



**European Committee
of the Regions**

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OPINION

Small urban areas as key actors to manage a just transition

THE EUROPEAN COMMITTEE OF THE REGIONS

- stresses that European small urban areas are, by default, heterogeneous; depending on their location, territorial context and economic and labour market structure, they have completely different characteristics (and challenges);
- calls therefore on the Commission to undertake an impact assessment before introducing further definitions, in particular with regard to the objectives set out in Article 174 TFEU and the distribution of funding;
- considers that often small urban areas do not have sufficient capacity or knowledge to address the challenges. There are often limited financial and administrative capacities, collaboration issues and limited decision-making power, leadership, adaptation and resilience capacities which can be acute challenges, and strategic forward thinking and innovative solutions are crucial;
- advocates that it is crucial to empower regions and cities to strengthen their capacity to build resilient communities in order to limit the EU's dependency on fossil fuels. Decentralised energy production, energy efficiency and saving plans on a local and regional level will ensure the achievement of the REPowerEU plan;
- calls for the JTF to support small and medium-sized enterprises in order to develop their businesses and build attractive and vibrant places;
- recommends that Member States invest in smart village projects, implementing digital solutions to optimise connectivity, daily life and services in small urban areas, within the national recovery and resilience plans, as well as the European Structural and Investment Funds;
- requests that Member States promote fiscal incentives linked to empty housing units in order to support access to affordable housing and to attract citizens to settle and establish their lives in shrinking small places.

Rapporteur

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Reference document

**Opinion of the European Committee of the Regions –
Small urban areas as key actors to manage a just transition**

I. POLICY RECOMMENDATIONS

THE EUROPEAN COMMITTEE OF THE REGIONS:

1. asserts that creating smart, sustainable and inclusive growth across Europe requires action at all levels in rural, peri-urban and urban areas. Small urban areas are home to 43% of the EU population, and around 66% of Europe's urban dwellers reside in areas with fewer than 500 000 inhabitants. There are about 14 000 small urban areas with a population of between 5 000 and 50 000 in the EU;
2. stresses that European small urban areas are, by default, heterogeneous; depending on their location, territorial context and economic and labour market structure, they have completely different characteristics (and challenges)¹; however, it is often found that smaller municipalities are more likely to experience the challenges faced by rural areas, due to their lower population density;
3. denotes that the green and digital transitions, the recovery from the pandemic and the integration of migrants, particularly as a result of the war in Ukraine, bring extra challenges to small urban areas, in addition to the general development challenges of cities of all sizes (such as affordable housing, sustainable mobility, provision of services, demographic change, brain drain, urban health, social segregation, environmental footprint, climate action, etc.);
4. Suggests that the real key for smart, sustainable and inclusive growth across Europe is to promote private employment in rural areas (in agricultural sectors or in other sectors). Insists on the fact that the absence of public services in rural areas (such as education, health, connectivity or mobility) leads to rural exodus. Therefore, underlines that such services in rural areas have to be provided as a basic need, as all other sectoral policies will prove to be ineffective without them;
5. recalls that the New Leipzig Charter states that urban municipalities must be able to fulfil their tasks in promoting the common good, and that financial leeway, multifunctional task profiles, political legitimacy, local public welfare and territorial viability are essential in order for them to perform their public service functions; one of its main objectives is the overall reduction of the emission of greenhouse gases and cities must contribute to their relevant national and EU targets, by the most appropriate means.

¹ A detailed definition of small and medium-sized urban areas is based on a combination the ESPON TOWN project (2014) findings and the OECD-EC degree of urbanisation classification (which is based on population density with the size of an urban agglomeration). Small and medium-sized areas are defined as continuous urban clusters with a population of between 5 000 to 50 000 inhabitants 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 (DEGURBA) (ESPON, 2014).

6. takes note of the proposed definition of "small urban area"², using harmonised methods and indicators to delineate them, the aim of which is to enable international comparability, in line with previous calls by several European and global agendas (the New Urban Agenda UN/HABITAT, the 2030 SDG, the Leipzig Charter, the 2030 Territorial Agenda, etc.); if this definition is used for distribution of funding, there is a risk that small municipalities with fewer than 5 000 residents could be negatively affected.

