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Opinion of the European Committee of the Regions – How to exploit the full potential of cohesion policy to tackle demographic change

(C/2025/284)

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POLICY RECOMMENDATIONS

THE EUROPEAN COMMITTEE OF THE REGIONS (CoR),

1. welcomes the priority given by the Hungarian Presidency of the Council to demographic change and the specific contribution of cohesion policy in the face of the challenges it poses. The Committee also supports the objective of better integrating the demographic agenda and cohesion policy into the next term of office of the EU institutions;

2. is pleased that the *Ninth report on economic, social and territorial cohesion* recognises the demographic transition, and deems it necessary to incorporate this effectively and in practice into the main objectives of the next framework. The demographic crisis is a national and regional crisis, so the demographic, green and digital transitions must inevitably go hand in hand;

3. notes that demographic change was included as an objective in 26 partnership agreements for the current multiannual financial framework (MFF), but points out that this was followed up with a lower level of adoption at programme level; calls for the next mid-term review to be used as an opportunity to remedy this situation;

4. stresses that the demographic challenge does not affect all areas to the same extent and that addressing it must be an EU policy objective; it often plays out at regional level, creating deep internal imbalances that need to be taken into account when allocating cohesion policy funds so as not to exacerbate them; points out that tackling the demographic challenge remains critical to sustaining the EU's competitiveness and calls for cohesion policy to be strategically employed;

5. points out that the demographic challenge is a multifaceted phenomenon with interconnected multifactorial causes that go beyond purely demographic causes, including in particular unemployment, access to housing, a shortage of services, a lack of digital connectivity, territorial isolation, difficulties in socialising, a lack of leisure opportunities, red tape, the adoption of vertical measures without a systemic vision of the region in question, and a pessimistic mindset about living space;

6. emphasises that the two main variables of the demographic challenge – ageing and depopulation – are mutually reinforcing, creating a series of shrinking regions characterised by low birth rates, higher life expectancy, negative net migration and pressure on the local or regional government finances. This is an unfavourable trend that, according to projections up to 2060, will spread and accelerate in the coming decades and stands in contrast to the overpopulation experienced by some areas, which puts pressure on public services. This requires an appropriate territorial rebalancing;

Impact of demographic change on various public policies

7. draws attention to the fact that public policies at national level often prioritise problems in urban areas; the solution is to correct the imbalances that arise due to the abandonment of rural areas. This requires data shedding light on the various challenges to be addressed and which make up the demographic challenge in its various forms. On the basis of this information, and after appropriately categorising the problem, more efficient measures may be taken; the proposed measures must always be geared towards territorial rebalancing and tailored to the needs and problems of each area; this should include both those affected by depopulation and those overwhelmed by the opposite phenomenon (access to housing, pressure on public services, illegal immigration, etc.);

8. points out that addressing demographic challenges – in particular, the declining birth rate and shrinking active population – requires an integrated, systemic approach, and highlights in this regard the recent CoR opinions on the demographic toolbox ([1]) and on legal migration and attracting talent to the EU ([2]);

9. stresses that the demographic challenge affects the competitiveness and resilience of local economies. The ageing of the population and brain drain (of young people in particular) hinder generational renewal in production systems due to 'talent development traps', which are reflected in the accelerated decline in the active population and the low proportion of skilled workers. This issue is concerning in the primary sector, which is also less socially attractive;

10. recommends that, in cohesion policy, environmental policies be effectively integrated with policies combating depopulation, taking into account the latter's impact on the former. The Committee points out that depopulation and the abandonment of economic activities in rural areas leads to agricultural biodiversity loss and landscape changes. This can pose risks against the backdrop of climate change, where there is an ever-greater chance of natural disasters such as forest fires. Highlights therefore that strategies to revive rural areas and prevent depopulation should focus on making sustainable agricultural and forestry activities attractive to young farmers and foresters. This includes promoting diverse, nature-friendly practices like agroforestry and close-to-nature forestry;

11. points out that, as set out in the Letta report, the 'freedom to stay' must be in effect throughout the EU. As such, taking into account the demographic difficulties facing some areas, the relevant authorities must have the tools they need to enable those who decide to pursue long-term plans in these areas, especially SMEs, to develop and compete in the EU single market. Furthermore, as highlighted in the Draghi report, the competitiveness and success of the European economic model relies on a sufficient workforce adapted to the green and digital transitions. This can only be achieved by investing (in a balanced and fair way) in measures to address the demographic challenge throughout Europe;

12. emphasises the urgent need for comprehensive development policies that foster vibrant, inclusive and resilient rural communities and meet the current needs of their residents, including those hoping to start a family, as well as their potential future inhabitants; stresses that women have a key role to play in the demographic transition and in cohesion policy. A holistic gender approach makes it possible to avoid the 'gender paradox in social cohesion', promoting a scenario where women are on an equal footing in terms of opportunities, citizenship and participation; similarly, points out that legal migration and the effective integration of migrants helps alleviate labour market pressures by addressing skill shortages, filling workforce gaps, and contributing to economic development in areas of demographic decline;

([1]) Opinion of the European Committee of the Regions – Demographic change in Europe: a toolbox for action (OJ C, C/2024/7062, 4.12.2024, ELI: http://data.europa.eu/eli/C/2024/7062/oj).

