

ESPON



Co-funded by
the European Union
Interreg

U23

WORKING PAPER//

Small and medium-sized towns and cities: policies strengthening their role in achieving active, inclusive, and functional territories

April 2024



This scientific report was produced within the framework of the ESPON 2030 Cooperation Programme, partly financed by the European Regional Development Fund.

The ESPON European Grouping on Territorial Cooperation (EGTC) is the single beneficiary of the ESPON 2030 Cooperation Programme. The Single Operation within the programme is implemented by the ESPON EGTC and co-financed by the European Regional Development Fund, the EU Member States and the Partner States, namely Iceland, Liechtenstein, Norway and Switzerland.

This publication does not necessarily reflect the opinions of members of the ESPON 2030 Monitoring Committee.

Editorial Team

Wiktor Szydarowski, Nicolas Rossignol (ESPON EGTC)

Juana López Pagán (Ministry of Ecological Transition and Demographic Challenge of Spain) and Josep Maria Llop (UNESCO Chair in Intermediate Cities, University of Lleida, Spain)

Technical Support

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 in 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)

Information on ESPON and its projects can be found at www.espon.eu

The most recent documents from finalised and ongoing ESPON projects can be downloaded from this website.

ISBN: 978-2-919816-78-1

© **ESPON, 2024**

Published in April 2024

Layout and cover design by Netcompany

Printing, reproduction or quotation is authorised provided the source is acknowledged and a copy is forwarded to the ESPON EGTC in Luxembourg.

Contact: info@espon.eu

WORKING PAPER//

Small and medium-sized towns and cities: policies strengthening their role in achieving active, inclusive, and functional territories

April 2024

Table of contents

Foreword by the Spanish EU Presidency.....	5
Introduction	6
1. The untapped potential of small and medium-sized towns and cities.....	7
2. Need for a strengthened role of small and medium-sized towns and cities in tackling spatial polarisation	9
3. EU and national policies targeting small and medium-sized towns and cities	10
4. Policy pathways showcased through success stories.....	20
5. Conclusions. The role of small and medium-sized towns and cities as agents of territorial cohesion	23
6. Policy advice for a better spatial justice.....	25
Annex 1: Local success stories	27
Annex 2: Definitions	33
Annex 3: Examples of policies implemented in five European countries	35

Foreword by the Spanish EU Presidency

Territorial cohesion, a central goal of the European Union's policies, particularly through instruments such as the cohesion policy, aims to achieve balanced territorial development, ensuring that no region is left behind. This approach seeks to bring economic opportunities and an improved quality of life to all territories.

A key element in attaining this objective is the recognition of the potential of intermediate cities in mitigating existing imbalances. These cities play a vital role in alleviating the excessive concentration in major urban centres on one hand and addressing depopulation in rural areas on the other.

Choosing to invest in intermediate cities – often referred to as mediators due to their role in bridging different territories – is synonymous with endorsing the harmonious development of regions and cities and fostering urban-rural cooperation. A report commissioned by the Spanish Presidency of the Council of the European Union, coordinated between the Ministry of Finance and the Ministry for the Ecological Transition and the Demographic Challenge, emphasises the necessity of establishing a new territorial contract.

This contract envisions a pact between urban and rural areas, with intermediate cities serving as a crucial link between different regions to advance in the realm of territorial social justice. The research conducted by ESPON has identified commendable practices in cities such as Soria, Mérida, and Villena, yet it underscores that there is still much work to be done. Collaborating with ESPON has allowed us to transcend routine obligations, pondering over a critical priority for the long term and partnering with researchers and universities capable of contributing their knowledge to formulate improved public policies for the benefit of citizens and territories.

This document successfully brings to the forefront of the European Union and its Member States' agenda a crucial matter for our country – the role of small and medium-sized cities in achieving balanced territorial development, national sustainable growth, and increased cooperation between urban and rural areas.



Mercedes Caballero

*Secretary General of
European Funds*

Ministry of Finance



Francés Boya Alòs

*Secretary General for
Demographic Challenge*

*Ministry of Ecological Transition
& Demographic Challenge*

Introduction

The core mission of the EU's cohesion policy is to reduce regional disparities and promote the 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 face the risk of falling behind.

This working paper puts the prosperity of the latter in the spotlight, and aspires to provide policymakers at all levels, from European to 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 addresses the following policy questions:

- In what way 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 over the long term?

To do so, the paper examines the EU policies targeting small and medium-sized towns and cities and explores in more detail the relevant policy frameworks in Spain and the countries selected by the Spanish EU Council Presidency for benchmarking: Portugal, Italy, and Germany. The paper then delves into success stories of the showcased towns and cities in designing and implementing public policies to achieve strategic transformation and become the drivers for regional development in low-density territories.

It concludes with policy conclusions and recommendations to help small and medium-sized towns and cities achieve an optimal role in territorial development and help reinforce spatial justice.

1. The untapped potential of small and medium-sized towns and cities

Small and medium-sized towns and cities (SMSTCs) form the backbone 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. Overall, they are expected to offer adequate living and working conditions to maintain population and labour force, thus helping the local community attain a good quality of life. Also, they demonstrate an intrinsic value for the European environmental and cultural heritage.

While the definition of such settlements itself can be problematic, because of different national and conceptual interpretations, the ESPON TOWN project¹ 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 small and medium-sized towns as every urban settlement with between 5 000 and 50 000 inhabitants, and with a population density of between 300 and 1 500 inhabitants per square kilometre. Additionally, the project identified three main methodological lenses that can be adopted to study small and medium-sized towns. These are: morphological, administrative, and functional approaches. All three approaches appear to be recognised and recurrent in most of the subsequent literature.

This paper goes one step further, as it also considers smaller 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

SMSTCs have significant roles in and potential for balanced territorial (economic, social, and demographic) development and the achievement of common European goals. In this context, they become a key reference link in achieving both sustainable growth and the equitable distribution of services, opportunities and, ultimately, to advance in terms of territorial social justice.

While innovation is a key determinant of long-term regional growth, some areas – in particular, those farther away from the capital regions – have been facing structural and institutional challenges in coping with demographic, social, economic, and environmental trends, which makes them highly vulnerable to crises and unfit to tap into development opportunities.

This underlines the significance of polycentric urban development across borders, the development of functional urban areas, urban-rural linkages, and the specific challenges of inner areas.³

To properly address the structural deficiencies and develop remedial solutions, it is essential that small and medium-sized towns and cities be put in the spotlight, as they demonstrate an **unexplored potential** to shape up tenable urban-rural relations. This requires policy intervention in the form of integrated and place-based territorial support measures to enable all types of territory to make the most of their development assets (e.g. fostering the diversification of economic activities and smart specialisation; finding solutions for the provision of high-quality, accessible and cost-efficient public services; and promoting territorial co-operation within functional areas).⁴

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.

