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Commission for Territorial Cohesion Policy and the EU Budget

Small urban areas as key actors to manage the just transition

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This document will be discussed at the meeting of the **Commission for Territorial Cohesion Policy and the EU Budget** to be held from **11 a.m. to 4.30 p.m. on 11 February 2022.**

Working document of the Commission for Territorial Cohesion Policy and the EU Budget - Small urban areas as key actors to manage the just transition

INTRODUCTION

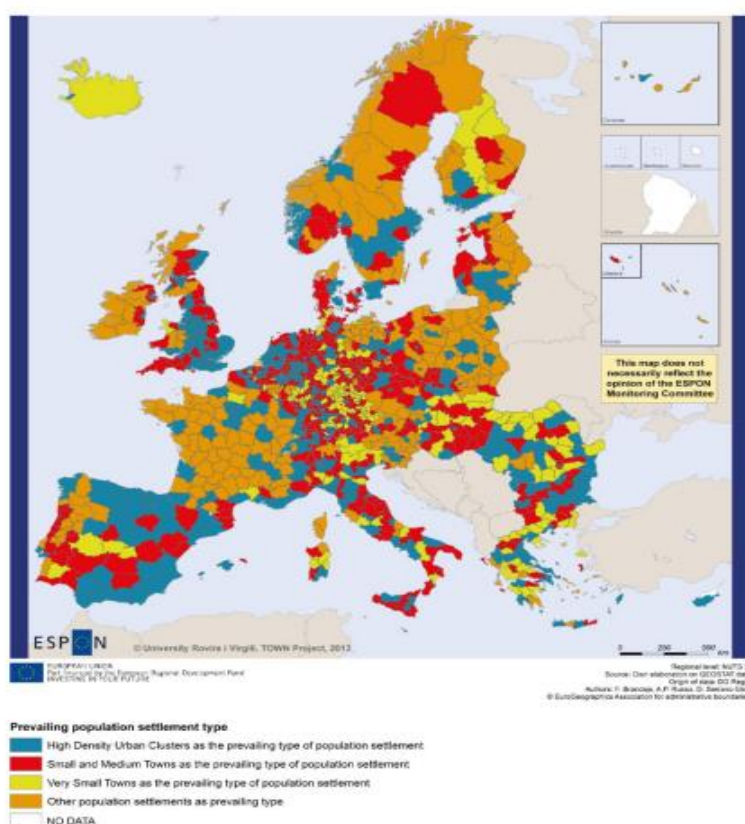
Small urban areas struggle with a lack of financial resources and relatively low institutional capacities in comparison with other places. The COVID-19 pandemic brought further challenges to small urban areas, such as deserted town centres, online work, more spending on basic health services, growing demand for green-blue infrastructure and reduced municipal budgets, especially for tourist cities.

However, as the Territorial Agenda 2030¹ has said, small towns and villages can play a vital role in designing and implementing integrated territorial development processes, in strengthening the territorial coordination of policies and in fostering inter-regional cooperation. Small towns must be made more attractive in order to cope with demographic change, attract young people and talent, capitalise on existing activities and address the development gap.

AN OVERVIEW OF SMALL URBAN AREAS

Europe is an urban continent but its urban pattern is more polycentric than that of other continents, with relatively **small** cities. About 70% of Europe's population lives in urban areas, but about **66% of**

Map 1: The Distribution of Small and Medium Sized Towns in Europe – KU Leuven and ESPON 2014



Europe's urban dwellers reside in urban areas with fewer than 500 000 inhabitants. This is considerably more than in other parts of the world, especially North America, where only a third of the population lives in smaller cities².

Small and medium-sized urban areas (SMUAs) are urban areas with 5 000 to 50 000 inhabitants. This definition is based on a combination of the OECD-EC degree of urbanisation classification and the European-wide research project **"TOWN - Small and medium-sized towns in their functional territorial context"** conducted as part of the ESPON programme. More specifically, small and medium-sized urban areas are defined as

