



European Committee  
of the Regions

#SOTEULocal

EU annual report 2024

# The state of regions and cities

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# State of Regions and Cities 2024

## EU Annual Report

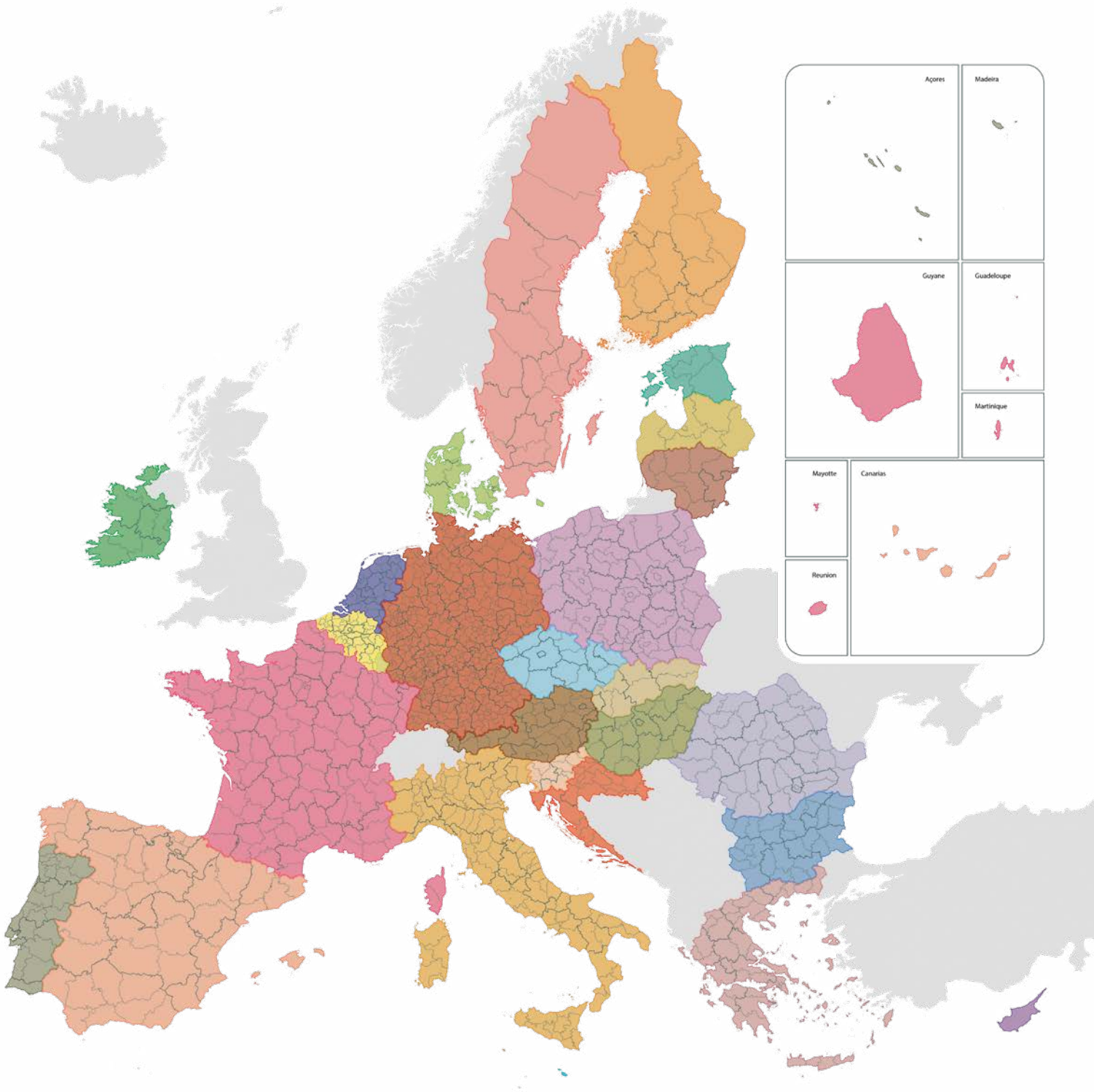
A CLOSER, STRONGER, COHESIVE AND AMBITIOUS EUROPEAN UNION

*Disclaimer:*

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# The European Union and its regions

NUTS 2 & 3 level map of the European Union  
showing its 240 regions and its 1 350 Provinces, counties and districts



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# Foreword



To fully understand why the European Union is defined by its motto United in diversity, one must look at its regions and cities. This complex network of communities, old and new, full of collective and personal stories, is the beating heart of Europe.

As a new political cycle starts for the European Union, leaders must capture what is at stake on the ground, how regions and cities are coping with challenges such as the green and digital transitions, rising inequalities and preparing for the future enlargement. This year's EU Annual Report on the State of Regions and Cities brings together the solutions and vision that regions and cities have come up with to address these challenges, while always maintaining the social fabric strong.

Our world is divided, often scared about what lies ahead of us, and thus, with this report, the European Committee of the Regions offers a way forward. Making the best of the diversity of Europe, of its geography, its people and its ideas, this report squares the circle and puts forward four main calls:

**Europe must be closer to its citizens**, by reinforcing its democratic practices and ensuring a meaningful role for local and regional authorities in the EU's institutional governance, building on the thirty years of experience of the European Committee of the Regions.

