Alexandre Dubois and Johanna Roto, Making the best of Europe’s Sparsely Populated Areas, Nordregio working paper, 2012, pp. 27-35.

4 Ibid.


7 Interreg IVC analysis report, Demographic change, 2014.


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