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POLICY PAPER //

Small and medium-sized towns and cities

Policies strengthening their role in achieving active, inclusive, and functional territories

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Authors
Wiktor Szydarowski, Nicolas Rossignol (ESPON EGTC)
Juana López Pagán (Ministry of Ecological Transition and Demographic Challenge of Spain)
and Josep Maria Llop (UNESCO Chair "Intermediate Cities" University of Lleida, Spain)

With the support of
Beatriz Postigo Hidalgo and Luis Pedro Arechederra Calderón (Ministry of Finance and Public Service of Spain).
Alba Villamor Anguiano and Inmaculada González Agejas (Ministry of Ecological Transition and Demographic Challenge of Spain)
Erika Jaráiz Gulías, Nieves Lagares Diez, María José Piñeira Martiñán, Cristina Ares Castro-Conde, María Pereira López, and Natalia Paleo Mosquera (University of Santiago de Compostela, Spain).
Joaquín Farinós Dasí, Luis del Romero Renau, Antonio Valera Lozano, Jaime Escribano Pizarro and Adrián Ferrandis Martínez (University of Valencia. Spain).
Borja M. Iglesias, Rodrigo Vargas and Cristina de Vasconcelos (UNESCO Chair on Intermediate Cities, University of Lleida, Spain).
Marco Del Fiore and Loris Antonio Servillo (Future Urban Legacy Lab research centre, Politecnico di Torino, Italy).
Stefan Kah (European Policies Research Centre, United Kingdom)
Piera Petruzzi (ESPON EGTC)

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Table of contents

Introduction

The core mission of Cohesion Policy is to reduce regional disparities and promote long term regional development. To achieve that goal, investments in public services, infrastructure, skills and multi-level governance have continued to drive convergence in recent years; nevertheless, with the investment effort often concentrated in large urban areas small and medium-sized towns and cities (SMSTC) face a risk of falling behind.

This policy paper aims at providing policymakers at all levels, from the European to the local, with advice on how to empower small and medium-sized towns and cities to become key contributors to achieving a more balanced territorial development, and economic, social and territorial cohesion.

The paper revolves examines the EU policies targeting small and medium-sized towns and cities, and explores in more detail the specific national, regional and local policy frameworks in Spain and the countries selected by the Spanish EU Council Presidency for benchmarking: Portugal, Italy and Germany.

The paper, in order to address the following questions:

- How could small and medium-sized towns and cities contribute more to the social and territorial cohesion of the EU in general and of the studied countries in particular?

- How should national, regional and local policies support the development of small and medium-sized towns and cities in a long-term perspective?

…identifies commonalities and differences in the policy approaches, in terms of thematic scope, challenges addressed and implementation models, also based on case studies of specific towns.

1 The untapped potential of small and medium-sized towns and cities (SMSTC)

While the definition of the small and medium-sized towns itself can be problematic, because of different national and conceptual interpretations, the ESPON TOWN project[1] marked a milestone in addressing this subject in a comparative manner. Following the OECD and DG Regio work on the degree of urbanisation (Eurostat, 2018), it defines as small and medium-sized towns every urban settlement having between 5,000 and 50,000 inhabitants and a population density between 300 and 1,500 inhabitants per square kilometre. Additionally, ESPON identified three main methodological lenses that can be adopted to study small and medium-sized towns. These are: the morphological, administrative, and functional approaches. All three approaches appear to be recognized and recurrent in most of the subsequent literature.

This paper goes one step further considering as well small cities (with a population exceeding 50,000 inhabitants) exposed to similar socio-economic challenges and similar attention by public authorities at different territorial levels in Europe[2].

An interesting perspective that has emerged from literature is related to the capacity of these towns and cities to be involved in integrated initiatives. In particular, three dimensions seem to be relevant, as (i) the role of the cooperation between SMSTC and their surroundings, (ii) their regional position, and (iii) their capacity to mobilise their civil society and to build public and private partnerships. These three factors constitute the strategic potential of SMSTC and are considered among the main components of neo-endogenous development, deemed by some authors as the main determinant of their performance.

Literature is increasingly showing a convergence on depicting the causes and mutual influences of the challenges the SMSTC are facing, and how to improve their economic competitiveness and residential attractiveness. Even though each small and medium-sized town has unique development dynamics and features, it is possible to highlight some specific issues.

While innovation is a key determinant of long-term regional growth, some areas, in particular farther away from the capital regions, have been facing structural and institutional challenges in coping with the demographic, social, economic and environmental trends, which makes them highly vulnerable to crises and unfit to tap into development opportunities. To properly address the structural deficiencies and develop remedial solutions, it is essential to put in the spotlight SMSTC, as they demonstrate an unexplored potential in shaping up tenable urban-rural relations.

Small and medium-sized towns and cities form the backbone of the polycentric urban structure of the European Union. They play a crucial role in regional economic development

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[1] https://archive.espon.eu/programme/projects/espon-2013/applied-research/town-%E2%80%93-small-and-medium-sized-towns and https://archive.espon.eu/towns%20Denmark

[2] See the chapter dedicated to "Definitions" at the end of this paper.

and social well-being, as they provide jobs, and sustain local and regional services - from education and healthcare to public transport.

Overall, they are expected to offer adequate living and working conditions to maintain population and labour force, thus, to help the local community attain a good quality of life.

In that, small and medium-sized towns and cities are emerging as a key reference link in achieving both sustainable development and the equitable distribution of services, opportunities and, ultimately, to advance in terms of territorial social justice.

Map 1.1
Small and medium-sized towns and cities
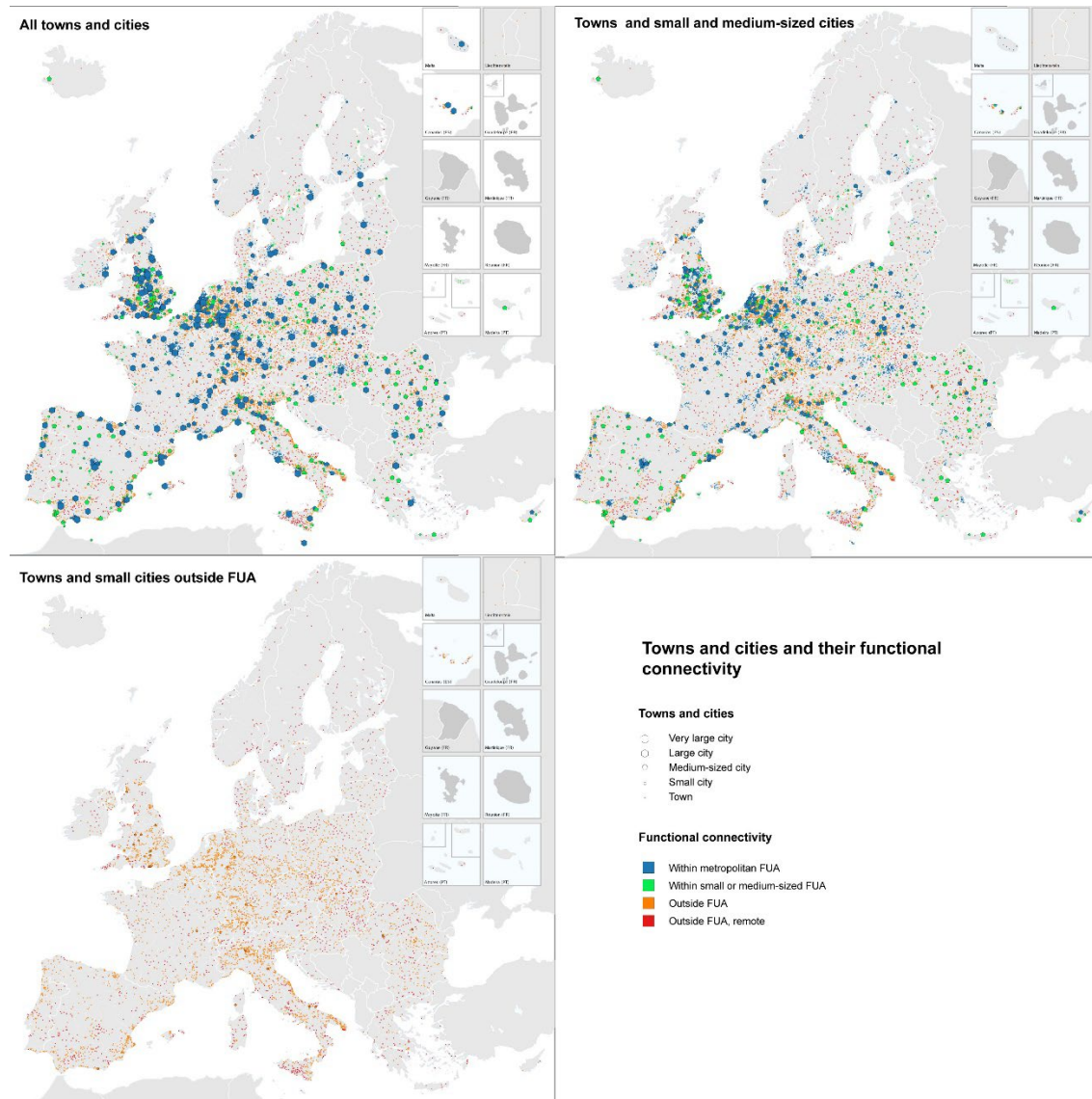
Source: ESPON

2 Need for a strengthened role of small and medium-sized towns and cities to tackle spatial polarisation

Small and medium-sized cities and urban areas have significant role and potential for balanced territorial (economic, social, and demographic) development and the achievement of common European goals. This calls for integrated and place-based territorial support measures to enable all types of territory to make the most of their development potentials (fostering the diversification of economic activities and smart specialisation, finding solutions for the provision of high-quality, accessible and cost-efficient public services, and fostering territorial co-operation within functional areas) [3]. This underlines the significance of polycentric urban development across borders, development of functional urban areas, urban-rural linkages and the specific challenges of inner areas [4].

