European Committee
of the Regions

COTER

Commission for
Territorial Cohesion Policy
and EU Budget

Small urban areas - a foresight assessment to ensure a just transition

Table of content

Table of figures

Acronyms

BBSR	Bundesinstitut für Bau-, Stadt- und Raumforschung (German Federal Office for Building and Regional Planning)
CAP	Common Agricultural Policy
CLLD	Community-Led Local Development
CoR	European Committee of the Regions
DEGURBA	Degree of Urbanisation for Local Administrative Units
DG REGIO	EU Commission's Directorate-General for Regional and Urban Policy
EAFRD	European Agricultural Fund for Rural Development
EMFF	European Maritime and Fisheries Fund
ERDF	European Regional Development Fund
ESF	European Social Fund
ETC	European Territorial Cooperation
EUKN	European Urban Knowledge Network
FUA	functional urban areas
HDUC	High Density Urban Clusters
IPA	Instrument for Pre-Accession Assistance
ISO	Interreg Specific Objective
ITI	Integrated Territorial Investments
JRC	Joint Research Centre
JTF	Just Transition Fund
JTP	Just Transition Plan
LAU	Local Administrative Unit
LEADER	Liaison Entre Actions de Développement de l'Économie Rurale (Links between the rural economy and development actions)
NDICI	Neighbourhood and International Cooperation Instrument
NGO	Non-governmental organisation
NUTS	Nomenclature of territorial units for statistics
OECD	Organisation for Economic Co-operation and Development
PO	Policy Objective
RDP	Rural development programmes
SME	Small and Medium-sized Enterprise
SMESTO	Small and Medium-Sized Towns
SMST	Small and medium-sized towns
TAIEX	Technical Assistance and Information Exchange instrument
TEN-T	Trans-European Transport Network
TJTP	Territorial Just Transition Plan
UIA	Urban Innovative Actions
UN	United Nations

Executive summary

Small urban areas are an important part of Europe's territorial, social and economic fabric. They are centres for the provision of services of general interest and places with a good quality of life.

This report looks into small urban areas and the capacities they need to manage the grand societal transitions Europe faces. This includes demographic change, green and digital transition as well as recovery from the COVID-19 pandemic and from the war in Ukraine.

Small urban areas are very diverse and there is no generally accepted definition of them and their key characteristics. In general terms, urban areas with 5,000 to 50,000 inhabitants can be understood as small urban areas. In the EU about 43% of the population lives in such municipalities. Excluding areas with a population density below 300 inhabitants per km2, small urban areas are still home to about 25% of the population. In other words, a substantial share of the people in the EU live small urban areas.

These areas have highly diverse demographic and economic profiles as well as territorial context and roles therein. The national context frames the formal capacities, autonomies and responsibilities of municipalities. The territorial context frames the role of small urban areas. This includes those close to major urban agglomerations, small urban areas close to each other, and those that are centres in larger rural surroundings. In each of these cases the role of a small urban area as a centre of attraction providing of services of general interest and the transition challenges they face differ.

The diversity of small urban areas in Europe and their abilities to prepare for desirable future, raise the question about capacities and empowerment they need to take decisions with which they actively can shape their futures. Therefore, this report addresses foresight as integral part of policy making and the capacities to act, i.e. which capacities of small urban areas need to be strengthened to enable them to think forward and act accordingly.

In many cases small urban areas do not have sufficient capacity or knowledge to address the challenges. The capacities that small urban areas need can be viewed through different lenses:

- **'Mobilising resources'** focuses on financial capacities including their own financial resources and access to external financial resources.

- **'Legal'** focuses on their decision-making power and their formal competences or capacities in a multi-level government system.

- **'Mobilising people'** focuses on their collaboration capacities including the capacity to mobilise local players, as well as the ability to collaborate with neighbouring municipalities or join forces with other small urban areas fighting similar issues.

- **'Punching above their weight'** connects the collaboration capacity with leadership capacity. This involves local leadership as well as agile local administrations.

- **'Navigating under uncertainty'** goes one step further in addressing adaptation capacities which are of particular importance to resilience and transformation. This involves capacities related to knowledge and the willingness to change.

Building up and maintaining these capacities requires local action as well as support from national or European initiatives. A review of existing support schemes shows there is a lack of knowledge on the specificities of small urban areas and their needs. Furthermore, very few support schemes are tailored to small urban areas. Although most EU funding schemes are applicable for small urban areas, they often are considered to overburden constrained local administrations.

To manage the transitions ahead and avoid being left behind, small urban areas need to boost administrative capacity to shape their transitions and develop long-term perspectives. This requires addressing handling demographic change. It requires strengthening thinking and decision making in terms of functional areas and intermunicipal cooperation. We also need more knowledge on the development and transition specificities of small urban areas in Europe, both in terms of comparable European wide insights, as well as bottom-up citizen-science based insights. Most of all, administrative and political capacity building in small urban areas needs to be strengthened. Small urban areas need more empowerment concerning their capacities to mobilise people and resources, to collaborate, to navigate under uncertainty and to punch above their weight. Depending on the national government and governance system, different capacities need to be supported in different formats. In addition, funding opportunities for small urban areas are needed, considering their needs and using simplified procedures acknowledging their administrative constraints.

Supporting small urban areas to boost their capacities can help them to remain attractive places, which plays a role in Europe's settlement pattern. To ensure cohesion in Europe and avoid small urban areas turning into left behind places, their capacity to proactively master societal transitions needs to be boosted.

Given the diversity of small urban areas as well as their national and territorial context, this report does not hold all the answers. It mainly looks to stimulate forward thinking and foresight processes on future-wise small urban areas. Factors which shape transitions and change, as well as the capacities of small urban areas to act need to be discussed. In that sense, this report can be a first steppingstone for a broader foresight process.

Introduction

Small urban areas are an important part of Europe's territorial, social and economic fabric. They include approximately 14,000 municipalities and are home to some 43% of people in the EU.

They are often overlooked in policy making as they fall between the policy debates on metropolitan and rural areas. Furthermore, they are enormously diverse and most of them are not just single municipalities but rather functional areas. Some are thriving vibrant places, others are an agglomeration of smaller places, and yet others risk becoming places left behind. Also, their spatial contexts vary considerably. This ranges from areas located in the shadow or vicinity of major urban agglomerations, to those far from other urban areas and thus serving as a regional centre to a wide rural hinterland, as well as small urban areas which are close to other small urban areas which form the backbone of a polycentric regional network.

Small urban areas are important for Europe's green and digital transition and recovery from the COVID-19 pandemic. Still, there is a considerable lack of information on what the transitions and recovery mean to them.

The diversity of small urban areas in Europe and their abilities to prepare for desirable futures point at a twofold foresight need. First, foresight processes on possible deveopments need to be place-specific. Second, small urban areas must have the capacities and empowerment to take decisions with which they actively can shape their futures. Therefore, we focus on foresight as integral part of policy making and the capacities to act, i.e. which capacities of small urban areas need to be strengthened to enable them to think forward and act accordingly.

How can small urban areas shape their green transition processes and what capacities do they need and have for this? This report casts some light on this.

Chapter 1 provides a quick recap on the understanding and definition of small urban areas, to clarify what we are talking about.

Chapter 2 provides a quick introduction to some of the major characteristics and societal transitions small urban areas have to handle. This ranges from demographic change to digital and green transitions and recovery from the pandemic. Small urban areas have to respond to the transition opportunities and challenges to avoid being left behind while Europe transforms.

Chapter 3 looks at the abilities of small urban areas to act on these transition and recovery processes. The chapter discusses the capacities needed to mobilise

people and resources, navigate under uncertainty and punch above their weight. Small urban areas have some of the capacities required, but some seem not to use their full potential and some lack the capacity to proactively approach the transitions.

Chapter 4 provides insights on support schemes boosting the capacities of small urban areas. Mainly it looks into available EU policy instruments which can help boost capacity and improve their ability to shape transition processes and thereby their future. A quick review highlights gaps in the system, when looking through the lens of small urban areas.

Chapter 5 engages with different possible futures where small urban areas receive support to improve their capacities to act and actively shape their demographic, green and digital transitions as well as their recovery from the pandemic.

Finally, chapter 6 provides some key conclusions.

Given the diversity of small urban areas and their national governance context, all this certainly can only be a first stepping stone for a broader foresight process.

1 Defining small urban areas

Europe's urban pattern is characterised by a substantial number of relatively small cities. About 70% of Europe's population lives in urban areas. About 66% of Europe's urban dwellers reside in areas with fewer than 500,000 inhabitants. This is considerably more than in other parts of the world. (ESPON, 2014)

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 5,000 to 50,000 inhabitants and a density above 300 inhabitants/km^2 that are not considered High Density Urban Clusters (HDUC) according to the Degree of Urbanisation for Local Administrative Units (DEGURBA)[1]. (ESPON, 2014)

Looking at small urban areas and considering LAU1 for most countries as a proxy for municipalities – with exceptions for Bulgaria, Denmark, Ireland, Lithuania and Portugal where LAU2 data has been used – some 15% are small urban areas with 5,000 to 50,000 inhabitants. These are home to about 43% of the EU's population (see Table).

Table 1.1   Local Administrative Units by population size 2017/8

Population class	Municipalities		Population	
	No.	%	No.	%
1 - 5,000	78,314	83.7%	81,209,487	18.2%
5,000 - 10,000	7,072	7.6%	49,537,665	11.1%
10,000 - 20,000	4,211	4.5%	58,659,632	13.1%
20,000 - 50,000	2,799	3.0%	84,755,887	19.0%
50,000 - 100,000	744	0.8%	50,915,506	11.4%
> 100,000	445	0.5%	122,039,038	27.3%
Total	**93,585**	**100.0%**	**447,117,215**	**100.0%**

*31 municipalities missing data

Source: Spatial Foresight, based a) Eurostat validated databases on Local Administrative Units (LAU) available at: https://ec.europa.eu/eurostat/web/nuts/local-administrative-units b) Bundesinstitut für Bau, Stadt und Raumforschung (BBSR) Spatial Monitoring Europe study (Raumbeobachtung Europa des BBSR) which relies on data from National Statistical Offices and BBSR recalculations. Eurostat data sources has been used for all European countries except Portugal, for which BBSR source has been preferred.

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

Figure 1.1   Prevailing population settlement type in the European Union
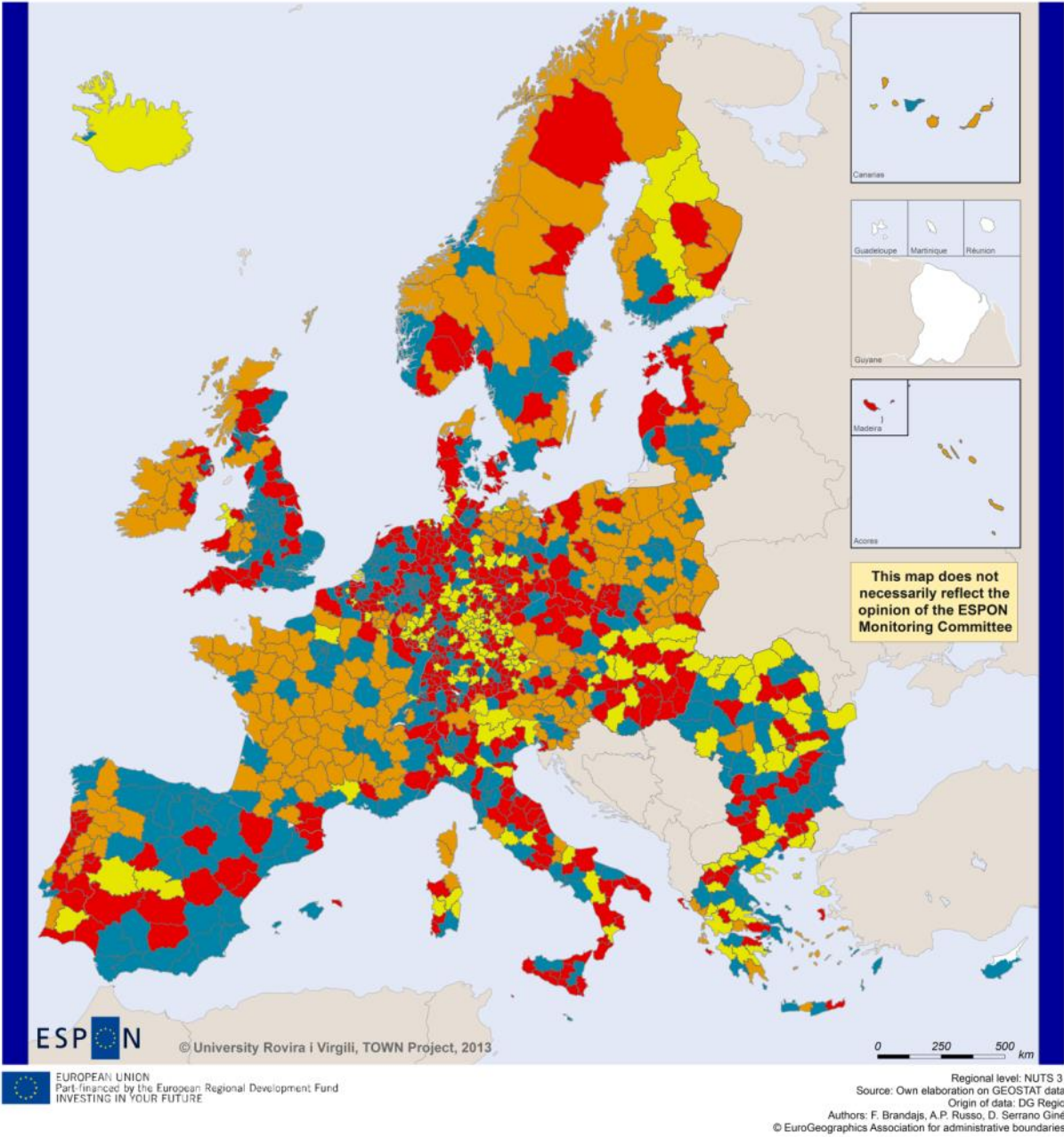
Prevailing population settlement type

- High Density Urban Clusters as the prevailing type of population settlement
- Small and Medium Towns as the prevailing type of population settlement
- Very Small Towns as the prevailing type of population settlement
- Other population settlements as prevailing type

Source: ESPON (2014)

Areas with a population density over 300 inhabitants/km^2 but less than 5,000 inhabitants, do not qualify as small and medium-sized urban areas. They are considered very small towns.

Table 1.2: Criteria for settlement types in ESPON TOWN

		DENSITY criterion (inh. / km2)		
		< 300	> 300 and < 1500 km2	> 1500 km2
POPULATION threshold (inh.)	under 5,000	OTHER SETTLEMENTS	VST (very small town)	VST (very small town)
	Between 5,000 and 50,000	OTHER SETTLEMENTS	SMST	SMST
	over 50,000	OTHER SETTLEMENTS	SMST	HDUC (high-density urban clusters)

Source: ESPON TOWN 2014

A territory with a population density of less than 300 inhabitants/km^2 is defined as other settlement types and includes unpopulated areas, very low-density urban sprawl, or settlements that are too sparsely populated to be considered as very small towns.