Challenges of shrinkage:

7. highlights that in 2040, forecasts suggest that 51% of the EU population are expected to live in shrinking regions compared to 34% in 2020, and rapid reductions in population are more likely in rural than in urban regions (11% against 1%);
8. highlights the fact that many small urban areas face a risk of demographic shrinkage and of becoming places left behind, losing out on Europe's green and digital transitions;
9. notes with regret that, when introducing a definition of "urban areas" under the "TERCET" Regulation, the Commission did not consider it necessary to carry out an impact assessment, even though the introduction had a far-reaching impact on the distribution of funding;
10. recalls that the 8th Cohesion Report shows that population decline directly affects the provision of public services; small and medium-sized towns and municipalities in rural areas and the businesses based there face major challenges;
11. calls therefore on the Commission to undertake an impact assessment before introducing further definitions, in particular with regard to the objectives set out in Article 174 TFEU and the distribution of funding;
12. underlines that the allocation of European Structural and Investment Funds should be granted with criteria going beyond population figures or GDP and that existing challenges on the ground should be taken into account. No blanket distinction between urban and rural areas based solely on a statistical classification should be made;
13. emphasises that shrinking places such as small urban areas are exaggerated by a myriad of issues including but not limited to ageing populations, weak local governance and capacity building, self-sufficiency stagnation, diminishing individual well-being and quality of life indicators, regional, domestic intra-EU and global migration, smart shrinkage and lack of investment in digital ecosystems, brain drain, land abandonment, increasing social inequalities, decreasing quality of life, transitions in industry and insecure economic growth, and increasing urbanisation in larger regional centres;

² As endorsed by the UN Statistical Commission on 5 March 2020: "A recommendation on the method to delineate cities, urban and rural areas for international statistical comparisons" Prepared by the European Commission – Eurostat and DG for Regional and Urban Policy – ILO, FAO, OECD, UN-Habitat, World Bank.

14. denotes that rural residents often have to travel further than their urban counterparts to reach many public and private services, and need to rely on cars or buses to reach those services. Regional centres offer more services to people living in the surrounding areas; mobility policy needs to operate at the broader territorial level, and joined-up thinking is needed across urban, rural and peri-urban areas. The smaller the settlement, the bigger the impact of being/having a regional centre;
15. underlines that towns and villages are central to the local economy as they provide important administrative, social, community and recreational functions. They support clusters of local services, have a significant share of homes and jobs, and act as transport hubs³;
16. re-affirms that many peripheral regions, including small urban areas, are currently competitively disadvantaged due to a lack of digital connections, which makes it more difficult to exploit development potential, secure or create new jobs, or reduce migration;
17. asserts that in the context of market shaping, attention should be paid to the ways in which public sector bodies might look to support or subsidise services which would otherwise not be commercially viable but are essential for small urban areas⁴;
18. considers that often small urban areas do not have sufficient capacity or knowledge to address the challenges. There are often limited financial and administrative capacities, collaboration issues and limited decision-making power, leadership, adaptation and resilience capacities which can be acute challenges, and strategic forward thinking and innovative solutions are crucial;
19. is concerned by the geography of political discontent; the urban-rural divide and misalignment of urban and rural policy can contribute to political polarisation;

Constructing a just transition:

Building green capacity

20. underlines that small urban areas are drivers of the green, digital and just transitions 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 to rebuild trust;
21. sees therefore a need for a targeted approach that gives local people a positive vision for the future. The European Commission's long-term vision for rural areas by 2040 could be valuable here, and the Rural Pact should also take full account of small towns in rural areas;

³ OECD report on Access and Cost of Education and Health Services: Preparing regions for demographic change.

⁴ See Horizon 2020 ROBUST project, www.rural-urban.eu.

22. notes that a lack of awareness raising, as well as a lack of strong social support to counterbalance the consequences of the green transition, can challenge the changes taking place. Although the green transition is coupled with the just transition, both must operate in balance and be coordinated;
23. acknowledges that urban areas, including small places, will substantially contribute to climate change mitigation by investing resources towards green transition actions, urban renewal, renovation wave and circular economy efforts, mobility, energy-efficient buildings, improved waste management, and mobilising citizens and raising awareness for environmentally friendly actions;
24. however, notes that for the green transition to be successful in small urban areas, upskilling, reskilling and technical expertise is required, as well as knowledge of climate change adaptation approaches; local authorities in small urban areas need to have highly qualified staff beyond traditional local administration; exchanges of best practices between small urban areas can help in the transition process;
25. believes that national and EU programmes support the development of skills in small urban areas. These also require a sufficient number of skilled and educated human resources for the new transition processes. They can benefit from knowledge sharing from EU funding programmes such as Urban Innovative Actions (UIA), EU Urban Agenda partnerships, Interreg, URBACT and TAIEX, as we know these are not evenly distributed among small urban places in Europe;
26. advocates that Member States push for a substantial change in energy supply infrastructures and building standards to enable renewable energy production in small and medium-sized cities, as they will substantially contribute to climate change mitigation;
27. advocates that it is crucial to empower regions and cities to strengthen their capacity to build resilient communities in order to limit the EU's dependency on fossil fuels. Decentralised energy production, energy efficiency and saving plans on a local and regional level will ensure the achievement of the [REPowerEU plan](#);
28. reiterates that when deploying and promoting publicly accessible recharging stations dedicated to light-duty vehicles, Member States must also take into account the objectives of Article 174 TFEU and ensure availability in less densely populated areas;