Small and medium-sized cities and towns are distinguished in the document of the Territorial Agenda of the European Union 2030 [5] among places and areas that demonstrate different development potential and challenges, as well as demographic and societal imbalances. These are driven by economies of scale, demographic ageing, depopulation, imbalanced access to markets and qualified labour, social exclusion and inequalities, as well as disparities in the quality of governance and public services. This especially concerns remote areas but also inner peripheries lacking access to public services, and adequate economic and social opportunities.

Furthermore, cooperation networks, links, and flows between places, especially along transport corridors, affect the possibilities of realising the development potential or responding to challenges.

The observed dynamics of socio-economic trends requires a balanced approach to territorial development and putting small and medium-sized cities and towns at the core of attention in pursuing the goal of reducing inequalities between people and between places.

Over the years, small and medium-sized cities and towns have been instrumental in providing services and supporting local development based on endogenous resources and potentials. Their geographical location, local economic base, and strength of the sub-regional economy shaped also by entrepreneurship traditions used to determine their productivity and competitiveness ranking [6].

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[3] Declaration of Ministers towards the EU Urban Agenda (Riga, 10 June 2015) Supporting Document I: "The Trio Presidency theme of small & medium-sized cities: synthesis of the results" (EUKN) Supporting Document II: "Opportunities of cross-border cooperation between small and medium cities in Europe" (LISER).

[4] PRESIDENCY CONCLUSIONS of the Luxembourg Presidency of the Council of the European Union on the occasion of the Informal Ministerial Meetings on Territorial Cohesion and Urban Policy Luxembourg, 26 and 27 November 2015

[5] https://territorialagenda.eu/wp-content/uploads/TA2030_jun2021_en.pdf

[6] ÖIR et al. (2006). ESPON Project 1.4.1. - The Role of Small and Medium-Sized Towns (SMESTO). Final Report, ESPON: Luxembourg. Final Report. https://www.espon.eu/sites/default/files/attachments/fr-1.4.1_revised-full.pdf

However, the contemporary metropolisation processes induced different development trajectories for such cities and towns dependent on the proximity to large cities. Some of them grew in importance after having been integrated into a functional urban area with the shared transport systems and public services. Some others benefitted from offering a commuting opportunity to an urban agglomeration if located in a high-speed transport corridor.

Meanwhile, other smaller cities have suffered from peripherality and decline, not being able to provide the necessary resources to maintain services for the surrounding areas and act as growth poles. To achieve an inclusive and functional territorial development, with an equitable distribution of services, opportunities and, ultimately, to advance in terms of territorial social justice, the invigoration of such small and medium-sized towns and cities becomes a key policy target for the EU, national, regional and local policies.

3   EU and national policies targeting small and medium-sized cities and towns

As stated by the European Commission[7], Cohesion Policy provides targeted investments adapted to different local and regional contexts. It tackles many interlinked urban challenges found across Europe: social inclusion and regeneration of urban neighbourhoods, sustainable urban mobility, circular economy and housing in functional urban areas, or access to public services and digital solutions in small and medium-sized cities and links with rural communities.

The 8th Cohesion Report[8] has identified the importance of strengthening the role of cities and towns which provide access to a wide range of public and private services. Strengthening their role could boost economic development and improve quality of life. Cities act as providers of public services, as centres of innovation, drivers of economic growth and opportunities, including digital transition.

The long-term vision for the EU's rural areas[9] observes that longer distances, lower population density and larger catchment areas make both delivery and access to services in rural areas more difficult. However, delivering services of general interest in rural areas with comparable quality to those in urban areas is key to maintaining equitable living standards for all citizens and across all territories, including in the most remote rural areas and in the outermost regions. Therefore, small cities and towns can act as driving forces for rural attractiveness and development and provide access to a number of services for their surrounding rural areas.

The recent EU Cities Forum[10] in Torino further highlighted the role of small and medium-sized towns and cities in coming up with place-based responses to local and global challenges. Those smaller urban centres diverge from large cities in terms of local challenges, available resources, and linkages with the surrounding areas. They also have a key role to play in rural areas promoting positive synergies with the rural environment.

In the last years, and in unprecedented situations due to the overlapping crises (COVID, energy, refugees, etc.), Cohesion Policy has evolved to support cities with funds, providing invaluable impact in their development and recovering from the crises.

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[7] https://cohesiondata.ec.europa.eu/stories/s/How-does-Cohesion-Policy-support-cities-and-local-/rgzr-e44d/

[8] https://ec.europa.eu/regional_policy/information-sources/cohesion-report_en

[9] https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52021DC0345

[10] https://www.uia-initiative.eu/en/events/cities-forum-2023-together-green-and-just-cities

EU's initiatives

Over the years, EU Cohesion Policy has experimented with several ways of engaging with cities.

The current URBACT IV program (2021-2027), officially adopted by the European Commission on 19 September 2022, and started in January 2023, will support cities to tackle the green, just, and digital transitions, through networking, capacity and knowledge building activities. URBACT and the European Urban Initiative will work in collaboration to provide a coherent offer to urban stakeholders and support to cities for their integrated and sustainable urban development under the Cohesion Policy. However, again, there is not any specific measure targeting small and medium-sized towns and cities.

For this 2021–2027 period, the European Commission also launched a new European Urban Initiative (EUI) to strengthen integrated and participatory approaches to sustainable urban development and to provide a stronger link to EU policies and Cohesion policy and investments in urban areas, supporting innovative actions, capacity building, and knowledge building.

This new EUI initiative is not aimed at supporting only major urban areas, but any EU urban authority of a local administrative unit defined according to the degree of urbanisation as a city, town, or suburb, or a grouping of such authorities but for a minimum size of 50,000 inhabitants. This is in line with the Urban Agenda for the EU launched on the occasion of the Pact of Amsterdam which promotes integrated urban development for cities of all sizes, including Small Urban Areas.

Among the so-called Territorial Delivery Mechanisms, the Community-Led Local Development (CLLD) appears to be probably the most appropriate tool intended to address local development, in particular for areas characterised by SMSTC. CLLD enables bottom-up approaches in the definition of a Local Development Strategy tailored to the specific needs of an ad-hoc area. It fosters an integrated approach to territorial development, with the purpose of involving a large representative of local actors and providing financial support to the strategy implementation and related participatory process.

Since the previous EU programming period (2014-2020), the instrument has adopted a more encompassing approach to local development, extending its application to a broad set of European Structural Investment Funds (ESIF). Consequently, CLLD´s range of actions grows along two potential lines in addition to the previous LEADER instrument. Firstly, a broader thematic scope is enabled due to the eligibility of more thematic interventions under different Funds, and thus potentially more integrated actions. Secondly, diversified areas of intervention, which can go from urban neighbourhood to sub regions, and consequently a wider range of stakeholders potentially involved.

The SMSTC, mainly the small ones, can have a key role in territorial cohesion (to fight against depopulation and economic decline), especially in the rural and outside biggest functional urbans areas. They have also an important role to play in implementing the European Green Deal (via local green deals) and in supporting the energy transition and the development of circular economy.

National perspectives

Since the COVID pandemic, Member States have put in place financing mechanisms to support transformative recovery. These include the Multiannual Financial Framework (MFF) for 2021-27, the temporary 'Next Generation EU' (NGEU) recovery instrument (2021-24), the Recovery and Resilience Facility, and national recovery funds. There are opportunities for cities to tap into these funds, in CLLD initiatives, even though a lot depend on each Member State and what each of them decides to implement.

As underlined by the Spanish Presidency of the Council of the European Union in 2023, small and medium-sized towns and cities are an important agent in achieving a better-balanced territorial development as they may help mitigate effects of an excessive concentration of population in larger cities and curb the depopulation of rural areas.

This consideration is reflected in the Spanish Multi-regional Operational Programme 2021-2027 which emphasise that depopulation of rural areas and medium-sized towns, as well as excessive concentration of population in larger cities, undermines access to public services. Its Specific Objectives 1 and 2 of Policy Objective 5 aim to allocate the majority of funding resources for sustainable urban development to medium-sized cities (between 40% and 60%). The program argues that the depopulation of rural areas and medium-sized cities, as well as the excessive concentration of the population in large cities, undermines access to public services. The programmed actions will have an impact on the surrounding environment of the cities to which it is addressed and will help to change the cycle of depopulation faced by all types of municipalities, including county seats, intermediate cities and provincial capitals. Sustainable urban development is therefore presented as an opportunity to become a lever for integrated territorial development

In line with the way Spain is considering the articulation between EU funding and a national priority targeting small and medium-sized towns, it is interesting to look at specific national policies and tools for SMSTC that have been recently developed.

Boosted by the most recent EU initiatives aimed at addressing the challenges faced by territories addressed as peripheral or lagging-behind places, a series of policies and instruments have been put on places in most EU countries.

This paper is focusing on the situation in Germany, Italy, Portugal and Spain. The following categories are partially overlapping, but they are all related to small and medium-sized towns and cities:

A dedicated administration to tackle the demographic challenge and address small and medium-sized towns (Spain).

SMSTC are nodes of territorial cohesion, guaranteeing the rural population access to basic services, contributing to the fixation of population, and therefore to the fight against depopulation, a particularly important problem in Spain, which has led the government to create a specific administrative structure and implement specific policies to combat the demographic challenge. In this search for greater territorial cohesion and the fight against depopulation, the generation of polycentric territorial models and the consolidation of SMSTC play a fundamental role.