The ESPON TOWN project shows that almost half the EU population does not live in a metropolitan or heavily urban area, but rather in smaller settlements that are strongly embedded in their local environment and surrounding rural area. Almost 25% of the ESPON area population lives in the three groups of small and medium-sized towns defined in this classification. (ESPON, 2014)

The scope of the TOWN project builds on the conceptual framework of the earlier ESPON project SMESTO – The Role of Small and Medium-Sized Towns, which outlined three basic approaches to the definition and identification of towns (ESPON, 2006):

- Morphologically, a town or urban settlement is a compact built-up area with a minimum concentration of population;

- Administratively, a town or urban municipality is a territorial unit of local government that contains one or more urban settlements;

- Functionally, a town or urban centre is an urban settlement or urban municipality with a concentration of jobs, services and other functions that serve other settlements in its hinterland. The town or urban centre acts as the core of an urban (functional) region, which is a larger area forming a socio-spatial system integrated by functional inter-relations.

The relationship between these three approaches makes the conceptual analysis of the project complex. Whereas many towns (as defined by their morphological boundaries) remain within a single municipal area, it is also clear that a continuum of settlements can extend across several municipalities, causing administrative unit reforms in some national or regional contexts.

An example of a national typology of 'urban' is provided by the Federal Office for Building and Regional Planning (BBSR) in Germany. The definition is based

on the municipality population and its central function according to federal-state planning (BBSR, 2021):

- A 'small town' ('Kleinstadt') is a municipality with 5,000 to 20,000 inhabitants or at least a basic central function with a medium central partial function (i.e. it covers the daily demands and needs of the population for various infrastructure, e.g. education, health and commerce).

- A 'medium town' ('Mittelstadt') is a municipality with 20,000 to 100,000 inhabitants or at least upper-central functions.

- A 'large city' ('Großstadt') is a municipality with at least 100,000 inhabitants, mostly with an upper-central function, but at least with a medium-central function.

Beside the size of an urban area, its spatial relationship to other municipalities is crucial. This study uses a definition that encompasses the size of an urban area and its territorial pattern in the context of its surroundings, so a small urban area:

- has between 5,000 and 50,000 inhabitants,

- provides services of public interest not only for the people living in the municipality, but also in its hinterland,

- is territorially characterised by the relations to other places (see the following figure). Its spatial position can be (ESPON, 2006, p. 61)

  - part of an agglomeration: within or at the fringe of a large agglomeration, or part of the functional area of a major city,

  - member of a network: an element in a network of several urban areas of similar size facing synergies and competition between themselves,

  - isolated: as a pole and centre in a rural area.

Figure 1.2 Different types of small urban areas characterised by the relations to other towns
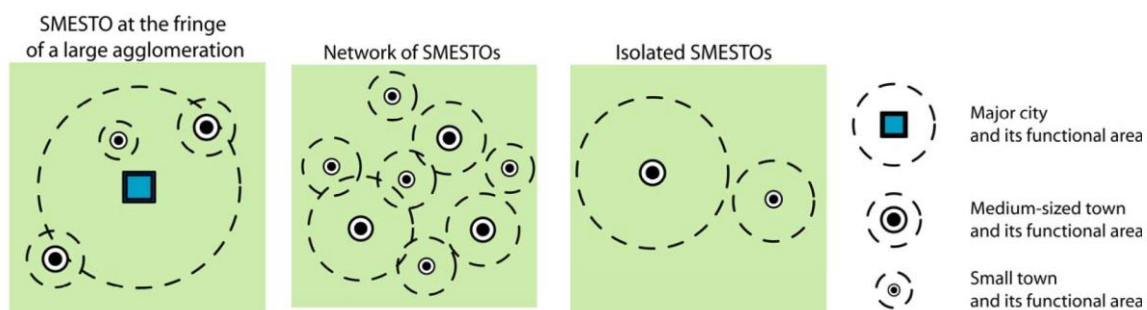
Source: ESPON (2006, p. 61)

10

2 Societal transitions and small urban areas

The European Union finds itself in a time of transitions. Among the major ones are demographic change, climate change, digitalisation and recovery including ambitions for a transition towards more resilience. All these come with highly diverse impacts for the development of places in Europe. Indeed, there will be winners and losers and smaller places could be left behind.

Demographic change, including aging and decline in large parts of Europe, will change places in the years to come. Climate change and environmental challenges are existential threats, while a shift to digital sovereignty is unavoidable. At the same time, recovering from the COVID-19 pandemic will signify the first steps towards getting back to growth and development.

The 8th Cohesion Report of the European Commission also highlights the need for green and digital transition by 2050. Ensuring a fair transition for all and strengthening resilience across EU territories are priorities.

Small and medium-sized cities are affected by these transitions. Therefore, an understanding of what we mean by green and digital transitions, as well as recovery prospects across the EU is necessary. There are two ways of approaching this. One, is to get the policy perspective. The other is to look at a number of strategies focusing on urban areas, to distil what themes relating to those transitions are important.

Although the text discusses the transitions one by one, they are very much interlinked and influence each other. The green transition is a cornerstone for future development, the digital transition is a vital component for, among others green transition. The resilience facility supports both the green transition, by highlighting 'no significant harm', i.e. funding actions that do not harm the environment, and also supporting the digital shift in all EU territories. Coordinated actions and complementarities among the three, may bring maximum results to completely transform the economic and social system as we know it.

In addition to the large societal transitions there are a multitude of development trends and features specifically for development and planning in small urban areas. Addressing these in detail goes beyond the scope of this report. Therefore, the text box with an example of urban development challenges in Sweden stands as example for a rich body of specific local development trends.

Urban development challenges in Sweden

Boverket, the Swedish National Board of Housing, Building and Planning has collected a series of trends relevant for urban development in Sweden.[2] The focus is largely on 'urban station societies' of the future - with people at the centre.

Most urban areas in Sweden are considered small urban areas in a European context. Among the more specific trends are increasing urbanisation, sustainable living environments in and around urban areas, sustainable development of small towns and sparsely populated areas[3], sustainable building, higher education as a driver for regional economic growth, long-term planning & short-term action, development of the hospitality sector, international rail connections for people and goods, more public transport, energy security, clean water, urban nature, beaches and agricultural land.

2.1 Demographic transitions

Europe faces major demographic transitions in the coming decades. Small urban areas may be at the forefront of the demographic changes ahead, i.e. aging and risks of demographic decline.

Small urban areas are heterogeneous. Depending on their location, territorial context and economic and labour market structure, they have completely different characteristics and challenges. Structural and high-performing small urban areas are often located in the vicinity of large cities or are vital basic or medium-sized centres in their respective regions. With their economic strength, they have a high quality of life and positive urban development, often with a growing population. Economically weak and often shrinking medium-sized and small towns are often located in peripheral rural areas outside economically strong regions and suffer from a structural crisis triggered by economic decline. (Portz, 2011)

A significant factor for population development in small towns is their location. In Germany, for example, while central and very central small towns have recorded an average increase of 15 to 19% since 1990, small towns in very peripheral locations have lost between 14 and almost 21% of their population.

The demographic change is has two trends, (a) total loss of population ('shrinking') and (b) increased share of older people with a decrease for younger people ('ageing').

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[2] https://sverige2025.boverket.se/

[3] https://sverige2025.boverket.se/utveckla-smaorter-och-glesbygd-hallbart.html

In 2020, 34% of the EU population lived in a shrinking region. Rapid reductions in population are more likely in rural than in urban regions (11% against 1%). Projections for the future are that more regions will shrink. In 2040, some 51% of the EU population are expected to live in shrinking regions. (European Commission, 2022)

Figure 2.1 Population by type of demographic change by urban-rural typology, 2010-2040
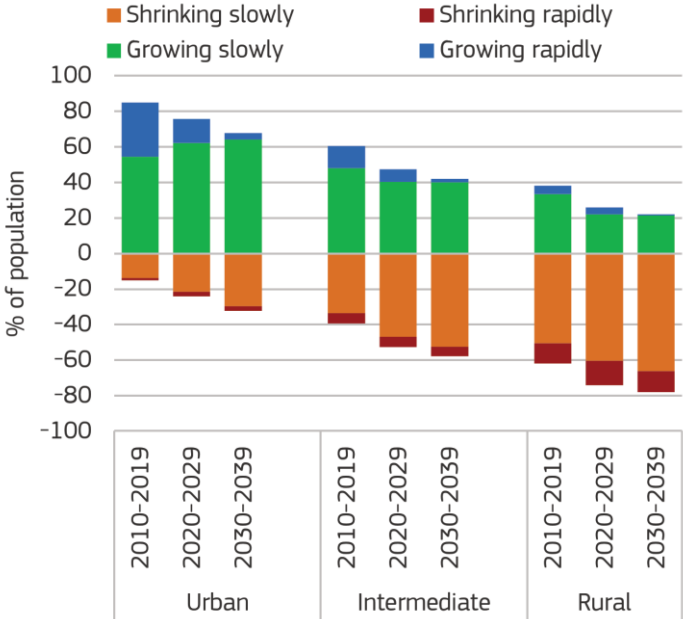
Source: European Commission (2022)

Small urban areas will be affected by the overall decreasing population differently depending on their territorial setting. As part of a growing or at least stable agglomeration a small urban area could benefit from the overall positive trend for the large core city.

An isolated small urban area in a shrinking rural region is far more challenged by the decreasing population. Nevertheless, the latest trends show that migration flows, even in shrinking regions, mean that urban cores are stable or even growing. Young families especially move within a peripheral rural region, from rural areas to the urban node, which offer better services of general interest such as schools, childcare, medical specialists, etc.

All regions will have to adjust to an ageing population with more people over 65 and a shrinking working age and younger population with severe consequences (European Commission, 2022):

- A reduced working-age population (aged 20-64) weakens growth potential and skills development, while favouring the concentration of economic activities in fewer locations. This could lead to labour market shortages.

- An increase in the population aged 65 and over is likely to lead to increased demand for healthcare, facilities will have to adapt their infrastructure and services to make them more accessible to people with limited mobility, and increase the capacity of healthcare services.

- Large reductions in the number of young people are likely to lead to fewer schools, which may lead to longer distances to the closest school.

These trends apply to rural as well as urban municipalities. However, regional migration flows mean urban areas can attract younger families, reducing the 'ageing trend'. Some larger cities are already growing due to positive birth rates.

Relevant trends

- Ageing;

- Regional, domestic intra-EU and global migration;

- Land abandonment;

- Urbanisation;

- Smart shrinkage.

Shrinking places often need support to take active ownership of their future. They also need a debate on how develop positive future prospects. This includes funding to ensure the provision of services of general interest, adjusting infrastructure to changing demand and increasing attractiveness.

However, financial support is only one component of a policy that effectively supports 'smart shrinking' and/or the stabilisation or reversal of negative demographic trends. Other aspects are equally important:

- High quality government and governance is important for local and regional development. It is of particular importance in areas facing development challenges – such as shrinking places – otherwise even increased financial support will not help. Thus, support to improve the quality of governance and government can be essential.

- Good governance and government also require the capacity to approach change and decision-making processes. It also requires knowledge on

alternative future pathways, funding opportunities, and the complexity of designing future-wise investments in the context of demographic decline. Therefore, capacity building is important for the outlook of shrinking areas.

- Developing positive outlooks for shrinking places, requires a shared local vision for a desirable future in the light of shrinkage. Smart shrinkage could be one way forward. In any case, support for processes leading to long-term visions shared by key players (and citizens) in a shrinking area can make a difference.

Examples of demographic transition tasks in small urban areas

- Avoiding a vicious circle of demographic and economic decline.

- Invest in solutions to ensure the provision of services general economic interest.

- Invest in desirable future perspectives for shrinking places, requiring a shared local vision for a desirable future in the light of shrinkage.

2.2 Climate change/green transition

Green transition regards the shift towards an environmentally friendly economic model, addressing climate change consequences.

Climate change is a global phenomenon that largely impacts (urban) life. Scientists see an increase in global temperatures of 2°C relative to pre-industrial times as the threshold above which there is a very real risk that dangerous and possibly catastrophic changes in the global environment will occur. Rising global temperatures cause sea levels to rise, increase the number of extreme weather events such as floods, droughts and storms, and increase the spread of tropical diseases. Numerous heatwaves have led to a lower quality of live in cites and an increase in heat-related fatalities. Even if the phenomenon of heat islands will mainly challenge larger cities, the development of green infrastructure, the design of public places, rainwater management in case of heavy rain will have costly impacts on public expenditure in small urban areas.

At the same time, cities are a key contributor to climate change, as urban activities are major sources of greenhouse gas emissions. Estimates suggest that cities are responsible for 75% of global CO2 emissions, with transport and buildings being among the largest contributors.[4] In the EU, greenhouse gas emissions already dropped by 24% between 1990 and 2019. However, significantly more efforts will

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[4] https://www.unep.org/explore-topics/resource-efficiency/what-we-do/cities/cities-and-climate-change

15

be needed to reach the new 2030 target of -55%, as part of the 'Fit for 55' package (European Commission, 2022).

Renewable energy sources play an increasing role in the production of energy in the EU. The share of renewables in the consumption of energy rose steadily from 11% in 2006 to 19% in 2018. As part of the 'Fit for 55' package, the European Commission set the target of reaching a share of 40% for renewables in energy consumption by 2030. To reach this target, the share of renewables would have to double compared with the levels of 2018 (European Commission, 2022).

In that respect, the EU green transition aims to turn the challenge of climate change into an opportunity for adjusting to a new economic model and lead the way to prosperity. This is translated primarily into the Green Deal policy, which aims at achieving climate neutrality by 2050 in the EU. This involves clean, affordable and secure energy, mobilising industry towards these goals, expanding to building and renovating, shifting towards sustainable mobility, moving to sustainable agriculture practices and preserving ecosystems and biodiversity. (European Commission, 2019). The EU Green Deal encompasses actions on climate, energy, agriculture, industry, environment and oceans, transport, finance and regional development, research and innovation, making it a wide and holistic policy approach towards the green transition.

The EU Green Deal is not the only policy framing the green transition in the EU. The EU circular economy action plan, which is a key component of the EU Green Deal, supports the reuse-recycle-reduce concept for more sustainable use of resources, more sustainable product design and less waste (European Commission, 2020b). Furthermore, policies around more sustainable energy, such as the hydrogen strategy, methane strategy and offshore renewable energy strategy also point to the need for more sustainable and green solutions. The EU Green Deal and its implementation brings substantial changes in all EU territories, with the risk that not all may be ready to adjust to the same extent. To better address these changes and the challenges they pose, an additional mechanism, the Just Transition Mechanism and the accompanying Just Transition Fund, has been set up to ensure that the transition towards carbon neutrality will happen in a fair way for all people, leaving no place or person behind. The Just Transition Mechanism addresses the social and economic aspect of the transition, through the Just Transition Fund, the InvestEU Just Transition scheme and the new public sector local facility. These all financially support regions, industries and people facing the greatest challenges of the green transition.