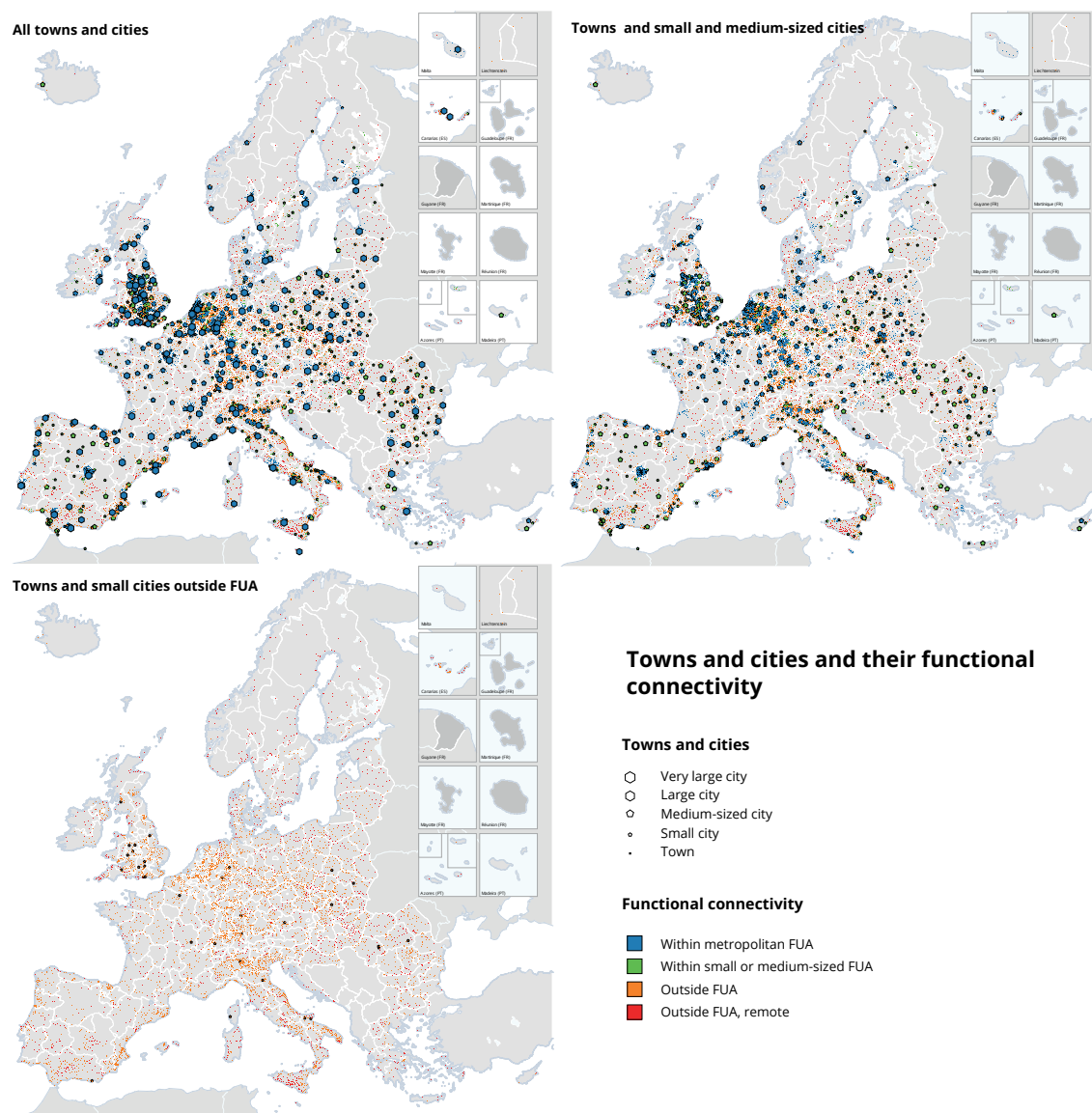
3 PRESIDENCY CONCLUSIONS of the Luxembourg Presidency of the Council of the European Union on the occasion of the Informal Ministerial Meetings on Territorial Cohesion and Urban Policy Luxembourg, 26 and 27 November 2015

4 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).

An interesting perspective that has emerged from the literature is related to the ability of SMSTCs to be involved in integrated initiatives. Three dimensions seem to be relevant: (i) the role of the cooperation between SMSTCs 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 SMSTCs and are considered to be among the main components of neo-endogenous development, deemed by some authors as the main determinant of their performance.

The literature is increasingly showing a convergence on how it depicts the causes and mutual influences of the challenges SMSTCs are facing, and how to improve their economic competitiveness and residential attractiveness. Even though each SMSTC has unique development dynamics and features, it is possible to detect some common patterns, and on that basis develop policy advice.

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 in tackling spatial polarisation

SMSTCs are mentioned in the Territorial Agenda of the European Union 2030⁵ among the 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 SMSTCs at the core of attention in pursuing the goal of reducing inequalities between people and between places.

Over the years, SMSTCs have been instrumental in providing services and supporting local development using endogenous resources and potentials. Their geographical location, local economic base, and the strength of the sub-regional economy – shaped also by entrepreneurship traditions – used to determine their productivity and competitiveness ranking⁶.

However, contemporary metropolisation processes have induced different development trajectories for towns and cities dependent on their proximity to large cities. Some of these towns and cities grew in importance after they were integrated into a functional urban area with shared transport systems and public services. Some others benefitted from providing the opportunity to commute to urban regions if located in a high-speed transport corridor.

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

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, Luxembourg: ESPON. Final Report. https://www.espon.eu/sites/default/files/attachments/fr-1.4.1_revised-full.pdf

3.

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

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 towns and cities that 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, smaller towns and cities can act as driving forces for rural attractiveness and development and provide access to a number of services for their surrounding rural areas.

The 2023 **EU Cities Forum**¹⁰ in Torino also highlighted the role of SMSTCs 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.

Cohesion policy has been geared towards supporting cities with funds and has had an invaluable impact on their development and their recovery from the recent crises.

EU initiatives

Over the years, the EU's cohesion policy has experimented with several ways of engaging with cities.

The **URBACT IV programme** (2021–2027) supports cities in tackling the green, just, and digital transitions through networking, capacity-building, and knowledge-building activities.

The new **European Urban Initiative**, launched by the Commission, aims to strengthen integrated and participatory approaches to sustainable development by means of innovative actions, capacity and knowledge building, policy development, and communication. This 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.

URBACT and the European Urban Initiative will work in collaboration to provide a consistent range of measures to urban stakeholders and support to cities for their integrated and sustainable urban

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>

development under the cohesion policy. However, these two programmes do not feature any specific measures targeting SMSTCs.

As a territorial delivery mechanism, **community-led local development** (CLLD) enables bottom-up approaches to defining a local development strategy tailored to the specific needs of an area. It fosters an integrated approach to territorial development, with the purpose of involving a large number of local representatives, while providing financial support for strategy implementation and related participatory processes. It allows for a broad thematic scope and diverse areas of intervention, ranging from urban neighbourhoods to subregions.

Since the previous EU programming period (2014-2020), the CLLD 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 are allowed, which can go from urban neighbourhood to sub regions, and consequently a wider range of stakeholders might potentially be involved.