**Europe must become stronger**. Making the best of the Green Deal, mastering the industrial transition, reinforcing our public services and strengthening our resilience are key to transforming our societies and making them more sustainable.

**Europe must be more cohesive**, leaving no people and no places behind. Since its first days, the European project has been driven by the necessity of solidarity and social progress. From urban centres to rural areas, no corner of Europe should be forgotten. To achieve this, reforming cohesion policy and safeguarding its model of multilevel governance, shared-management, partnership and place-based approach, is a must to ensure that policies remain rooted in their territorial realities and continue to deliver concrete and positive change.

**Europe must be more ambitious**. In a world characterised by tensions and competition, the European project must take a new leap forward. First, it must ensure that its future budget is fit for purpose, with the necessary means, including new own resources, to deliver on our common challenges. Second, it must be ready for the new historical chapter that is enlargement. This means working with all candidate countries, including their own local and regional authorities, but also initiating the necessary internal reforms that would make the EU's governance more efficient.

With this report, the European Committee of the Regions wants to ensure that the future ahead of us will be thought with the realities of all territories in mind, carrying the strong vision of over one million mayors, councillors and regional leaders, who are working on the ground every day to deliver a stronger and fairer Europe for all!

**Vasco Alves Cordeiro**,  
President of the European Committee of the Regions

# Highlights

1 › Citizens' trust in regional and local authorities has increased substantially over the last 10 years; it reached its highest point in 2024, at 60%, the highest among all levels of governments. Regions and cities call for a stronger role for the European Committee of the Regions.

2 › Regions and cities are responsible for implementing 70% of climate mitigation and 90% of climate adaptation policies. For every 10 euros spent on environmental policies, 8 are spent locally. Regions and cities call for targeted financial support to implement the European Green Deal.

3 › The industrial transformation of Europe is affecting regions differently. The EU's competitiveness needs a functioning single market and relies on a strong cohesion policy. Regions and cities call for a new industrial strategy tailored to territorial realities.

4 › 100 million people are at risk of poverty and social exclusion. 47% of young Europeans (18-34) must live at their parents'. Local and regional authorities provide 50% of expenditures on infrastructures, housing, health, education and social services. Regions and cities call for quality public services.

5 › Regions and cities experience daily the climate crisis, with extreme heat, floods, droughts, and fires. 120.000 heat-related deaths are expected yearly by 2050. Regions and cities call for up to EUR 200 billion per year to be invested in climate adaptation, addressing social and territorial vulnerabilities.

6 › The green and digital transitions have asymmetric territorial impacts that will need to be addressed with place-based solutions. Cohesion policy has shown its capacity to improve quality of life. Regions and cities call for a stronger and renewed cohesion policy for all regions.

7 › Demographic change is evident in Europe, although its causes and effects manifest themselves in many ways. It is crucial to invest in regions and cities to ensure the 'freedom to stay'. Regions and cities call for investments supporting the demographic transition in all territories.

8 › One in four Europeans live in rural areas, representing 75% of the EU's territory. It is central for our agriculture and our economy. It represents untapped potential for renewable energies. Regions and cities call for strategies supporting rural development for high-quality of life environments.

9 › Regions and cities are responsible for implementing 70% of the EU policies. The renewed impetus for enlargement, sparked by the Russian invasion of Ukraine, represents a historic milestone for the EU. Regions and cities call for a meaningful involvement in the enlargement process.

10 › Regions and cities make more than half of total government public investments. The transformation of our societies calls for massive investments. Regions and cities call for an ambitious and place-based EU budget that supports local investments, with a strong cohesion policy at its heart.



A young girl with short, wavy brown hair is smiling warmly at the camera. She is holding a blue European Union flag with yellow stars draped over her shoulder. The background is a soft-focus indoor setting.