Map 3.1.
Functional Urban Areas of Spain
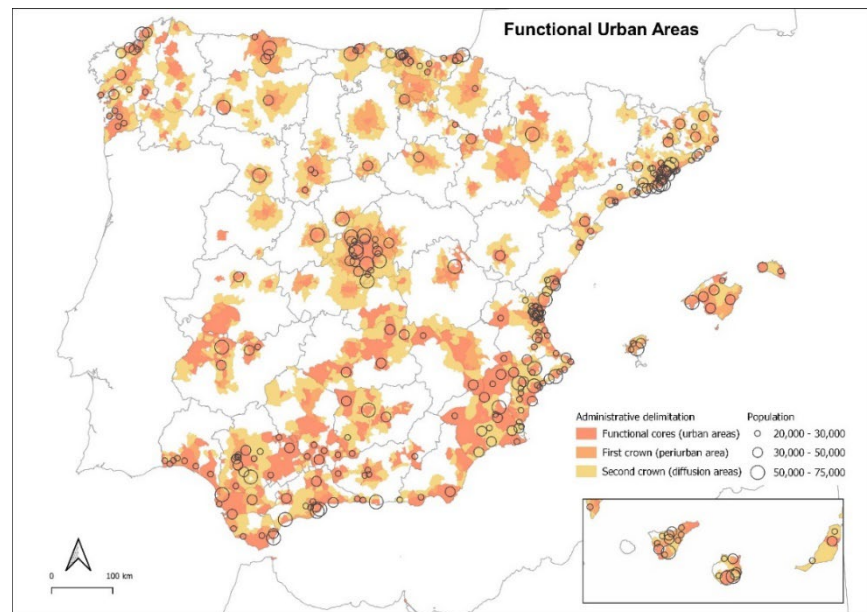
Territorial level: Municipalities (2023)
Source: Small and Medium Sized Cities in Spain 2023
Origin of data: Instituto Nacional de Estadística (INE), 2021

The political-administrative organisation of Spain means that **most of the competences to provide basic services and the public policies to promote employment and economic development belong to the Autonomous Communities**, with the municipalities generally executing plans and programmes designed at the regional level. Against that background, municipalities are constrained by the actions carried out by the regions, which are the ones which hold the legal capacities and the funding leverages. As a result, local governments feel often times responsible for assuming responsibilities and investments that do not fit their actual resources and capacities in order to respond to the demands of citizens. On the other hand, the Autonomous Communities are the main promoters of public policies aimed at strengthening the services and economic development of SMSTCs, especially those with the largest number of municipalities of this size, such as Andalusia, the Community of Valencia and Catalonia.

The central government has the capacity to guide the general frameworks of public policies, and to prioritise the objectives for the transfer of economic resources to the achievement of the objectives set by national policies.

The central government's capacity for action is greater in those areas that are considered an integral national public policy, such as the promotion of digital infrastructures, or which require significant investment in infrastructure, which makes it difficult for them to be addressed solely by the regional administrations or local authorities.

Despite the considerable investment from European funds that has taken place be-tween 2007 and 2020 in SMSTC, there is still a lower capacity for initiative and economic management within the smaller municipalities, which translates into less investment per capita as the population size decreases.

This investment has recently been reinforced thanks to the Spanish Government's Recovery and Resilience Mechanism, which includes multiple actions under the Plan of 130 measures to combat the Demographic Challenge, promoted by the Ministry of Ecological Transition and the Demographic Challenge.

Most of the public policies on services provision concern health services. The Autonomous Communities with the highest number of plans and programmes that address SMSTCs are the Community of Madrid and Castile-Leon, followed by Andalusia. However, the access to health services and infrastructures is guaranteed in all SMSTCs, at least at the primary attention level, and the average distance to the hospitals is quite low even for the towns between 20 000 and 30 000 inhabitants. The same occurs with primary education, having at least one school in each SMSTC.

Mobility and transport are among the main objectives of regional policies, especially in Murcia, Balearic Islands and Andalusia. In the latter, stands out the transport plan that aims to improve access to the 37 medium-sized Andalusian cities, the adequate maintenance of existing medium-distance lines and services that connect medium-sized cities and rural centres, being one of the few documents that make explicit reference to medium-sized cities. Andalusia is one of the regions with more politics aimed at SMSTCs, mainly because it is by far the region with most towns and cities in this range.

On the other hand, the promotion of employment and economic development are two of the objectives that generate more public policies at regional level, standing out in the field of employment, initiatives in Catalonia, Asturias, Castile-La Mancha and Castile-Leon.

Finally, the development of digital infrastructures has been almost exclusively the responsibility of central government and has been a national policy structured in several phases, with the result that today the level of access at speeds of 100mb is quite high in all population sizes except for municipalities with less than 20 000 inhabitants. SMSTC are at similar levels to large cities in all indicators considered, although municipalities with 20 000 to 30 000 inhabitants are slightly below.
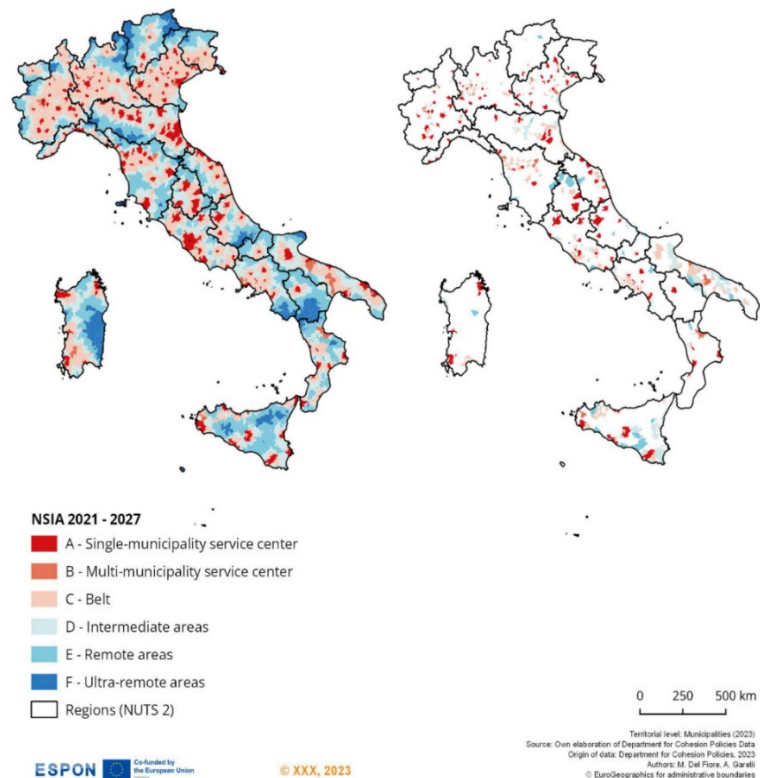
These policies mean that the situation of medium-sized cities in Spain is not very different in terms of services to those offered in larger urban centres, while in general terms the cost of housing is lower and the quality of life in these cities is higher, which all together has led to further growth of the SMSTC in Spain in the last twenty years.

Integrated policies for tailored territories (Italy)

In the context of Italy, where debates often revolve around either metropolitan cities or marginalized territories, the issue of small and medium-sized towns remains conspicuously absent from the political and cultural discourse. This topic becomes relevant only in policies approaches dedicated to urban-rural or urban-mountain divide. In recent years, however, there has been a progressively growing focus on policies and research pertaining to disadvantaged areas, marked by substantial investments and vigorous discussions, driven by national initiatives that engage researchers, politicians, and practitioners. Particularly noteworthy, the National Strategy for Inner Areas (NSIA), serving as a national experimental ground for the place-based approach, has introduced significant innovations in tackling territorial disadvantages.

Within narratives dedicated to marginalized areas and metropolitan cities hold specific spaces within the national discourse, SMSTC are tangentially addressed within broader territorial concerns. An illustrative example is the emerging concept of the "Italia di Mezzo," a distinct space set apart from metropolitan cities and inner regions, which focuses on the role of intermediate territories. Within this classification, SMSTC also emerge as components.

NSIA 2021 - 2027
- A - Single-municipality service center
- B - Multi-municipality service center
- C - Belt
- D - Intermediate areas
- E - Remote areas
- F - Ultra-remote areas
- Regions (NUTS 2)

0   250   500 km

Territorial level: Municipalities (2023)
Source: Own elaboration of Department for Cohesion Policies Data
Origin of data: Department for Cohesion Policies, 2023
Authors: M. Del Fiore, A. Garelli
© EuroGeographics for administrative boundaries

As a consequence, there are currently no specific national or regional policies tailored for SMSTC in Italy.

Instead, there is **a variety of innovative territorial policies and tools operating at the national, regional, and sub-regional tiers**. These policies, often executed through comprehensive plans and programs, may have an impact on SMSTC. Furthermore, national, and regional programs aligned with community cohesion objectives provide funding for projects linked to SMSTC through the European Structural and Investment Funds (ESIF).

The instruments and policies in Italy that can involve SMSTCs, either directly or indirectly, happen within a complex multilevel governance framework, in which national, regional and local levels play important roles.

Their political target is more a broader territory that a specific SMSTC, and their goal can be framed within the broader scope of reducing the gap between less urbanised areas and larger urban areas. **They compile a large set of policy objectives such as improving access to public services, economic and rural growth, creating employment opportunities, developing digital infrastructure and services, promoting social innovation, and mobility**.

The most innovative aspect of the Italian case is the commitment to identifying integrated policies for tailored territories. There, the pursuit of integration combines mobility, access to public services, and economic development in an interconnected fashion.

The national analysis reveals however a set of layers that characterise the marginalization of territories and their fragility: together with the structural macro-divide between North and Southern Italy, a more fine-grained geography of disparity was brought up. The entire mountain areas that combine the Alpine regions and the Apennine and their territories characterised by low degree of urbanisation is the part of the national territory mostly affected by depopulation and process of marginalisation. Here, the SMSTC plays a crucial role in providing access to services and support to local economies.

Despite the territorial, social, and economic gap between the north and south of the country remaining one of Italy's unresolved major political issues, **the tailored policies proposed by the policies and instruments currently in place show a new and innovative way to support these territories through place-based strategies**.

Investing in human capital and innovation (Portugal)

Portugal is experiencing long term demographic decline during which its metropolitan areas will continue to struggle to maintain the status quo and their positions as the main driving forces of the national economy, absorbing resources from their administrations and concentrating decision-making power, population and employment. In rural areas, the impact of the climate crisis is already putting pressure on their ability to maintain the primary sector economy, and this is accelerating the exodus of young working-age people.