National perspectives

Since the COVID pandemic, the Commission and EU 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, through CLLD initiatives, even though a lot depends 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, SMSTCs are an important agent in achieving 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 – in its Specific Objectives 1 and 2 of Policy Objective 5 – aims to allocate most funding resources for sustainable urban development to medium-sized cities (between 40 % and 60 %). The programme 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 cities, it is interesting to look at specific national policies and tools for SMSTCs that have been recently developed.

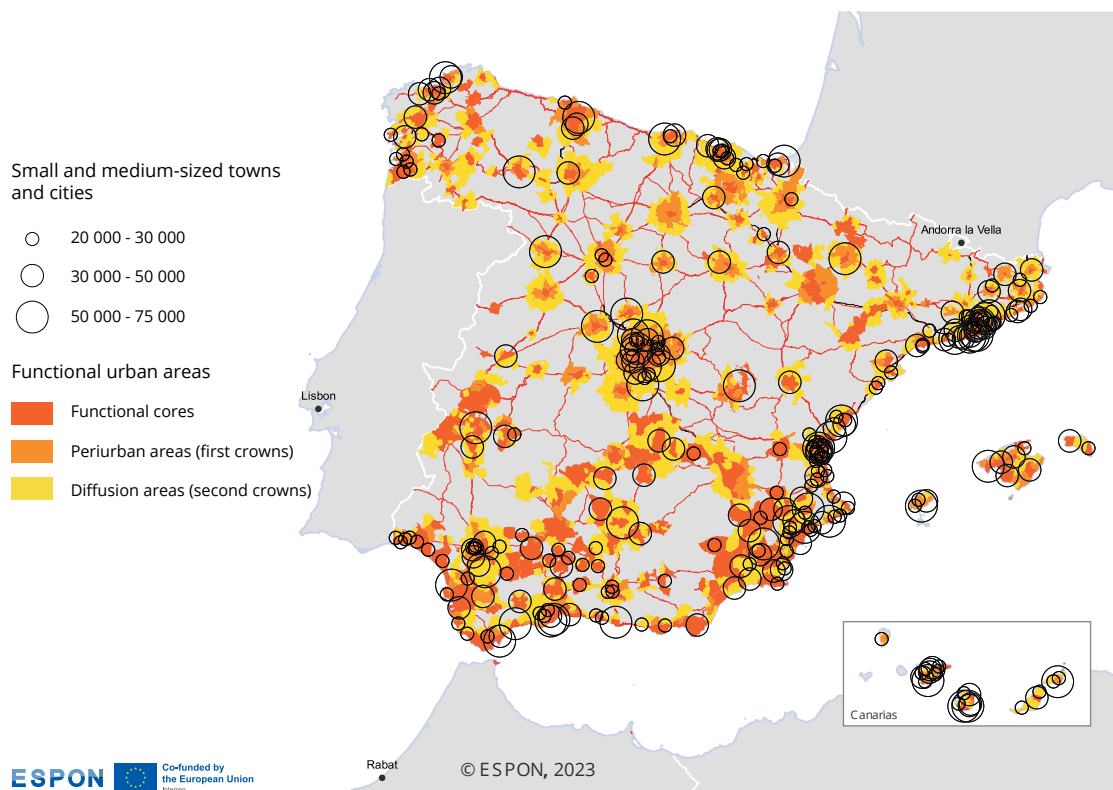
Boosted by the most recent EU initiatives aimed at addressing the challenges faced by territories addressed as peripheral or lagging-behind, a series of policies and instruments have been put in place in most EU countries.

The sections below display the relevant policy developments in Spain, and the countries chosen by the Spanish EU Council Presidency for comparative analyses: Germany, Italy, and Portugal.

Spain: a dedicated policy framework to tackle the demographic challenge and the consolidation of SMSTCs

SMSTCs are nodes of territorial cohesion, guaranteeing the rural population access to basic services, contributing to the stabilisation 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 SMSTCs 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

Despite the considerable investment in Spanish SMSTCs through European funds that took place between 2007 and 2020, there is still lower capacity for initiative and economic management within the smaller municipalities, which translates into less investment per capita as the population size decreases.

The central government's capacity for action is greater in those sectors 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. This scheme has recently been reinforced by means of the Spain's Recovery and Resilience Mechanism, which involves 130 measures to **combat the demographic challenge**, promoted by the Ministry of Ecological Transition and the Demographic Challenge.

The development of digital infrastructure has been a national policy structured into several phases, with the result that today the level of internet access at speeds of 100mb is quite high in settlements in all

population ranges, barring municipalities with less than 20 000 inhabitants. SMSTCs match large cities in all indicators considered, although municipalities with 20 000 to 30 000 inhabitants are slightly below.

In the political and administrative organisation of Spain, most of the responsibility for providing basic services and public policies to promote employment and economic development belongs to the **autonomous communities**, while the municipalities generally execute plans and programmes designed at regional level. Against that background, municipalities are constrained by the actions carried out by the regions, which hold the legal capacities and the funding leverages. As a result, local governments often feel responsible for assuming responsibilities and investments beyond their actual resources and capacities in order to respond to public demand. 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.

Most public policies on service 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, access to health services and infrastructure is guaranteed in all SMSTCs, at least at the primary attention level, and the average distance to hospitals is quite low, even for the towns between 20 000 and 30 000 inhabitants. The same occurs with primary education, with at least one school in each SMSTC.

Mobility and transport are among the main objectives of regional policies, especially in Murcia, the Balearic Islands, and Andalusia. In the latter, a transport plan developed to improve access to the 37 medium-sized Andalusian cities, and to ensure adequate maintenance of existing medium-distance lines and services that connect medium-sized cities and rural centres, was one of the few documents that made explicit reference to medium-sized cities. Andalusia is one of the regions with more distinct policy orientation towards 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, as exemplified by specific employment initiatives in Catalonia, Asturias, Castile-La Mancha, and Castile-Leon.

These policy intervention mechanisms helped put SMSTCs in Spain on a level **comparable to larger urban centres** in terms of service provision, while in general terms, the smaller settlement centres boast lower cost of housing and higher quality of life. All this together has led to the further growth of SMSTCs in Spain over the last 20 years.

Italy: integrated policies tailored to territorial needs

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

They usually target a territory wider than just a specific SMSTC, and their goal can be within the broader scope of reducing the gap between large urban areas and less urbanised areas. They cover 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.

National analysis reveals, however, a set of layers that characterise the marginalisation of territories and their fragility, together with the structural macro-divide between northern 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 a low degree of urbanisation, is the part of the national territory mostly affected by depopulation and the 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**.