An important initiative towards the green transition, also under the EU Green Deal, is the Renovation Wave strategy, which concerns the renovation of public and private buildings across the EU to address energy poverty and achieve energy

efficiency, while promoting the decarbonisation of heating and cooling, a key energy consumption element (European Commission, 2020a).

Besides the proposals for greener and more efficient transport, through rail connections and smart and sustainable TEN-T, the new European Urban Mobility Framework aims at offering cities a toolbox for sustainable mobility through stronger public transport networks, more attractive options for active mobility, zero emission urban logistics and better mobility flows, more modern stations and multimodal terminals, park and ride facilities and mobility as a service options. This approach is more tailored to cities of different sizes, addressing other urban challenges, such noise or air pollution at the same time (European Commission, 2021a).

Other overarching territorial strategies endorse the green transition. The Territorial Agenda 2030 aims for a future of all places, supporting a green and just Europe, praising a healthy environment, circular economy approaches and sustainable connections (Territorial Agenda, 2020). Furthermore the New Leipzig Charter, advocates for green cities which protect their ecosystem services, support climate neutral energy supplies, sustainable resources and sustainable urban mobility systems (New Leipzig Charter, 2020).

Overall, there are different drivers and enablers to achieve the overarching goal of green transition. First, there is a strong commitment from the policy side, with all EU policies aligning towards the green transition overarching goal and embedding the green transition.

In addition, the green transition is coupled with the digital shift in the EU. New technologies are used to support the green transition, such as smart solutions for transport, smart buildings, technological innovation for cleaner energy and smart agricultural practices.

From a territorial perspective, cities are places where 'things happen'. They can be drivers for change and policy implementation, functioning as a testbed for good practices. Cities, from big metropolitan areas to small and medium-sized cities have the critical mass to be frontrunners in the green transition.

However, different elements may hinder this shift. On the one hand, it is a process that takes time and needs resources and capacities at different levels. Deciding on the right investments and resources to allocate to each and designing them are the first key necessary steps. Furthermore, the question is what options are available for different investments in different territories and what can be offered as alternative options when shifting towards greener solutions.

Urban areas, including small urban areas will substantially contribute to climate change mitigation by reducing the greenhouse gas output through the transformation of energy use in public and buildings enabling urban heating and electricity production based on renewable energy. This will call for a substantial change in energy supply infrastructure and building standards to enable renewable energy production in the city. Furthermore, urban and regional mobility needs to move from fossil fuels towards renewable energy. This will require a change in the organisation of public and private transport as well a change in land use patterns to reduce urban sprawl.

Relevant trends

- Climate change consequences;
- Air and water pollution;
- Land and marine biodiversity loss;
- Increase in clean energy demand;
- Increased bioeconomy approaches;
- Circular economy approaches;
- Sustainable mobility needs.

Lack of awareness raising, as well as a lack of strong social support to counterbalance the consequences of the green transition, may challenge the changes taking place. Although the green transition is coupled with just transition, both must operate in balance and be coordinated.

Looking at the overall picture, the green transition is an epic policy to turn the tide and change the current economic model, the future growth path of the EU and the current mindset of people. This overarching policy is a game changer in itself. It gives the EU a strong role and responsibility to turn climate neutral and substantially change its economic and growth model. This will turn the current system upside down

Examples of green transition tasks in small urban areas

- Invest resources towards green actions, circular economy efforts, energy efficient buildings, improved waste management.

- Mobilise citizens and raise awareness for environmentally friendly actions.

- Support green transition actions when it comes to mobility, invest in greener transport and more public transport opportunities, cycling lanes and multimodality.

2.3 Digital transition

Digital transformation is inevitable in today's world and particularly in the aftermath of the COVID-19 pandemic developments related to digitalisation have accelerated. Under the transformation, a shift towards digital solutions for people in the EU, opening up new business opportunities, developing trustworthy technology, fostering an open and democratic society and sustainable economy, as well as supporting the green transition is underway.

The aim of the digital transition is to develop a prosperous digital future. For the digital transformation the '2030 Digital Compass: the European way for the Digital Decade' policy gives the fundamentals for achieving the digital transformation. The Digital Compass identifies four key components towards this shift: 1) 'a digitally skilled population and highly skilled digital professionals', i.e. digitally empowering citizens that will build a digitally trustworthy society, 2) 'secure and performant sustainable digital infrastructures', i.e. high digital connectivity and good infrastructure, 3) 'digital transformation of businesses', i.e. through the use of digital technologies such as 5G, Internet of Things and Artificial Intelligence that may transform the economic ecosystem in different fields such as manufacturing, health, construction, agriculture and mobility, and 4) the 'digitalisation of public services', which focuses on ensuring accessible online services in relation to democratic processes (e-voting) and other public services such as telemedicine, multi-modal transport systems, emergency assistance, resource optimisation and others. (European Commission, 2021b)

Different actions support the transition, ranging from the actions on artificial intelligence, to the digital markets act and European chips act, as well as high performing computing, digital services, cybersecurity, connectivity, digital skills and others.

From a territorial perspective, policies designed for cities also reflect on the digital transition, such as the Leipzig charter, which sees digitalisation as a major and cross-sectoral element to influence the sustainable development of cities, being linked to urban mobility, energy efficiency, sustainable housing, as well as retail and public services. (New Leipzig Charter, 2020)

Different drivers influence the digital transition. The COVID-19 pandemic has accelerated technological developments. These regard both digital technologies becoming essential for businesses, people and governments (European Commission, 2021b). In addition, the digital transition is also integrated in other policies, among others, the EU green deal, smart agriculture and smart mobility. The inclusion of the digital and smart shifts in other policies makes this transition smoother and an overarching commitment for the future.

The digital transition is moving forward at different speeds across Europe. Basic broadband access is generally accessible across the EU, but very-high-speed connections are only available for 2 out of 3 city residents and 1 out of 6 rural residents. A digital coverage gap exists between metropolitan areas and peripheral regions (European Commission, 2022).

Many peripheral regions, including small urban areas, are currently competitively disadvantaged due to a lack of, or insufficiently powerful, internet connection. This means an important prerequisite to exploit development potential, securing or creating new jobs and reducing migration is missing. (ÖROK, 2021)

Whereas a small urban area in an agglomeration is usually connected to broadband, small urban areas in peripheral regions will require very-high-speed internet access to become a development core for the whole region. A powerful internet connection can stimulate the digital transformation and potentially compensate for location-based disadvantages of small towns in peripheral locations through location-independent actions and cooperation networks via the internet. (BBSR, 2021; ESPON, 2017)

Related trends

- More digital solutions;
- More biotechnology approaches;
- More robotisation, artificial intelligence, 5G, Internet of Things.

A lot of efforts need to be put into the investment side to develop adequate connections across the EU's territories that reduce the digital divide and increase speed, connectivity and affordability of digital connections. Furthermore, digital skills need to be further developed in EU citizens, as a large share remain digitally illiterate. Digital literacy will be a key driver. In addition, cyber and data security are essential in the digital transition.

The whole shift towards establishing digital solutions and their incorporation in daily life, is a game changer for the economic system in the EU. With technology developing rapidly, business, social services, governance and social life will change substantially. The adoption of revolutionary quantum technologies, faster and more efficient services are expected e.g. for health, cyber security and monitoring. The digital transition will bring a new state of play for the EU and the way it functions.

Examples of digital transition tasks in small urban areas

- Invest in the smart cities concept, implementing digital solutions to optimise connectivity, daily life and services.

- Explore possibilities to synchronise public services at municipal level, support e-governance for less public administration and digitalise services to make them more user-friendly for citizens.

- Support and finance actions for the digital literacy of citizens.

2.4 Recovery and economic transitions

The COVID-19 pandemic brought substantial changes in the EU, requiring a recovery process to return to growth. The Recovery plan for the EU aims at making the EU greener, more digital and more resilient.

NextGenerationEU is an ambitious instrument to restore the economic and social consequences after the pandemic, making the EU more resilient. The Recovery and Resilience Facility is the cornerstone of NextGenerationEU, making funding available for reforms and investments in EU countries. The Recovery and Resilience Facility is structured along six pillars, focusing on green transition, digital transformation, smart, sustainable and inclusive growth, social and territorial cohesion, health, economic, social and institutional resilience and policies for the next generation. The green and digital targets are key priorities for the Recovery and Resilience Facility which supports actions towards these transitions. (European Parliament and Council, 2021)

In addition to the Recovery and Resilience Facility, the Recovery Assistance for Cohesion and the Territories for Europe (REACT-EU) and additional funding for European programmes (Horizon 2020, InvestEU etc.) work in the same direction.

The ambition and commitment of the European Commission, as well as the quick establishment of the Recovery and Resilience Facility, are key drivers for EU recovery from devastating pandemic effects. In addition, synergies of the instruments and funding with other policies is key for better implementation and support of recovery measures.

Different hindrances may challenge the recovery process. Administrative capacity is necessary to manage the funds and their distribution, develop adequate plans and propose actions that contribute to the objectives of the instrument, ensuring that no double funding is distributed to the regions. Furthermore, the decision on making the right investments and infrastructures is also a challenge, as the Recovery and Resilience plans that each country needs to prepare have to be concrete and linked to other policies.

NextGenerationEU is a big bet for the EU to recover from the crisis. By itself it is an ambitious programme that aims to bring quick and substantial results and transform the economic and growth path of the EU. In accordance with other overarching policies, such as the green and digital transitions means the recovery is an even bigger process. A possible warning that may become a future disruption is the lack of local and regional level involvement in the design of the Recovery and Resilience Plans. Although the plans are targeted at different players and different levels, it seems they are largely or solely organised at national level, which may create a boomerang effect during implementation.

Related trends

- Increasing social inequalities;
- Increasing attention to wellbeing and quality of life;
- Insecure post-pandemic economic growth.

Small urban areas that cannot participate in the growth of a linked agglomeration, in particular, face different trends in economic restructuring. One of these is the continuous decrease of the agricultural workforce and considerable change of agricultural structures towards less, but much bigger farms.

Industry in Europe is likewise in transition. Numerous technical, social and institutional innovations have led to a surge in globalisation since the beginning of the industrial revolution, which has accelerated again in the last 30 years. The median globalisation index (the extent of globalisation) rose from 44 to 64 points between 1990 and 2016 (Weiss, Sachs, & Weinelt, 2018). For some industries, there is worldwide competition.

The concentration of workplaces and companies in large urban agglomerations is an on-going phenomenon. A consequence of these macro-scale processes and the spatial re-organisation of economic activity, has been a decline in traditional extractive or manufacturing activities and industries (ESPON, 2020). Whereas towns and villages near a successful functional centre, grow faster and have a more specialised economy and more functions, pre-existing locational disadvantages mean isolated small urban areas have to fight to keep industries and workplaces in their area.

Examples of recovery tasks in small urban areas

- Support social inclusion projects and actions, for vulnerable groups or citizens in need.

- Support small and medium-sized enterprises in their territory to recover from the pandemic, by supporting local markets and giving incentives to citizens and enterprises.

- Invest in administrative capacity to absorb funds and distribute them to projects or contribute in addition with own funding.

2.5 Left behind places and the geography of discontent

Small urban areas are also challenged by the existing paradigm of regional development policy. Over the past couple of decades, cities have been identified as key engines of economic growth and innovation by academics, governments and international economic organisations. The underlying argument was that the geographical agglomeration of economic activity in cities fosters innovation and productivity gains, as concentrations of firms and skilled workers generate knowledge spillovers (MacKinnon, Kempton, O'Brien, Ormerod, Pike, & Tomaney, 2022, p. 43).

High support for big cities recognised them as drivers of territorial innovation producing spill-over effects for their hinterland. Small urban areas outside agglomeration areas dominated by a large city received less attention and less support for development activities as they were perceived as having low potential for development. It was accepted and intended that disadvantaged people in lagging regions would move to more prosperous areas to access economic opportunities (World Bank, 2009).

Small urban areas in the periphery often risk being left behind places. They are challenged by declining provision of services of general interest, degradation of natural spaces, abandonment of settlements, weakening local identity, deteriorating material and immaterial cultural heritage and a decrease in local governance structure and capacity (ESPON, 2020). There are increased territorial inequalities. This created a geography of discontent that has led to a stronger focus on just and fair regional development (ÖROK, 2021; Territorial Agenda, 2020).

3 The capacity of small urban areas to manage transitions

A discussion on how small urban areas can proactively shape their futures, needs to engage with prospective forward thinking. Understanding small urban areas needs to consider their characteristics and challenges, shifting framework conditions and in particular their capacity to act.

In addition to general development challenges of cities such as affordable housing, sustainable mobility, provision of services of general interest, demographic change, urban health, social segregation, environmental footprint and climate action (European Commission & Joint Commission Resources, 2019), the green and digital transitions as well as recovery from the pandemic bring extra challenges. These are incredients of a foresight process for small urban areas.

Traditionally foresight is understood as a future-oriented approach characterised by (a) critical, lateral thinking concerning long-term developments and their impacts on territorial development, (b) wider participatory engagement and (c) informing public and/or private decision making. Territorial foresight provides a framework to support people concerned with a common issue to jointly think about possible futures and its territorial consequences in a structured and constructive way. As foresight process it provides various tools to support participants in structured forward thinking. (Böhme, Lüer, & Holstein, 2020)

Beyond this rather analytical understanding of foresight, foresight can also be an integral part of policy making. In these cases, foresight goes beyond structured thinking about possible future developments. Foresight is also about capacitating and empowering decision and policy makers to take future-wise decisions, i.e. enable them to act and proactively shape their futures.

The diversity of small urban areas in Europe and their abilities to prepare for desirable futures point at a twofold foresight need. First, foresight processes on possible deveopments need to be place-specific. Second, small urban areas must have the capacities and empowerment to take decisions with which they actively can shape their futures. Therefore, we focus on foresight as integral part of policy making and the capacities to act, i.e. which capacities of small urban areas need to be strengthened to enable them to think forward and act accordingly.