In this context, SMSTC must emerge as "links" that are capable of generating a process of counter-urbanisation in the sense of providing key urban services and thereby generating what constitutes a dynamic economy at the territorial scale, thereby capturing and rooting population and, over time, gaining greater autonomy and the ability to directly manage the risks that threaten and condition their agricultural hinterlands and environmental ecosystems.
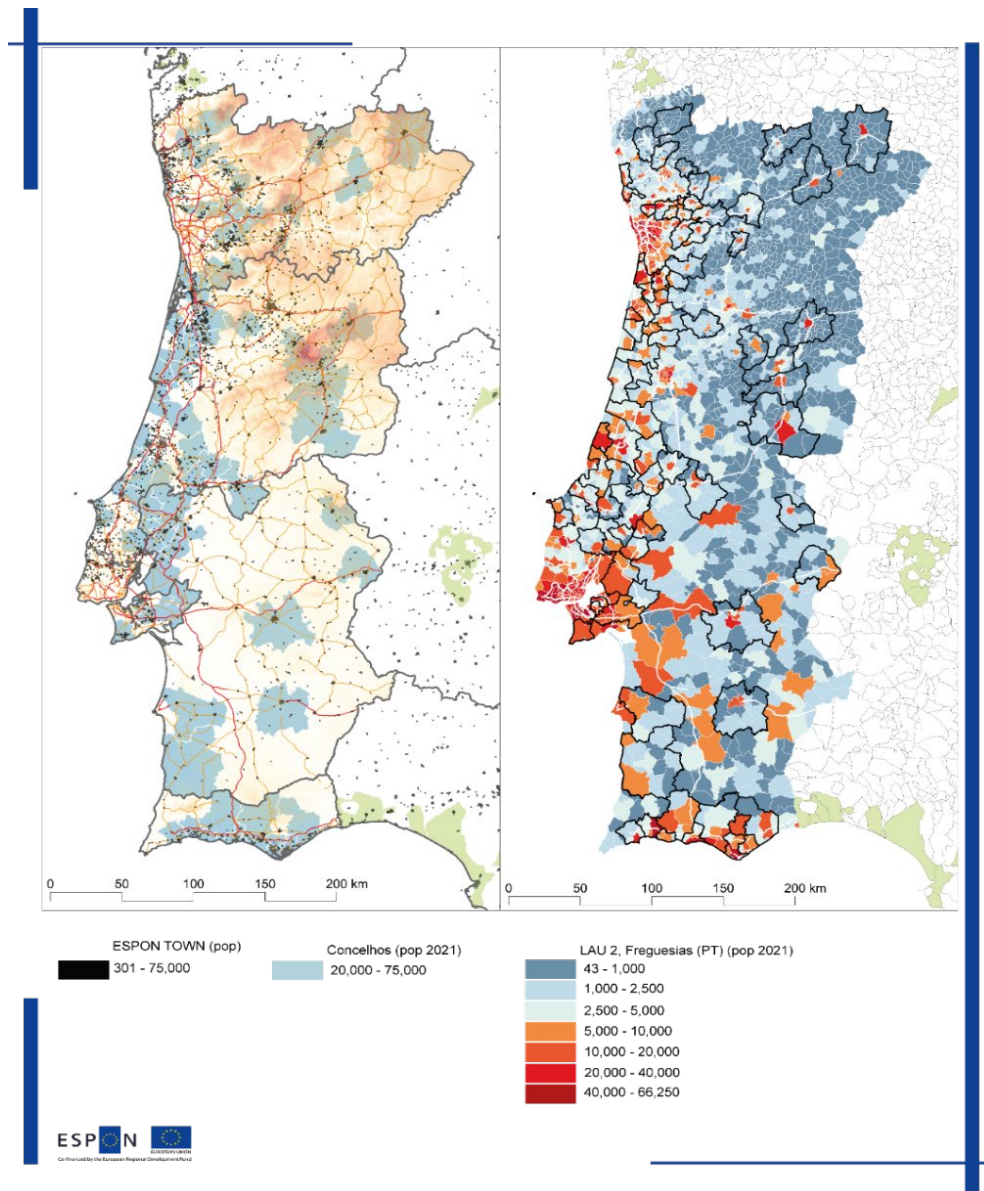
The unique nature of each SMSTC, and its own particular individual needs and expectations, makes it difficult to construct a shared development narrative. The scale of local administration, which is always conditioned by the asymmetric decentralisation of human and economic resources, is ultimately responsible for channelling multilevel funding (EU, state, region) towards the implementation of policies.

Along these lines, **Portugal has placed capacity building and training at the heart of its territorial policies,** and this has had a significant impact on many of its SMSTC. This investment in human capital has provided opportunities to shape the immediate futures of these territories equipped with better tools and greater knowledge.

Ensuring that SMSTC promote new opportunities means that current and future generations will be able to benefit from activities linked to their immediate environment while still maintaining a commitment to their internationalisation. Technology is essential in this, and Portugal has been decentralising technology from the metropolitan heartland and bringing infrastructures to SMSTCs ad their rural hinterland for many years now.

A series of multi-sectoral and multi-level policies have been proposed to strengthen the long-term development of SMSTC. In many cases, this involves building upon policies that already existed or that had been implemented in different ways, either by the EU as a whole, or by Portugal in particular. In Portugal, this commitment has been relatively recent (Strategy Portugal – EP 2030), but its social and economic goals have been agreed at various different levels.

Map 3.3.
SMSTC in Portugal, territorial approach

ESPON TOWN (pop)
301 - 75,000

Concelhos (pop 2021)
20,000 - 75,000

LAU 2, Freguesias (PT) (pop 2021)
43 - 1,000
1,000 - 2,500
2,500 - 5,000
5,000 - 10,000
10,000 - 20,000
20,000 - 40,000
40,000 - 66,250

Source: Eurostat, OSM, INE. ESPON Small and medium sized towns and cities in Portugal (2023)

For Portugal's SMSTC, all these issues are important, but especially the one related to demographic sustainability. To this end, EP 2030 has set amongst its objectives: **improving the reconciliation of work and family life, improving maternity and paternity conditions, and promoting quality employment for young people and migrants**.

EP 2030 identifies also he need to continue working on empowering people. However, it also identifies the fact that the Portuguese economy is largely an ecosystem of relatively small companies with financial weaknesses, and that it will be necessary to move them on towards greater technology-based specialisation. In this respect, the focus on **digitalisation, innovation, and skills** will also be key for SMSTCs, as it will open the door for them to compete on equal terms with metropolitan areas, through innovation and smart specialisation.

Moreover, EP 2030 establishes **strengthening Portugal's internal cohesion and external competitiveness a priority for development**. Internally, it aims to reduce the economic, social and environmental gaps between the country's urban areas and its rural and low-density areas. To achieve this, it focuses on combatting the "vicious circles" in which SMSTC often find themselves trapped, which are typically characterised by the loss of population and employment, the degradation of public services and increased risks associated with climate emergencies. All of these issues make it difficult for SMSTC to promote themselves as attractive destinations for future investment and sustainable development.

Eventually, for Portuguese SMSTC, there is a need to **support and strengthen intermunicipal cooperation with the aim of generating a polycentric system and exploiting economies of scale.** The goals include seeking to: reinforce infrastructure that provides territorial connectivity; diversify and digitalise the local economy; and strengthen urban-rural linkages, through policies for the rehabilitation of building stock and the promotion of the commercial activities.

An academy for small and medium-sized towns and cities (Germany)

German urban development policy has been in place over 50 years to support cities and other municipalities in their social, economic, cultural and ecological development. It is characterised by a multi-level system in which the national (federal) level interacts with both the federal states and the municipalities – including cities and towns – at the local level. Since 2007, the Leipzig Charter on Sustainable European Cities acted as a key reference document for policymaking. German urban development policies aim to be cooperative (joint action by federal government, federal states and municipalities), integrated (joined-up planning and implementation in local contexts), flexible (needs-oriented measures), participatory (working together with the urban community) and feedback-driven (monitoring and evaluation for continuing development).
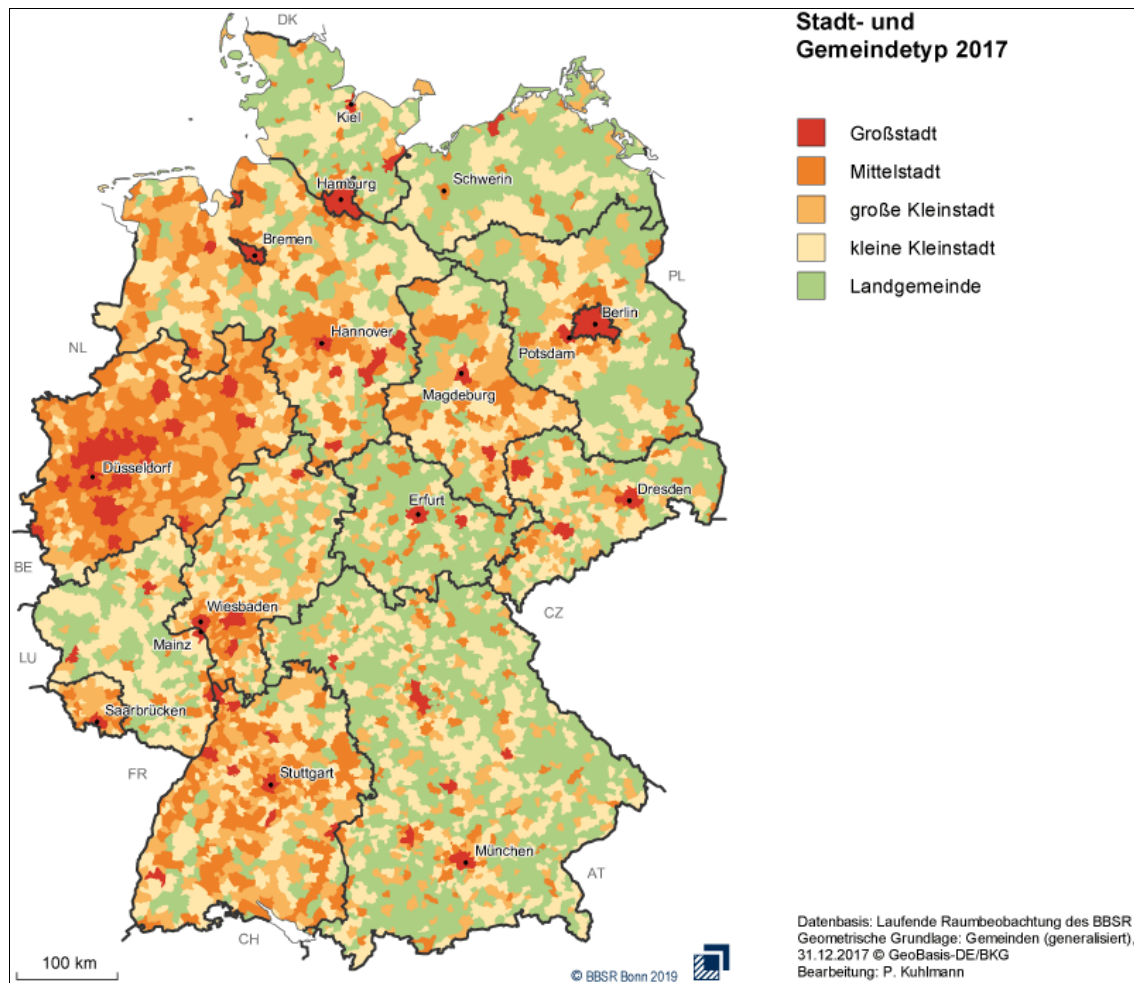
While the quantitative impact is difficult to measure, it is increasingly recognised that urban development policy can achieve qualitative change, e.g. via supporting increased capacities of municipalities to participate in development measures. One of these initiatives is the Small Town Academy.