CHAPTER 1

# CLOSER TO PEOPLE

STRENGTHENING

DEMOCRACY IN EUROPE

CHAPTER 1

CLOSER  
TO PEOPLE  
STRENGTHENING  
DEMOCRACY IN EUROPE

# 1 } European democracy in regions and cities

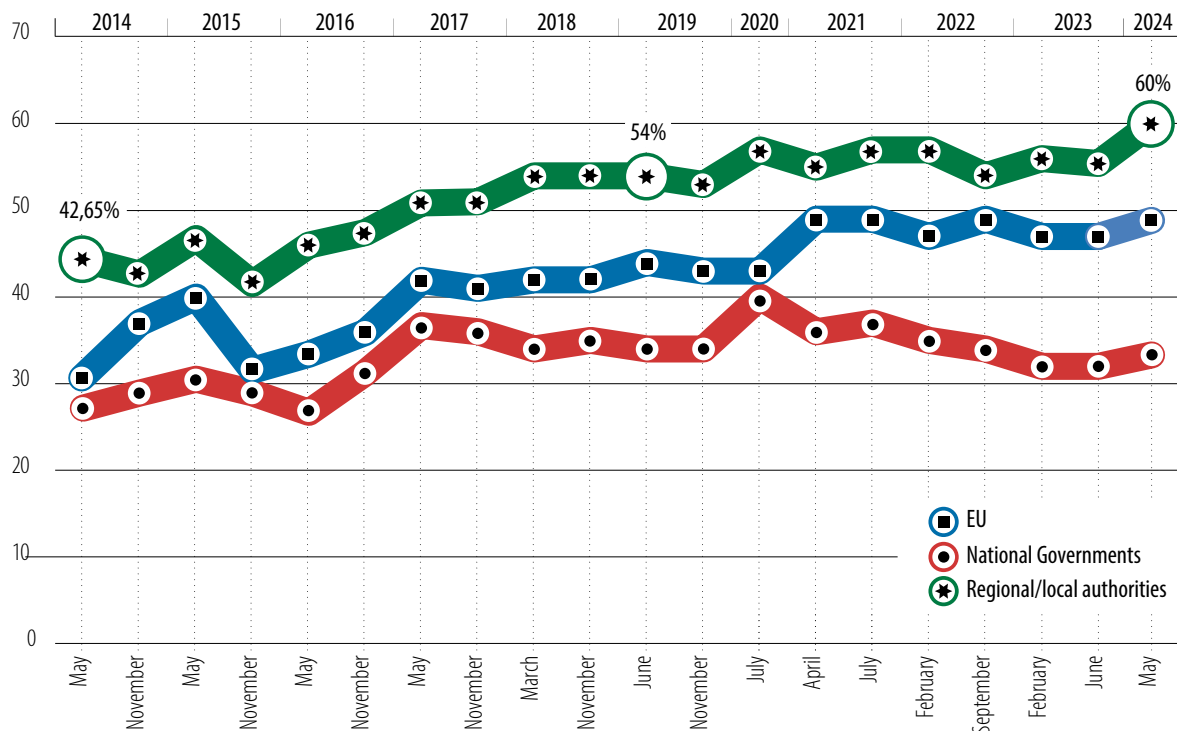
## 1 Why regions and cities matter

**Regions and cities play an essential role for democracy.** The local and regional dimension is part of European democracy, as citizens exercise their rights in their communities and EU policies directly affect their daily lives. Cities and regions are critical in this regard, owing to their proximity to the citizens and the resultant high level of trust, fostering democratic participation and representing their voices at the EU level.

**There were significant local and regional differences in turnout for the latest European elections in June 2024.** While, on average, 51.08% of European citizens exercised their right to vote, initial analyses of turnout

at local and regional level show patterns of different participation rates depending on socioeconomic situations and territorial inequalities. This deserves specific attention, looking in particular at how citizens trust their representatives<sup>1</sup>.

**Citizens' trust in regional and local authorities has increased substantially over the last 10 years; it reached its highest point in 2024, at 60%, the highest among all levels of government.** In times of crisis, citizens look for solutions in their regions and cities and at European level, according to the European Commission's Barometer<sup>2</sup>.



**Figure 1 — Trust in different level of government**  
 CoR compilation based on European Commission  
 Source: European Commission, Standard Eurobarometer 101, May 2024

## 2 Future challenges for regions and cities

**European regions and cities have been shaken by a range of global crises, including the COVID-19 pandemic, Russia’s war against Ukraine, demographic change and the climate crisis.** These are coupled with manifold challenges to democracy that can be observed on a global level. EU citizens continue to list threats to democracy and the rule of law among their biggest concerns<sup>3</sup>, which makes it even more crucial to further engage, both locally and at EU level, with citizens who tend to be mistrustful of government in general and who do not participate in elections.

**The European Committee of the Regions (CoR) has previously highlighted the trend towards democratic backsliding<sup>4</sup>.** The 2024 ESPAS report<sup>5</sup> includes threats to democracy among the key global trends that will

affect the EU in the medium to long term and suggests a way forward based on strengthening the democratic infrastructure and fostering civic engagement<sup>6</sup>.

**Increases in hate-induced violence and crimes against individuals and groups including elected representatives at local and regional level, in particular via social media, are worrying signs of an anti-democratic wave.** To draw attention to the problem of hate crimes and hate speech, and to recognise the efforts of those who contribute to making democracy work at local and regional level, the CoR continues to organise the annual Mayor Pawel Adamowicz Award in cooperation with the City of Gdańsk and the International Cities of Refuge Network.