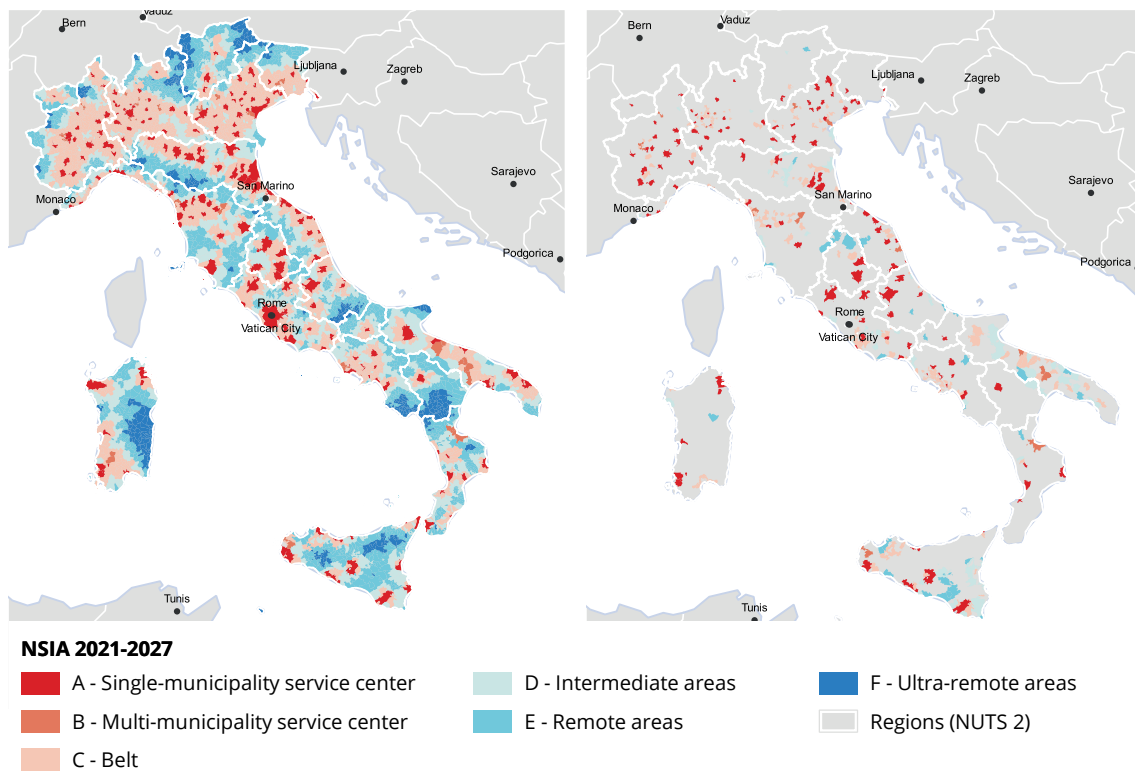
In recent years, Italy has seen a significant shift in territorial policies, with a growing focus on **identifying integrated policies tailored to territorial needs** and maintaining functional relations in marginalised or disadvantaged areas. There, in the pursuit of integration mobility, access to public services, and economic development are interconnected.

The **national strategy for inner areas (NSIA)** adopted an innovative approach to territorial development by determining urban centres in disadvantaged territories that could provide essential services to the population and act as development magnets. Covering over 4 000 municipalities, the strategy has been perceived as an ambitious effort to engage local communities, tap into their knowledge, and collaborate with various stakeholders through a place-based and multilevel governance approach.

While narratives dedicated to marginalised areas and metropolitan cities hold specific spaces within the national discourse, SMSTCs are tangentially addressed within broader territorial concerns. An illustrative example is the emerging concept of the **Italia di Mezzo**, a space differentiated from metropolitan cities and inner regions, enabling a focus on the role of intermediate territories. SMSTCs also emerge as components within this classification.

The 2021-2027 national programme **Metro Plus e città medie sud** supports social investment in 39 medium-sized cities in southern Italy that have a crucial role in regional development by performing a role similar to that of large cities. In these urban centres, based on experiences conducted in metropolitan cities and through the combination of European funds, the implementation of coordinated actions for social inclusion and innovation is encouraged, with the aim of improving the quality of life in suburbs and marginal areas.

Map 3.2.
NSIA classification 2021-2027



Portugal: investing in human capital and innovation

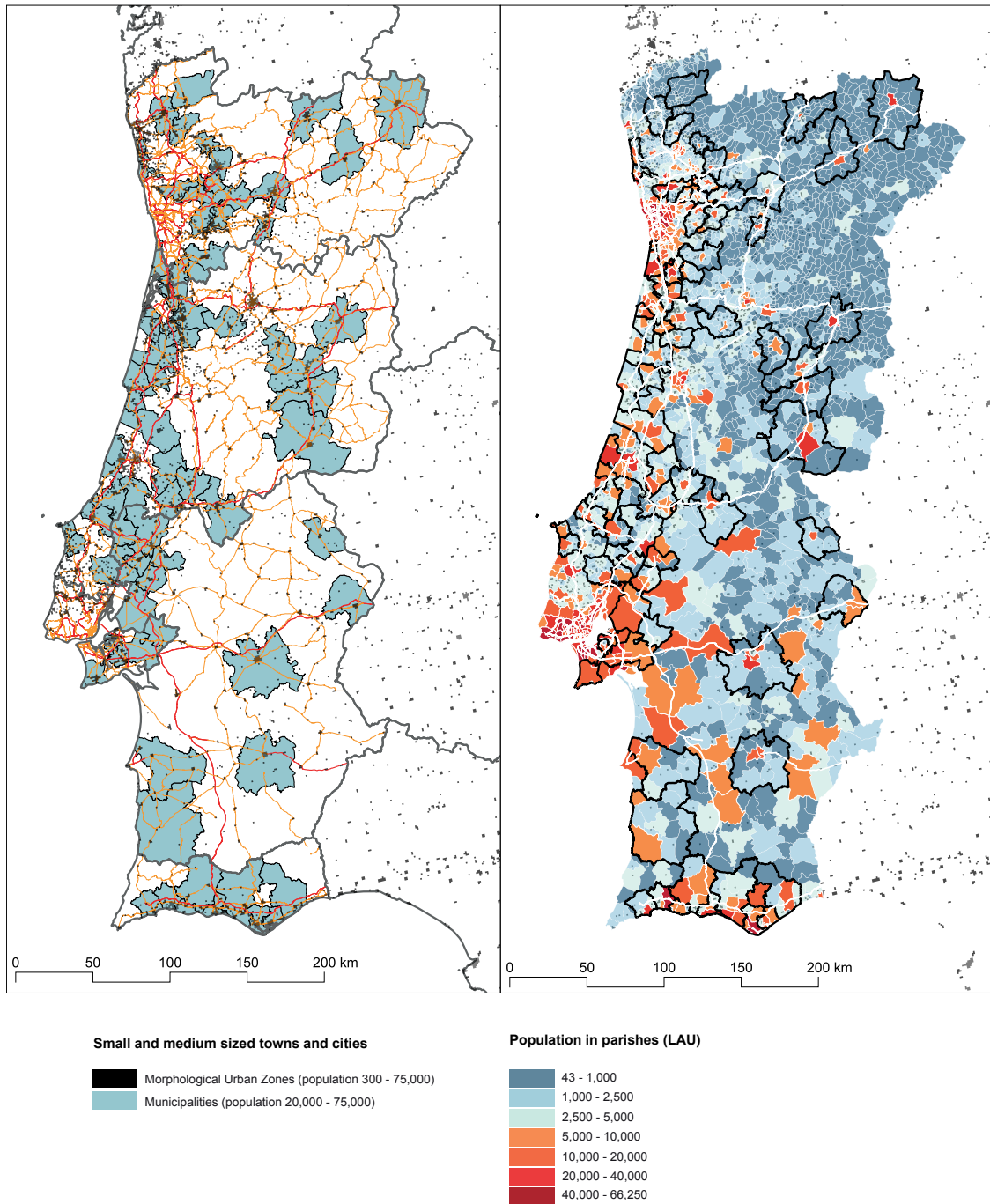
Portugal has been experiencing long-term demographic decline, which implies that the country's metropolitan areas will continue to struggle to maintain the status quo and their positions as the main driving forces of the national economy, absorbing resources from their administrations and concentrating 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, SMSTCs emerge as 'links' that are capable of providing key public services and thereby capturing and rooting the population. This implies, over time, them gaining greater autonomy and the ability to directly manage the risks that threaten their agricultural hinterlands and environmental ecosystems.

