

The Trio Presidency theme of small and medium-sized cities: synthesis of the results

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1. Introduction

Small and medium-sized cities in Europe have been less explored both in research and in policies. Policy attention is primarily focused on larger cities. At the same time Europe is characterised by a predominantly polycentric geography and by less concentrated urban patterns than other regions in the world. Compared to these other regions, a considerably large share of the population in Europe lives in smaller urban areas with less than 250,000 inhabitants. Moreover, they are vital for a balanced development at regional, national and European level. For these reasons the Presidency Trio Italy-Latvia-Luxembourg decided to draw attention to the theme of small and medium-sized cities or urban areas¹ within the framework of the EU territorial cohesion and urban policy-making.

The specificities of the urban situation and spatial structure of the three Presidency countries constituted an incentive for selecting this theme. The idea was initiated by the Latvian Presidency, motivated by the Latvian spatial structure of one dominating large city (Riga) alongside many smaller cities and towns. Similar national spatial structures with important roles and functions of cities other than the capital ones can be found in many other European countries. Alongside several big cities and highly urbanised areas Italy has many smaller towns and remote areas, which pose a challenge to the government in terms of balanced territorial development and accessibility of services. Luxembourg illustrates another function of relative small cities; the country comprises urban areas that are considered small on a European level, while cross-border cooperation is a necessity more than a choice.

Against this background, and to make the objective of territorial cohesion included in the Lisbon Treaty and the Territorial Agenda 2020 more operational, the Presidency Trio Italy-Latvia-Luxembourg opted for the broad theme of small and medium-sized cities and urban areas. Each Presidency selected its own priority within this broad theme. The Italian Presidency focused on the urban-rural relationships and the function of cities as centres of services for the surrounding and remote areas (“inner areas”). These “inner areas”, pose a challenge to the government in terms of balanced territorial development and countering depopulation. The Latvian Presidency emphasised the social and economic development challenges of small and medium-sized urban areas and strategies to utilise their potentials in collaboration with other urban and rural areas. The current Luxembourg Presidency is focusing on small and medium-sized cities as part of urban systems in cross-border polycentric networks and related challenges of cross-border cooperation. The new Commission programme “A new start for Europe”, and the launch of the European Fund for Strategic Investments (EFSI) for supporting growth and jobs across the EU offer new opportunities to encourage the development of small and medium-sized cities.

The Luxembourg Presidency contributes not only with its own focus to the territorial cohesion and urban policy at the EU level, but in addition intends to strengthen the combined message of the Presidency Trio by producing a synthesis report of the Trio’s major results. This report has and will be used as input for various discussions during its Presidency: the UDG meetings (10 September 2015), the DG meeting (21 October 2015) and the informal ministerial meeting (26-27 November 2015). In addition, the synthesis report intends to establish a link to the forthcoming Presidency Trio of the Netherlands, Slovakia and Malta,

¹ The terms ‘small and medium-sized cities’ and ‘small and medium-sized urban areas’ are used in this report as interchangeable concepts. See for details the note on terminology at the end of this section.

especially through the process of developing the EU Urban Agenda. EUKN supports the Luxembourg Presidency by compiling this synthesis report.

The next three sections present the main results of the Latvian, Italian and Luxembourg Presidencies on this theme. First, the Latvian contribution is presented, because of its more general focus on the theme of small and medium-sized urban areas. Next, the Italian contribution on “inner areas” will be presented. The presentation of the contribution of the Luxembourg Presidency is in a preliminary state, for the main contribution still has to take shape in the planned informal Ministerial meeting. Therefore, this section presents the main outcomes of the 30 June Presidency workshop and of the UDG and DG meetings as input for the discussion in the informal Ministerial meeting. The last section summarises the conclusions and recommendations for EU, national, regional and local governments on small and medium-sized cities, including strategic links to the EU Urban Agenda.