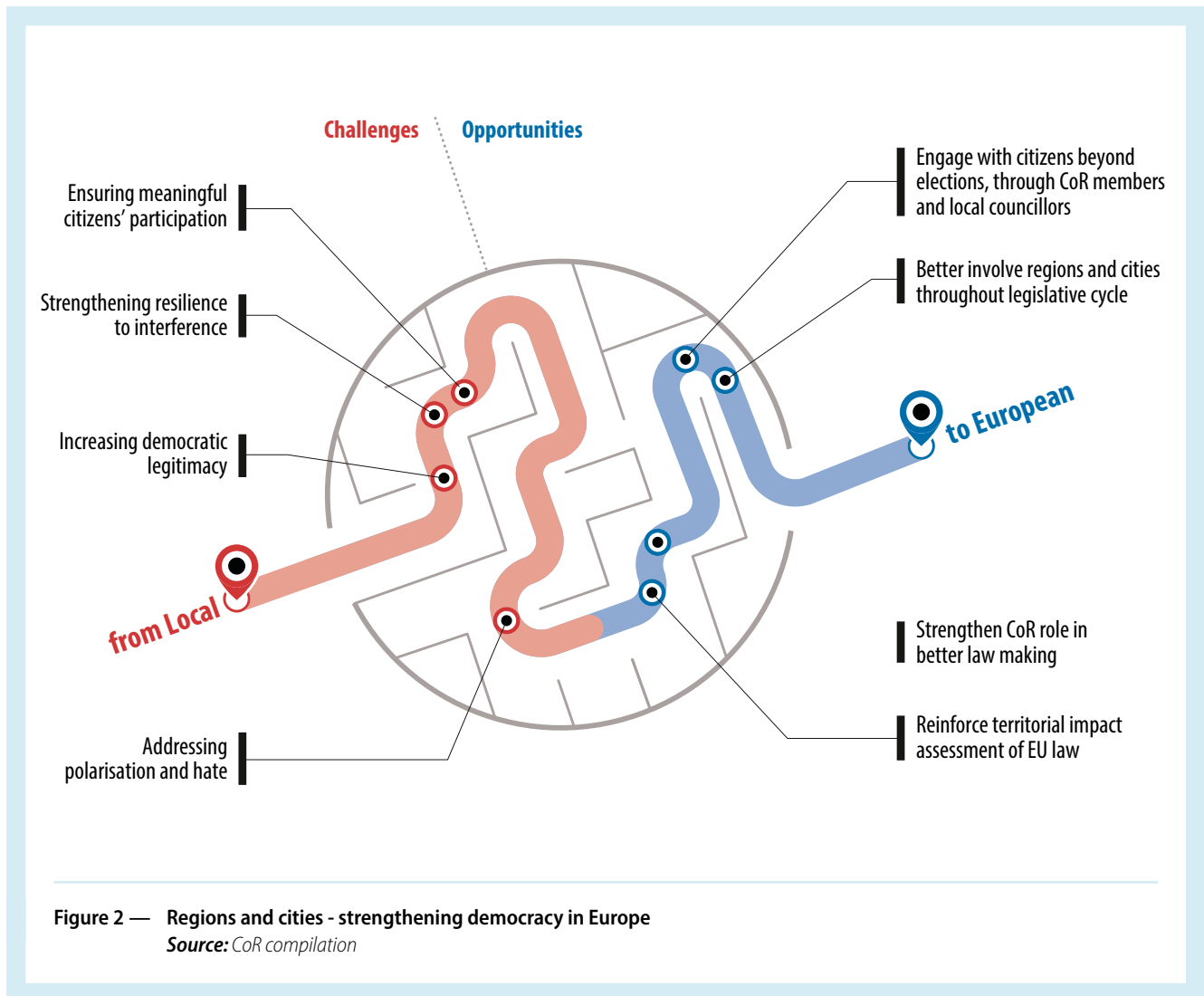


Figure 2 — Regions and cities - strengthening democracy in Europe  
Source: CoR compilation

**Global alliances are also emerging in the effort to address all forms of hate, extremism and polarisation, one such being the Strong Cities Network<sup>7</sup>.** Bringing together over 200 sub-national authorities across the world, it aims to overcome the gap often caused by overlooking the unique roles that local and regional governments can play in preventing and responding to these threats. The European Citizens Panel on Tackling Hatred in Society recently organised by the European Commission brought together 150 randomly selected citizens to look at the root causes of hatred and ways to address them. It produced recommendations<sup>8</sup> on how to build bridges across fractured groups and communities.

**In the same vein, the CoR has also consistently been calling for cities and regions to be more meaningfully involved in initiatives aiming to safeguard European democracy and strengthen its resilience, most recently in its opinion on *Defence of democracy*<sup>9</sup>.** Moreover, the Political Guidelines for the next European Commission 2024-2029<sup>10</sup> emphasise, in continuity with the 2019-2024 term, the need to 'put citizens at the heart of our democracy'. They note the importance of working with local councillors on citizen engagement and acknowledge the ongoing cooperation with the CoR European Network of Regional and Local Councillors, which has more than 3,000 participants, to be strengthened over the next five years<sup>11</sup>.

**Overcoming divisions and polarisation is a crucial precondition for fostering a cohesive European society, one that is also supported by clear and efficient policies which can help meet current challenges.** EU decision-making and legislative processes have to keep pace with the many challenges facing society, in order to be able to meet the Union's objectives efficiently and transparently, as noted in the CoR opinion on *Active subsidiarity: a fundamental principle of the EU better regulation agenda*<sup>12</sup>.

**In this context, Enrico Letta's report on the single market highlights that the CoR should ensure, in its advisory role, that the legislative process is guided by a comprehensive and practice-oriented analysis (in particular when it comes to reform initiatives)<sup>13</sup>, thereby reinforcing democratic legitimacy.**

**There is growing interest from the other EU institutions in working with the CoR to bring the experience of local and regional authorities into the EU decision-making process, notably through**

**the CoR Better Regulation and Active Subsidiarity Steering Group (BRASS-G).**

**It provides new opportunities for innovative and closer cooperation throughout the life-cycle of EU legislation: from the territorial dimension of strategic foresight, through consultations and assessments in the pre-legislative phase (including subsidiarity, proportionality, territorial impact and rural-proofing), to fitness checks/evaluation of legislation (including through the CoR's participation in the Commission's Fit4Future platform and through the CoR REGHUB network)<sup>14</sup>.**

**This need for further involvement of the local and regional dimension in EU policy-making is also reflected in the CoR's recently revised cooperation agreements with the Parliament and the Commission<sup>15</sup>, implementation of which will be key to delivering on the various challenges outlined.** For that purpose, it will be important to involve the CoR in the Interinstitutional Agreement on Simplification and Better Law-Making announced in the Political Guidelines for the next European Commission<sup>16</sup>.