1 <https://territorialagenda.eu/pilot-actions/small-places-matter/>

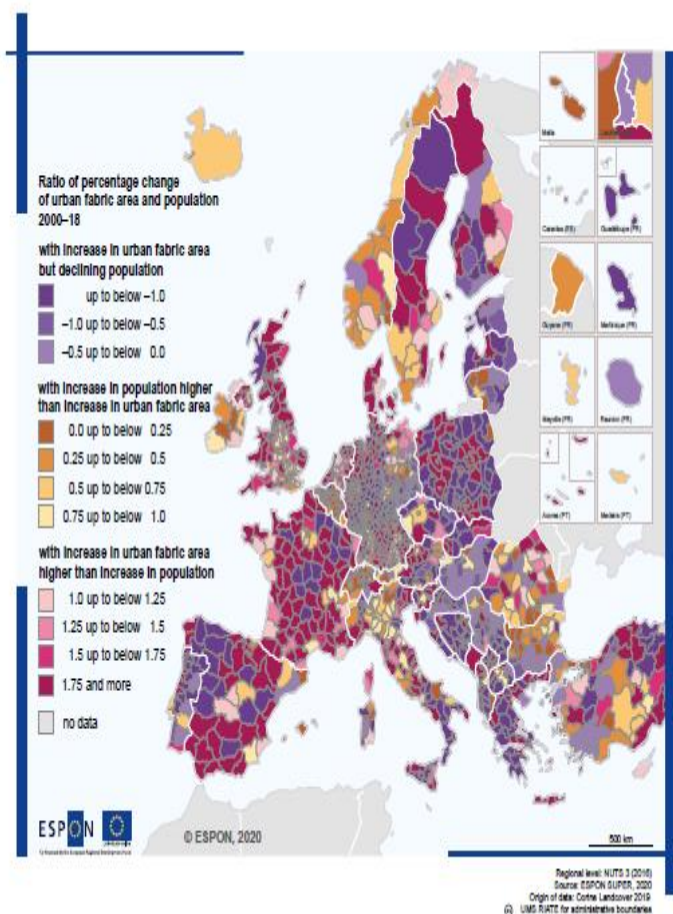
2 https://www.varam.gov.lv/sites/varam/files/final_report_4.3.-24_nfi_inp-002_.pdf

"continuous urban clusters with a population above 5 000 and a density above 300 inhabitants/km² that are not considered "High Density Urban Clusters" (HDUC) according to the Degree of Urbanisation for Local Administrative Units (DEGURBA³).

According to the **ESPON TOWN⁴ project, 24.2% of the European population lives in 8 350 SMUAs** that are unevenly distributed across Europe, with a concentration of SMUAs in the area stretching from northern England towards the southern Rhine valley and northern Italy. This is the most highly urbanised corridor in Europe. Other large concentrations of SMUAs can be found in south-eastern Germany, Poland and the Mediterranean coastal area. The proportion of the population living in SMUAs varies across the Member States, ranging from 50% in Belgium to 10% in Lithuania.

Among the most important drivers of **regional urbanisation processes⁵** are population development and migration. Comparing demographic change with urban development reveals an asymmetric geographical distribution in Europe, as shown by the **ESPON map on the development of urban fabric areas in relation to population development 2000-2018**.

Development of urban fabric areas in relation to population development, 2000–18



Here a value of 1 indicates a **balanced development in which the 'urban fabric' (generally residential developments) follows population developments**. A value of 0.5 indicates that the percentage change of the population is twice that of urban development (increasing density, shades of orange) and vice versa for a value of 2 (decreasing density, shades of red).

In addition, some regions have a declining population but growing urban fabric (decreasing density, shades of purple). The analysis suggests that **the production of urban use areas (land take) exceeded the assumed need (population growth) in Europe in 2000–2018**. Areas experiencing depopulation still usually show increases in urban use areas. This can be understood either to indicate 'urban sprawl' or unwarranted 'land

³ Definition (Eurostat Labour Market Working Group, 2011) (KU Leuven and ESPON, 2014, 7).

⁴ <https://www.espon.eu/programme/projects/espon-2013/applied-research/town-%E2%80%93small-and-medium-sized-towns>

⁵ <https://www.espon.eu/sites/default/files/attachments/ESPON%20Policy%20Brief%2C%20Sustainable%20Urbanisation.pdf>

take'. According to this analysis, the main areas where population exceeded urbanisation were Belgium, Bulgaria, Romania and Switzerland.

In addition, **due to considerable industrial activity in the last century, the EU has many small and medium-sized industrial towns**⁶. These smaller areas all had an economy dominated by manufacturing and/or mining industries throughout most of the 20th century, or sometimes even longer ago. Some of them lost their industries and are struggling to find alternatives; others have managed to modernise their industries or to attract new companies⁷.