A note on terminology is necessary. Although “small and medium-sized cities” was the general theme of the Trio, the three Presidencies used different terminologies and definitions. The Italian Presidency focused on inner areas, which are defined by their lack of access to basic services (health, education, and transport) offered by large or medium-sized urban centres. In accordance with this definition, the settlement structure of inner areas tends to be characterised by small municipalities and rural areas with no clear reference to the number of inhabitants or population density. The Latvian Presidency preferred the term “small and medium-sized urban areas” to refer to smaller urban units. Although it refrained from advancing a single definition, the background report used a more precise definition for its statistical cross-country comparison, defining small and medium-sized urban areas as continuous urban clusters with a population between 5,000 and 50,000 and a density above 300 inhabitants/km² that are not considered “High Density Urban Clusters” (according to the EUROSTAT definition). In the context of the theme of cross-border polycentric regions, the Luxembourg Presidency uses the term “small and medium-sized cities” to refer to second-tier cities with a number of inhabitants between 20,000 and 250,000. In the separate sections on the contributions of the Presidencies we will use their own preferred terminology. In the concluding sections the term “small and medium-sized cities” will be used as an umbrella term to refer to cities with less than 250,000 inhabitants that belong to the lower tiers of the national urban hierarchy.

2. Small and medium-sized urban areas and the EU Urban Agenda: the Latvian contribution

Table 1: The Latvian contribution

Theme	Small and medium-sized urban areas
Discussed during:	Open Days workshop on 8 October 2014, Brussels
	Workshops on SMUAs, 9 June 2014 and 4 February 2015, Riga
	UDG, 11 March 2015, Riga
	DG, 6 May 2015, Riga
	Informal Ministerial meeting on 10 June 2015, Riga
Input paper:	A research report on the <i>Challenges of small and medium-sized urban areas, their economic growth potential and impact on territorial development in the EU and Latvia</i> , prepared for the Latvian Presidency by the HESPI institute of the Vidzeme University of Applied Sciences in Latvia and EUKN EGTC.
Results:	Riga Declaration “Towards the EU Urban Agenda” agreed during the informal meeting of Ministers responsible for Cohesion policy, Territorial Cohesion and Urban Matters, 10 June 2015, Riga.

The Latvian Presidency theme focused on the social and economic development of small and medium-sized urban areas and linked the theme to the EU Urban Agenda. The various workshops and meetings organised by the Latvian Presidency have contributed to the development of a vision on the challenges of SMUAs and their role in regional development which is reflected in the Riga Declaration.

SMUAs are largely unexplored, because of the lack of comparable data and relative political disregard. This was a reason for the Latvian Presidency to commission the HESPI institute of the Vidzeme University of Applied Sciences in Latvia and the European Urban Knowledge Network (EUKN) to synthesise available knowledge on SMUAs in a **research report** entitled: *Challenges of small and medium-sized urban areas, their economic growth potential and impact on territorial development in the EU and Latvia*. The synthesis report was based on data sources of the ESPON TOWN project, EUROSTAT and a survey among the Member States. Earlier versions of the report were discussed during the various workshops and UDG and DG meetings and the final version partially served as a source for formulating conclusions during the informal ministerial meeting on urban and territorial development.

The report shows that the category of SMUAs covers a large variety of small and medium-sized urban areas across Europe that differs by spatial location and socio-economic, institutional, regional, and national characteristics. 24% of the European population lives in 8,350 small and medium-sized areas (SMUAs) with a population between 5,000 and 50,000 inhabitants. The report concludes that SMUAs fulfil important economic and social functions within their regions. SMUAs constitute the backbone of Europe's territory and thus have an important role to play for territorial development and cohesion. They have a huge potential to

contribute to the achievement of the EU 2020 targets and they are essential for a balanced regional development, as they can help preventing rural depopulation and urban drift.

Authorities at all levels should have attention for the challenges and opportunities of SMUAs because of their regional, national and European significance. Although the challenges of various types of urban areas may differ according to their geographical position, their socio-economic profile and their regional and national context, there are also common challenges of SMUAs, including declining and ageing populations, youth outmigration, declining economic activity, reliance on a single basic economic activity and problems with the provision and access to public services. Even if SMUAs face similar challenges as larger cities, they are less equipped to respond effectively to these challenges because of the limited size of their economies and human capital and limited connectivity and capacity.

SMUAs offer opportunities to balance economic activity and quality of life aspects, flexibility to adapt and agility for policy innovation and experimentation. The report shows that there are many examples of vibrant small and medium-sized urban areas. For example, the Dutch medium-sized city of Wageningen, also known as “food valley”, operates as a major hub of knowledge for the international food industry, while its manufacturing activities spill over across the administrative borders and different sectors. Cēsis is an example of a smaller Latvian city implementing a strategy to encourage local entrepreneurship, to attract external investment and to provide job opportunities to young people, while it also invests in maintaining relationships with its diaspora to motivate them to stay in touch with and to invest in the city, or to return.