### 3 What regions and cities call for

- › Strengthening partnerships of EU and national institutions with regions and cities, and increasing the latter's involvement in shaping EU policies, in line with the principle of active subsidiarity.
- › Taking into consideration the diversity of EU territories when shaping EU policies, to ensure inclusive democracies and equal opportunities for all citizens.
- › Entrusting the CoR, as the political assembly of local and regional representatives, with a stronger role in the EU institutional architecture and legislative process, in particular for policies with a territorial dimension.
- › Acknowledging the value of decentralisation and putting multilevel governance and active subsidiarity at the heart of any future EU reform.

1.2 million  
elected local  
and regional  
representatives



### 4 What regions, cities and the CoR can do

- › Mobilise more than one million elected local and regional representatives across Europe, to engage with citizens in local dialogues, involving both the CoR's members and its networks of young elected politicians and local and regional councillors, in order to reinforce citizens' democratic ownership.
- › Harness best practices from cities and regions to promote citizens' participation and manage integration and inclusion, as well as fostering gender equality, youth participation and intergenerational fairness.
- › Help improve EU legislation by developing and mainstreaming the relevant CoR tools and expertise, particularly within the framework of the revised cooperation agreements with the European Commission and the European Parliament.



## Success story

### EU local dialogues in regions and cities

Ahead of the European elections, CoR members organised EU Local Dialogues in their communities, involving over 3000 citizens. CoR Climate Pact Ambassadors hosted European Climate Pact Going Local Talks. At the 10<sup>th</sup> European Summit of Cities and Regions (Mons), around 7000 attendees (in person and online) put forward a vision from regions and cities for the future of Europe<sup>17</sup>.