All-in-all, German SMSTC can benefit from a wide range of support measures, offered at different spatial levels. The key funding source is the German urban development policy (*Städtebauförderung*) offering €790 million a year. At the same time, there are a number state-level schemes, usually at smaller scale and more based on competitions, pilot interventions and knowledge transfer. At European level, both EU cohesion policy and rural development policy can be useful funding sources for SMSTCs. While ERDF funding is only available where the relevant state decides to design programmes that allow its use for urban development, LEADER funding instead is available in all states (with exception of city states).

The bulk of domestic German urban development policy support is available to cities and towns of all sizes. While this is the key funding source for SMSTCs, challenges arise from the fact that most of its constituent schemes are not targeted specifically at SMSTCs alone. In fact, smaller towns can find it hard to access funding, competing against better resources and experienced larger cities. In spite of the reduction of the previously existing variety of parallel schemes into three funding lines, there remains a range of different programmes, each with different conditions and requirements. This can be a challenge for SMSTCs, as these often lack the appropriate resources to make use of the opportunities offered.

Map 3.4.
Types of municipalities in Germany (2017)

Stadt- und Gemeindetyp 2017

- Großstadt
- Mittelstadt
- große Kleinstadt
- kleine Kleinstadt
- Landgemeinde

Datenbasis: Laufende Raumbeobachtung des BBSR
Geometrische Grundlage: Gemeinden (generalisiert),
31.12.2017 © GeoBasis-DE/BKG
Bearbeitung: P. Kuhlmann

© BBSR Bonn 2019

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One way to improve this is the recently launched Small Town Academy. While it is too early to assess the impacts of the initiative, it has the potential to increase the capacities of SMSTC to participate in the urban development policy process.

The Small Town Academy is part of the initiative 'Small Towns in Germany' that bundles, coordinates and expands existing programmes and activities for small town development. The aim is to strengthen the functionality of small towns by offering a purpose-built platform for networking, exchange of experiences and advanced training. The academy targets the 2,106 small towns of 5,000 to 20,000 inhabitants directly, but the size category is only indicative. Figure .1. illustrates the main dimensions of the Small Town Academy: local/regional on the one hand and nationwide on the other and lists the variety of tools and methods used.

Figure 3.1.
Dimensions and tools of the Small Town Academy
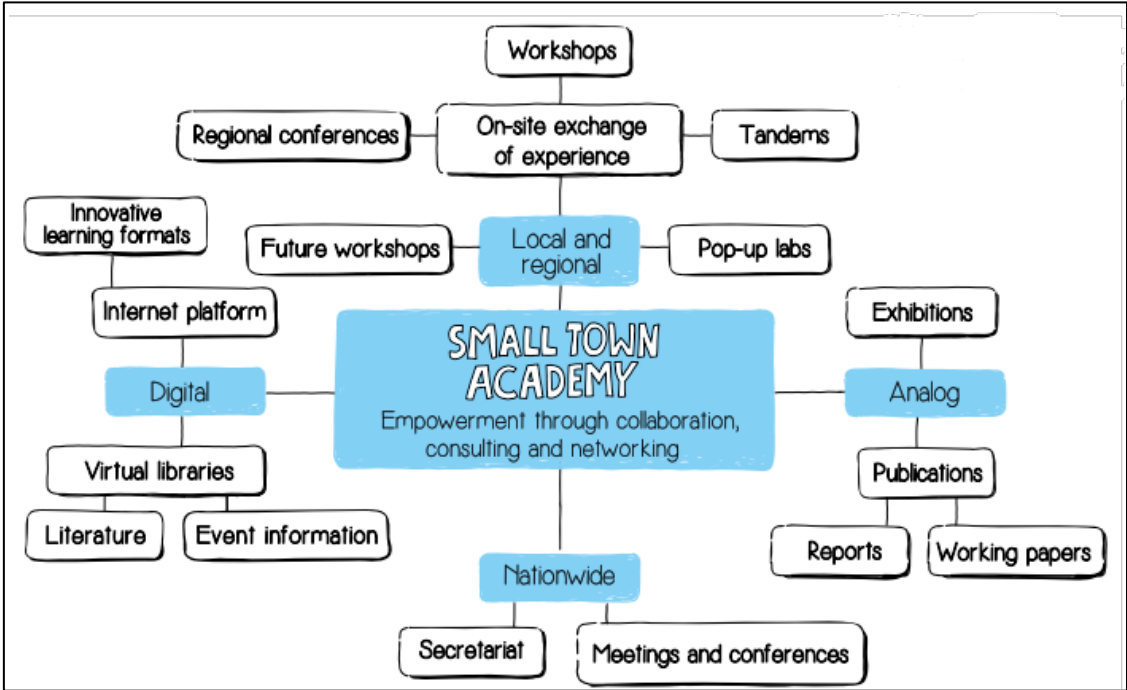
4 Policy pathways to strengthen the role of SMSTC

There are many examples in Europe of how small and medium-sized towns and cities managed to customise their policy frameworks to aim for a more balanced territorial development, and better economic, social and territorial cohesion.

This chapter builds on success stories of the towns and cities showcased in the four analysed countries (Spain, Portugal, Germany and Italy), and presented in annex to this paper, as to the design and implementation of appropriate public policies in order to achieve strategic transformation and become the drivers for regional development in low-density territories.

In result, it identifies development constraints as well as catalyst factors for success, which leads to conclusions on innovative and efficient policy pathways for the functional organisation of the territory, especially rural areas in which this town or city is located.

Strategic urban transformation for achieving sustainable development models

Policies aiming at fostering quality of life appear to be a constant approach in view of achieving both retention and attraction of active young classes and families.

For instance. Soria's "success story" is due, on the one hand, to the density of services and activities of all kinds, cultural ones being especially relevant, and on the other hand to intangible assets inherent to many small cities such as quality of life, family and work conciliation, strong social relations, and high levels of citizen security. Access to natural amenities and to immediate rural and natural environments, like in Villena, represents another kind of comparative advantage for policies aiming at offering an alternative to larger urban areas facing growing congestion and pollution.

These policies target both services to the population and more structural dimensions of urban development. The former includes primarily a range of public services, especially in health and education sectors as exemplified in the cases of Merida and Oschersleben. The latter remains however a key element by offering a high quality of public spaces, dynamic and lively city centres as well as qualitative and affordable housing. Soria for instance managed to consolidate a compact city model, on a human and pedestrian scale, with an ambitious cultural policy and a good provision of basic services for citizens. Villena still offers a well-connected urban centre, with dynamic productive sectors and an active social and cultural life, while Merida is characterised by a clear commitment to sustainability, accessibility and connectivity, being very close to the ideal example of a fifteen-minute city. Another interesting example comes from Oschersleben where policies prioritise the creation of multifunctional infrastructures combining physical construction activities with appropriate functions, trying to make use of brownfields as much as possible. Like in Saluzzo, many small towns and cities face situations where economic wealth coexists with important socio-demographic challenges. This is why balanced efforts are required to combine urban development aiming at renovating historic buildings or highlighting the city's heritage and the revitalization of more deprived neighbourhoods. In that regard, the lack of affordable housing, including in depopulated areas, is certainly one of the most critical challenge local policies have to tackle to stop the demographic bleeding.

It is not inevitable that small and medium-sized towns and cities face demographic shrinking. Soria for instance has shown how a series of policies managed to stop the depopulation that affected the entire province including its capital. On the one hand, part of this new dynamic reflects the choice of Soria's inhabitants to stay instead of leaving for a larger city. On the other hand, it reflects, as well, the attractiveness of Soria towards inhabitants of other towns and villages located in the Province. It is in a way inevitable that maintaining or developing the attractiveness of a small and medium-sized town has direct consequences on its surroundings and local policies must consider these effects.

Supporting territorial cooperation between small and medium-sized towns and cities

The example of the city of Saluzzo showcases how to unhinge an opposing vision between a political, administrative, and cultural centre and its surroundings (the Monviso territory), made of a network of smaller towns and villages. From the territory emerges a clear political perspective that intends to develop new interactions between, both material (ecosystem services, productive resources, food chains, labour and services, infrastructure networks) and intangible, such as spatial imaginaries and cultural hybridisations. The city of Saluzzo and the Monviso territory have demonstrated the ability to reach a critical territorial mass sufficient to ensure the effectiveness of local development strategies, enhancing the polycentric structure of less urbanized areas deconstructing the opposition and alterity between cities and mountains.

In that context, local policies have enhanced the polycentric nature of the territory through connectivity, generating new markets, building networks of services and infrastructure, and mitigating the vulnerabilities and impacts of climate change.