These examples illustrate that small and medium-sized urban areas have to develop and execute smart strategies that take into account their specific assets and strengths in order to foster economic diversification, smart specialisation and to find solutions for the provision of quality public services and attracting or retaining skilled labour and young people. Local leadership, cooperation with neighbouring urban and/or rural areas and networking are essential for successful urban development strategies.

To develop their potentials, SMUAs need support from regional, national and European authorities in order to improve connectivity and accessibility, to promote innovation and entrepreneurship, to strengthen regional co-operation and capacity building, and to improve the access to financial resources. The following recommendations were specified in the research report for different governmental levels:

In general:

- SMUAs may be able to retain their functions, achieve higher connectivity while maintaining their cultural and historical identities, by tailor-made support mechanisms and policies that build on their strengths. This implies an integrated territorial strategy, making use of the place-based approach.

At EU-level:

- Respect the principles of subsidiarity and proportionality in EU policies that impact on cities;
- Recognise the role of SMUAs in territorial development and take into account their specific needs and potentials in all relevant EU policies and strategies;

- The EU Urban Agenda should cover all types of cities, including SMUAs;
- Support measures should have to be flexible enough to enable any type of territory to make the most of their potentials;
- Facilitate exchange of knowledge and experiences within and between countries on successful strategies for local and regional development and cooperation;
- Encourage involvement of stakeholders from all types of urban areas in drawing up Partnership Agreements.

At the level of Member States and regions:

- Pay due attention to SMUAs in national policies for urban and territorial development;
- Ensure the involvement of local governments, including SMUAs, in the elaboration and implementation of Operational Programmes;
- Give SMUAs a voice in regional debates on territorial strategies;
- Encourage the development of a knowledge base on all types of cities and exchange of experiences between cities, including SMUAs;
- Support collaboration of SMUAs with other territories, including cross-border cooperation;
- Support cooperation of SMUAs with other cities and rural areas.

Local level

- Develop smart strategies and an integrated approach to develop the urban potential;
- Cooperate with the private sector and civil society to overcome limited resources and capacities.

The **Riga Declaration** is the main result of the Latvian Presidency. The agreement on this declaration constituted a significant step towards the development of the EU Urban Agenda. The Declaration pays particular attention to small and medium-sized urban areas (SMUAs), “as an integral part of the EU Urban Agenda, acknowledging their significant role and potential for balanced territorial development and achievement of European goals”. The Ministers recognise that the EU Urban Agenda should respect urban diversity and create favourable conditions for all cities and urban areas, including SMUAs, to realise their full potential.

The **Annex I to the Riga Declaration** presents a number of observations and conclusions on SMUAs; they summarise the main achievements of the Latvian Presidency. This Annex is attached to this report (see Annex).

The Declaration acknowledges that:

- The essential role of SMUAs has so far been less explored;
- SMUAs fulfil important economic and social functions for a large share of the European population (their inhabitants and the inhabitants of the surrounding areas);
- SMUAs as regional centres fulfil a role in avoiding rural depopulation and promoting more balanced overall regional development, while SMUAs as part of polycentric networks contribute to the development of metropolitan areas;

- There is a significant (potential) collective contribution of SMUAs to EU strategic goals;
- Many SMUAs face a range of common challenges that need to be addressed at different governance levels, including at EU-level;
- SMUAs have significant development potentials that need to be utilised;
- SMUAs have to develop smart strategies to develop their potential; capacity building and active involvement of local community and stakeholders are essential in this regard;
- It is important to provide territorial support measures that are comprehensive and flexible enough to enable any type of territory to make the most of their potentials;
- Support measures need to be provided in the form of integrated and place-based mechanisms, because of the interdependency of SMUAs and other territories and the multi-sectoral nature of the challenges.