THE STRATEGIC ROLE OF SMALL URBAN AREAS

Small urban areas are drivers of the green, digital and just transition that Europe needs for its recovery. The push for climate-friendly functional areas is largely linked to the capacity of urban authorities to adapt to the ever-changing economic conditions and rebuild trust.

EU Green Deal: as said at the COP 26 in Glasgow, we need to reduce greenhouse gas emissions as a matter of extreme urgency and the EU's goal of reaching climate neutrality by 2050 cannot be fudged. **Climate change is a global problem that needs local solutions.** Cities and regions are on the frontline of climate change. They are also on the frontline of climate solutions. Small places are working relentlessly to mitigate the impacts of global warming and build up resilience.

Digital transition: digital solutions are broad, and include **smart village**-type approaches to help small urban areas with mobility, energy efficiency, sustainable housing, digital public services and civic-led governance. Employees' lack of digital skills has been listed by smaller cities as one of the reasons for not digitalising its service provision and working processes. The digital transition must go hand in hand with better social and **digital cohesion**. Leaving no one behind also means ensuring that no regions are left out of the digital transition.

Just transition⁸: the transition towards a green and digital economy requires social fairness and an economy that works for people. Managing transitions requires a strategic vision, involving investments in innovative solutions and ensuring that the transition is fair and inclusive.

Urban mobility: with mobility becoming more digital, groups at risk of social exclusion might require additional capabilities to meet their daily mobility needs. Understanding social and economic vulnerabilities is key to formulating resilient actions adapted to local needs and centred around local communities. These key transformations might bring more opportunities for future services in small urban areas to become more sustainable and efficient.

Housing and remote working: the onset of the COVID-19 pandemic profoundly changed the way people live and work. Lockdowns, curfews and other such measures have reshaped the trade-off between dwelling size and location. Even after the pandemic, the potential shift towards large-scale remote

⁶ <https://jpi-urbaneurope.eu/corby-past-present-and-future-of-the-post-industrial-city/>

⁷ <https://jpi-urbaneurope.eu/wp-content/uploads/2019/10/Bright-Future-Synthesis-report.pdf>

⁸ https://ec.europa.eu/regional_policy/sources/thefunds/jtf/swd_territ_just_trans_plan_en.pdf

working practices⁹ may reduce the need for commuting and encourage people to leave city centres for small urban areas where they can enjoy larger homes closer to greener areas. Despite ample anecdotal evidence of structural housing demand shifts, empirical evidence remains scarce and limited to a few countries¹⁰. While some shifts in preferences may be temporary, the pandemic is also likely to generate medium- and long-term changes in local housing demand, both within and across different types of areas, with long-term implications for local economies¹¹.

New European Bauhaus: there is a role for small urban areas in the New European Bauhaus (NEB). The NEB helps to deliver the EU Green Deal by adding a vital cultural dimension. It brings the Green Deal closer to the public by creating beautiful, sustainable and inclusive spaces and places, products and ways of living, and bringing out the benefits of the environmental reconfiguration and transition through tangible experiences at local level.

Urban-rural linkages: small urban areas can act as driving forces of rural attractiveness and development and cooperate with surrounding rural areas to organise a number of basic services¹². It is important to explore new ways of organising national and regional public services, taking advantage of digitalisation. Small urban areas can definitely contribute to the implementation of the **Long-term Vision for Rural Areas**¹³ by considering a regional approach to implementing the Rural Pact. This dimension is being taken into account in the new generation of partnership agreements between the Structural Funds and strategic plans under the common agricultural policy.

OPPORTUNITIES FOR SMALL URBAN AREAS

The new 2021-2027 programming period emphasises the urban dimension of EU cohesion policy, including small and medium-sized cities. The **European Regional Development Fund** (Regulation (EU) 2021/1058) will provide support for **functional urban areas**. Inter-municipal organisations for instance come under policy **objective 5 on a "Europe closer to citizens"**, due to their major role in triggering **cooperation between local authorities** and partners across administrative borders and strengthening urban-rural linkages.

As part of **sustainable urban development**, the Member States will dedicate a minimum of **8% of ERDF resources allocated at national level** to ensuring more effective support for **integrated territorial development strategies, mainly through ITI and CLLDs**. The aim is to tackle the **economic, environment, climate, demographic and social challenges affecting urban areas, including functional urban areas, and urban-rural interlinkages**.