In the Monviso territory, the organisation of key services such as schools, hospitals, and transportation has allowed the creation of larger catchment areas, improving the effectiveness and concentration of services. In Merida, a portfolio of services has become the driving force behind the development of a significant number of satellite municipalities, thus contributing to the fixation of population in the territory. In the meantime, in Oschersleben, the same reasoning resulted in the establishment of a network of medical care centres in surrounding villages.

In some places, integrated intermunicipal strategies already exist. This is the case for Fundao which is part of the Intermunicipal Community of Beiras e Serra da Estrela. An institutionalised pact for territorial development and cohesion places emphasis on the organisation of initiatives at the multi-municipal scale, particularly in mediating rurality with urban space.

However, it is not always the case and lack of coordination and common strategy between the different levels are also frequent. In Soria as in Villena, it has been noted that the need for territorial cooperation for the delivery of services of general interest is crucial, claiming for a necessary reinforced alignment between different levels of public authorities. Another issue to address is the nature of the decentralization in the different countries and the distribution of competencies between the different territorial levels. As a matter of fact, in many countries, decentralisation of competences comes along with what local authorities consider as insufficient resources to manage and to offer more and more services.

One way to tackle this issue is to mutualise resources and offer administrative and technical support to smaller town and cities.

Attracting funds and providing engineering support to foster project implementation

Even in those cities cited above and considered as success stories, administrative complexity and limited local capacities are considered as important barriers for delivering efficient policies.

In Villena for instance, the lack of qualified technical staff at the local level is perceived as crucial, not only to know and control processes and times but also to manage administrative issues with agility and efficiency. On the contrary, in Merida it is recognised that a large part of the success as a model city is due to the notable efforts made by the different administrations to develop administrative capacities in order to, for instance, attracting European funds, the management of which has allowed the development of the city at all levels. In Saluzzo, a planning office was established to intercept all possible extraordinary funds (bank foundations, national funds, and European funds).

In Soria, the role played by European funds has been key to understanding the urban transformation of the city. In that regard, local policy makers agree on the need and demand for policies, plans, programs, and funds specifically oriented to small and medium-sized towns and cities, which is understood to be lacking until now. Looking at existing instruments, some of their criteria appear to be complex to fulfil for smaller cities lacking administrative capacities.

This would not be therefore a question of designing new specific planning instruments for smaller cities, but rather of adapting the broad battery of existing instruments. For instance, the financing and investment conditions of the ERDF could simply be amended to recommend that a part of these should be executed in small cities as well as in rural territories, through current Specific Objectives 5.1 and 5.2, beyond specific programs such as LEADER.

Beyond the need for attracting EU funds, it seems also necessary to catch other types of public funding and to attract investment flows in the different concerned regions. One the way envisaged for instance in Fundao would be to create a regional innovation and investment agency. It would allow to reinforce cooperation and links between university and industry and to support in a collective way the possibility of direct investments for the different small and medium-sized towns located in the region.

In Oschersleben, the choice has been made to develop the municipal company BEWOS into a key driver of urban development. The city administration acts as facilitator of funding, which is then often implemented through projects managed by BEWOS. BEWOS uses its core business of housing management to operate as a wider development agency, e.g. engaging also as a member in the local LEADER action group. Although these successes in urban development are increasingly recognised, there is a feeling that more needs to be done in terms of communication and exchanging experiences.

Develop own economic models based on local assets

Most of the small and medium-sized towns and cities mentioned above are influenced by social, organizational, and intangible capital and by place-based factors. However, the importance of the broader regional context needs to be considered. The ESPON TOWN results confirm the importance of applying an integrated approach for framing policies, a position between regional determinism and territorial autonomy. Given the huge variety of small and medium-sized towns, the place-based approach however remains the privileged starting point for policies implemented in the studied cases, function of the available local capacities.

In Soria for instance, the emphasis has been placed on the major commitment that the city has with a diverse and attractive cultural policy, while the necessary conditions of digital connectivity are met, making it possible to work in Soria in highly specialized sectors.

Regarding Villena, the strategy aims at consolidating a logistic node of national importance for freight transportation, linked to strategies for innovation and conversion of its traditional economic sectors and the exploration of new market niches. While the lack of labour force represents a critical challenge, the reinforcement of vocational education programmes has become a major policy pathway.

Merida has achieved its position as a point of reference thanks to its own economic model based on a sustainable and cultural touristic activity. A cultural-tourism model which, far from being based solely or exclusively on the historical and artistic value of its heritage, has been able to find other areas of action which have allowed it to diversify, without losing its essence: that of a city with a historical and artistic past of great relevance. To accompany this development, local policies prioritise a sustainable and cohesive approach and associate the third sector.

5   Policies for small and medium-sized towns and cities confronted with the demographic challenge

The fight against depopulation means fighting for spatial justice and against inequalities between territories. This vision implies that one must rethink the relationship between urban, intermediary and most importantly rural (small/medium) places and cities.

The current model of concentration of people, services and investments is unsustainable, in economic and social terms and in natural ones, because most natural areas are paying costs as lagging regions, is not fair.

One needs to encourage and develop public policies for socio-territorial cohesion that complement traditional sectoral policies, providing a cross-cutting vision to achieve active, inclusive, and functional territories in line with the objectives of the Territorial Agenda 2030.

The demographic challenge (depopulation, ageing, brain drain, gender equality) is also a democratic challenge that affects the rights of people living in 'places that don't matter' with known effects on people's disaffection with politics and the EU project.

The deployment of policy against the demographic challenge must be carried out in a framework of multilevel and multi-actor partnership. The comprehensive visions focusing on economic, social, and territorial cohesion are needed from local to EU level. These visions should be based on community-led local development, integrated territorial investment and local Green Deal initiatives (paying special attention to innovation technologies and digitalisation), and should apply the 'do no harm to EU cohesion' and 'do no harm to ecological transition' principles.

Small and medium-sized towns and cities form the essence of the polycentric urban structure of the European Union. They play a crucial role in regional economic development and social well-being, as they provide jobs, and sustain local and regional services - from education and healthcare to public transport.

To achieve an inclusive and functional territorial development, with an equitable distribution of services, opportunities and, ultimately, to advance in terms of territorial social justice, the invigoration of such small and medium-sized towns and cities becomes a key policy target for the EU, national, regional and local policies.

To support SMSTC confronted facing the demographic challenge, the following policy options should be activated:

- Designing financial instruments at both national and European level to allow the development of urban-rural projects managed by intermediary cities (regardless of the number of inhabitants).

- Improvement in the capacity to access EU funds and their impact on medium-sized cities and rural areas (currently at a clear disadvantage)

- Favouring polycentric dynamics that allow new spaces for economic emergency and territorial development, providing them with specific tools and programs, especially capacities to generate value in strategic sectors such as industry.

- Fostering functional urban-rural spaces that bring these cities together, generating the articulation of mobility dynamics, provision of services, support for entrepreneurship and access to strategic vectors in line with the idea of the thirty-minute territory (where access to basic services is at a maximum time of thirty minutes)

- Developing synergies of governance and institutional cooperation that incorporate the diversity of local scales, with special emphasis on the management of common elements linked to strategic services.

- Delimitation and special attention to areas and cities with special socio-territorial vulnerability and improvement of the connection and presence of centres of excellence with an impact on economic activity and the development of synergies with these spaces.

Towards a new territorial contract

The national and more local examples presented in this paper illustrate that to achieve adequate socio-territorial cohesion, it is necessary to move forward in different lines of action, which configure a new social, environmental, and territorial pact between rural and urban areas.

The boundaries between urban and rural, which transcend the population threshold and are intermingled with other factors such as the employment rate in the tertiary sector – thus overcoming the conception that demographic challenge is synonymous with rural – are distorted in the reality of a network of municipalities, intermediate cities, county capitals and conurbations that feed off each other inexorably.

The commitment by the Spanish government to promoting small and medium-sized towns and cities a balancing factor between population and territories manifests itself, in turn, in a proposal for a new territorial contract. It is thought to be an integrative policy instrument between rural and urban areas to achieve inclusive and functional territorial development.

This new territorial contract should contribute to the preservation of biodiversity; the pro-vision of public services, the redistribution of opportunities and wealth; to care for the territory and the most vulnerable people, to guarantee gender equality and contribute to the retention of talent, especially young people. The basis of this new pact is the development of territorial and supra-municipal strategies with an appropriate approach, where cities or towns cease to be isolated subjects but become part of an organic territorial unit of planning and co-management that can maximize their self-sufficiency and resilience because of their diversity and multifunctionality and in which intermediary cities are catalysts for greater urban-rural structuring.

6 Conclusions

Territorial cohesion role of small and medium-sized towns and cities

Notwithstanding the development dynamics over time, small and medium-sized towns and cities are going to remain the key player in the territorial organisation of their countries and the EU space at large. Within the respective urban systems, they link up higher and lower urban levels, establish relations with other cities and territories of the same hierarchical level and act as intermediaries between the big city and rural spaces[II]. It is noteworthy to underline that the number of SMSTCs found worldwide is greater than the number of metropolitan areas, and that the total number of people living in them is very similar, or even greater, depending on the population threshold used to define them.

Small and medium-sized towns and cities are often assigned the role of **territorial anchor centres**, especially in rural or peripheral regions, as determined by their function as service centres, but also as labour market centres. However, to fully perform such a role, they often face a constraint of limited capacities, smaller public budgets and more hindered access to private funding than bigger urban centres; they also lack the advantages of economies of agglomeration available to large urban areas.

To make the whole territory prosper, the capacity of small and medium-sized towns and cities in many of those regions need to be strengthened to help them break the "vicious circle" of depopulation, which led to the degradation of public services and the commercial fabric, followed by a loss of employment and, again, population, largely as a result of the emigration of young and more qualified professionals. If re-routed to a positive development trajectory, small and medium-sized towns and cities are capable of increasing the quality of life of their residents, while at the same time reducing the cost of living in the functional areas of their respective territories by generating endogenous economies of scale.