([2]) Opinion of the European Committee of the Regions on legal migration: Attracting skills and talent to the EU (OJ C 79, 2.3.2023, p. 59).

13. points out that many border regions suffer disproportionately from the demographic challenges in comparison to central and capital regions, and stresses that cross-border cooperation, and particularly cross-border public services, can help border regions provide better services to citizens and significantly enhance the quality of life in these regions, mitigating their demographic challenges; calls therefore for increased investment in Interreg's cross-border cooperation strand as part of the strategy to tackle the demographic challenges in EU regions; also highlights in this context the importance of advancing interoperability;

14. points out that ICT technologies open up boundless opportunities for areas in demographic decline, particularly rural areas. Telework, telemedicine, digitalisation and process automation can help make these areas more attractive and more competitive. The smart village approach makes it possible to overcome barriers and unlock potential, as well as providing a tool for gathering and processing data to help manage and plan these areas. Cohesion policy should make it easier to seize the opportunities offered by ITC as a tool for transformation;

15. emphasises that, in order to tackle the demographic challenge, active listening must be promoted and all parties concerned must be effectively involved, giving rise to new multilevel governance frameworks that can preserve, empower and train local communities as safeguards for the future. Local action groups, through community-led local development approaches, are key to the process, and the LEADER programmes are a successful example of such initiatives implemented in rural areas to tackle the demographic challenge;

The concept of a region in demographic transition and its strategic value

16. emphasises that it is essential to define 'regions in demographic transition' in order to incorporate the demographic perspective into cohesion policy and its tools. The Committee points out that Article 174 TFEU stresses that the EU will strengthen its economic, social and territorial cohesion in 'regions which suffer from severe and permanent natural or demographic handicaps'. The purpose of this definition is to facilitate EU-wide understanding and exchanges concerning appropriate measures that effectively address demographic change. It is not intended to replace the categories of regions used to date;

17. stresses the importance of using the ongoing evaluation to reflect and determine the scale of the issue in order to suitably define 'region in demographic transition' and include it in the next period;

18. points out that, to define 'regions in demographic transition', it is necessary to consider different indicators from usual. Useful indicators include population development, density and dispersion, percentage of older people (older than 65) and young children (younger than 5), altitude and average gradient, and the accessibility of essential services, i.e. healthcare, education, childcare, care for older people, care for people with disabilities, social housing, policing and justice. The definition must include categorisation based on regions' level of healthcare and the severity of their demographic problems;

19. emphasises that regions in demographic transition contribute to the EU's strategic autonomy. They are key areas when it comes to addressing the energy and industrial transitions and safeguarding ecosystems that are fundamental for biodiversity and our food sovereignty and security;

20. takes note of the impact of the current geopolitical context on the already negative demographic situation of some regions in the EU, such as the external border regions, and the resulting exacerbation of structural imbalances; in this regard, well-balanced population levels across the EU are key to ensuring the security and defence of our borders;

21. points out that the major challenge of cohesion policy is to ensure that no area or inhabitant is left behind in the transitions that the EU is undergoing. An EU with regions that are developing at two different paces is the root cause of the 'geography of discontent' that is undermining the pillars of the EU. Effectively implementing cohesion policy would turn it into the 'geography of opportunities' ([3]);

([3]) Rural Well-being : Geography of Opportunities | OECD iLibrary.

22. stresses that cohesion policy measures have the potential to trigger profound industrial, environmental and social transformations that help to extend essential services, mobile services and key infrastructure to make areas attractive – sanitation, basic education, connectivity and healthcare – and will encourage people to stay or move there, especially young people and women;

Demographic change and the territorial level

23. highlights the importance of a bottom-up, place-based approach when addressing demographic challenges, while also emphasising the need to ensure sufficient administrative capacity for smaller municipalities and territorial units;

24. points out that moving towards the green transition and climate neutrality means broaching the subject of major territorial transition that encompasses the green and digital transitions and demographic change. This should be geared towards introducing new territorial models following a different logic to conurbation economies. Decentralised and balanced growth, through spatial planning and strategic (multi-level) territorial planning, will improve implementation of cohesion policy, while eliminating the geography of discontent and territorial development traps;

25. stresses the need to incorporate an appropriate territorial scale to address the demographic challenge – below NUTS level 3 – as regions conceal internal territorial imbalances since demographic variables do not have the same impact everywhere. The Committee therefore recommends seizing the opportunity offered by the current period to incorporate this approach, which will properly identify which areas need support to meet the demographic challenge, and designing support programmes in a way that enables them to also be used effectively on a small-scale at local level;