3. Inner areas and small cities as centres of services: the Italian contribution

Table 2: The Italian contribution

Theme	Inner areas
Discussed during:	Open Days workshop on 7 October 2014, Brussels
	NTCCP meeting on 3 July 2014, Rome
	DG meeting on Territorial cohesion and urban development, 25 September 2014, Milan
Input paper:	Brief Note on Inner Areas: discussion topics for the DG meeting
Results:	There was a discussion on EU cohesion policy in general in the 3347 th General Affairs Council meeting, 18-19 November 2014, Brussels

The Italian Presidency contribution focused on the function of cities for the quality of life in relatively isolated and sparsely populated areas (also called “inner areas”) and the importance of strengthening the lagging-behind regions in the Member States.

The main results of the Italian Presidency on the theme of small and medium-sized cities are:

- Promoting a political debate within the formal settings of the Council of the EU on cohesion policy and its relevance for territorial cohesion;
- Drawing attention to the issue of the functional role of small and medium-sized cities for more remote areas. Thus, a focus on the link between urban development and territorial cohesion.
- Exchange of national experiences and strategies to improve the accessibility of services in remote areas.
- The Commission was asked (by the DGs) to take account of the issue of inner areas, first to enable the exchange of experiences, secondly to adopt flexible working methods for the effective implementation of inner-areas strategies in the 2014-2020 programming period, and last to invest more in studying inner areas issues an aspect of territorial cohesion (approaches).

The theme of “inner areas” draws attention to problems of balanced economic, social and demographic development with regard to rural, isolated, peripheral and/or remote areas. In these areas, there may be an inadequate or limited access to public services and services of general interest because of the distance to urban centres. Distance may be related to the geography of mountainous or border regions and of small islands. The socio-economic challenges for these inner areas are partly rooted in changing economic conditions – such as the increasing global competition and the decline in agricultural and traditional production sectors – and socio-demographic changes, including outmigration of young and highly-qualified inhabitants and an increasingly ageing population (Mayer et al. 2013). This is a problem in many countries and regions in Europe, not only in Italy.

The fact that the theme of inner areas was discussed in the NTCCP and not in the UDG meeting is indicative: although it has a clear urban dimension, it is a typical topic at the intersection of territorial cohesion and urban development. The theme draws attention to issues of balanced economic, social and demographic development of peripheral, isolated or remote areas. During the NTCCP and DG meetings, the problems of inner areas were recognised as a challenge affecting many Member States. Interest was expressed in the exchange of concrete examples of inner areas strategies, with the aim of discussing difficulties of integrating and coordinating funds at national and European level. During the DG meeting the Commission was asked to take account of the issue and to pay due attention to inner area issues.

A territorial agenda promoting a polycentric urban structure, a focus on rural-urban partnerships, and applying a place-based approach offer guidance for a territorial policy that pays attention to the challenges and opportunities of inner areas. The Italian national strategy for inner areas (in action since September 2012) is an example of such a policy, aimed at improving the quality of life and economic well-being of people living in relatively isolated and sparsely populated areas (Lucatelli 2014). The strategy also intends to reverse demographic trends in the longer term. The Italian government defines these inner areas functionally as areas where accessibility (in terms of travel-time) to public services including healthcare, education, and transport is insufficient to provide citizens with an acceptable quality of living and economic wellbeing. The Italian strategy is based on multilevel cooperation in which the national state, the regions, provinces and municipalities collaborate and make use of different European and national funding possibilities. European Structural Funds (ERDF, ESF) and the instrument of Integrated Territorial Investments (ITI), but also the Common Agricultural Policy (CAP) and the European Agricultural Fund for Rural Development (EAFRD) offer possibilities for financial support. Italian regions, like Liguria (Canale 2014), have developed their own regional strategy to invest in selected areas.

The topic resonates across Europe, as discussions during the NTCCP and DG meetings showed. Upon the Italian Presidency's invitation France and Switzerland decided to share papers on their strategies for inner areas after the meeting. In France, not accessibility of basic public services is the main issue, but rather accessibility of a sufficient variety of services for a satisfactory quality of life. Not only sparsely populated rural areas are lacking access to a sufficient variety of services, but also some newly built urban areas where services have not yet followed as well as deprived urban areas with a lack of services adapted to the low-income population. The French government has experimented with alternative methods of improving access to services: the "services to the public +" experimentation. This has inspired the development of "houses of services to the public" that gather numerous operators of public and private services in the same site. The French government intends to install 1,000 houses of services to the public by 2017. This provision is part of the bill for new territorial organisation of the Republic of France. In the case of Switzerland the federal council was commissioned to develop a coherent strategy for mountain and rural regions by the adoption of a motion by the Swiss parliament (motion Maissen, 10 June 2012). In addition, the Latvian Presidency background report and the Riga Declaration paid attention to the socio-economic function of small and medium-sized cities for rural areas and the importance of developing urban-rural partnerships.