Figure 3.1 Factors influencing transition & competences needed
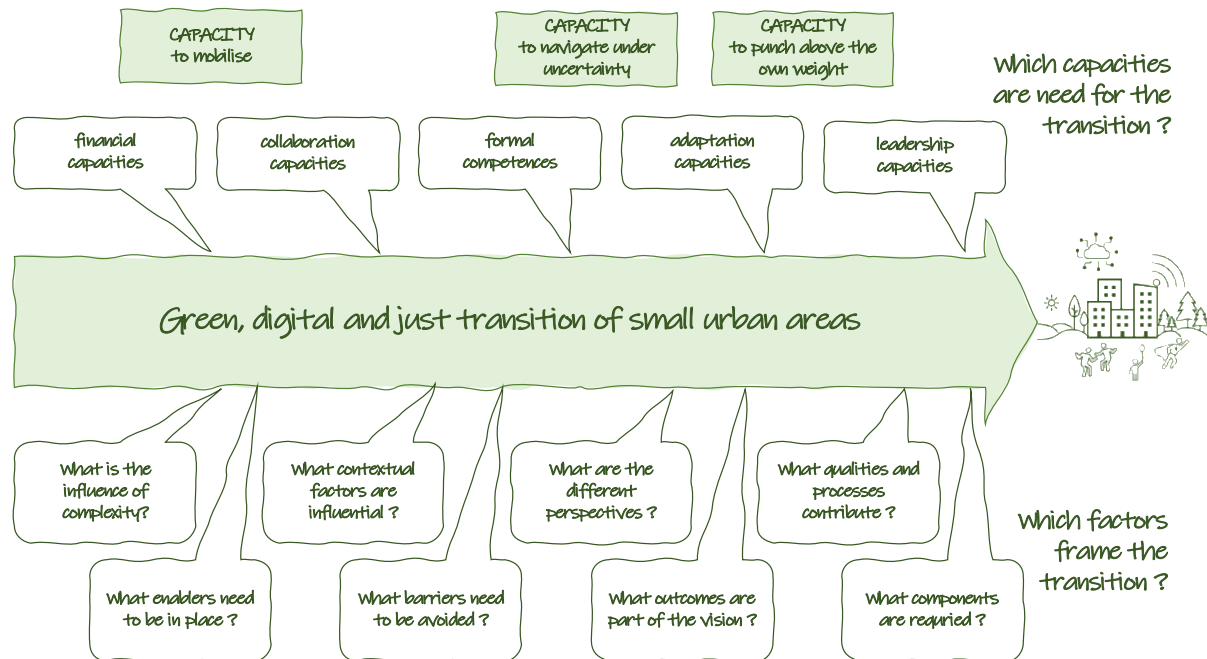
Source: Spatial Foresight (2022), inspired by European Environmental Agency (2021, p. 17)

Stimulating forward thinking and foresight processes on future-wise small urban areas requires relevant players in small urban areas to discuss the factors which shape transitions and change, as well as the capacities of small urban areas to act (see Figure 3.1). To ensure constructive results, this needs to be done in a structured and systematic manner.

The following sections dwell on the question which capacities small urban areas need to face overall trends and transitions.

The underlying rationale is that (a) urban areas are import for the European territorial structure and socioeconomic cohesion, and (b) future-wise small urban areas must be resilient and able to shape their future. This implies also the capability to ensure continuity of services and attractiveness for people and businesses throughout changes or disruptions. (European Commission & Joint Commission Resources, 2019, p. 123)

To address local development challenges and proactively approach the green and digital transitions as well as demographic change, requires the **capacity to act**.

This means the **capacity to mobilise** people and resources to develop and implement strategies and ideas. In times of crises, transitions or abrupt changes, it also requires the **capacity to navigate under uncertainty**. In particular for smaller places this usually also means the **capacity to 'punch above their weight'** to make things happen rather than following a 'laissez-faire-approach'.

In more practical terms, these capacities can be broken down into concrete formal and informal capacities (see also Figure 3.2). In short, we distinguish five lenses to see different capacities:

- **'Mobilising resources'** focuses on financial capacities including their own financial resources and access to external financial resources.

- **'Legal'** focuses on their decision-making power and their formal competences or capacities in a multi-level government system.

- **'Mobilising people'** focuses on their collaboration capacities including the capacity to mobilise local players, as well as the ability to collaborate with neighbouring municipalities or join forces with other small urban areas fighting similar issues.

- **'Punching above their weight'** connects the collaboration capacity with leadership capacity. This involves local leadership as well as agile local administrations.

- **'Navigating under uncertainty'** goes one step further in addressing adaptation capacities which are of particular importance to resilience and transformation. This involves capacities related to knowledge and the willingness to change.

The various capacities will be further discussed in the following sections.

In addition to the above capacities, strong local identities can also be important drivers to mobilise capacity (ESPON, 2014). This includes focussing on citizens and their expectations concerning quality of life, housing, community feeling and living conditions. With a view to demographic change, the involvement of children and youth and their view on quality of life in an area deserve particular attention (BBSR, 2019).

Having spelled out the capacities needed the question is how much capacity do small urban places in Europe have. The general impression is that many small urban places in Europe have insufficient capacity to meet the challenges and transformations ahead. However, the diversity of small urban places, their territorial contexts (see chapter 1) and their formal competences demand place-based answers to this question.

Providing specific answers for some 14,000 small urban areas would require a far-reaching research programme. However, based on literature research, the following sections offer a first flavour of diverse answers.

Figure 3.2   Small urban areas' capacity to act

small urban areas' capacity to act

'punching above the own weight' lens

navigating under uncertainty lens

mobilising people lens

mobilising resources lens

legalistic lens

CAPACITY to navigate under uncertainty

CAPACITY to mobilise

CAPACITY to punch above the own weight

Leadership & adaptation capacities

local 'leaders'

knowledge

agile local authority

willingness to change

local co-operation

future-wise small urban areas

own financial resources

collaboration capacities

financial capacities

co-operation with nearby areas

access to external financial resources

co-operation with other small areas

multi-level co-operation

decision making power

formal competences

Source: own elaboration

3.1 Financial capacity

Financial capacities relate to the financial resources available to take action, mobilise people, investments, etc. This can concern own financial resources or the ability to mobilise financing from other sources (EU cohesion policy, national funding, private partnerships, etc.). Financial capacity can also concern the ability to get funding or loans for urban renewal, the transformation of brown fields or investments in local retail, public spaces and the transition of urban landscapes (Caisse des Dépôts Groupe, 2019). Financial resources are required for digital infrastructure, intelligent and secure interconnections between digital services in the city, e-governance and digitalisation of administration, user friendly e-service offers, and the development digital local participation (Hans, Böhme, Faber, & Sauerhöfer, 2017).

An urban areas' financial capacities are decisive for its capacity to act. Strong fiscal autonomy and financial leeway raise the possibility for urban areas to steer their development. Centrally imposed constraints can risk making local self-administration pointless (Kuhlmann, Dumas, & Heuberger, 2020). For small

urban areas, financial capacity is largely framed by two factors, the national system for local financing and size of the urban area.

National system for local financing

Across the EU local financial autonomy varies substantially. This means the share of local government's own tax revenue and the share of state allocations in total local government revenue (including financial transfer mechanisms between municipalities) Kuhlmann et al. (2020). In general, local governments in Nordic countries have rather high financial capacity, while Anglo-Saxon countries have rather less fiscal autonomy and limited scope for shaping local affairs. Eastern European local governments also generally have limited own tax revenues and financial leeway.

In more concrete terms, tor the capacity to generate local income, local governments in Sweden enjoy the highest degree of autonomy with own revenue making up some 68% of local government revenue. Own revenue accounts for around 50 and 36% of local government revenue in France and Italy respectively. This gives their local governments more fiscal autonomy than their counterparts in Germany (23%), Poland (20%) and Hungary (13.5%). For access to state allocations, Swedish and French local governments have the least with only 30% of their budgets allocated by the state. This goes beyond 50% in Poland and Hungary. (Kuhlmann et al., 2020)

Size does matter

While the variation in national financing systems is not related to the size of municipalities, size often does matter to financial capacity. Depending on the financing system, possibilities to lever own income or state transfers often depend on the number of inhabitants or enterprises in an area. Smaller places often risk not being able to mobilise sufficient finance for their tasks. As pointed out in the 8th Cohesion Report (2022), relative to population size, the number of services offered in small urban areas is typically higher than in large cities. For small urban areas, this risks leading to costly tasks linked to urban functions and services often serving more than their own citizens and business but with low access to financial resources. The lack of financial resources and incentives for small urban areas to assume responsibility for their development has also been pointed out in France (Caisse des Dépôts Groupe, 2019).

Looking in more detail on some features of digintalisations, e.g. user friendly e-governance solutions for citizens and enterprises do not vary much depending on the population size. This is illustrated by the Smart City concept, using technological solutions to improve the management and efficiency of the urban environment. This concerns a wide range of urban services and infrastructure

including integrated infrastructure and processes for transport, energy, water and waste management. The Smart Cities solution concerns the management of resources like energy or water to monitor and reduce local traffic and pollution, or work towards greener ways to light and heat buildings. This advocates interactive and responsive city administrations, citizen engagement in decision and policy-making, safer public spaces and meeting the needs of an ageing population and people with disabilities. All this requires financial resources to invest in infrastructure, technical solutions, implementation, maintenance and management. So far most of the discussion and research on Smart Cities has been on technical solutions, especially for big cities, while the challenges and potential to invest in solutions for small urban areas are often not considered (Steinführer, Porsche, & Sondermann, 2021). To illustrate a few of these points, the textbox contains examples of the digitalisation discussion with small cities in Luxembourg in 2017.

eGovernance and digitalisation of administrative processes

In light of the need for a digital transition, city administrations need to keep pace by digitalising their processes. This applies to interactions with citizens and to internal processes. The following objectives have been identified by the Luxembourg Urban Policy Platform (CIPU):

- Full digitalisation of administrative procedures that have so far only been carried out on paper to render them faster, more efficient, simpler and environment friendly (paperless).

- Providing one-stop-shops (point of single contact) for citizens when interacting with administrations. All administrative procedures should be available online for the end-user, preferably on one portal. Cross-linking municipal and national administrations is key.

- Citizens must be able to trace the administrative procedure. This increases the transparency of procedures.

- Constant reduction of access barriers for digital services, together with data protection.

- Increase the uptake of digital public services in the medium- and long-term, by making end-users aware of the advantages.

Source: Hans et al. (2017, p. 6)

Transition objectives requiring finance for small urban areas	
Green transition	**Digital transition**
- Urban renewal climate change adaptation	- Digital infrastructure
- Green energy, green mobility and green infrastructure	- Local e-services, e-governance, e-security and digitalisation of public services
- Circular economy initiatives and support for local enterprises in their transitions	- Digital economy initiatives and support for local enterprises in their transitions

Just transition	Recovery & resilience
• Cushion or counteract rising social inequalities due to transition processes	• Act swiftly on changes and balance short-term needs with long term perspectives
• Social inclusion and urban renewal projects	• Tap into national or EU funding resources for recovery and resilience processes

3.2 Institutional capacities / competences

Closely linked to financial capacity are the institutional capacity and formal competences of small urban areas. Here, the national governance system sets the framework and division of tasks. This concerns local government autonomy and the degree of self-rule, beyond purely financial issues addressed above.

Institutional capacity and the formal competences of local and regional authorities also shape their capacity to act. Decision-making power on taxation, infrastructure, human resources, the productive environment and social services is essential for a place's capacity to act. In some countries local authorities are responsible for taxation and important policy domains. In other countries transition and economic development competences are mostly held by central and intermediate levels of government. (ESPON, 2014)

In the 8th Cohesion Report (2022), the degree of local self-rule was shown by several indicators and their evolution over time. This illustrates the diversity of arrangements in the EU and the importance of the national context for institutional capacity and formal competences of small urban areas (see Figure 3.3).

In many EU member states the provision of services of general interest is mainly organised locally in a decentralised manner. Active small urban areas have a broad multifunctional portfolio of tasks they perform independently including steering and coordination functions. Still, the roles and competences of local governments vary widely between EU member states and also change over time. This includes social issues and health care, local public utilities and land use planning. There are functionally strong local government systems in Sweden, Finland, Denmark and Germany, often linked to the distribution of administrative responsibilities based on a 'multi-purpose model'. Weak local government systems on the other hand often operate with strong sector perspectives ('single-purpose model') and decentralised state administration, as in Greece. (Kuhlmann et al., 2020)

Figure 3.3   Local self-rule indicator

Figure 8.20 Local self-rule indicator, 1990, 2000, 2010 and 2020
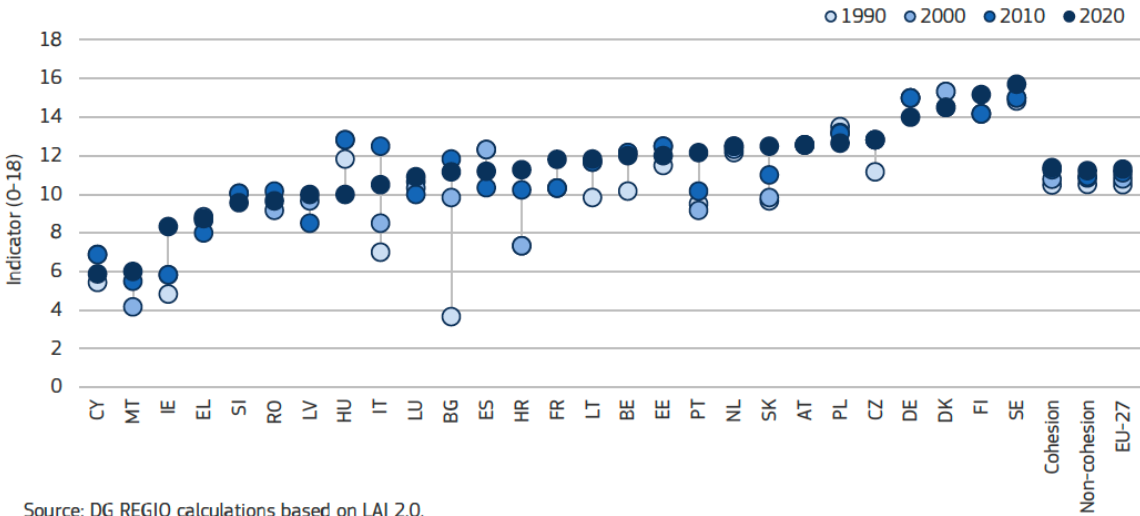
Source: DG REGIO calculations based on LAI 2.0.

Source: European Commission (European Commission, 2022, p. 262)

In terms of size, the 8th Cohesion Report (2022), clearly states that there is no connection between the size of a countries municipalities and their degree of self-governance. At the same time, municipality size plays a role in their capacity to manage the autonomy they get, as administrative resources are often linked to size. As a rule of thumb, smaller local authorities tend to have fewer resources and staff than larger ones, which may impact on their capacity to handle investments and transitions single handedly. (European Commission, 2022)

Institutional capacity of small urban areas	
Green transition	**Digital transition**
• Formal competences depend on national contexts • Institutional size (human resources) to handle complex processes	• Formal competences depend on national contexts • Institutional size (human resources) to handle complex processes
Just transition	**Recovery & resilience**
• Formal competences depend on national contexts • Institutional size (human resources) to handle complex processes	• Formal competences depend on national contexts • Institutional size (human resources) to handle complex processes

3.3 Collaboration capacity

Collaboration capacity is important as most transitions and strategic decisions cannot be handled by a single entity but require the collaboration of a broad set of players. Collaboration is a key ingredient of the capacity to mobilise additional people and resources. Various forms of cooperation offer pragmatic pathways to improve efficiency by pooling individual local government operational capacities (Kuhlmann et al., 2020).

In many cases cooperation is rather a necessity to be able to 'punch above their weight' than a deliberate choice for more effective governance. For small urban areas, collaboration capacities are needed at different levels.