To boost investment in human capital, Portugal has placed **capacity building and training** at the heart of its territorial policies. This has had a significant impact on many of its SMSTCs, as the investment in human capital has provided opportunities to shape the immediate futures of these territories and promote new opportunities for current and future generations.

A series of multi-sectoral and multi-level policies have been proposed to strengthen the long-term development of SMSTCs. In many cases, this involves building upon policies that already existed or that had been implemented in different ways, either by the EU 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 levels.

Map 3.3. SMSTC in Portugal, territorial approach



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

For Portugal's SMSTCs, 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.

The EP 2030 observes the 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.

The **Portugal 2030 strategy** identifies the strengthening of **internal cohesion and external competitiveness** as a national priority for development, as it helps 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 combating the 'vicious circles' in which SMSTCs often find themselves trapped, which are characterised by the loss of population and employment, the deterioration of public services, and increased risks associated with climate emergencies. All these issues make it difficult for SMSTCs to promote themselves as attractive destinations for future investment and sustainable development.

The strategy also emphasises that SMSTCs need to bolster **intermunicipal cooperation**, with the aim of creating a polycentric system with strong urban–rural linkages, and to exploit 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.

Germany: Small Town Academy - capacity support for SMSTCs

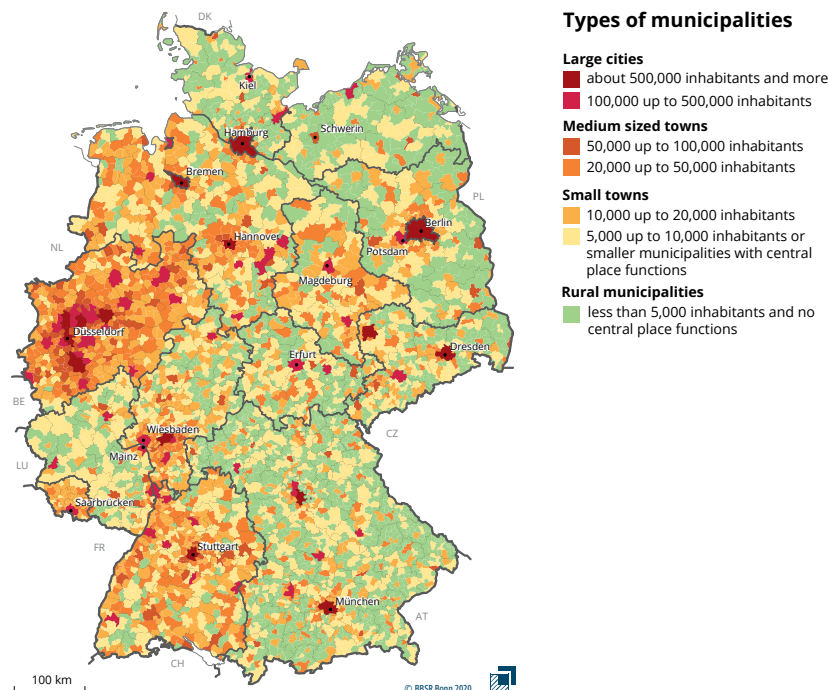
German urban development policy has been in place over 50 years to support cities and other municipalities in their social, economic, cultural, and ecological development. It is characterised by a multi-level system in which the national (federal) level interacts with both the federal states and the municipalities – including cities and towns – at local level. Since 2007, the Leipzig Charter on Sustainable European Cities has 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).

All-in-all, German SMSTCs can benefit from a wide range of support measures offered at different spatial levels.

The key funding source for German urban development is the **urban development support programme** (*Städtebauförderung*), providing EUR 790 million a year. While it offers support to SMSTCs, it is not on a preferential basis. In fact, towns can find it hard to access funding, having to compete against more resourceful 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.

At the same time, there is a number of state-level schemes, usually on a lower scale and based on competition, pilot interventions, and knowledge transfer. At European level, both the EU's cohesion policy and rural development policy can provide useful funding sources for SMSTCs. While European Regional Development Fund (ERDF) funding is only available where the relevant state decides to design programmes dedicated to urban development, LEADER funding is available in all states (except city states).

Map 3.4.
Types of municipalities in Germany (2017)



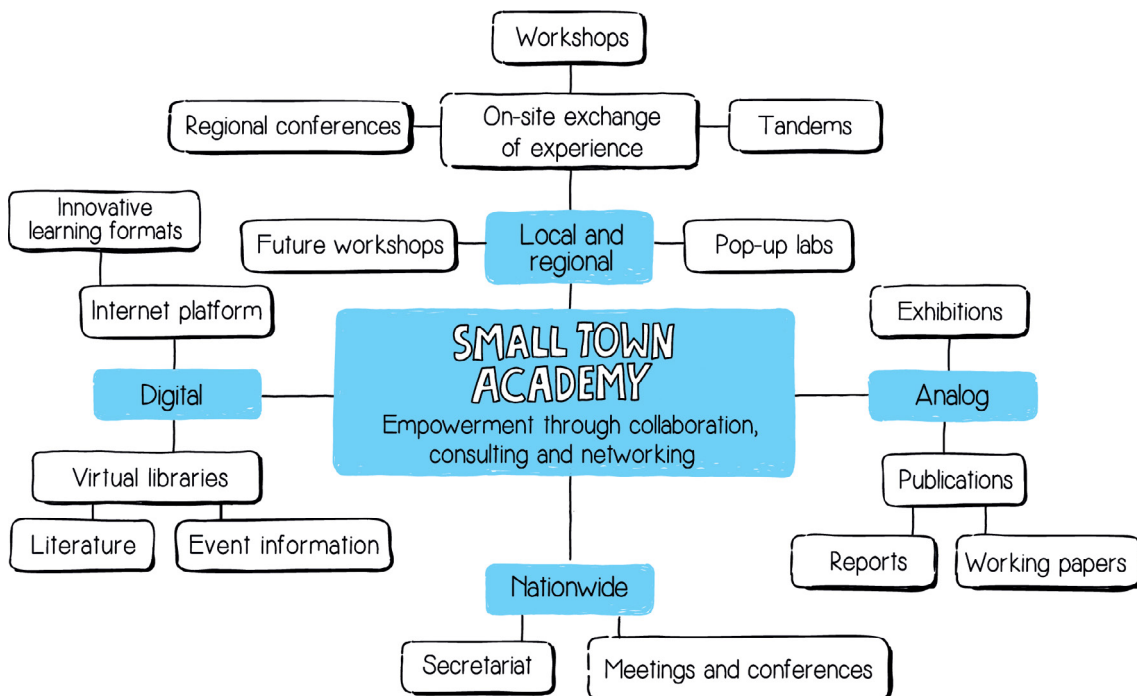
Source: Spatial Monitoring System of the BBSR
Geometry: municipal conglomerations (generalised borders),
31.12.2019 © GeoBasis-DE/BKG
Author: A.Milbert