Building just transition mechanisms:

29. asks that the implementation of the Just Transition Fund (JTF) should target support to small urban areas within the already pre-defined regions, to support the municipalities most affected by the transition towards climate neutrality;
30. calls for the JTF to support small and medium-sized enterprises in order to develop their businesses and build attractive and vibrant places;

31. calls for support for social inclusion projects and actions for vulnerable groups or citizens in need, as their needs in small urban areas can be greater and less connected;

Building the digital transition:

32. re-emphasises that policies designed for cities (such as the Leipzig charter) should reflect on the digital transition, as digitalisation is a major and cross-sectoral element that influences the sustainable development of cities with regard to urban mobility, energy efficiency, remote working and sustainable housing, as well as retail and public services;
33. recalls that a significant urban-rural digital divide exists in all EU Member States, in large part due to the lower revenue expectations for broadband providers associated with the roll-out of digital infrastructure in less built-up areas. However, the recent increase in teleworking and ICT-based mobile work could represent one of the keys to the future development of rural areas; underlines in this respect high-speed connectivity for everyone in the European Union, including rural and remote areas, is a prerequisite for citizens to be able to use digital services;
34. recommends that Member States invest in smart village projects, implementing digital solutions to optimise connectivity, daily life and services in small urban areas, within the national recovery and resilience plans, as well as the European Structural and Investment Funds (ESIF);
35. underlines the need to strengthen the urban-rural linkages which is necessary for harmonious development of all types of urban areas and can serve as a catalyst for more coherent territorial development;
36. calls for exploring possibilities to synchronise public services at municipal level, to support e-governance for less public administration and to digitalise services to make them more user-friendly for citizens;

Building housing capacity:

37. reminds that currently there are significant inequalities as regards availability and access to adequate housing in cities and in small urban areas, particularly for young people, families with children (including single parents), migrants and people with disabilities;
38. requests that Member States promote fiscal incentives linked to empty housing units in order to support access to affordable housing and to attract citizens to settle and establish their lives in shrinking small places;

New European Bauhaus (NEB):

39. recognises the efforts made by the European Commission to put a particular emphasis on small urban areas and medium-sized cities within the call for New European Bauhaus Local Initiatives proposals, and recalls the proposal to launch a NEB Lab voucher scheme within the future call for proposals under the European Urban Initiative;

Long-term vision for rural areas:

40. recalls that the EU can achieve more balanced territorial development by supporting and facilitating increased collaboration between urban and rural areas, going beyond past differences that divided rather than connected urban and rural areas;
41. emphasises developing the Rural Agenda following the Urban Agenda for the EU model based on the principles: "better funding, better regulation and better knowledge", and delivering it through thematic multilevel and cross-sectorial partnerships;
42. points out that there is a clear need for better coordination between policy areas relating to rural, peri-urban and urban places; a better coordinated approach should actively seek out the "synergies" and added value to be gained from cooperation and coordination between rural and urban actors, as this is a critical factor in successfully supporting place-based innovation and experimentation;
43. suggests that the European Commission integrate the dimension of small urban areas into the rural proofing exercises, and reiterates the CoR's offer to cooperate on this topic. A screening for territorial and rural impacts should become a mandatory element of the policy-making process;
44. recommends further considering possibilities for cooperation within existing EU territorial strategies such as the 2030 Territorial Agenda, the New Leipzig Charter and the implementation of a new generation of partnerships within the Urban Agenda for the EU, which create a rural urban agenda focus;
45. seeks the promotion of strategic rural-urban partnerships; small urban areas can better promote partnerships and achieve common objectives in traditional and innovative sectors by pooling resources, developing strategies, and reaching agreements at the metropolitan scale;

Funding and recovery:

46. recalls that local fiscal autonomy and financial capacities are key factors for ensuring effective public investments and for shaping regional development policies. They increase the possibility for urban areas to steer their own development. Centrally imposed constraints can risk making local self-administration pointless;
47. stresses that municipality size often influences financial capacity. Smaller places often risk not being able to mobilise sufficient finances for the tasks they wish to undertake;
48. emphasises that cohesion policy should be seen as a key investment tool on the ground, which promotes the leverage effect of public and private funds;
49. calls on the Member States to ensure that small urban authorities are also able to access the 8% of ERDF funds at national level dedicated to financing sustainable and integrated urban development projects, avoiding additional thresholds of population;