[II] Vilagrasa, J. (2000). Ciudades medias y ciudades intermedias: posicionamiento en la red urbana y procesos urbanos recientes. Lleida: Universidad de Lleida

To be able to retain population and attract new residents, the local policy pathways ought to pay attention to certain **intervention areas**, which – as shown through the case study examples – capitalise on the local capital and make small and medium-sized towns and cities the attractive hubs for development. These intervention areas, not exclusively, comprise:

- Access to and quality of the housing stock, with adequate appropriation of housing resources for the local population vs. for touristic purposes;

- Rehabilitation, regeneration and the re-functioning of public buildings, to give them new uses and urban functions, in particular in the core districts of the town/city;

- Connectivity to major nodes and hubs in international and national transport corridors;

- Culture, education and social services as a marker for quality of life;

An investment in **knowledge and skills** of the local administration, on par with the access to modern communication technologies, as showcased in Portugal, provides clear opportunities to shape the good quality-of-life futures of these territories by building up on their development assets in combination with internationalisation.

In Italy, the policy instrument of Partnership Agreement encourages small and medium-sized towns and cities to "forge coalitions and initiatives that extend beyond individual municipal boundaries, focusing on the territorial system in a functional sense". Thereby, they may become **dynamic network nodes** driving the development, as aimed through the country's National Strategy for Inner Areas, and the region of Campania's programming scheme for ERDF funding.

In Germany, the combination of **intermunicipal strategies** with the **area-based approach** to urban development funding vastly contributed to a better performance of small towns and municipalities in their function as supply centres in regions away from densely populated areas.

As all the case studies demonstrated, implementing **soft collaboration** approaches is an indispensable success factor in transforming the local development. It entails the ability of the local administration to engage in an open cooperation culture with other public entities, citizen groups, and business organisations, also beyond the administrative boundaries, for the sake of an integrated territorial planning.

Another essential soft ingredient in that respect is the **positive narrative** - telling the story of a human-scale urban centre, walkable, vibrant, safe and friendly, able to attract those that left to study and work and returned in recognition of high quality-of-life offered by their home location.

Assignments for policies to support the development of SMSTC in a long-term perspective

A territorial governance approach, with multi-level and cross-sectoral partnerships, is – thus – critical to make small and medium-sized towns and cities the stabilisers of economic, social and territorial cohesion in the region they are situated. Being better interconnected, and better interacting between the urban hierarchy levels, would enable them to increase not only the quantity, but also the quality of inter-territorial relations, with due attention to the interlinkages between nature and urbanisation.

The below list of proposed **policy messages** opens a field for discussion on their optimal intervention level to help small and medium-sized towns and cities achieve the above "**intermediation**" in territorial development.

- Structure territorial development programmes with a more flexible definition of the urban and rural frontier, not limited to the size of population in the very urban centre.

- Retailor urban development programmes within the framework of cohesion policy to strengthen the links between cities and their rural surroundings, while the funds dedicated to this objective, especially those coming from the ERDF, must seek synergies between territories.

- Apply an integrated policy approach to the development of functional areas served by small and medium-sized towns and cities, with due attention to the understanding of flows and interrelations between different hubs, nodes, knots and junctions located in the territory.

- Boost capacity building, among others by facilitating mutual learning and networking between authorities and administration and provide tailored funding mechanisms (via European policy instruments and national/regional support), to help small and medium-sized towns and cities fulfil the recognised role in achieving active, inclusive, and functional territories.

- Strengthen intermunicipal cooperation based on shared social, economic and environmental interest; foster intermunicipal management and other innovative horizontal collaboration models to provide access to both the services of general interest and to the specialised services in a wider functional area.

- Establish local development agendas that are coherent, flexible to change and cross-sectoral, and provide adequate financial resources for setting up multidisciplinary technical teams.

- Stimulate participatory approach to pursuing the transformation of local development, based on innovation, the use of territorial capital and internationalisation.

- Provide dedicated evidence and data to track the development paths of small and medium-sized towns and cities, to be able to undertake place-sensitive development measures.

Annex 1: Local success stories

CASE STUDY

Soria (ES) – a small but vibrant capital of a demographically "bleeding" rural province

Major challenges:

- Administrative centre for the least populous of all of Spain's provinces that records one of the lowest population densities in Europe and is on a steady depopulation path;
- Ageing population, with outmigration of young graduates;
- Shortage of highly qualified workers in industrial and service sectors despite low employment rate and a good health of the local labour market;
- Difficulty in attracting talents due to remoteness and low transport accessibility;
- Poor transport connections with larger cities;
- Scarcity of housing and high rental prices.

The territorial capital:

- Healthy and diverse natural environment;
- City compactness;
- Very high level of public and private educational facilities, including a university campus with a wide offer of study programmes attracting students from other provinces;
- Good leisure time offer (sports, recreation, cultural activities);
- Local competence to succeed in obtaining EU funding at the above-par level;
- The image of a sustainable, bio-diversified, secure, and pedestrian-friendly city as a common value proposition for citizens and tourists;
- Political human capital and leadership.

The policy management path:

- Strategic transformation driven by EU-funded projects, based on consistent vision, policies, plans, programmes and funding;
- Purposeful orientation of local policies on urban restoration as an incentive for investments by local businesses in tourism infrastructure;
- Targeted outlays in culture, education and social services, to boost quality of life for city residents;
- Turning a 'city tale' from victimhood (*"nothing can be done"*) to pride by offering a human-scale urban model - with an ideal size for many people who go to study abroad but decide to return.

Villena (ES) – town in the national transport corridor

Major challenges:

- Decline of the young and young-adult population who has been moving to the more economically active coastal areas of the province, resulting in a gradual change of Villena to a function of "a dormitory town";

- Shortage of skilled workers and generational replacement in all types of productive sectors, from agriculture and administration to construction and manufacturing industries, which threaten the sustainability of many local companies;

- Loss of competitiveness and diversity in social interactions, relative absence of entrepreneurial attitudes;

- Lack of housing stock to attract young people;

- Lack of qualified staff to manage local development policies.

The territorial capital:

- A relatively good geographical location in terms of transport accessibility and proximity to the main Spanish ports and airports;

- Positive local economic situation, with a traditional system of small and local commerce which relies on a favourable urban framework and poses a driving force for other productive sectors;

- A wide range and high number of national and international cultural activities, capitalising on good access to cooperation networks;

- Good acquisition of EU-funded projects;

- Society's recognition of the high quality of life enjoyed in this area, rooted in territorial identity.

The policy management path:

- Design and implementation of strategic urban development plans and programmes with the involvement of a local community forum to channel various bottom-up initiatives and to implement actions in the neighbourhoods;

- Cooperation with neighbouring municipalities to strengthen the town's role as a logistic node of national importance for freight transport.

Merida (ES) – a medium-sized capital of the autonomous community but not the capital of its lower-tier administrative unit (province)

Major challenges:

- Difficult management and maintenance of services due to the lack of territorial organisation of the municipal system in the administrative country;

- Social marginality issues in some neighbourhoods of the city;

- Poor perception of the railway network and services with other parts of Spain, but also with Portugal;

- Lack of rental housing is due to the proliferation of tourist apartments; yet, with the regulated percentage of dwellings for the use of latter.

The territorial capital:

- A moderate upward trend in the overall city population, not at the expense of population losses in the surrounding municipalities;

- Younger population than the country average, as well as the average for small and medium-sized towns and cities in Spain;

- Service hub for the surrounding municipalities, with tourism and small commerce among most important economic sectors on account of the city's cultural heritage;

- Good road connections and airport accessibility;

- A very good provision of the advanced telecommunications infrastructure, much over the average for small and medium-sized towns and cities in Spain;

- A very little share of abandoned or deteriorated housing spaces;

- A common perception of Merida as a 15-minute city regarding access to public services (e.g., educational or health centres);

- Outstanding position among SMSTC in Spain in securing EU funding for projects, with capacity to compete for European funds with cities with larger populations.

The policy management path:

- Promotion of the sustainable tourism model of the city, with the city's cultural heritage as a pole of attraction;

- Combining urban planning with culture, to continue to position Merida as an attractive city for visitors;

- Investments in new cultural infrastructure and internationally renowned events, and the management plans that encourage collaboration with other public and private entities to achieve a more comprehensive, sustainable, inclusive, and participatory cultural policy, while emphasising universal access to culture for all citizens;

- Social cohesion as the driving force behind urban policy, with plans and programmes targeting, in particular, the social integration and inclusion, and a more participatory civil society involved in local life;

- Orientation on EU-supported investments (with funding from ERDF and RRF) in rehabilitation, modernisation and transformation of the urban design, under the framework of an integrative and inclusive general urban development plan;

- The "indicators of people for people" approach, with residents involved in decision-making and due consideration for sustainable habits and behaviours.

Fundão (PT) – a node in the polycentric regional urban system

Major challenges:

- More extreme ageing population and outmigration problem than the region's average;

- Urban-rural polarisation in terms of demographic situation, which reinforces the population desertification process;

- Low number of municipal staff to deal with provision of service to citizens at an optimal territorial level;

- Insufficient public transport offer and deficiencies in the provision of health services;

- Difficulty in operationalising the territorial collaboration between administrative units and levels due to political leadership issues.

The territorial capital:

- A well-organised territory with a series of urban nodes a few minutes apart and acting as complementary service centres for the surrounding low-density areas;

- Healthy labour market, with very low unemployment rate;

- A good territorial coverage of local transport networks;

- The rural space factor attracting new international and qualified residents.

The policy management path:

- Channelling of EU funding to re-functionalising the public buildings, in order to create the idea of a hub within the city or "the city as a hub";

- An approach to train staff to meet specific policy needs;

- Setting up of intermunicipal cooperation on the most obvious topic of endogenous heritage resources, with the involvement of many sectors;

- Strategic planning with an open innovation culture, involving living labs and partnership with entrepreneurship groups;

- Municipal housing rental programme to accommodate high-qualified professionals to work at technological companies.

Saluzzo (IT) –a pivotal point of connection between a system of mountain valleys and the flatland

Major challenges:

- A large functional territory to provide services for, which requires technical and managerial expertise, and extensive financial resources;

- Administrative fragmentation, and the lack of a formal supra-local entity capable of coordinating planning and programming activities based on a long-term strategy;

- Diversified population ageing and household income patterns respective of the settlement location (mountains vs. foothills and plains);

- Spatial concentration of services of general interest, with substantial gap in access to those in the mountain valleys;

- Shortcomings in public transport infrastructure;

- Downsizing of entrepreneurial activities.