The capacity to mobilise local players

Collaboration among players within an urban area is important. This requires the capacity to mobilise citizens, enterprises and the administration in an area and engage them in the development and implementation of strategies and ideas. (BBSR, 2019; ESPON, 2014)

The capacity to mobilise local players is widely available in small urban areas. The literature offers a wide range of examples where local politicians and administrations engage local citizens and businesses to develop places. This mobilisation can take various forms. It can include hands on support for a development project to more strategic issues. The importance of the capacity to engage residents in the development of centres has been highlighted in the analysis of small urban areas in Sweden. Committed local communities not only strengthen local identities, social innovation and cohesion, they also stimulate collaboration without coercion or selfish motives, especially in times of economic decline or transition. Joining forces around efforts to improve a place's quality of life can be an important accelerator for social innovation and new ideas to improve people's well-being (Daunfeldt, Jörnmark, & Mihaescu, 2020; Mihaescu, Rudholm, Daunfeldt, Rönnberg, & Jörnmark, 2021). While, the Swedish examples centre around the revitalisation of urban centres, examples in France highlight a collaborative online platform for local e-commerce in a city e.g. in Oloron-Sainte-Marie (Marc Laclau & Ludovic Réau, 2020), and interaction between local policy makers and local chambers of commerce as well as between policy makers and agricultural experts (Caisse des Dépôts Groupe, 2019). In particular for major societal transitions, such as the digital transition, smaller urban areas need voluntary engagement and the support of their citizens and enterprises as they lack the means to run and finance such processes (Steinführer et al., 2021).

It can be difficult to mobilise local players around a common purpose. This might be facilitated by a shared vision, objective or strategic plan to create ownership among stakeholders. Beyond the common purpose, communication is required to raise awareness among the wider public, facilitating cooperation and exchange among stakeholders as well as offering targeted information. (European Commission, 2015)

In short, there is potential capacity to mobilise local players in Europe's small urban areas. However, many small urban areas seem to shy away from using it.

Capacity to collaborate with other places

Collaboration with other urban areas is essential for small urban areas. This includes cooperation with neighbouring areas to address interconnected issues or joining forces to create 'territorial critical mass' (ESPON, 2014, p. 48). Firstly, this concerns collaboration with neighbouring entities. The rationale is often that smaller local authorities have less resources and staff than larger cities, making it necessary to collaborate with neighbouring authorities (European Commission, 2022). Furthermore, small urban areas, which are not in the shadow of a large metropolitan area, are usually regional centres which provide access to public and private services for the wider region.

Examples for this type of collaboration can be found under Integrated Territorial Investments (ITI) supported by EU Cohesion Policy. However, also outside Cohesion Policy there are many examples of such collaboration increase the leverage of small urban areas. Among others, is *NordStad* (Northern City) in Luxembourg[5] or *Trekantsområdet* (Triangle Region) in Denmark[6], where several smaller municipalities cooperate to push their weight as an agglomeration. There are many more examples across Europe, often less formalised though. This includes cooperation attempts between the Swedish cities of Linköping and Norrköping[7]. Another example in France concerns a local union of municipalities to accelerate digital transition and more specifically the deployment of fibre optic (Marc Laclau & Ludovic Réau, 2020). The ESPON TOWNS project (2014) also highlights collaboration around common services provision related to garbage, water and sewage handling.

Despite many examples, there seems to be an issue about intermunicipal cooperation moving from single issue cooperation to more far reaching governance, or partnership arrangements (ESPON, 2014; OECD, 2013). One

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[5] https://www.nordstad.lu

[6] https://www.trekantomraadet.dk/

[7] https://www.norrkoping.se/download/18.3ef6b1d158f1bd46e115f9a/1485761536331/Framtid-i-den-fjarde-storstadsregionen-slutl.pdf

reason many small urban areas seem to shy away from exploring these options may be the transaction and coordination costs of intergovernmental cooperation and its democratic deficits. In some cases, a merger of neighbouring municipalities might even be a more pragmatic and efficient alternative (Kuhlmann et al., 2020).

At the same time ESPON (2014) reviews whether intermunicipal cooperation can substitute for agglomeration economies of large cities while avoiding the costs. ESPON case studies in Europe suggest that the capacity to develop intermunicipal cooperation to achieve 'territorial critical mass' and a shared vision is significant. However, they underline that research in the US (Meijers & Burger, 2010) suggests that cooperation between neighbouring smaller urban areas cannot provide a substitute for the agglomeration advantages of a single large city.

Collaboration in multilevel governance

Another dimension of collaboration among smaller urban areas concerns efforts to collectively represent shared interests in a larger context. In a national debate, the German Academy of Small Cities[8] is an example of joining forces to better advocate their case. This is an example of an external platform rather than an initiative evolving from the small cities, which could be an underexploited collaboration capacity.

Actively participating in strategic decision making or being able to mobilise additional financial or administrative resources, often requires navigating in complex multilevel governance processes. This involves participating in governance across administrative levels from the sub-local to international or European levels, as well as participating in governance across a wide range of policy domains. (ESPON, 2014; European Commission, 2015; Steinführer et al., 2021)

To initiate multilevel governance or for a small urban area to identify policy fields and levels of decision making to engage in, is a difficult task. The region of Stockholm has developed an approach to identify important multilevel governance links and decision-making processes, which also can be used in small urban areas. The Urban Game was developed to address urban segregation in the Stockholm region and is a tool to facilitate discussion and raise awareness.[9] It stimulates discussion across different levels and sectors, as players are encouraged to think 'out-of-the-box' and consider not only the level and sector they represent,

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[8] https://www.kleinstadtakademie.de/

[9] https://ec.europa.eu/regional_policy/sources/docgener/studies/pdf/mlg_cs5.pdf

but whether decisions or policy implementation could be more efficient in other levels and sectors. (European Commission, 2015)

The Urban Game, linking policy sectors and levels

In Stockholm, the Urban Game was designed to encourage discussion and increase awareness about the interdependencies of developments and decisions in various sectors and at various levels of governance. More specifically, the Urban Game helps visualise how different measures implemented at different governance levels and sectors relate to each other, for both vertical and horizontal coordination. Approximately 100 possible measures (playing cards) identify what is important in order to achieve social inclusion. By using the game as a tool, participating stakeholders are asked to place a given measure (playing card) in a 'square' of their choice on the 'playing field' – hence, contemplating the governance level and sector they think has the mandate to implement that measure. The playing fields are defined by sectors and levels of governance. The most important sectors for social inclusion in Stockholm are health & welfare, culture & leisure, education, housing, urban & green structure, enterprise & employment, and traffic & infrastructure. The most important levels of governance are individual, city district, municipality, sub-regional, regional, national and EU.

Source: European Commission (2015, p. 26)

Figure 3.4   Policy sectors and levels in the Urban Game

Source: Stockholm County Council in European Commission (2015, p. 26)

The ESPON TOWNS study (ESPON, 2014) concludes that in only a few of the cases they have studied, small urban areas have the capacity and experience to insert themselves into multilevel governance processes. This is linked to a lack of technical support and resources to engage in these forms of governance.

Institutional transition capacities of small urban areas	
Green transition	**Digital transition**
• Capacity to work across policy sectors and levels to find interdisciplinary solutions for a green transition, to exploit possible synergies and avoid undesirable trade-offs • Capacity to guide local businesses in a green transition and develop circular economy solutions • Capacity to mobilise and engage citizens and businesses to shape and support a green transition	• Capacity to mobilise and engage citizens and businesses to shape and support a digital transition • Capacity to cooperate with municipalities to develop and run e-governance services • Capacity to cooperate with other municipalities and levels of governance to ensure the characteristics and needs of small urban areas are taken onboard in the Smart City debate
Just transition	**Recovery & resilience**
• Capacity to bring together societal groups living in a city and combat spatial and social segregation • Capacity to develop transition and recovery solutions which benefit all parts of society in a small urban area	• Capacity to engage in multi-level governance • Capacity to react swiftly to emerging challenges and potential • Capacity to make use of national and EU support and capacity building programmes

3.4 Leadership and adaptation capacity

Transition and recovery processes often imply the need for small urban areas to punch above their weight and to navigate under uncertainties. This boils down to leadership and adaptation capacities of various sorts. In most cases this requires a dynamic and well-connected player in the area, agile local administration and knowledge.

Individuals with good local networks

The degree to which small urban areas manage to mobilise their various capacities and potential to act, often boils down to leadership. Individuals with good local networks and a good understanding of the decision-making dynamics in an urban area are often important enablers. They can mobilise other players and resources. In small urban areas, these individuals are often mayors. However, they can also be citizens, politicians or civil servants at local, regional or national level, non-governmental organisations (NGOs), or other stakeholders, who have the social capital to initiate change. (European Commission, 2015; Steinführer et al., 2021)

While leadership and leaders are important in the capacity to mobilise people and resources, there is also a risk of small cities being too dependent on their local mayors and not having diversified choices of local leaders. This particularly concerns strong local mayors, especially when one person alone determines or dominates the development of a small town. (Steinführer et al., 2021)

Agile local administrations with adaptation capacity

Agile local administrations that actively engage in transition processes and work on the development and implementation of strategies and future-wise ideas are essential. This requires sufficient qualified, capable and motivated staff in the local administration. These people need to have sufficient time and resources to go beyond day-to-day administration, and engage in future oriented work and various forms of collaboration (see above).

The ESPON TOWNS project (2014) concluded that small urban areas with great propensity to innovate and adapt in their local milieus showed higher capacities to act and avoid losing young people (brain drain) which may well impact on the local capacity to 'innovate'.

To steer the development of small urban areas in the framework of multifunctional competences, local governments need adequate territorial viability. In other words, they need robust organisational structures, good administrative processes with an awareness of the administrative and organisational power of local governments and professional administration to guide development and transformation processes (Kuhlmann et al., 2020). This depends in part on the above-mentioned national framework for local governance and in part on the agile attitude and power of local administrations.

In particular for transition processes, agile administrations need adaptation and innovation capacities to manage uncertainties. This does not necessarily mean local innovation ecosystems. Resilience and anticipation of transformations depends on the willingness of key players in an urban area to change or shape

transformations (BBSR, 2019; Böhme, Lüer, Besana, Hans, Schuh, Münch, & Gorny, 2021; European Committee of the Regions, 2021). Flexible governance and the institutional setting must also be able to respond to changes.

This can easily lead to contradictions. On the one hand, forms of governance for crisis management must be process-oriented, communicative and cooperative. On the other hand, many small urban areas lack the framework conditions, as they have few financial and personnel resources, shy away from conflict-loaded long-term decisions and have little political will to be proactive. In addition to financial resources, small urban areas also need sufficient administrative staff, otherwise they become dependent on external support, which can lead to a loss of specialist knowledge in local administrations. (Steinführer et al., 2021)

Skills and knowledge capacities

Knowledge of local and regional development challenges and opportunities, and of green and digital transition processes are a prerequisite for sound decision making. This includes understanding emerging topics, as well as empirical and tacit knowledge of the local context. Shared knowledge provides common ground for discussions and can assist decision making in times of uncertainty. (European Commission, 2015)

This concerns a wide range of skills. For the green transition small urban areas require skills and knowledge of the circular economy, green procurement, energy renovation, sustainable mobility, transition in micro-enterprises and sustainable food production. For digital transformation they need skills and knowledge of digital infrastructure, e-governance, digital security and digital transition in local enterprises. All this means that local authorities in small urban areas need to have highly qualified staff covering a wide range of disciplines going beyond traditional local administration. Beyond thematic competences, project management skills are also increasingly required. (Caisse des Dépôts Groupe, 2019)

For the green transition and climate resilience in cities, the European Environmental Agency identified a number of potential challenges linked to leadership (European Environment Agency, 2021):

- Weak institutional capacity and local cross-sectoral integration acting as a barrier to building adaptative capacity and reducing vulnerability.

- Lack of technical expertise and knowledge of climate change adaptation approaches and specific measures that could be implemented.

- Inadequate awareness and insufficient recognition of social inequalities in relation to climate change impacts and solutions.

- Lack of recognition of potential interactions between climate adaptation and mitigation measures to exploit possible synergies and avoid undesirable trade-offs.

While many national and European programmes support the development of skills in small urban areas, these also require sufficient human resources and, for the new transition processes, educated human resources. The capacity to benefit from knowledge sharing and generation including Urban Innovative Actions (UIA), URBACT, Interreg, TAIEX etc. is not evenly distributed among small urban places in Europe.

Leadership transition capacities of small urban areas	
Green transition	**Digital transition**
• Capacity to draw on technical expertise and knowledge of climate change adaptation approaches and specific measures that could be implemented • Capacity to work across policy fields and strengthen cross-sector interactions to exploit possible synergies and avoid undesirable trade-offs • Capacity to be proactive and engage local citizens and enterprises to adjust their behaviour to a green transition	• Capacity to make use of latest insights into digitalisation infrastructure, services, processes, security, etc. • Capacity and readiness to engage with changes (opportunities and challenges) and uncertainties of digital transition • Capacity to be proactive and engage local players in developing and implementing digital transition solutions
Just transition	**Recovery & resilience**
• Capacity to account for social inequalities in relation to green and digital transition impacts and solutions • Capacity to ensure that none feel left behind in local development or the green and digital transitions	• Capacity to handle uncertainties during transformation of local governance and planning • Capacity to be highly process-oriented, communicative and cooperative in local decision making

4 Support schemes for small urban areas

Small urban areas need support to strengthen the capacities they need to meet the future. There are various national and international initiatives which support capacity building of small urban areas. A few of these are presented in section 4.1. There are also EU funding instruments that offer support. Section 4.2 provides a quick overview of the most important instrument. Section 4.3 offers a reflection on whether they are sufficient to fill capacity gaps in small urban areas.

4.1 Strengthening small urban areas' capacity to act

A wide range of capacities is required by small urban areas to manage future-wise local development, including the recovery and green and digital transitions. It is hard for a small urban areas to match all the capacity needs.

In addition to EU programmes supporting administrative capacity building in small urban areas, various national or intergovernmental initiatives try to help.

The German Small Town Academy[10] is probably the most prominent initiative – though still a pilot action – focusing on the empowerment of small towns through collaboration, consulting and networking (BBSR, 2021). Some of the key lessons from the pilot phase of the Small Town Academy involve all players in a small urban area, focus on cooperation between the players, letting things evolve gradually, working with open calls for pilot projects, staging various events, ensuring media coverage and digital presence, setting up stable organisational structures including a secretariat, advisory boards and a clear division of responsibilities. (BBSR, 2021)

The Self-assessment Tool for Local Self-Government Units in Poland is another interesting initiative. This has been developed by the OECD in collaboration with the Association of Polish Cities and the Polish Ministry of Development Funds and Regional Policy. The tool helps local authorities to assess their strengths and gaps in public governance and local development practices, plan actions to better serve citizens, enhance local sustainable development, and engage with stakeholders to build a collective vision and actions. In doing so, the tool supports local authorities in designing and implementing their local development plans, focusing on key areas of public governance and territorial development. In principle the tool can be scaled across local governments in correspondence with OECD standards and good practices. (OECD, 2021)

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[10] https://www.kleinstadtakademie.de/

The City Resilience Profiling Programme of UN-HABITAT follows a similar rationale to the Polish self-assessment tool, but focusing on hazards. It provides national and local governments with tools to measure and increase resilience to multiple hazards, including those associated with climate change. The programme puts particular emphasis on understanding vulnerable situations from a social perspective, and assessing the availability of services and utilities to respond to people's needs. (European Commission & Joint Commission Resources, 2019)

Along the same lines, ICLEI[11] – Local Governments for Sustainability – and URBACT offer initiatives and networks to support local capacity building around transformation topics.