CHAPTER 2

# STRONGER

SUSTAINABLE,

COMPETITIVE AND

RESILIENT



CHAPTER 2

STRONGER  
SUSTAINABLE,  
COMPETITIVE AND  
RESILIENT



# 2 > Green Deal

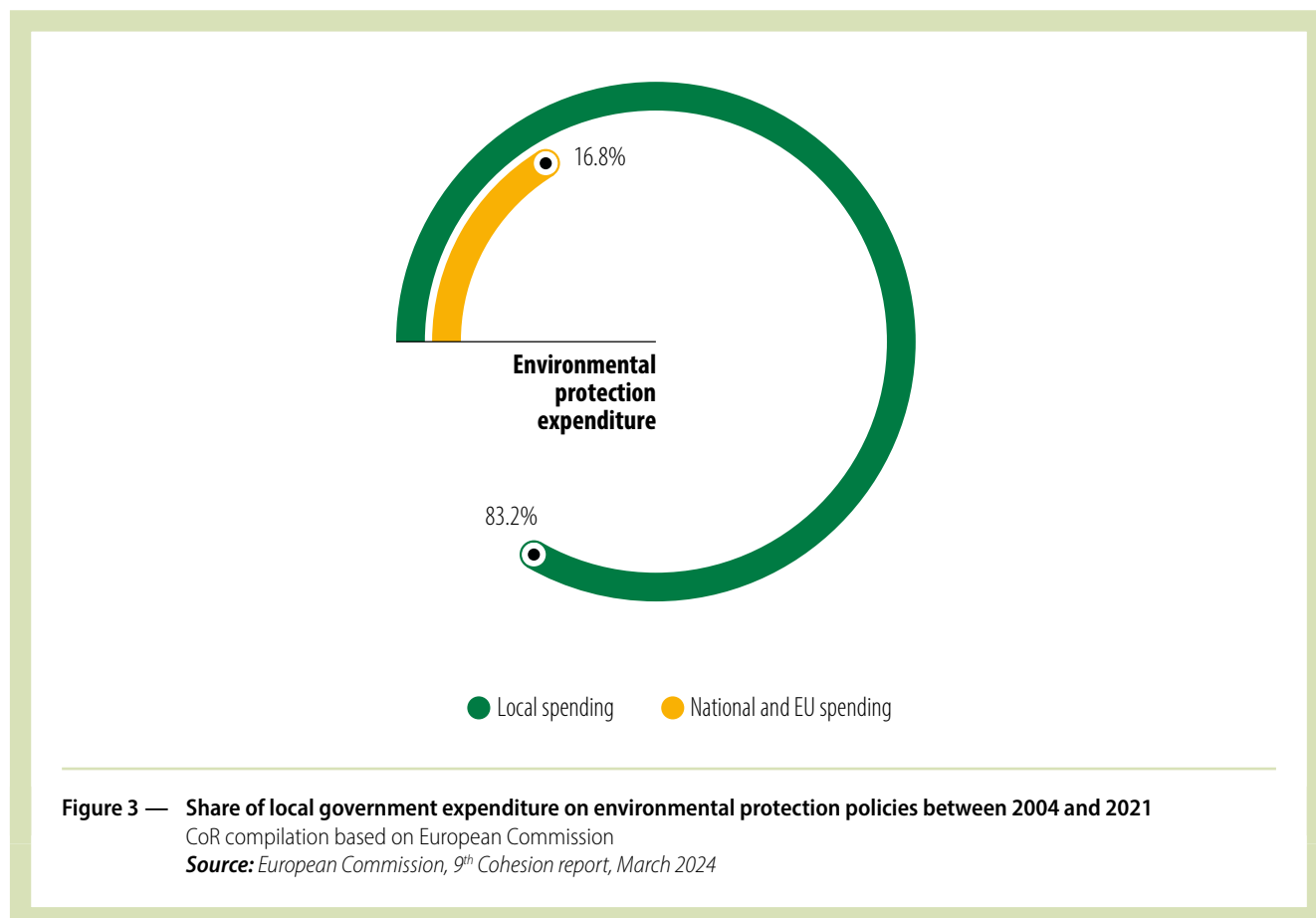
## 1 Why regions and cities matter

**Regions and cities are responsible for implementing 70% of climate mitigation and 90% of climate adaptation policies<sup>18</sup>, addressing social and gender inequalities, reducing pollution, preserving biodiversity, and safeguarding natural resources.** They also play a key role in the energy sector<sup>19</sup>, enhancing efficiency and integrating renewable energy sources.

**Regions and cities are also crucial drivers of the circular economy in Europe, particularly through their responsibility for waste management.** They are instrumental in achieving EU recycling targets, while also minimising residual waste. They also promote broader sustainability by integrating nature-based

solutions like green and blue infrastructure into urban and rural planning.

**Environmental protection policies and implementation of the European Green Deal rely heavily on the work of local and regional authorities – from a policy and financial point of view.** For every EUR 10 spent, 8 are spent locally. They face challenges due to multiple rulebooks, timelines and goals, lack of funding and financial sustainability, and a shortage of skilled human resources. Still, this represents an unprecedented opportunity to protect European citizens from the negative impacts of climate change and to foster economic development<sup>20</sup>.



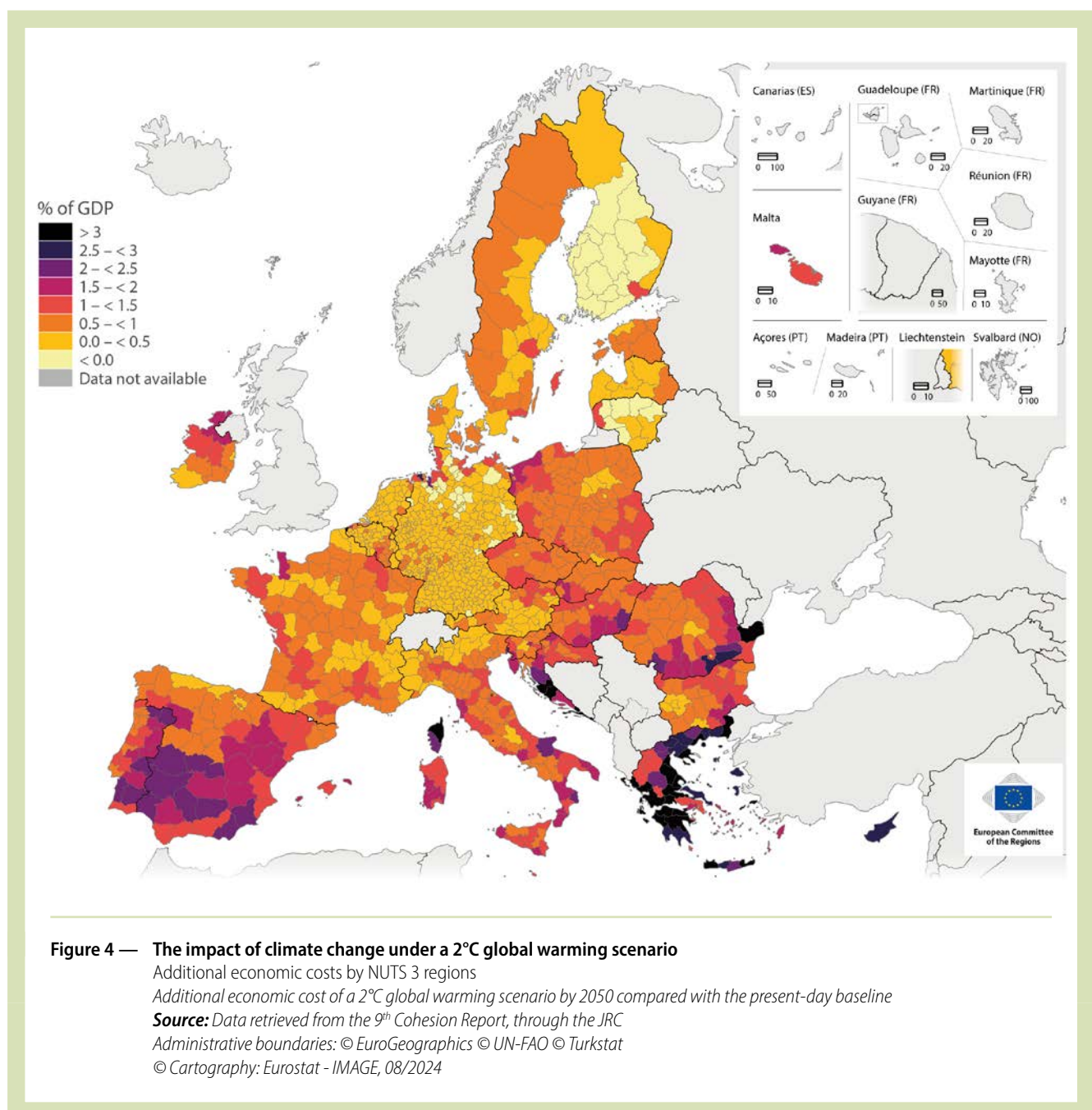
## 2 Future challenges for regions and cities

**In the coming decades European regions and cities will face increased, and territorially asymmetric, climate-related risks.** If ignored, these risks could harm local economies and reduce well-being. The cost of inaction on climate change is expected to reach 10-12% of the EU's GDP by the end of the century.