These are examples of the refocusing of policies regarding spatial and economic development in peripheral areas in European (or OECD) countries to support sustainable

development or regional resilience in areas outside the economic growth poles of a country (Mayer et al. 2013, 2014). Important departing points behind such policies are: that the growth potentials of every territory should be tapped, that outcomes will be better if urban and rural areas link their growth potentials, and that growth should be environmentally sustainable and socially inclusive (see OECD 2013).

4. Cooperation in polycentric cross-border regions: the Luxembourgish contribution

Table 3: The Luxembourgish contribution

Theme	Cooperation in polycentric cross-border regions
Discussed during:	Workshop on 30 June 2015 in Luxembourg
	UDG/NTCCP meeting, 9-10 September 2015, Luxembourg
	Open Days Workshop, 15 October 2015, Brussels
	DG meeting, 21 October 2015, Luxembourg
	Informal Ministerial meeting 26-27 November 2015, Luxembourg
Input paper:	A research report by LISER on <i>Opportunities of cross-border cooperation between small and medium cities in Europe</i> , Luxembourg A synthesis report on the Trio Presidency theme by EUKN EGTC
Results:	Discussion and conclusions of the forthcoming Informal Ministerial meeting

The contribution of the Luxembourg Presidency to the common theme of the Presidency Trio is to highlight the potentials of cooperation of small and medium-sized cities in cross-border polycentric regions (CBPRs) in Europe. Cross-border regions are often dominated by small and medium-sized cities. What are the main obstacles and key factors for the success of cooperation between municipalities in cross-border polycentric regions?

Luxembourg's contribution can be described only after the topic has been discussed in the coming Informal Ministerial Meeting on Urban Policy on 27 November 2015 in Luxembourg. Therefore this section is provisional and is limited to summarising the main conclusions of the LISER Report, the main outcomes of the workshops and of the UDG and DG meetings in Luxembourg.

The Luxembourg Presidency commissioned a **research report** by LISER, the Luxembourg Institute of Social-Economic Research, on *Opportunities of cross-border cooperation between small and medium cities in Europe*. The report identifies a number of challenges involved in linking up small and medium-sized cities:

- One of the challenges lies in combining the know-how, means, and resources to attain a certain critical mass that enables small and medium-sized cities to compete with larger cities. Critical mass can either be achieved by pooling resources, in view of collective needs, to set up and operate large-scale infrastructure projects or by fostering the networking of competencies to generate innovation.
- Cross-border territorial strategies can generate greater coherence between small and medium-sized cities in cross-border regions by improving the mutual exchange on territorial priorities, supporting the integration of the cross-border region, and exploiting synergies to reinforce the competitiveness of the cross-border region. The obstacles for agreeing on and implementing cross-border territorial strategies include the lack of a restrictive framework, the institutional mismatch between the different

stakeholders, the divergences in the strategic priorities and the differences in planning cultures.

- Another challenge lies in projecting a more international image of the border region. Through regional branding cities can promote the international image of the cross-border region, which helps them to attract investors and skilled labour.

The report identifies a number of factors that can influence the form of cross-border integration:

- Geographical contexts, such as the membership of political or economic transnational structures (European Union, Schengen area, etc.) and the spatial configurations of small and medium-sized cities in the cross-border region (cross-border agglomeration or polycentric configuration) are factors that determine cross-border cooperation.
- With regard to cross-border governance structures, shared objectives, the use of legal instruments, the involvement of non-institutional actors and the quality of interpersonal relations between policymakers can influence the degree of integration.
- The feeling of sharing a common cross-border living area is of importance for the success of cross-border cooperation. The establishment of joint schools as well as the promotion of common cultural and natural heritage can raise awareness of common interests.