The territorial capital:

- A strong social, cultural, and functional interrelation between settlements in the mountain valleys and those located in the plain area;

- Natural beauty of the surroundings and the rich artistic heritage as a tourist attraction.

The policy management path:

- Integrated spatial planning approaches (public and private initiatives combined based on a heritage of territorial alliance) to mobilise significant resources from regional, national, and European funding sources to investment in reduction of energy consumption, business internationalisation, research and innovation, and value chain development;

- EU funding targeting the revitalisation of the territory, with priority to urban regeneration, redevelopment of schools, parks and gardens, green community, and reception of seasonal workers;

- Cross-border programme funding geared towards experimenting with new forms of governance over the vast area, through integrated territorial planning, multi-partnership approach in asset management, and the creation of stable networks between different actors.

Oschersleben (DE) –a small but important urban centre in the German Central Place System

Major challenges:

- A comparatively large territory to manage, at the interface of urban and rural development;

- A status of medium-order urban centre, despite population number below the threshold, obliged to provide services (healthcare, education or public transport) for the catchment area;

- Continual population decline, ageing, and significant commuting out of town on account of proximity to important centres of employment.

The territorial capital:

- Baseline for development not affected by the dominance of specific sectors and associated legacies;

- Innovative individuals among managerial staff and key stakeholders.

The policy management path:

- Reversing the narrative to turn the supposed weaknesses resulting from demographic developments into strengths;

- Housing industry and regeneration of inner-city brownfield sites chosen as a lighthouse for development, combining physical construction with appropriate functions;

- Good timing and approach in making use of a diverse range of public funding schemes.

Annex 2: Definitions

Reasoning and more about the definition of "small and medium-sized towns and cities"

The European Commission (DG REGIO), the OECD, and the United Nations have harmonised the definition of towns and cities in order to conduct comparative analysis across countries. In addition to the criteria of density and compactness thresholds, towns have a population between 5 000 and 50 000, cities are above 50 000. In addition, these two classes have been subdivided into other subclasses:

Small towns: 5 000 – 10 000 inhabitants

Medium towns: 10 000 – 25 000 inhabitants

Large towns: 25 000 – 50 000 inhabitants

Small cities: 50 000 – 100 000 inhabitants

Medium cities: 100 000 – 250 000 inhabitants

Large cities: 250 000 – 500 000 inhabitants

Extra large cities: 500 000 – 1 000 000 inhabitants

Extra extra large cities: 1 000 000 – 5 000 000 inhabitants

Global cities: 5 000 000 inhabitants

"Small and medium sized towns and cities" is a generic title which aims at capturing challenges and policies addressing small towns as much as small cities and any other intermediate urban settlement.

They can be called urban areas, territorial urban systems, or small intermediate cities or, more specifically, the diverse realities of each place and of each country. Urban nodes refer to the urban elements (cities, towns, rural or urban centres) of these networks or systems. Also understood, especially as an articulator or enhancer of flows and connections and playing enhancer functions of these relationships (mediation role). This concept applied to small intermediate cities, with different sizes in each urban region of Europe and the world, is more qualitative than quantitative and is specified in the scales of each place. Both on local scales and simultaneously on regional, national, international, and global scales. Because we are analysing functional systems of settlements or nodes, but depending on the relationships that exist between them and especially with their environmental matrices. In which its fertile soils and its natural capital are elements of a strategic nature in the sustainable development of Europe and the planet.

It's complementarity of the concept of urban node, it is clear to adopt and focus another generic one, it is necessary to use that of "functional area". Understanding intermediation as inherent to networks or systems at the "intermunicipal level".

The object of this paper is not so much the names but rather the functions of territorial intermediation. In other words, those roles of the "nodes" (this word encompasses a broad reference including various types of "cities and towns") in terms of improving development, based on the urban-rural relationship, and facing the demographic challenge. In a way that is not centred or not focused on the urban, but more attentive to the system of relations, of what we are

going to call primarily functional areas. Leaving other concepts, such as areas of influence or "hinterland" or similar, in the background. Also, because the functional area is a reference, although broad, more certain than, for example, the concept of area of influence, which supposes the hierarchy of the urban that influences. Putting urban nodes and functional areas in the focus of the reports can help to suggest "policy recommendations" that allow expanding the urban dimension or expanding the spatial dimension. To include the concepts, which will feed ideas for better policies, that come from the cultural dimensions of governance, cooperation, community, and the like. In addition, also from the knowledge that arises from the local space of those specific places, which are the case studies.

Bottom-up style. It is essential to understand that the case studies are not only quantitative items, knowledge and practices of administration, management, and policies of local value generalizable to the global must be captured.

In research, both in data collection and in interviews (especially in these), it is necessary to pay attention to local contributions or good practices. Both examples of good administration or innovative policies, as well as forms of community government or cooperation or strategic management, between actors and agents. Actors of the administrations of the various scales or levels. Private agents (companies, professions, and trades). Entities that can offer us ideas or suggestions (based on examples) that feed the "policy brief". I cite the following example: in one of the interviews carried out (to go down to the field of management of the agri-food sector of my territory) the director of the cooperative (Fruits de Ponent, Alcarrás, Catalonia, Spain) , he proposed to me to curb emigration -of the youngest sectors of the countryside- the idea that the European Union will implement what he called a "Rural Erasmus". In addition, he contributed concrete lines of work in terms of bioeconomy and local energy communities. As we see these suggestions come from the bottom up. It is therefore necessary to capture, in addition to the description and assessment of the case study, the potential of local knowledge to feed the global, of the political recommendations, as a result of this paper.

Annex 3: Examples of policies implemented in five European countries

Country year	Policy	Responsible body	Objectives	Tools / actions
Germany 2021	Kleinstadt Akademie (The German Small Town Academy)	German Government - Federal Office for Building and Regional Planning - Federal Institute for Research on Building, Urban Affairs and Spatial Development	a) Strengthen smaller cities as residential and business locations. b) Provide a purpose-built platform for urban development: to network, exchange experiences, and offer advanced training. c) Pool knowledge and create strong networks. d) Promote equal living conditions. e) Give small towns the opportunity to articulate, develop and find common solutions for their concerns and needs. f) Offer small towns space and time for exchange and innovation, flexibly adapting to future requirements.	I) Establishment of a Small Town Academy. II) Project calls and model projects. III) Publicity-relevant media and promotion of events. IV) Special expert report. V) Advisory board & Secretariat.
Italy 2020	Piano Nazionale di Ripresa e Resilienza - Bando Borghi (Call for Villages)	Italian Government - Ministry of Culture	a) Enhance the attractiveness, identity, and resilience of small towns. b) Facilitate access to cultural heritage. c) Promote innovation and digital transition. d) Enhance social, economic, and environmental ties between urban, periurban, and rural areas. e) Improve the quality of life: preserve and promote cultural and natural heritage. f) Promote development-oriented policies: focus on economic activities, entrepreneurship, creativity, culture, tradition, and local knowledge.	Financial support, organized in two main axes: I) *Linea A,* dedicated to pilot projects for the cultural, social, and economic regeneration of villages at risk of abandonment/abandoned, with a financial endowment of 420 million euros. II) *Linea B*, dedicated to local projects for Cultural and Social Regeneration with a total financial endowment of 580 million euros. III) Additionally, 20 million euros are destined for the "Roots Tourism" intervention whose implementing body is the Ministry of International Affairs and Cooperation.
Portugal 2020	Estratégia Portugal 2030. Documento de Enquadramento Estratégico	Portuguese Government - Ministry of Planning	a) Promote the competitiveness and cohesion of low-density territories. b) Promote economic growth and employment. c) Base the strategy on endogenous potential. d) Secure qualified workers attracted by the characteristics of these territories.	I) Preservation, protection, promotion and development of the natural and cultural heritage. II) Diversification of the economic base, promoting the emergence of new value-generating and job-creating activities. III) Management and network provision of existing

Country year	Policy	Responsible body	Objectives	Tools / actions
			e) Promote the full appreciation of endogenous resources. f) Invest in tourism as a crucial element of the territorial strategy.	collective services (education, sport, health, culture, etc..) IV) Adequate levels of provision of public goods and services and access to digital networks. V) Connections between rural-urban. VI) Enhancement of social economy role in management of the network of collective services.
Spain 2020	Plan de Recuperación. 130 Medidas Frente al Reto Demográfico (2021-2023)	Spanish Government - Ministry of Ecologic Transition and Demographic Challenge	a) Define a roadmap that addresses territorial cohesion. b) Fight spatial inequality (at the local and national level). c) Promote small and medium cities, as well as rural areas. d) Make transformative investments in these territories. e) Favor mobility and achieve their full connection with the global world.	I) Actions for ecological transition. II) Actions for the digital transition and full territorial connectivity. III) Actions for development and innovation in the territory IV) Actions for sustainable tourism. V) Actions for equal rights and opportunities for women and youth. VI) Actions for entrepreneurship and business activity. VII) Reinforcement of public services and actions for decentralization. VIII) Promotion of social welfare and care economy. IX) Promotion of culture. X) Regulatory and institutional reforms to address the demographic challenge.
France 2020	Petites villes de demain - Territoires de cohésion au coeur de la relance	French Government - National Agency of Territorial Cohesion	a) Enhance ecology, competitiveness, and cohesion. b) Start with the territories and their projects. c) Provide a tailor-made response. d) Mobilize more resources and seek new forms of intervention. e) Combine national and local approaches. f) Take the necessary time to implement (6 years).	I) Engineering support (financial and external expertise contribution, e.g., grant for a project manager position of up to 75%) II) Funding for targeted thematic measures, mobilized according to the territory's project and the actions to be implemented. III) Access to a network: the Petites Villes de Demain Club (Small Towns of Tomorrow Club), to promote innovation, the exchange of experiences, and the sharing of good practices between actors.

Source : ESPON TOWN (2021) https://archive.espon.eu/towns%20Denmark

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