**With Europe being the fastest warming continent in the world<sup>21</sup>, support for adaptation actions in cities and regions will need to become more central in implementation strategies at EU and national level.** At the same time, the EU needs to significantly increase the pace of change to become climate neutral by 2050<sup>22</sup>. In the coming years, the EU will face increasing

pressure to drastically reduce overall greenhouse gas (GHG) emissions. According to the Intergovernmental Panel on Climate Change, in order to limit global warming to 1.5°C, GHG emissions need to drop by 43% by 2030 and by 69% by 2040 globally, compared to 2019 levels<sup>23</sup>.

**The actions of regions and cities in reducing greenhouse gas emissions and boosting EU-based renewable energy production will be crucial not just for the environment but also for economic stability, market independence, and energy security within the EU and at local level.**



**Regions and cities can achieve GHG emissions reductions in key sectors such as the production and use of energy, which accounts for more than 80% of the EU's GHG emissions<sup>24</sup>, in the built environment, where greater materials efficiency could save 80% of the emissions linked to materials use in this sector<sup>25</sup>, and in the mobility and transport sector, where a 90 % reduction is needed by 2050 to achieve the overall 2050 climate neutrality target<sup>26</sup>.** They will face specific challenges in transitioning to a climate-neutral economy, especially in areas that are highly dependent on energy- and carbon-intensive industries and in remote areas. These specificities must be considered to ensure a just transition for all.

**Regions and cities are also central to planning and territorial development, playing a crucial role in restoring natural areas and addressing the ongoing loss of biodiversity.** Given the serious decline in biodiversity, the Nature Restoration Law is vital to reverse this trend in the EU and to support the EU Biodiversity Strategy for 2030. Globally, about one third of the GHG emissions reductions needed in the next decade could be achieved by improving nature's ability to absorb emissions<sup>27</sup>. Nature – including biodiversity and ecosystems – is fundamental for ensuring human existence and wellbeing<sup>28</sup>.

**The Kunming-Montreal Global Biodiversity Framework has set out an ambitious pathway to guide global action and has also recognised the key role of regions and cities in tackling the biodiversity crisis.** In the EU, improved monitoring capacities and new indicators at Member State level are needed to ensure better implementation and achieve the objectives of the EU Biodiversity Strategy for 2030. Simultaneously, it is essential to increase human and financial resources at local and regional level.

**Transitioning cities and regions towards a more sustainable and healthier environment requires coherent policies, focused funding and capacity-building support.** However, this transformation also presents risks such as growing social exclusion, demographic segregation and accelerated gentrification. Social inequalities are closely interlinked with urban and regional planning and must be actively addressed to ensure that no one is left behind in the transformation process.

**The green transition needs to acknowledge regional disparities and avoid adopting a one-size-fits-all approach.** Regions and cities can contribute to achieving a just and fair transition by engaging communities, implementing policies, supporting economic diversification and promoting social

inclusion. Cohesion policy, through its future just transition strand, should channel investments into the regions most heavily affected by the socioeconomic impacts of the shift to clean energy. This targeted funding will help local communities diversify their economic activities towards cleaner industries and retrain workers for new job opportunities.

**In the next decade, regions and cities will need to mobilise substantial investment, above all in sectors such as energy, housing and transport.** At EU level, average annual investment in the energy system, including transport, needs to increase significantly in the period 2021-2030 compared to 2011-2020, with EUR 312 billion required to achieve a 50% reduction in GHG emissions and around EUR 350 billion to achieve a 55% reduction<sup>29</sup>.

**Additional investment will also be needed to deliver on the environmental objectives of the European Green Deal, amounting to EUR 130 billion annually<sup>30</sup>.** To protect its regions from the harmful impacts of climate change, the EU already needs to invest about EUR 40 billion in climate adaptation every year. This amount would rise to EUR 120 billion or EUR 200 billion per year in order to adapt to a 2°C or 3-4°C temperature increase respectively<sup>31</sup>.

**Regions and cities will need to develop innovative investment strategies, combining public and private capital.** Regions and cities need to become a key partner for the EU institutions in a renewed Green Deal agenda. Local actors must be empowered and properly resourced to design and govern their own transition pathways based on the different strengths and specific needs of their territories. This will help foster sustainable competitiveness and strategic autonomy, eradicate social inequalities and support green innovation, without leaving anyone or any territories behind.

**EU action to accelerate the green transformation could increase EU GDP by EUR 440 billion per year and generate other substantial benefits for the EU economy, individuals and the environment<sup>32</sup>.**

### 3 What regions and cities call for

- Supporting local and regional economies' development and transition, reducing the asymmetric impact of climate change and disparities across EU regions and cities.
- Providing a stable, ambitious and inclusive Green Deal framework, maintaining the level of ambition required by science to achieve climate neutrality by 2050.
- Enhancing multi-level governance, facilitating co-planning with subnational authorities, taking into account local and regional specificities when designing effective targets and instruments at EU level.
- Empowering regions and cities through targeted financial support to urgently tackle biodiversity loss, restore degraded ecosystems, and achieve zero pollution.
- Closing the Green Deal investment gap by prioritising and speeding up climate-related investment in the future EU long-term budget.