In the context of the Territorial Agenda 2030[12] pilot projects stress the importance of small urban areas and look into their capacities. Two ongoing pilot projects might be of particular relevance:

- **'Small Places'** focuses on the vital role of small towns and villages in the development of integrated territorial development, strengthening the territorial coordination of policies, and cooperation between territories. In line with the Territorial Agenda 2030, the pilot highlights the importance of cooperating on improving sustainable conditions in all areas, recognising potential in areas with specific geographies, including rural and remote areas, and supporting dialogue with decision makers in towns of all sizes to apply an integrated multilevel governance approach.

- **'Alpine Towns'** focuses on a built environment that enables low emissions and connects spatial development more strongly with climate issues, contributing to the objective of a Green Europe. The aim is also to bring together civil society with community and civil servants, contributing to a Just Europe, showing that positive change can happen now. Long-term impacts from the pilot action build on existing resources, bottom-up actions and a sound framework with well-established networks in the Alpine area.

Many of these initiatives supporting capacity building largely echo the key findings on the preconditions for successful multilevel governance (see text box). (European Commission, 2015)

A multi-level as well as place-based approach is essential to reinforce small urban areas' capacity. As such, the vertical and horizontal cooperation and integration of small urban areas ensures that the needs of these territories are appropriately

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[11] https://iclei.org/

[12] https://territorialagenda.eu/

understood and addressed and that their potentials, e.g. their contribution to climate neutrality, is tapped on.

How to strengthen multilevel governance

Findings from an earlier study (European Commission, 2015) on multilevel governance are also relevant for the question of how to capacitate small urban areas to engage in meaning full multilevel governance processes. The study focused on how local and regional partners can contribute to Europe 2020. However, the general lessons on preconditions for successful multilevel governance also show which capacities small urban areas need to have to engange in such processes:

Get active yourself! Do not wait for others! A key message of the discussion was the potential for stakeholders to take the initiative instead of waiting for other players to be active. Municipalities or regional administrations do not need to wait for national legislations to define what they have to do, or civil society stakeholders raising awareness and searching for new governance solutions.

Individuals: In many cases, passionate individuals take the initiative and cooperate. They can be pictured as 'spiders' with a wide and stable 'web' to maximise their potential. The question, however, is how to identify and support them.

Paradigm change for public administration: Working across sectors and levels of governance requires a new culture of working and decision-making in the public sector. Accordingly, strengthening multilevel governance is also about the mind set of people in the public sector.

Trust and ownership: Many public administration tasks under multilevel governance involve a wide range of stakeholders, including civil society. This requires trust among stakeholders and new approaches to ownership.

Responsibility: Shared decision-making processes also raise questions concerning responsibility for the process and final outcomes. The question remains, who is actually responsible in the end? If everybody is responsible, it may be that nobody feels responsible.

Institutional capacity: Involving a wider range of stakeholders also calls on the institutional capacity of stakeholders. They need to have resources and stability over time to develop active long-term participation. Especially where the participation of individuals is important, ensuring continuity can be challenging. Shifting towards institutional arrangements may help.

Resources and funding: Multilevel governance demands resources. At the same time, it can be a way to pool resources.

National level: Bational policies play an important role. Small urban areas can be a cooperation partner, or framework builder, to being the object of the exercise.

Local level left on its own: Some issues end up at local level because none of the higher levels take responsibility. This may follow the logic of subsidiarity, but there are also cases where the local level is simply left on its own with an issue it cannot solve.

Source: European Commission (2015)

4.2 EU support and funding instruments

The EU provides several instruments to strengthen the capacity of small urban areas as defined in the previous chapter.

4.2.1 New European Bauhaus initiative

The New European Bauhaus initiative can notably support and inspire small urban areas' authorities providing insights into potential good practices and new approaches to, inter alia, urban planning. It creates a forum for the sharing of ideas on climate-friendly architecture. Within the framework of this initiative, sustainable, enriching, and inclusive projects are supported which should support Europe in its transition to a more sustainable and inclusive future. Local and regional authorities can draw inspiration from its projects seeking to combine building sustainability and aesthetics, in an inclusive manner. In addition to creating a platform for experimentation and connection, the initiative supports positive change also by providing access to EU funding for beautiful, sustainable, and inclusive projects.[13]

The New European Bauhaus initiative can support the capacity of small urban areas' authorities, in particular for those not having the expertise needed to turn the projects into reality. For instance, one of the its calls for projects is called 'Support to New European Bauhaus Local Initiatives' providing technical assistance to small and medium-sized municipalities. The selected projects can benefit from tailored support on the ground provided by a group of interdisciplinary experts to shape the concepts along the lines of the New European Bauhaus and the objectives of the Green Deal.

Thus, the initiative is particularly relevant for small urban areas as it endorses a multi-level and place-based approach to transformation, exploring ways to support small-scale projects by individuals, neighbourhoods and local communities and supports actions directly improving the capacities of small urban areas.

4.2.2 Cities Missions

In line with the New European Bauhaus, the European Commission is coordinating EU Missions which intend to support Europe's transformation into a greener, healthier, more inclusive and resilient continent by mobilising public and private actors and pooling necessary resources in terms of funding programmes, policies and regulations, as well as other activities.

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[13] https://europa.eu/new-european-bauhaus/about/about-initiative_en

Under this framework, the climate-neutral and smart cities mission (referred to as Cities Missions) helps cities access funding to reduce greenhouse gas emissions and become climate neutral, implementing innovative actions (e.g. in mobility, energy, urban planning)[14]. However, not all small urban areas can participates in the Cities Missions. Participating cities must have at least 50,000 inhabitants. Nonetheless, For countries with a lower number of larger cities[15], this population threshold is lowered to 10,000 inhabitants[16]. For cities meeting this eligibility criterion and having a high level of ambition and a strong political commitment to climate neutrality, the Mission provides targeted support, e.g to develop an investment plan and find access to a the broader finance community, notably through the InvestEU Programme, the European Investment Bank Group, national promotional banks and other private capital markets.

Due to the general minimum threshold of 50,000 inhabitants for participating cities, in the majority of the EU countries, small urban areas are automatically excluded from accessing such support. Only in certain circumstances, in certain countries, small ubran areas are allowed to participate. Thus, the approach to involve the widest array of stakeholders, at all governance and territorial levels as put forward by the EU, is undermined. A transition towards an economy with net-zero gtreenhouse gas emissions by 2050 will require the involvement of the widest array of stakeholders, at all governance and territorial levels and local authorities of small urban areas may precisely be needing the type of support offered by the Missions.

4.2.3 European Regional Development Fund (ERDF)

The fund aims at strengthening economic and social cohesion in the European Union. It focuses on priority areas such as innovation and research, digitalisation and digital connectivity, support for SMEs and the low carbon economy, mobility, effective and inclusive employment (including education, skills and social inclusion) and Europe closer to citizens[17]. In more detail, support from ERDF may include finance for productive investment in enterprises or infrastructure, providing services to citizens (energy, environment, transport, ICT, social, healthcare, research, innovation, business and education, culture and sustainable tourism) and networking, cooperation and exchange of experience between

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[14]   https://ec.europa.eu/info/research-and-innovation/funding/funding-opportunities/funding-programmes-and-open-calls/horizon-europe/eu-missions-horizon-europe_en

[15] These countries are: Croatia, cyprus, Estonia, Ireland, Lithuania, Luxembourg, Slovenia and Slovakia.

[16]   https://ec.europa.eu/info/sites/default/files/research_and_innovation/funding/documents/ec_rtd_eu-mission-climate-neutral-cities-infokit.pdf

[17] https://ec.europa.eu/regional_policy/en/funding/erdf/

different governance levels of public authorities. ERDF offers grants, financial instruments, prizes and a combination of these.

Member states must concentrate ERDF support on two policy objectives – a more competitive and smarter Europe (PO1) and greener, low-carbon transitioning towards a net zero carbon economy and resilient Europe (PO2). In addition to support for these 'thematic priorities', the ERDF especially considers regional and territorial characteristics and differences. It should correct imbalances between more developed, transition and less developed regions within the EU.[18]

Furthermore, it gives particular attention to urban areas and their specific economic, environmental and social challenges. At least 8% of ERDF resources have to be allocated to territorial support for sustainable urban development including functional urban areas. To safeguard support for tailormade actions, linking actions to integrated urban strategies and consulting urban authorities is mandatory. Additionally, funding is provided for an urban development network to exchange experiences at Union level.

Small urban areas may also receive financials support for sustainable urban development from ERDF, depending on choices made at national level. Examples from 2014-2020 can be found in Austria with funding for certain urban regions (several with less than 15,000 inhabitants) and in Germany (Thuringia) with funding for regional centres from cities with more than 200,000 inhabitants to municipalities with less than 5,000 inhabitants. Thus, even a small urban area, if defined as a target in the respective ERDF programme at national or sub-national level, can benefit from financial support for investments in line with the ERDF thematic priorities or for collaboration within an urban area. However, these experiences also show the need for advice and support for smaller cities and municipalities in applying and accounting for ERDF financial resources.

4.2.4 Interreg

Interreg (also known as European Territorial Cooperation – ETC) is a funding programme based on three stands of cooperation: cross-border (Interreg A), transnational (Interreg B) and interregional (Interreg C). In this programming period (2021-2027), a fourth strand has been added focussing on Outermost Regions (Interreg D).

Through these four strands, the European Union aims at fostering cooperation between regions and countries to support their economic and social development and tackle the obstacles of borders via grants or financial instruments. Interreg

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[18] less developed regions (GDP per inhabitant < 75 % of the EU average), transition regions (GDP per inhabitant 75 – 90 % of the EU average), more developed regions (GDP per inhabitant > 90 % of the EU average)

Programmes combine support from ERDF and EU external instruments (i.e. the instrument for Pre-Access Assistance, IPA, and the Neighbourhood and International Cooperation Instrument, NDICI). As such, Interreg Programmes contribute to EU Cohesion Policy priorities. Moreover, for the 2021-2027 period, Interreg has two new specific objectives:

- Interreg Specific Objective (ISO) 1: Better cooperation governance: to enhance the institutional capacity of public administration, resolve legal and administrative obstacles in border regions, promote sustainable democracy, and strengthen mutual trust among citizens.

- Interreg Specific Objective (ISO) 2: A safer and more secure Europe: focusing on border crossing management, mobility and migration management, including the protection and economic and social integration of third-country nationals.

The territorial focus of Interreg initiatives is on border regions as well as selected regions and/or countries (for transnational programmes), and not on specific types of territories. Small urban areas are covered and benefit from Interreg-supported projects in these areas. For example, Interreg projects very often include feasibility studies as well as pilot projects in small cities or municipalities (e.g. sustainable urban mobility plans and solutions). Likewise, networking activities, sharing best practices on programme priorities and initiatives gather many local and regional authorities, also from small urban areas. Interreg initiatives also finance infrastructure (e.g. water treatment facilities) which are very relevant for such areas. All in all, Interreg programmes support public authorities, providing them with information and the means to make better informed decisions. Such support includes solutions tailored to the challenges small urban areas face, e.g. tools for financing energy efficiency, GIS-based management support for reliable and affordable renovation projects for public buildings, plans to improve multi-modal and low carbon mobility, etc..

Municipalities and small city representatives are often involved in Interreg projects, as lead or partner. Their role is deemed as critical as Interreg-supported projects may be small laboratories for change driven by local authorities. For example, the Interreg Mediterranean Programme impact evaluation (2014-2020), showed the programme provided concrete, user-friendly and tailored information, often tested and validated by pilot activities in local public authorities. These may not have had the capacity (time, knowledge and resources) to undertake and finance their own such projects. In some cases, the pilot results were even taken up in national policies, strategies and mainstream policies (e.g. ERDF programme) (ÖIR, 2021). Importantly, Interreg-supported projects act through project results dissemination as intermediaries between local public authorities

and key stakeholders. They can directly contribute to forward-looking strategies and plans, possibly bridging gaps or inefficiencies in a country or region's multi-level governance structure.

4.2.5 URBACT

The URBACT programme is an Interreg programme to promote sustainable integrated urban development. Within this programme, towns and cities are encouraged to identify, transfer and disseminate good practices.[19] It is financed by ERDF. Projects financed under the current URBACT III programme addressed four main objectives: [20]

- improving the capacity of cities to deliver sustainable urban policies;
- improving the design of urban policies;
- improving policy implementation in cities;
- building and sharing knowledge.

The next generation of URBACT has been submitted to the European Commission for consultation. Its new content prioritises climate protection, digitisation and gender equality.[21]

URBACT does not directly invest in urban development (such as new roads or science park construction). Instead, the programme enables exchanges and learning between elected officials, officers and other city stakeholders. It contributes to the improvement of planning quality and implementation of integrated urban plans and programmes in cities. This is through policy learning on sustainable urban development as well as establishing Local Support Groups and the Local Action Plans they produce. The implementation evaluation of URBACT showed that applicant cities frequently seek to use URBACT to exchange and learn about new topics like the circular economy, energy efficiency, zero waste, participatory engagement, new governance solutions, social innovation, cultural and local value chains, and combating anti-democratic behaviour (Trenkler-Fraser 2019 p. 7).

URBACT is available to all European cities, irrespective of size or geography. Many small urban areas across the EU have joined URBACT networks in recent years. 27% of cities applying for participation in an URBACT network have less than 50,000 inhabitants. The URBACT programme aims at attracting more small cities. However, analysis of an URBACT call revealed 'that the applications of

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[19] https://ec.europa.eu/regional_policy/en/policy/what/glossary/u/urbact

[20] https://ec.europa.eu/regional_policy/en/policy/what/glossary/u/urbact

[21] https://urbact.eu/urbact-iv-programm-liegt-vor-%E2%80%93-entwurf-steht-zur-nationalen-konsultation

networks exclusively made up by small/new cities were generally of lower quality.' (Trenkler-Fraser 2019 p. 17)

This finding indicates that small urban areas are more challenged when applying for EU funded projects than larger cities with more specialised knowledge and capacity. Due to a lack of resources to participate in EU programmes, small urban areas usually need additional support. URBACT in this regard helps them to build their capacity by establishing networks for knowledge exchange and mutual learning, with capacity building to manage sustainable urban policies and practices and capitalisation activities.