The report formed the basis for the discussions and **exchange of experiences in the workshops** (of 30 June 2015 and 15 October 2015) **and in the UDG and DG meetings**. These discussions revealed that cross-border cooperation in CBPRs is an important issue for many Member States. One of the main messages that emerged from the debates at the various meetings was the recognition of the important role played by small and medium-sized cities in fostering territorial cohesion and polycentric urban development in general, and development of cross-border regions in particular. Small and medium-sized cities perform a double role in cross-border polycentric regions as they drive the development of the cross-border functional area and support the rural areas in the national hinterland. The development of cooperation in CBPRs will reinforce territorial cohesion and economic and demographic development across borders. Cooperation of small and medium-sized cities with other cities may help them to unlock their development potential. Smaller cities may benefit from the power and capacity of larger cities in cross-border agglomerations and polycentric regions. However, the size of partners does not always matter; there are examples of small cities heavily involved in cross-border cooperation, for instance twin cities.

Cross-border territorial cooperation offers numerous opportunities, but there are also specific impediments. The theme relates to the more general one of territorial cooperation between small and medium-sized cities, but also cooperation with larger cities and rural areas (ESPON 2015). In this context it was emphasised that the lessons drawn from cooperation in cross-border functional areas are also relevant for cooperation in functional areas across internal, that is, regional or municipal, borders, and *vice versa*. Still, cooperation across national borders has to overcome some additional obstacles, including differences in national laws, regulations, standards and norms, divergent planning processes and institutional mismatches. Language differences are still an obstacle in cross-border cooperation and therefore further EU efforts in promoting language learning in border areas are needed. At the same time, cross-border cooperation has become an opportunity for some European border cities – especially smaller ones – to reach a critical mass to unlock their potential. Cross-border cooperation may also utilise specific opportunities, for example differences in tax regimes.

Limited capacities and competences are a major obstacle for the development of small and medium-sized cities in general and of CBPRs in particular. Therefore, support of higher-level authorities in terms of capacity building and knowledge exchange is essential for the success of cooperation in CBPRs. For example, it would be mutually advantageous when national authorities integrate existing cross-border development strategies at the regional and local level into national development strategies. It is also important that Member States pay due attention to CBPRs in selecting projects in EU-funded programmes managed by them. Each region has its own specific characteristics and therefore flexible and tailor-made strategies are necessary to harness the specific potentials of regions and urban areas. The place-based approach with policy responses tailored to local conditions is still seen as the best instrument to unlock the development potential of specific territories, including cross-border polycentric regions.

In the various meetings it was underlined that the added value of cross-border cooperation has already received considerable recognition at EU-level, with the Interreg programmes as a good example. The European Commission has developed many programmes and instruments to support cross-border cooperation that are relevant for CBPRs. However, there are still many impediments. There is a demand for the exchange of good practices regarding the use of financial instruments and specific tools by CBPRs. Other funding programmes and financial instruments should give due attention to the specific needs and problems of CBPRs. Networking as well as the exchange of experiences and practices among CBPRs is crucial and should be further supported. URBACT and Interreg can have an important supporting role in this. However, long-term planning is necessary to improve the effectiveness of this instrument. Furthermore, strengthening the role of URBACT, Interact, ESPON and the Joint Research Centre in improving the knowledge base and supporting exchange of experiences will help to stimulate the development of and cooperation in CBPRs. A solution to the need for a common knowledge and data system could be the establishment of cross-border observatories that collect and produce cross-border data for monitoring and other purposes. Moreover, the cross-border dimension has to be included in the impact assessment procedures at the EU and national levels to take into consideration the effects of policies on border areas.

5. Conclusions and Outlook

The Presidency Trio has focused its attention within the context of urban and territorial development on the challenges and opportunities of small and medium-sized cities. This has resulted in the recognition of:

- The important role of small and medium-sized cities and urban areas for balanced territorial development. Urban development issues have to be clearly linked with territorial development strategies in policy responses because of mutual dependency of these processes.
- The significance of small and medium-sized cities for achieving strategic EU goals, especially regarding sustainability, and fighting poverty and social exclusion. This implies recognition of the aggregate economic development potential of small and medium-sized cities, as the backbone of Europe's territory.
- The need for appropriate support measures that build on the strengths of small and medium-sized cities. A place-based approach with integrated support measures tailored to local conditions is best suited for unlocking the development potential of specific territories.
- The importance of cooperation across borders in CBPRs for territorial cohesion and economic and demographic development in border regions. There is a need for support of in terms of capacity building, networking, knowledge exchange and cross-border comparable data and knowledge.
- The relevance of the theme of "inner areas", for it draws attention to the specific issues of balanced economic, social and demographic development of peripheral, isolated or remote rural areas.