In Germany, it is increasingly recognised that the urban development policy can achieve qualitative change, for example by increasing the capacities of municipalities to participate in development measures.

One of these initiatives is the **Small Town Academy**. While it is too early to assess the impacts of the initiative, it has the potential to increase the capacities of SMSTCs to participate in the urban development policy process.

The academy is part of the ‘Small Towns in Germany’ initiative, which brings together, 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 3.1** below 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



Source: Visual created by Urbanizers Büro für städtische Konzepte, Berlin on behalf of the Federal Institute for Research on Building, Urban Affairs and Spatial Development (BBSR)

4. Policy pathways showcased through success stories

There are many examples in Europe of how SMSTCs managed to customise their policy frameworks to aim for more balanced territorial development, and better economic, social and territorial cohesion.

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

It identifies development constraints as well as catalysts for success, which lead to conclusions on innovative and efficient policy pathways for the functional organisation of territories, especially rural areas in which this town or city is located.

Pathway 1: strategic urban transformation for achieving sustainable development models

Policies aimed at fostering quality of life tend to tackle both the retention and the attraction of active young people and families.

The success of the Spanish city of Soria in that respect is due, on the one hand, to the density of cultural heritage services and activities, and, on the other, to intangible assets inherent in many small cities, such as quality of life, the balance between family life and work, strong social relationships, and high levels of security for citizens. Direct access to rural and natural environments, for example in the Spanish city of Villena, represents another **comparative advantage for policies** aimed at offering an alternative to living in larger urban areas facing growing congestion and pollution.

These policies target both services for the population and more structural dimensions of urban development. The services primarily include a range of public services, especially in the health and education sectors, as seen in the Spanish city of Mérida and the German town of Oschersleben. The latter features high-quality public spaces, dynamic and lively city centres, and high-quality and affordable housing. Soria, for instance, manages to combine a compact city model on a pedestrian scale with an ambitious cultural policy and good provision of basic services for citizens. Villena offers a well-connected urban centre, with dynamic, productive sectors, and an active social and cultural life, while Mérida shows a clear commitment to sustainability, accessibility, and connectivity, being very close to the ideal example of a 15-minute city. Another interesting example comes from Oschersleben. There, policies prioritise the creation of multifunctional infrastructure combining physical construction activities with appropriate functions, making use of brownfields as much as possible.

Many small towns and cities (e.g. Saluzzo in Italy) face situations where economic wealth coexists with important sociodemographic challenges. Therefore, balanced efforts are required to tackle urban development activities such as renovating historic buildings or highlighting the city's heritage and revitalising the most deprived neighbourhoods. In that regard, a lack of affordable housing, including in depopulated areas, is certainly one of the most critical challenges local policies have to address to stop demographic decline.

It is not inevitable that SMSTCs face demographic shrinkage. In Soria, a series of policies managed to stop the depopulation affecting the entire province, including its capital. This **new territorial dynamic** reflects the choice of Soria's inhabitants to stay instead of moving to a larger city and demonstrates the attractiveness of Soria to inhabitants of other towns and villages in the province. Maintaining or developing the attractiveness of a SMSTC has direct consequences on its surroundings, which are, in a way, unavoidable. Local policies must consider these effects.

Pathway 2: supporting territorial cooperation between SMSTCs

The example of the city of Saluzzo demonstrates how to deploy a vision that connects the development needs of a political, administrative, and cultural centre with those of its surroundings (the Monviso territory), made of a network of smaller towns and villages. It promotes a clear political perspective that aims to develop **new interactions** between both material (ecosystem services, productive resources, food chains, labour and services, infrastructure networks) and intangible elements (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, deconstructing the alterity between urban and mountain areas.

Against this background, local policies have enhanced the **polycentric development** of the territory through improving connectivity, generating new markets, building networks of services and infrastructure, and mitigating vulnerabilities to and the impacts of climate change.

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

In some places, **integrated intermunicipal strategies** already exist. This is the case of the Portuguese town of Fundão, which is part of the intermunicipal community of Beiras e Serra da Estrela. An institutionalised pact for territorial development and cohesion highlights the importance of organising initiatives on a multimunicipal scale, particularly in combining rurality with urban space.

However, such strategies do not always exist, and a lack of coordination and common strategy between levels is also frequent. In Soria, as in Villena, it has been noted that the need for territorial cooperation is crucial for the delivery of services of general interest. There have therefore been calls for the better alignment of different levels of public authorities. Another issue to address is the nature of decentralisation in different countries and the distribution of competencies between territorial levels. In many countries, the decentralisation of competencies is accompanied with what local authorities consider insufficient resources to manage and offer more services.

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

Pathway 3: attracting funds and providing engineering support to foster project implementation

Even in the towns and cities showcased, which are considered success stories, administrative complexity and limited local capacities are seen as significant barriers to delivering efficient policies.

In Villena, for instance, having a sufficient number of qualified technical staff at local level is perceived as crucial, not only to understand and control management processes and their time frames, but also to attend to administrative issues with agility and efficiency. In contrast, it is recognised that a large part of Mérida's success as a model city is due to the notable efforts made by various agencies to develop the administrative capacities to, for example, attract European funds, the management of which has allowed the development of the city at all levels. In Saluzzo, a planning office was established to obtain funding (from 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 policymakers agree on the need and demand for policies, plans, programmes, and funds specifically targeted towards SMSTCs. Looking at the funding instruments, for example in Germany, some procedures appear to be too complex for smaller cities lacking administrative capacities.

Therefore, the issue would be not designing new specific planning instruments for smaller cities, but rather **reconfiguring the broad array of existing instruments**. For instance, the financing and investment

conditions of the ERDF could be adjusted to fit smaller urban centres as well as rural territories, through the current Specific Objectives 5.1 and 5.2, beyond specific programmes such as LEADER.

As well as attracting EU funds, it seems necessary to secure other types of public funding and to attract investment flows. One measure envisaged in Fundão is creating a regional innovation and investment agency. This would reinforce cooperation between the university and industry, and enable the channelling of direct investments to the various SMSTCs in the region.