4.2.6 Just Transition Fund (JTF)

The JTF supports regions most affected by the transition to climate neutrality. The fund helps these regions to mitigate the socio-economic impacts of climate change by promoting economic diversification and reconversion.[22] Thus the JTF provides financial contributions to a transition to a sustainable, circular and climate-neutral economy, including measures to increase resource efficiency.

The JTF includes support for productive investments in SMEs, in the transformation of existing carbon-intensive installations that result in significant emission reductions and job protection, in research and innovation, clean energy, smart and sustainable local mobility, heat production and district heating networks, digitalisation, environmental rehabilitation, the circular economy, up- and reskilling of workers and jobseekers, jobseekers, technical assistance and activities in the fields of education and social inclusion.

The regions that are mostly affected by the transition are defined in territorial just transition plans (TJTP). Only projects or programmes in these areas will be supported.[23] Thus, small urban areas within these regions can benefit from JTP support, if they are not explicitly excluded from the funding. The Austrian TJTP does not include urban areas with more than 500,000 inhabitants, but this is not a general criterion of the JTP. It is unclear to how many small urban areas are covered by the JTP. Furthermore, the selection of eligible areas is not finalised in all member states.

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[22]   https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal/finance-and-green-deal/just-transition-mechanism/just-transition-funding-sources_en

[23] https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32021R1056

4.2.7 European Agricultural Fund for Rural Development (EAFRD)

As the second pillar of the Common Agricultural Policy (CAP), rural development contributes to strengthen the social, environmental and economic sustainability of rural areas by including three long-term objectives. These are increasing the competitiveness of agriculture and forestry, ensuring the sustainable management of natural resources and climate change mitigation as well as achieving balanced territorial development of rural economies and communities, including job creation and preservation. The fund provides grants and financial instruments.

Rural development programmes (RDPs) set up by national or regional authorities define priorities and specific focus areas. As per article 50 of Regulation (EU) No 1305/2013, 'the Managing Authority shall define 'rural area' at programme level. Member states may establish such a definition for a measure or type of operation if duly justified'. As such, many EAFRD managing authorities have established the RDP scope of intervention by delineating rural areas from other areas. The definitions of rural areas do not necessarily follow administrative boundaries. Likewise, the definitions sometimes reflect the multifaceted character of territories (e.g. dominant economic sectors and or socio-economic characteristics) to better target implementation of certain measures and/or sub-measures.

A general parameter, frequently featured in definitions of rural areas, is the application of a population threshold (absolute number) and population density limits. In Austria, for example, one criteria to identify rural areas is municipalities with less than 30,000 inhabitants and below 150 inhabitants per square kilometre. Depending on the EAFRD managing authority and sometimes on the measures implemented, small urban areas may be eligible for EAFRD support.[24]

Even when there is no explicit focus on small urban areas, they can use EAFRD support when they are located in a rural area that is supported. The following priorities and specific focus areas are especially relevant for urban areas:

- **Knowledge Transfer and Innovation** (Innovation, cooperation and development of the knowledge base in rural areas; links between agriculture, food production, forestry, research and innovation; lifelong learning and vocational training in the agricultural and forestry sectors);

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[24] https://ec.europa.eu/info/food-farming-fisheries/key-policies/common-agricultural-policy/rural-development_de

- **Restoring, Preserving and Enhancing Ecosystems** (Biodiversity; water management; soil erosion and soil management);

- **Resource-efficient, Climate-resilient Economy** (Water use efficiency; energy use efficiency; renewable sources of energy; greenhouse gas and ammonia emissions; carbon conservation and sequestration);

- **Social Inclusion and Economic Development** (Diversification, creation and development of small enterprises, job creation; local development in rural areas; information and communication technologies in rural areas).[25]

4.2.8 Community-Led Local Development (CLLD)

CLLD is a territorial bottom-up approach that aims at involving local and regional partners. It is focused on sub-regional areas and led by local action groups (representatives of public and private local socio-economic interests). An obligatory basis of funding is an integrated and multi-sectoral area-based local development strategy, laying down local needs and potential as well as networking and cooperation issues.

Strategies can be mono-funded or combine support from different European Funds (EAFRD, EMFF, ERDF, ESF and ETC). By combining funds, territorial strategies may tackle a wide range of challenges such as economic development, environmental protection and measures against climate change, demographic retention, social inclusion, access to services, cultural heritage and sustainable tourism.

The advantage of CLLD is in mobilising local partners with co-responsibility for concentrating support for a specific area from different sources in an integrated way. The regional level partnership improves knowledge-exchange and makes use of local actors as resources for their territory.

As such, CLLD is a genuine bottom-up approach targeting rural or urban territories. Small urban areas defined as CLLD may benefit from combining support from different funds to increase synergies between different policy areas. Furthermore, the instrument allows simplification for beneficiaries by providing a one-stop-shop for project applicants (without differentiating between different sources). At the same time, this combination increases the challenges for managing authorities which are responsible for program implementation in accordance with funding regulations (especially for multi-fund CLLD).

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[25] https://enrd.ec.europa.eu/policy-in-action/rural-development-policy-figures/priority-focus-area-summaries_en

4.2.9 Integrated Territorial Investments (ITI)

ITIs integrate implementation of cohesion policy territorial strategies. They enable member states to implement operational programmes across sectors and to use funding from several priority axes of one or more operational programmes. This allows member states to implement integrated measures with a specific geographical scope more effectively through simplified funding. To use ITI a region needs an integrated, cross-sectoral and territorial strategy.[26]

ITIs can be funded by a single fund or combine ERDF, ESF and the Cohesion Fund. They must contribute to objectives in the programmes from which the funding is taken. Where complementarities exist, ITIs can be complemented by EAFRD and EMFF.

The key elements of an ITI are a specific territory with an integrated territorial development strategy as well as an agreement ensuring the use of funds from at least two different priority axes or programmes as well as integration of the funds. More than one category of region (e.g., less developed, transition and more developed regions) can be covered within an ITI.

An ITI can be set-up with non-repayable grants, repayable assistance or financial instruments. ITIs focus on the same areas as the programmes. Objectives and measures that are specific to urban areas only can be defined in a specific priority axis or operational programme for sustainable integrated urban development. ITIs can include elements implemented by CLLD. Small urban areas can be part of a region using ITI, but ITIs do not focus explicitly on small urban areas.[27]

4.3 Mind the gap

Examining and comparing the various existing EU instruments to support the green and digital transition of small urban areas to manage this transition reveals a nuanced picture. This section highlights facilitating and hindering factors influencing the green and digital transition in small urban areas.

- Financial resources: various EU funds provide financing for investments in infrastructure, buildings, etc. The ERDF, EAFRD (though support for rural development activities) and the JTF offer non-repayable grants, repayable assistance and financial instruments.

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[26] https://ec.europa.eu/regional_policy/sources/docgener/informat/2014/iti_en.pdf

[27]   https://ec.europa.eu/regional_policy/en/information/publications/guidelines/2014/guidance-fiche-integrated-territorial-investment-iti

- Qualified personnel and knowledge: Few EU instruments directly aim at training administrative staff. However, several EU supported activities target capacity building and knowledge exchange, such as activities supported through URBACT. Likewise, INTERREG projects often include knowledge exchange and networking opportunities for public authorities, also in small urban areas.

- Formal competences: The distribution of formal competences between national, regional and local levels is exclusively the competence of member states. This limits the opportunities of intervention through European instruments.

- Informal competences: The implementation of CLLD requires special governance structures in a region allowing for local authorities, members of civil society including NGOs and other regional stakeholders to get together. This approach strengthens the capacity to implement territorial development within a region and contributes to more efficient use of EU funding.

Applying for EU support and the administration of EU funded projects is seen as bureaucratic. For INTERREG projects, a lot of time and effort may be wasted on bureaucracy and internal processing (EURE Interreg Europe, 2021).

Especially small and medium-sized municipalities, including small urban areas, have scarce personnel resources and lack highly specialised knowledge that is required to administrate the complex bureaucratic structure of EU projects. This administrative complexity often prevents public administrations in small urban areas to participate in and/or apply for EU funded projects.

Evaluations show that small urban areas require well-structured, continuous support to overcome this barrier. Intermediary bodies, such as regional or LEADER management can act as 'translators' of local needs, linking these to the most relevant European support opportunities. They have an overview of existing European funding opportunities and can closely accompany and support municipalities throughout a project life cycle, starting with defining the problem to development of a project, project application, reporting requirements and project closure.

A stronger focus on supporting such intermediary bodies in European funding programmes, in terms of financial and administrative aid, could foster such structures.

Furthermore, the complexity of EU support for small urban areas is increased by the existence of different instruments side by side. An analysis of URBACT

highlighted that the impact is weakened as no direct actions are funded within the programme. Successful strategy development funded by URBACT would lead to the need for a 'successor project' including investment and a change of the funding would be needed. This 'translation' often cannot be done without further support which is often missing. Additional guidance is needed to help cities to find other funding opportunities to further develop and implement results from a previous project.[28]

'One-stop-shop' approaches are required to reduce complexity for small urban areas to get access to and administer projects of different European funds. Thus, intermediary bodies supporting small urban areas in administering EU funded projects should act for their clients as entry points to EU funding, independently of the fund logic. This requires a much more integrative approach linking the different funds at European level.

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[28] Sanabria, Mireia; Sousa, Miguel; Badenhorst, Wessel (2018): Vitality of Smaller Cities – A European Union priority? Conference Report

5 Scenarios – boosting the capacity of small urban areas to act

There is no blueprint to boost small urban areas and their capacity to manage the societal transitions ahead of us. Thinking of possible scenarios helps to explore possibilities of what could be done and fuel place-specific discussions about possible combinations of actions fitting the particular needs and potential of a small urban area.

Focusing on some of the above findings concerning demographic change, functional area cooperation, as well as administration capacities for transitions and long-term perspectives, this chapter provides possible scenario building blocks followed by a more integrated conclusion of where these could lead us.

5.1 Scenario building blocks

Scenarios for the development in small urban areas and their capacities to frame digital, green and demographic transition processes can consist of various building blocks.

In the following we present some possible building blocks. These are closely interlinked and may mutually reinforce each other. Following the discussion of the building blocks, they will be brought together in an integrated scenario.

5.1.1 Population development

Demographic change leading to 'shrinking places' or 'lonely places' – as some call them – is a growing challenge for European municipalities, regions and even countries. Eurostat's long-term population projections point to a population increase in the EU-27 from 447 million inhabitants in 2019 peaking around 449 million in 2026. Thereafter population numbers are expected to decline, gradually decreasing to 441 million in 2050 and 416 million in 2100.[29]

While many larger urban areas will continue to see increasing population, rural and small urban areas – which are not in direct proximity to urban agglomerations – are expected to face outmigration, ageing and demographic decline.

Yet, the future could also look differently, at least for attractive and well governed small urban areas. Indeed, during the pandemic small urban areas in many countries experienced immigration from larger agglomerations, as people were

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[29] See https://ec.europa.eu/eurostat/statistics-explained/index.php?oldid=497115#Population_projections

looking for larger, greener and less dense housing options. Whether this trend lingers after the pandemic still remains to be seen. (Böhme, Zillmer, Hans, Hrelja, Valenza & Mori, 2022)

Small urban areas can also be attractive for migration from rural areas, as they offer better access to services of general interest and often better public transport.

In some parts of Europe, international migration could alter demographic development trends in small urban areas. For instance, the wave of war refugees from Ukraine could benefit small urban areas. Although in most cases refugees firstly go to larger areas, attracting them to small urban areas might facilitate integration and even labour market entrance for refugees and migrants. This builds on recognition of the importance of local communities as the dimension where integration takes place and the increasing role of local and regional authorities in multilevel governance for migrant integration policies. EU institutions were receptive to these developments, for example, through the 'Partnership on Inclusion of Migrants and Refugees' in the Urban Agenda. In addition, specific efforts take stock of which EU funds are used to support immigrant integration and how. (European Commission, 2015; JRC, 2021)

In such a scenario, attractive small urban areas could slow or even turn around the risk of demographic decline in the short to medium term. Critical mass of inhabitants for the provision of good quality services of general interest is an important asset for small urban areas. In particular attractive small areas with good broadband connections and medium-proximity to an urban centre with long-distance commuting possibilities once or twice a week could profit from the changed mindset brought about by the pandemic. Furthermore, small urban areas in Central and Eastern Europe with a proactive approach to welcoming and integrating Ukrainian refugees could see this as an opportunity.

If successful, small urban areas in other parts of Europe could learn from this experience. This might help with future waves of refugees from other parts of the world.

5.1.2 Intermunicipal and functional cooperation

Decades of working on functional urban areas (FUA), ITI, CLLD and sustainable urban development strategies supported at EU level encouraged inter-municipal cooperation. There are various examples involving ITI or CLLD cooperation related to sustainable urban development strategies in small urban areas. (JRC, 2020)

Also, national schemes for inter-municipal cooperation have been set up in several countries.

The increasing level of inter-municipal cooperation helps small urban areas in various ways:

- Small urban areas in close proximity to an urban agglomeration – belonging to its wider functional region – benefit from being integral to strategic development planning and the provision of services of general interest, while still maintaining a distinct identity.

- Small urban areas in close proximity to other small urban areas benefit from increased inter-municipal cooperation to develop divisions of labour and punching above their weight. This concerns both amenities and services of general interest for residents and businesses as well as the possibility to advocate their interests and needs in larger multilevel governance contexts.

- Small urban areas in rural environments and further from other urban areas, benefit from close inter-municipal cooperation with rural surroundings to ensure they can serve as regional centres for the provision of services of general interest and well as labour markets.

In short, for various types of small urban areas, partnerships and cooperation with neighbouring municipalities applying the ideas of functional urban areas or functional regions, help them to increase their critical mass.

This critical mass concerns both the population for certain services as well as the size of local public administrations. All in all, it strengthens critical capacities to act and mobilise people and resources to actively shape future developments.

Flexible and thematic inter-municipal cooperation can even lead to more structured and comprehensive cooperation or even mergers of municipalities.

5.1.3 Small urban areas knowledge network

The generation of knowledge on urban and territorial issues, support for piloting new solutions and exchanges of experience between local and regional players has grown strongly at European level over the last 30 years. ESPON and JRC are important European players collecting and disseminating evidence on urban and territorial development. URBACT, Eurocities, the European Urban Knowledge Network (EUKN), various Interreg programmes and pilot projects under the Urban Agenda / Leipzig Charter and the Territorial Agenda are examples of European platforms to exchange experience and pilot new initiatives.

Although these initiatives are open for small urban areas, in practice the knowledge and insights as well as the exchange of experience are often dominated by larger urban areas.

Highlighting the importance of small urban areas for cohesion in Europe and their specificities when it comes to digital, green and demographic transformation processes could stimulate stronger engagement of small urban areas in these European initiatives and subsequently even the development of particular platforms for small urban areas.

This could lead to different types of change:

EU-wide insights on small urban areas. Firstly, it could boost knowledge of small urban areas, their transition challenges, and possible solutions tailored to them rather than to metropolitan or rural areas. For instance, inspired by the work of ESPON on small and medium-sized towns and the German small towns academy, a European knowledge centre for small urban areas could be set up. Hosted by ESPON or JRC this could focus on collecting and developing comparable insights on small urban areas, with their transition potential and challenges.