The Presidency Trio have managed to establish a link between the EU urban agenda and territorial cohesion, highlighting:

- The importance to recognise and understand the urban diversity in Europe, including the role of small and medium-sized cities in all relevant themes of the EU Urban Agenda.
- The need to consider the challenges and opportunities of small and medium-sized cities within the framework of the EU Urban Agenda and within national policies to support small and medium-sized cities in realising their full potential.

The topic of challenges and opportunities of small and medium-sized cities is included in the EU Urban Agenda as one of the cross-cutting themes. The question is how to give due attention to this cross-cutting theme; this is still to be elaborated. An appropriate way to include this cross-cutting theme is to include a representative of a small or medium-sized city in every partnership, or at least in partnerships on themes where the size of cities does matter. For example, small and medium-sized cities in general face specific challenges with regard to housing and urban poverty, the themes of the first two partnerships that will be facilitated by the incoming Dutch Presidency. Specific housing problems in small and medium-sized cities are for instance related to a shrinking population and strategies to attract young families. Shrinking urban areas in cross-border regions may provide housing options for growing cities on the other side of the border. The specific demographic structure and decline of traditional industries may pose specific challenges to anti-poverty strategies of small and medium-sized cities. In short, it is important to give in a structural way attention to the specific issues of small and medium-sized cities, their service role for inner areas, and the specific challenges for cross-border cooperation within the EU Urban Agenda in general and within the partnerships in particular.

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Annex: Annex I to the Declaration of Ministers towards the EU Urban Agenda, Riga, 10 June 2015: Acknowledgement of the significant role of small and medium urban areas in the overall territorial development²

1. The essential **role of SMUAs has so far been less explored both in policies and studies** which up to now have focused on the role and issues of metropolitan areas and large cities. In Europe 24.2% of the inhabitants live in SMUAs with a population of 5,000 to 50 000. In total there are 8,350 SMUAs in Europe.
2. SMUAs **fulfil important economic and social functions** being centres for jobs, public and private services, nodes of local transport, as well as centres for local and regional knowledge production, innovation and infrastructure for a large share of the European population.
3. SMUAs are, therefore, **essential to avoid rural depopulation and urban drift**, promoting more balanced overall regional development. Yet they also **contribute to development of metropolitan areas** being connected in a polycentric network.
4. There is a **significant existing and potential collective contribution of SMUAs to EU common strategic goals**, especially regarding employment, climate change and energy sustainability and fighting poverty and social exclusion.
5. **Many SMUAs face a range of common challenges that need to be addressed** at different governance levels: declining and ageing population, emigration of young people, low economic activity and diversity, lack of highly educated and skilled labour, job creation, provision of and access to services, insufficient connectivity, lack of access to financial resources and capital investments, insufficient administrative and technical capacity, energy transition and climate change.
6. SMUAs have significant development **potentials that need to be utilised**: great opportunities for balancing economic activity and quality of life aspects, more flexibility to shift development orientation and more agility for policy innovation and experimentation.
7. It is **especially important for development of SMUAs** to foster diversification of economic activities and smart specialisation; find solutions for provision of qualitative, accessible and cost-efficient public services; to foster urban-urban, urban-rural, including inner areas, and cross-border co-operation within functional areas and to generally improve their attractiveness. Strong capacity of local authorities and active involvement of local community and stakeholders in development of the territory are essential in this regard.
8. It is important to provide **territorial support measures** that are comprehensive and flexible enough to enable any type of territory – urban, rural and areas with specific geographic features – **to make the most of their territorial potentials**.
9. Due to interdependency of SMUAs and other territories and their multi-sectoral challenges **support measures need to be provided** in the form of **integrated and place-based mechanisms**.

² In order to facilitate discussion and provide evidence base for it Latvia has elaborated a research report “Challenges of Small and Medium-Sized Urban Areas, their economic growth potential and impact on territorial development in the European Union and Latvia”. Based on the report a number of observations and conclusions can be made.