In Oschersleben, the choice has been made to turn the municipal company BEWOS into a key driver of urban development. The city administration provides funding, which is often used in projects managed by BEWOS. BEWOS uses its core business area of housing management to operate as a more general development agency, for example engaging as a member of the local LEADER action group.

Although these successes in urban development are increasingly recognised, more needs to be done in terms of communicating and exchanging experiences.

Pathway 4: develop economic models based on local assets

Most of the SMSTCs showcased are influenced by social, organisational, and intangible capital and by place-based factors. However, the importance of the broader regional context needs to be considered. The results of ESPON TOWN confirm the importance of applying an **integrated approach to framing policies**, a position between regional determinism and territorial autonomy. Given the huge variety of SMSTCs, a place-based approach remains the preferred starting point for policies implemented in the cases studied, subject to the available local capacities.

In Soria, for instance, a political commitment has been made to develop a diverse and attractive cultural policy. In addition, the conditions necessary for digital connectivity were met, making it possible to work in Soria in highly specialised sectors.

For Villena, the strategy aims to consolidate a logistic node of national importance for freight transport, linked to strategies for innovation and the conversion of its traditional economic sectors and the exploration of new market niches. While the lack of workforce presents a critical challenge, the reinforcement of vocational education programmes has become a major policy pathway.

Mérida has achieved its position as a point of reference thanks to its economic model, based on sustainable and cultural touristic assets derived from the historical and artistic value of the city's heritage, and complemented by other diverse areas of action. To accompany this development, local policies prioritise a sustainable and cohesive approach, and engage the third sector.

5. Conclusions. The role of small and medium-sized towns and cities as agents of territorial cohesion

Notwithstanding development dynamics over time, SMSTCs will remain a key player in the territorial organisation of their countries and the EU at large. Within their urban systems, they link higher and lower urban levels, establish relations with other cities and territories of the same hierarchical level and act as intermediaries between large cities and rural spaces.¹¹ It is worth underlining 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.

SMSTCs 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, in their efforts to fully perform such a role, they often face the constraint of limited capacity, 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 SMSTCs in many of those regions needs to be strengthened to help them break the vicious circle of depopulation that 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, SMSTCs 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.

To be able to retain population and attract new residents, the local policy pathways ought to focus on certain **intervention areas**, which – as shown through the case study examples – capitalise on the local capital and make SMSTCs attractive hubs for development. These intervention areas, indicatively, consist of:

- access to and quality of the housing stock, with adequate appropriation of housing resources for the local population vs for touristic purposes;
- the rehabilitation, regeneration, and re-functioning of public buildings, as one of the pre-requisites to achieve an attractive and multifunctional public space able to attract inhabitants and investors;
- business development and innovation as a significant precondition for boosting local economies, securing jobs, attracting investment, and retaining talent;
- connectivity to major nodes and hubs in international and national transport corridors;
- culture, education, and social services as a marker for quality of life.

Investment in the **knowledge and skills** of the local administration, along with access to modern communication technologies, as demonstrated in Portugal, provides clear opportunities to shape good future quality-of-life in these territories by building upon their development assets in combination with internationalisation.

In Italy, the policy instrument of partnership agreements encourages SMSTCs 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 development, as aimed at through the country’s national strategy for inner areas, and the region of Campania’s programming scheme for ERDF funding.

¹¹ Vilagrà, J. (2000). *Ciudades medias y ciudades intermedias: posicionamiento en la red urbana y procesos urbanos recientes*. Lleida: Universidad de Lleida

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 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, extending beyond the administrative boundaries, for the sake of 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 the high quality-of-life offered by their home location.

6. Policy advice for a better spatial justice

The fight against depopulation and against inequalities between territories puts spatial justice in the spotlight. The relationship between urban, intermediary and – most importantly – rural (small/medium) places and cities must be revisited. The current model of concentration of people, services and investments is unsustainable, in economic, social, and ecological terms.

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 the known effects on people’s disaffection with politics and the EU.

A **territorial governance approach**, with multi-level and cross-sectoral partnerships, is – thus – critical to make SMSTCs the stabilisers of economic, social, and territorial cohesion in the region they are situated. This requires cross-cutting policies to achieve active, inclusive, and functional territories in line with the objectives of the Territorial Agenda 2030, the EU rural action plan¹² and the ‘Do No Harm to Cohesion’ principle introduced by the European Commission in the 8th Cohesion Report. They will involve 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.

To achieve 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 SMSTCs** becomes a key target for the EU, national, regional, and local policies – as demonstrated by the political initiative of the Spanish government for a new territorial contract.

TOWARDS A NEW TERRITORIAL CONTRACT

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

The boundaries between urban and rural areas transcend the population threshold and are intermingled with factors such as the employment rate in the tertiary sector, thus overcoming the conception that demographic challenges only occur in rural areas. They are distorted in the context of a network of municipalities, intermediate cities, county capitals, and conurbations that feed off each other inexorably.

In the commitment by the Spanish government to promoting SMSTCs, the need to balance the population across territories manifests itself, in turn, in a proposal for a new **territorial contract**, which could serve as a model in many other institutional contexts. It is thought that the contract will be **an integrative policy instrument for rural and urban areas** and will facilitate the achievement of inclusive and functional territorial development.

This new territorial contract should contribute to the preservation of biodiversity, the provision of public services, and the redistribution of opportunities and wealth, to care for the territory and the most vulnerable people, to guarantee gender equality and to contribute to the retention of talent, especially young people. This new pact will be based on the **development of territorial and supramunicipal strategies** using an approach where cities and towns cease to be isolated subjects, becoming part of an organic territorial unit of planning and co-management that can maximise their self-sufficiency and resilience because of their diversity and multifunctionality. The approach will identify intermediary cities are catalysts for greater urban–rural structuring.

¹² https://rural-vision.europa.eu/action-plan_en

The following list of **policy advice** provides an opportunity for discussion on the optimal combination of measures to help SMSTCs carry out intermediation in territorial development and bolster spatial justice.