50. advocates the use of integrated territorial tools at local administrative unit (LAU) level such as those financed by cohesion policy and other EU funds in order to concentrate investments and adapt them to realities;
51. reiterates its disappointment about the lack of local and regional-level involvement in the design of national recovery and resilience plans (NRRP) which creates a rebound effect during the implementation phase; underlines in this respect its disagreement with the European Commission's proposal to transfer from European Structural and Investment Funds to the Recovery and Resilience Facility to finance REPowerEU; objects any attempt to take resources from regions and provide them unconditionally to the national level as this goes against the EU's principles and the agreements on shared management;
52. suggests the use of the NRRPs to collect data which could be used to implement public policies and the lower level of governance;

Building territorial capacity:

53. calls on Member States to integrate the new definition on the territories (which suffer population decline and demographic change) in the ERDF Regulation (EU) 2021/1058 as a cross-cutting issue of public policies, which requires integrated and place-based actions;
54. suggests that the European Commission promote ITI and CLLD through a number of Peer-2-Peer activities of the European Urban Initiative, as suitable tools to support small and medium size urban authorities to face territorial challenges such as depopulation;
55. urges the European Commission to put forward a communication campaign to promote the EU's impact in the lives of people living in small places (urban and rural) in order to counterbalance the geography of discontent with the EU;
56. calls for minimum complexity for small urban areas in getting access to and administering projects of different European funds, and to promote an integrative approach to linking different EU funds; in this regard, shared management programmes should be truly decentralized with the role of managing authorities enhanced at regional level, to ensure that they can support a bottom-up approach for funding from small towns and rural areas.
57. asks the European Commission to support all public administrations in small urban areas to find insights on how to tackle green, digital or demographic transition challenges, and direct support from the European Commission to the existing supra-local structures in Member States should be strengthened (such as - départements, Landkreise, powiats, județe etc.) so that they can develop their own capacities to advise small municipalities, in line with the subsidiarity principle; indeed, all local authorities should have their own EU affairs / funding officers to support this work.
58. requests that the European Commission and the Members States make provisions for technical support to be used for municipalities throughout a project life cycle;

59. asks the European Commission to consider the possibility under the new European Urban Initiative (EUI) to offer on-the-spot coaching to small urban areas, and suggests that the future EUI national contact points act as intermediators for supporting small urban areas;
60. highlights that, for small urban areas, participating in strategic decision-making can be challenging due to their limited administrative resources and the difficulty to navigate within complex multi-level governance processes such as EU funding;
61. observes that collaboration is essential for small urban areas. This includes cooperation with neighbouring areas to address interconnected issues, or joining forces to create "territorial critical mass";
62. emphasises that for major societal transitions, such as the green and digital transition, smaller urban areas are often reliant on support of their citizens and enterprises as they lack the means to run and finance such social innovation processes;
63. recalls that committed local communities not only strengthen local identities, social innovation and cohesion, they also stimulate collaboration in times of economic decline or transition;

Conclusions:

64. concludes that small urban areas need a clear, accepted and recognised definition. They need the administrative capacity to shape their multidimensional transitions and develop long-term perspectives. They also need knowledge, policy coordination and empowerment to mobilise people, resources and EU funding programmes.

Brussels, 1 December 2022

The President
of the European Committee of the Regions

Vasco Alves Cordeiro

The Secretary-General
of the European Committee of the Regions

Petr Bližkovský

II. PROCEDURE

Title	Small urban areas as key actors to manage a just transition
Reference(s)	Not applicable
Legal basis	Article 307 TFEU
Procedural basis	Rule 41(b)(i) of the CoR Rules of Procedure
Date of Council/EP referral/Date of Commission letter	Not applicable
Date of Bureau	25 January 2022
Commission responsible	Commission for Territorial Cohesion Policy and EU Budget
Rapporteur	Kieran McCARTHY (EI/EA), Member of Cork City Council
Analysis	26 April 2022
Discussed in commission	11 February 2022
Date adopted by commission	Scheduled for 12 July 2022
Result of the vote in commission (majority, unanimity)	Unanimity
Date adopted in plenary	1 December 2022
Previous Committee opinions	<ul style="list-style-type: none"> • Opinion on <i>The renewal of the Leipzig Charter on Sustainable European Cities</i>, Juan Espadas (PES/ES), 2020. • Opinion on <i>The CoR's contribution to the renewed Territorial Agenda, with special emphasis on community-led local development</i>, Radim Sršeň, 2019. • Opinion on the <i>European Regional Development Fund and Cohesion Fund beyond 2020</i>, Michael Rijsberman, 2018. • Opinion on Implementation assessment of the Urban Agenda for the EU, Kieran McCarthy (2018).
Date of subsidiarity monitoring consultation	Not applicable