9 <https://www.oecd.org/coronavirus/policy-responses/capacity-for-remote-working-can-affect-lockdown-costs-differently-across-places-0e85740e/#section-d1e300>

10 Such as the recent articles on BBC News, "'Urban flight' raises house prices in villages" (<https://www.bbc.com/news/business-56945217>) and in the Financial Times on "House prices: urban exodus of upsizers shifts property demand" (<https://www.ft.com/content/9846b1a3-4c14-4301-a6e2-0a238fbbd43b#myft:my-news:page>), and "Paris housing: the city of light emerges from the shadow of Covid" (<https://www.ft.com/content/4def503c-0efa-4bd5-9d3d-b4465155ea51>).

11 <https://www.oecd.org/coronavirus/policy-responses/housing-amid-covid-19-policy-responses-and-challenges-cfdc08a8/>

12 <http://www.espon.eu/sites/default/files/attachments/ESPON%20Policy%20Brief%20on%20Shrinking%20Rural%20Regions.pdf>

13 https://ec.europa.eu/info/sites/default/files/strategy/strategy_documents/documents/ltvra-c2021-345_en.pdf

With a view to identifying or providing solutions to issues relating to sustainable urban development at EU level, a **new European Urban Initiative** will support all urban areas, including functional urban areas. This new initiative will have a budget of EUR 500 million to spur on innovative urban initiatives, promote peer-to-peer activities, boost the transfer of urban knowledge and set up networks. Moreover, the new European Urban Initiative will encourage local authorities to participate in thematic partnerships under the **Urban Agenda for the EU (UAEU) and the implementation of the renewed Leipzig Charter**¹⁴.

The **Ljubljana Agreement on a renewed urban agenda for the EU**¹⁵ calls on the European Commission and the Member States to support the work and involvement of urban authorities within the UAEU process, partnerships and other forms of cooperation, including small and medium-sized cities and towns, as resources allow. **The inclusion of small and medium-sized urban authorities and their participation in the UAEU processes and multi-level cooperation should be encouraged and promoted.**

The main tool for the EU's post COVID-19 recovery strategy is the **Recovery and Resilience Facility (RRF)**. The RRF consists of EUR 672.5 billion in loans (EUR 360 billion) and grants (EUR 312.5 billion) to support investments intended to mitigate the consequences of the crisis, strengthen cohesion and resilience, and accelerate the ecological and digital transitions across the EU.

A consultation organised by the CoR and CEMR clearly showed that only a minority of Member States consulted local and regional authorities when preparing the recovery plans and an even smaller number actually listened to them. **Groups of small urban areas** could come up with well-prepared projects, based on their proximity to the local area and stakeholders.

Considering that 30% of the new cohesion policy budget will be invested in a "Greener Europe", **the role of the European Investment Bank (EIB)** in green financial investments could be very important for small urban areas located in less developed and transitional regions. Some cities and regions which benefit from the Structural Funds (ESIF) typically use EIB framework loans to meet the co-financing requirement. However, **financial instruments must be much simpler, adapted to the volume of resources and investments of small urban areas and aligned with market economic conditions.**

QUESTIONS FOR COTER MEMBERS:

- What challenges are small urban areas facing?
- What added value could small urban areas provide with regard to meeting European and global goals?
- Should the European Commission establish indicators that are suitable for monitoring and following up on the implementation of EU policies in small urban areas?
- Can you think of any good examples of how to harness the potential of small urban areas in different policy areas?

¹⁴ https://ec.europa.eu/regional_policy/en/newsroom/news/2020/12/12-08-2020-new-leipzig-charter-the-transformative-power-of-cities-for-the-common-good

¹⁵ https://ec.europa.eu/regional_policy/sources/docgener/brochure/ljubljana_agreement_2021_en.pdf

- What are the more common obstacles that small urban areas have to overcome in order to access and manage EU funds? What specific forms of support do small urban authorities need in order to benefit from the various financing opportunities during the 2021-2027 programming period? What kind of financial instruments could be adapted to suit their needs?
 - How can groupings of small urban areas provide solutions when it comes to managing common services and making these areas more attractive?
 - Are integrated territorial tools (ITI, CLLDS, etc.) adapted to supporting the development needs of small areas?
 - Are you aware of any good practices regarding the work of small urban areas in terms of territorial attractiveness of sparsely populated areas which could be promoted in the EU?
 - Are there any other points – not included in this document – that you think should be addressed in the opinion?
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