- Foster polycentric development and promote functional urban–rural spaces to boost mobility dynamics, the provision of services, support for entrepreneurship and access to strategic routes, in line with the idea of a 30-minute territory (where basic services can be accessed within 30 minutes).
- Apply an integrated policy approach to develop functional areas served by SMSTCs, paying due attention to understanding intra-territorial flows and synergies in order to generate added value in strategic sectors of the economy.
- Structure territorial development programmes and tools with a more flexible definition of the urban and rural frontiers, not limited to the size of population in the very urban settlement.
- Design financial instruments at both European and national levels to facilitate urban–rural projects managed by intermediary cities (regardless of the number of inhabitants).
- Re-tailor urban development programmes in the context of cohesion policy to strengthen the links between cities and their rural surroundings. The funds dedicated to this objective, especially those from the ERDF, must be used to identify synergies between territories.
- Reinforce the role of SMSTCs in the green transition on account of the vast environmental capital of their territories.
- Address specific development needs of areas with socioterritorial vulnerabilities by invigorating their urban centres to enable them to act as nodes of territorial innovation, well connected with their surrounding space and providing essential services to the population.
- Gear public funding towards increasing resilience of SMSTCs against various global shocks that could endanger their development pathways and escalate spatial polarisation.
- Boost capacity building, for example by facilitating mutual learning and networking between public authorities and provide tailored funding mechanisms (through European policy instruments and national/regional support), to help SMSTCs fulfil their recognised role in achieving active, inclusive, and functional territories.
- Develop synergies of governance and institutional cooperation that incorporate the diversity of local areas, with emphasis on the management of common elements linked to strategic services.
- Strengthen intermunicipal cooperation based on shared social, economic, and environmental interests; and foster intermunicipal management and other innovative horizontal collaboration models to provide access to both services of general interest and specialised services in a wider functional area.
- Establish local development agendas that are coherent, flexible, and cross-sectoral, and provide adequate financial resources for setting up multidisciplinary technical teams.
- Stimulate a participatory approach to pursuing the transformation of local development, based on innovation, the use of territorial capital and internationalisation. Involve various age cohorts in decision-making processes.
- Provide dedicated evidence and data to track the development pathways of SMSTCs, to enable the implementation of 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, which 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 range of study programmes attracting students from other provinces;
- good leisure time provision (sports, recreation, cultural activities);
- local competence to succeed in obtaining EU funding at an 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, on the basis of a 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.

CASE STUDY

VILLES – town in the national transport corridor

Major challenges:

- decline of the young and young-adult population, which has been moving to the more economically active coastal areas of the province, resulting in the gradual transformation of Villena into 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 threatens 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 serves as 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.

CASE STUDY

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;
- population younger than the national 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 the most important economic sectors on account of the city's cultural heritage;
- good road connections and airport accessibility;
- very good provision of the advanced telecommunications infrastructure, far above the average for SMSTCs in Spain;
- a very small 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 SMSTCs in Spain in securing EU funding for projects, with the 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, social integration and inclusion, and a more participatory civil society in local life;
- orientation towards EU-supported investments (with funding from the ERDF and RRF) in rehabilitation, modernisation, and transformation of the urban plan, within 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

CASE STUDY

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 the 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 provision 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 acting as complementary service centres for the surrounding low-density areas;
- a healthy labour market, with a very low unemployment rate;
- 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 public buildings to create the idea of a hub within the city or 'the city as a hub';
- an approach to training 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 partnerships with entrepreneurship groups;
- municipal housing rental programme to accommodate highly qualified professionals to work at technological companies.

CASE STUDY

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 on the basis of a long-term strategy;
- differing population ageing and household income patterns depending on the settlement location (mountains vs foothills and plains);
- spatial concentration of services of general interest, with a 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 interrelationship between settlements in the mountain valleys and those located in the plain area;
- natural beauty of the surroundings, and a 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 invest in the reduction of energy consumption, business internationalisation, research and innovation, and value chain development;
- EU funding targeting the revitalisation of the territory, with priority given 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, a multi-partnership approach in asset management, and the creation of stable networks between different actors.

CASE STUDY

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;
- the status of a medium-order urban centre, despite a population size 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’ (SMSTCs)

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 to capture 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 (intermediation 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. Here, we are analysing functional systems of settlements or urban nodes, 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.

Complementary with the concept of urban node, ‘functional area’ allows to understand 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, the roles of the ‘nodes’ (this word encompasses a broad reference, including various types of ‘cities and towns’) in terms of improving development, on the basis of the urban-rural relationship, and facing the demographic challenge in a way that is not centred or focused on the urban, but is more attentive to the system of relationships between 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 presupposes 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 the expansion of the urban dimension or the spatial dimension to include the concepts that 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 that are the case studies.

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 studies, the potential of local knowledge to feed the global, of the political recommendations, as a result of this paper."

Josep Maria Llop Torne (UNESCO Chair in Intermediate Cities, University of Lleida, Spain)

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	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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.

Country Year	Policy	Responsible body	Objectives	Tools/actions
Italy 2020	Piano Nazionale di Ripresa e Resilienza - Bando Borghi (Call for Villages)	Italian Government - Ministry of Culture	<ul style="list-style-type: none"> 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, peri-urban, 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. 	<p>Financial support, organised along two main axes:</p> <p>I) <i>Linea A</i>, dedicated to piloting projects for the cultural, social, and economic regeneration of villages at risk of abandonment or abandoned, with a financial endowment of EUR 420 million.</p> <p>II) <i>Linea B</i>, dedicated to local projects for cultural and social regeneration with a total financial endowment of EUR 580 million.</p> <p>III) Additionally, EUR 20 million are earmarked for the 'Roots Tourism' intervention whose implementing body is the Ministry of International Affairs and Cooperation.</p>
Portugal 2020	Estratégia Portugal 2030. Documento de Enquadramento Estratégico	Portuguese Government - Ministry of Planning	<ul style="list-style-type: none"> 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. e) Promote the full appreciation of endogenous resources. f) Invest in tourism as a crucial element of the territorial strategy. 	<p>I) Preservation, protection, promotion, and development of natural and cultural heritage.</p> <p>II) Diversification of the economic base, promoting the emergence of new value-generating and job-creating activities.</p> <p>III) Management and network provision of existing collective services (education, sport, health, culture, etc.)</p> <p>IV) Adequate levels of provision of public goods and services and access to digital networks.</p> <p>V) Connections between rural-urban.</p> <p>VI) Enhancement of social economy role in management of the network of collective services.</p>

Country Year	Policy	Responsible body	Objectives	Tools/actions
Spain 2020	Plan de Recuperación. 130 Medidas Frente al Reto Demográfico (2021-2023)	Spanish Government - Ministry of Ecologic Transition and Demographic Challenge	<ul style="list-style-type: none"> a) Define a roadmap that addresses territorial cohesion. b) Fight spatial inequality (at local and national level). c) Promote small and medium cities, as well as rural areas. d) Make transformative investments in these territories. e) Favour mobility and achieve their full connection with the global world. 	<ul style="list-style-type: none"> 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 decentralisation. 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	<ul style="list-style-type: none"> a) Enhance ecology, competitiveness, and cohesion. b) Start with the territories and their projects. c) Provide a tailor-made response. d) Mobilise more resources and seek new forms of intervention. e) Combine national and local approaches. f) Take the necessary time to implement (6 years). 	<ul style="list-style-type: none"> 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, mobilised 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>

ESPON



Co-funded by
the European Union
Interreg

EU23

espon.eu



ESPON 2030

ESPON EGTC

11 Avenue John F. Kennedy

L-1855 Luxembourg

Grand Duchy of Luxembourg

Phone: +352 20 600 280

Email: info@espon.eu

www.espon.eu

The ESPON EGTC is the Single Beneficiary of the ESPON 2020 Cooperation Programme. The Single Operation within the programme is implemented by the ESPON EGTC and co-financed by the European Regional Development Fund, the EU Member States, the United Kingdom and the Partner States, Iceland, Liechtenstein, Norway and Switzerland.

Disclaimer

This delivery does not necessarily reflect the opinion of the members of the ESPON 2030 Monitoring Committee