26. emphasises that determining functional areas is an opportunity both to know exactly how the demographic challenge is affecting regions – by helping to identify and characterise regions in demographic transition – and to establish a territorial framework enabling cohesion policy funds to be used efficiently;

27. points out that, particularly in rural areas, as well as determining functional areas, minimum standards must be applied to the EU as a whole, in terms of population and essential services, the provision of which must be ensured by taking into account reasonable travel times to ensure that they are accessible, with a view to reducing urban-rural inequalities. In this regard, opting for strategic spatial planning that considers population projections and is sensible in terms of land use, as well as for recovery and restoration measures, will help achieve the territorial convergence pursued by cohesion policy;

Tools for tackling the demographic transition in areas that are particularly affected

28. notes that, while a significant number of intervention fields under cohesion policy can help address demographic challenges, the absence of a specific system to track investments that affect demographics makes their contribution harder to assess. In this regard, the Committee proposes including the demographic transition as a cross-cutting objective of cohesion policy, in addition to the policy objectives, and, for regions that explicitly address demographic change as an overarching objective in their programmes, also proposes monitoring it to complement the existing territorial approach with a specific assessment of the impact of planned measures on the demographic transition. Indicators such as population density, old-age index, birth rate, gross migration rate, percentage of children and accessibility to essential services are useful in this regard, as well as specific economic and social indicators (e.g. youth employment rate and access to digital services) to monitor the impact of cohesion policy on regions in demographic transition;

29. points out that it is often difficult for regions to identify funding options and available tools and stresses the need to simplify access to them and focus on integrated and simplified frameworks that make it possible to use all existing resources to address and adapt to the demographic transition;

30. acknowledges that integrated territorial investments (ITIs), which are tools designed to support a set of actions that are systemically integrated into a given geographical area, are an efficient tool for harnessing cohesion policy's potential in addressing the demographic challenge. Implementing ITIs at functional area level by drafting integrated territorial strategies is an extraordinary opportunity to promote place-based policies that can reduce spatial imbalances while promoting balanced territorial models based on social, economic, digital and environmental sustainability. The Committee stresses that ITIs have indeed proved successful in many regions, while in others they are rarely used;

31. stresses the need for specific funding to address and adapt to the demographic transition, complementing public funding sources with private funds, in order to achieve the multiplier effect required by the severity of the demographic challenge, as well as the need for public-private partnerships to develop local infrastructure, promoting the long-term sustainability of such initiatives; furthermore, available funding needs to be aligned with investment needs in essential public services, such as healthcare, education, housing and care services, and also with the digitalisation required to improve the competitiveness and attractiveness of regions in demographic transition;

32. points out that the current guidelines on regional State aid already provide for the possibility of increasing the aid thresholds and granting operating aid. The enormous challenge posed by the demographic challenge requires these exceptions to be aligned with Article 174 TFEU and to address the various aspects that influence the demographic challenge, i.e. not only low population density but also, for example, 'ultra-ageing';

33. points out that one way to help the most vulnerable regions could be to put those that are in serious demographic decline on the same footing as the outermost regions as regards the State aid forecasts considered for the latter. Similarly, regional aid maps will need to properly catalogue demographic challenges for areas below NUTS level 3. Areas with serious and permanent demographic problems should at least be recognised as pre-defined 'c' areas, on the basis of Article 107(3) TFEU. The Commission should also consider increasing aid intensity by 5 % as a complementary measure to help businesses investing in these areas;

34. stresses how important it is under cohesion policy to determine which priorities most effectively address the demographic transition. It would be advisable to demonstrate commitment to tackling the demographic challenge by increasing co-financing rates in certain areas. In this regard, and in line with the European Pillar of Social Rights, the planned measures implementing the European Child Guarantee are an obvious example;

35. points out that taxation, mainly through tax relief and/or exemptions in specific circumstances, could be a very useful tool in the fight against depopulation, as a way of compensating for the difficulties that these populations face in accessing goods and services;

36. points out that regions in demographic transition need enabling initiatives to address the challenge. It is therefore crucial to design and create open data spaces to train predictive models based on artificial intelligence. These models will make it possible to develop a decision-making system based on reliable data and projections to be used for spatial planning and strategic planning that can make cohesion policy more effective in addressing and adapting to the demographic challenge;

37. stresses that there is a need to raise awareness of the problem and that there are proven ways of coordinating cooperation and collaboration systems between regions that enable best practices to be exchanged. The CoR therefore proposes setting up a platform/observatory for regions in demographic transition that would be supported by the European Commission, would serve as a forum for peer-to-peer discussion and would push forward the measures mentioned in the previous points;

38. recognises that, while cohesion policy tools already develop actions that help address the demographic transition, ambitious, integrated, flexible and simplified measures must be implemented that do not put pressure on administrative capacity or limit the management of funding, given the seriousness of the challenge being faced.

Brussels, 20 November 2024.

The President
of the European Committee of the Regions
Vasco ALVES CORDEIRO