EU-wide network of small urban areas. Secondly, evolving from existing European city networks, a new network or sub-group of an existing network could bring small urban areas together. This network would focus on being the voice of small urban areas in European policy debates, also stimulating exchanges and networking between small urban areas. This could be a strand of URBACT, the Interreg Europe Policy Learning Platform or other Peer-to-Peer learning schemes.

Citizens in small urban areas. Thirdly, the increasing focus of bringing Europe closer to citizens and citizens asking for more active participation in local development, could lead to a broader movement for citizens in small urban areas. In the tradition of 'citizen science' (Hecker, Wicke, Haklay, & Bonn, 2019; König, 2018; Vohland, Land-Zandstra, Ceccaroni, Lemmens, Perelló, Ponti, Samson, & Wagenknecht, 2021), community driven research and the mobilisation of citizens in transition processes could increase. This would lead to a considerably stronger citizen perspective in local development, taking into account place-specific development preferences and values. It might also lead to more empowerment of citizens, civil society organisations and local decision making in general.

National inspiration tours. Learning from experience cannot only be done by networking. Visiting tours to small urban areas by representatives of national ministries, the European Committee of the Regions and the Convent of Mayors could help to inspire politicians and authorities in small urban areas to engage in new approaches and learn from experience in other areas. Organising inspiration tours in the native language of small urban areas would certainly be helpful.

5.1.4 EU capacity building for small urban areas

Good governance and the administrative and political capacities for it have been stressed as decisive development factors over the past 10 to 20 years. The marginal utility of an investment in infrastructure, human capital or technology for regional economic development, or the green and digital transitions are lower in areas with poor quality government. Effective urban governance is democratic and inclusive, long-term and integrated, multi-scale and multilevel, territorial, proficient and conscious of the digital age. (JRC, 2020, p. 90)

Rodríguez-Pose & Ketterer (2020) provide a good summary of the current state of debate: Government quality affects not only economic growth but also the returns of European cohesion policies, and shapes regional competitiveness. Moreover, corrupt and/or inefficient governments undermine regional potential for innovation and entrepreneurship and weaken the attractiveness of regions to migrants. Regional environmental performance and decisions on the type of public investment are also affected, as well as inclusiveness and participation.

Furthermore, institutions matter as government quality has been one of the most consistent predictors of economic growth and resilience (Rodríguez-Pose & Ketterer, 2020). Acknowledging regional diversity, improvements in the quality of government need to be embedded in a place-based approach (Barca, 2009; Barca, McCann, & Rodríguez-Pose, 2012). Comprehensive and well timed, place-sensitive development strategies not only address basic problems of lagging regions in Europe, but also enhance the capacity to adopt new technologies, as well as retain and attract talent.

At the same time, many small urban areas are struggling with the capacity to improve their quality of government. Overburdened small public administrations and local politicians even struggle to apply to national or EU programmes which could provide assistances, as these are considered too burdensome for constrained local administrations.

To pro-actively support improvements in local government quality, various initiatives could be considered:

Funding for temporary increases in local administrative capacity. EU cohesion policy could revisit the additionality requirements and allow for mechanisms to temporarily increase local administrative capacity in small urban areas. This could include flat rate payments to temporarily enlarge their administration to manage transitions challenges, or prepare applications to cohesion policy programmes.

Based on the experience of URBACT and other national initiatives such as the German small town academy, support mechanisms for small urban areas could be developed.

Small urban areas help-desk. An EU-wide help-desk for small urban areas could be set up. This would support all public administrations and politicians of small urban areas to find insights on how to tackle green, digital or demographic transition challenges, or how to apply for EU funding. This help desk would need to operate in all official languages of the EU and be able to guide people to information sources and networks.

Coaching for small urban areas. Drawing on experience of the Interreg Europe Policy Learning Platform and the EIB, empowering local decision makers to approach change requires hands on support. A programme offering 'on the spot coaching' to small urban areas could be envisaged. This would need to work with experts from the respective countries who speak the language and are familiar with the context and administrative, legal and policy frameworks of small urban areas in the country. Small urban areas could request that such an expert comes to them for a limited period of time, to coach them on transition processes.

Regional management offices for small urban areas. In some countries, including Austria, there are good experiences with regional management offices functioning as intermediators between small urban areas and national or EU funding instruments. These offices know the small urban areas in their region, their needs and potential. Most importantly they are trusted. This allows them to help with the administration and financial management of EU funding applications or other complex administrative matters for which small urban areas do not have the capacity. This approach could be advocated and possibly financed by EU cohesion policy in all European regions with small urban areas.

5.1.5 Small EU project funds for small urban areas

Supporting the willingness to change and capacity to act in small urban areas helps a lot. Still in many cases funding for investments is also needed. There are many national and EU funding opportunities available. Therefore, the question is not about establishing a fund.

Still in many case the funding instruments appear to be too burdensome for small urban areas. Here the above-mentioned regional management offices could assist. However, for many funding instruments applications for small projects are not particularly meaningful. In the context of EU cohesion policy and EIB support for urban development, something like a Small Project Fund could help. In this case, a national or regional ERDF programme could earmark funds for small projects

in small urban areas, with simplified procedures. Similarly, JASPERS could have a Small Project Fund tailor-made for small urban areas.

5.2 Towards an integrated scenario

The above building blocks can be used individually or in combination as they reinforce each other. Each holds the potential to improve a range of capacities in small urban areas (see Figure 5.1).

These in turn will strengthen local small urban area capacities to navigate under uncertainty, to mobilise people and resources as well to punch above their weight. This will empower small urban areas and increase their capacity to act. Empowerment will – for all building blocks – partly depend on the small urban areas becoming active themselves and partly on the external support they receive to increase their capacity to act.

The external support always depends on the formal competences of small urban areas in the national decision-making system. Strengthening small urban areas and their capacity to act is a multilevel governance task, where national and sub-national levels play an important role in addition to EU support and the activities of small urban areas themselves. The exact scope of national support depends on the national systems as discussed in section 3.2. If support and the empowerment of small urban areas matches their type and geographical location, it will also improve cohesion in Europe.

Today there are about 14,000 small urban areas in the EU. These are home to about 43% of the EU population. However, many of them are expected to face demographic shrinkage, risk becoming places left behind and losing out on Europe's green and digital transitions. Bringing many different strands together to push the development of small urban areas, in the form of a vision or a sustainable urban development strategy can help priorities and gather players around a common objective (JRC, 2020).

Improving their capacities to act may increase the likelihood that more small urban areas will remain attractive places and play a role in Europe's settlement pattern. In any case, it will help to ensure that funding is available to them – for transitions or other purposes – and has a chance to improve their situation and deliver a return on investment.

Figure 5.1   From scenario building blocks for local capacity
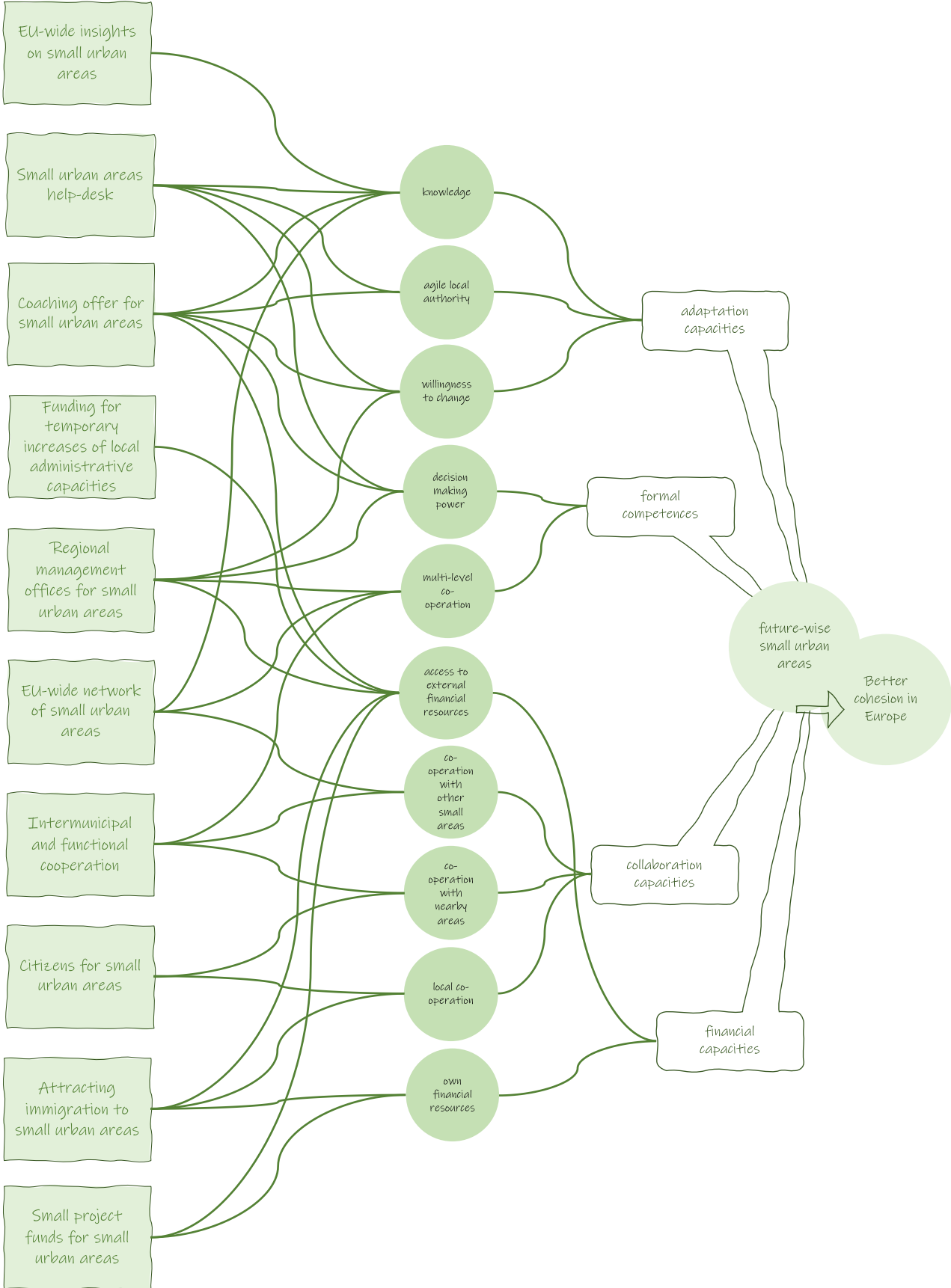
Source: Spatial Foresight (2022)

6 Conclusions

Small urban areas are an important part of Europe's territorial, social and economic fabric. They are centres for the provision of services of general interest and places with a good quality of life. However, their attractiveness is increasingly under threat due to demographic change and grand societal transitions in Europe. This includes the green and digital transition as well as recovery from the COVID-19 pandemic and eventually the socioeconomic impacts of the war in Ukraine.

The diversity of small urban areas in Europe and their abilities to prepare for desirable futures point at a twofold foresight need. First, foresight processes on possible deveopments need to be place-specific. Second, small urban areas must have the capacities and empowerment to take decisions with which they actively can shape their futures. Therefore, we focus on foresight as integral part of policy making and the capacities to act, i.e. which capacities of small urban areas need to be strengthened to enable them to think forward and act accordingly.

In many cases small urban areas do not have sufficient capacity to tackle the challenges and there is too little knowledge about how to address the transitions. This is particularly challenging given the high diversity of small urban areas, their demographic and economic profiles as well as their territorial context and role therein. Nevertheless, they are often overlooked in policy making. They do not have the capacity of major urban agglomerations to punch their weight in policy decisions. Nor do they have the standing of rural areas as a specific policy domain. To ensure cohesion in Europe and avoid small urban areas turning into places left behind, their capacity to proactively master societal transitions must be boosted.

Small urban areas need administrative capacities to shape their transitions and develop long-term perspectives. This requires addressing the pathways to handle demographic change. It requires strengthening thinking and decision making in terms of functional areas and intermunicipal cooperation. We also need more knowledge on development and transition specificities of small urban areas, in terms of comparable European wide insights, as well as bottom-up citizen-science based insights. Most of all, administrative and political capacity building in small urban areas needs to be strengthened. Small urban areas need more empowerment concerning their capacity to mobilise people and resources, collaborate, navigate under uncertainty and to punch above their weight.

Focusing on some of the above findings concerning demographic change, functional area cooperation, as well as administration capacities for transitions and long-term perspectives, the study has developed a set of scenario building blocks showing possible pathways on how they can proactively shape their futures:

- **Population development.** Small urban areas are often facing demographic decline. Yet, the future could also look differently, at least for attractive and well governed small urban areas. Small urban areas can be attractive for migration from rural areas, as they offer better access to services of general interest and often better public transport. In some parts of Europe, international migration could alter demographic development trends in small urban areas. In such a scenario, attractive small urban areas could slow or even turn around the risk of demographic decline in the short to medium term.

- **Intermunicipal and functional cooperation.** For decades various EU national schemes for inter-municipal cooperation have been set up. In short, for various types of small urban areas, partnerships and cooperation with neighbouring municipalities applying the ideas of functional urban areas or functional regions, help them to increase their critical mass. This critical mass concerns both the population for certain services as well as the size of local public administrations. All in all, it strengthens critical capacities to act and mobilise people and resources to actively shape future developments.

- **Small urban areas knowledge network.** The generation of knowledge on urban and territorial issues, support for piloting new solutions and exchanges of experience between local and regional players often focuses on larger urban areas. This chould be changed by stimulating stronger engagement of small urban areas in these European initiatives and subsequently even the development of particular platforms for small urban areas. How about a European knowledge centre for small urban areas, a EU-wide network of small urban areas, community driven research and the mobilisation of citizens in transition processes of small urban areas, or visiting tours to small urban areas by representatives of national ministries, the European Committee of the Regions and the Convent of Mayors to inspire politicians and authorities in small urban areas?

- **EU capacity building for small urban areas.** Many small urban areas are struggling with their capacities to improve their quality of government. Overburdened small public administrations and local politicians even struggle to apply to national or EU programmes which could provide assistances, as these are considered too burdensome for constrained local administrations. To pro-actively support improvements in local government quality, various initiatives could be considered, e.g. funding for temporary increases in local administrative capacity, a EU-wide help-desk for small urban areas, a programme offering 'on the spot coaching' to small urban areas , or regional management offices for small urban areas.

- **Small EU project funds for small urban areas.** Supporting the willingness to change and capacity to act in small urban areas helps a lot. Still, funding for investments is also needed. In many case existing funding instruments appear to be too burdensome for small urban areas. In the context of EU cohesion policy and EIB support for urban development, something like a Small Project Fund could help.

Supporting small urban areas to boost their capacities will help that more of them remain being attractive places which play a role in Europe's settlement pattern. With enough capacity they can manage the transitions ahead and continue to be essential building blocks for cohesion in Europe.

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