### 4 What regions, cities and the CoR can do

- Boost climate action via the Covenant of Mayors and the Climate Pact, through which the European Committee of the Regions (CoR) engages local and regional authorities.



**The cost of inaction towards climate change is estimated to reach 10-12% of EU GDP by the end of the century**

- Set up local one-stop shops to assist private households and small businesses in investing in energy efficiency and renewable energy sources.
- Promote zero waste, preserve biodiversity, and protect natural resources, with support from the Zero Pollution Platform jointly managed by the CoR and the European Commission.
- Share best practices<sup>33</sup> and reinforce dialogue with citizens, including on sustainable mobility.
- Place regions and cities at the heart of political dialogue and multilevel governance of the European Green Deal via the CoR Green Deal Going Local group.



## Success story

### Green Deal goes regional (Occitanie, France)

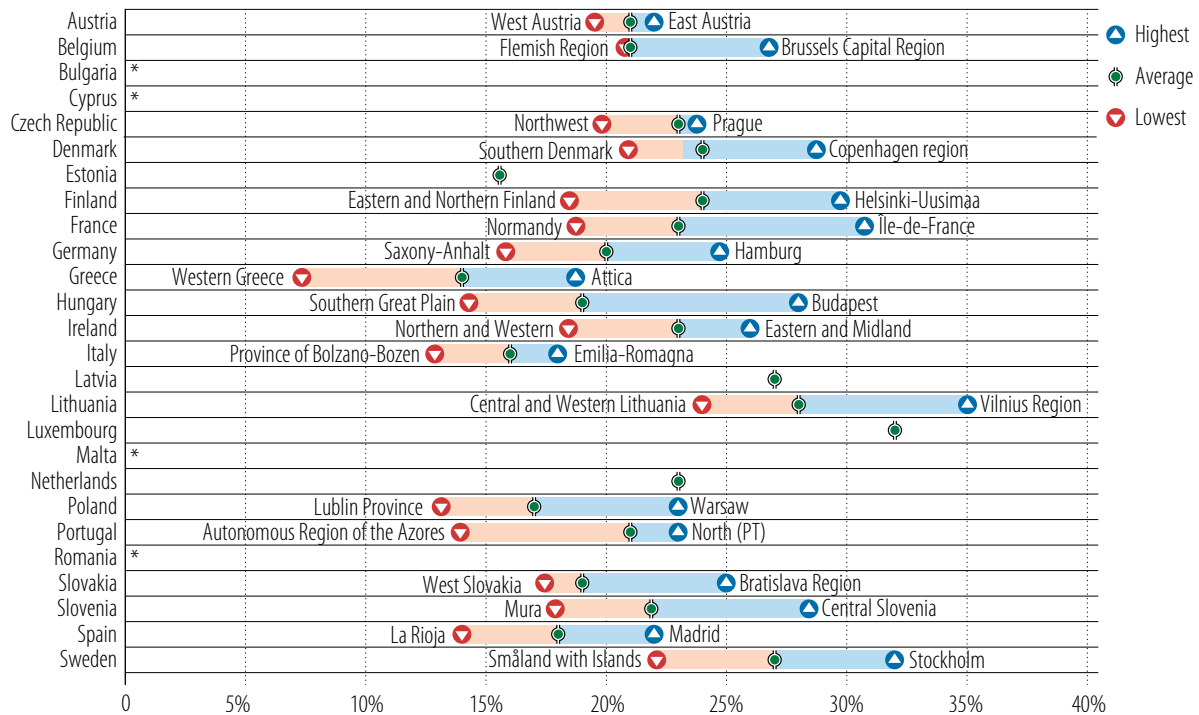
The Occitanie Green New Deal highlights that citizen involvement can be the cornerstone of the green transition. As part of this initiative, the region convened a citizens' assembly to generate ideas for its future. The regional strategy aims to become more resilient, equitable, and sustainable. This participatory tool has now become an integral part of the local decision-making process.

# 3 > Industrial transition

## 1 Why regions and cities matter

**The industrial transformation in the European Union is in full swing, with very different impacts on different regions.** In 2022 the EU's GHG emissions decreased by 2.4% compared to 2021, while GDP increased by 3.5%<sup>34</sup>.

This raises the question of how regions with energy-intensive industries can successfully manage their transition. Declining manufacturing powerhouses face high energy prices and need to reduce GHG emissions.



**Figure 5 — Share of jobs with at least 10% green tasks across regions. Data for 2021 or latest data available**  
 CoR compilation based on OECD (\*: data not available)  
**Source:** Organisation for Economic Cooperation and Development, *Regions in Industrial Transition 2023*.  
*New approaches to persistent problems, 2023*

**If industrial decline in these regions is not managed well, it may lead to job losses<sup>35</sup>, lower GDP, reduced well-being, and regional inequalities.** The OECD highlights significant regional differences in green jobs<sup>36</sup>, exacerbated by a decline in EU industrial production from 2023 to 2024<sup>37</sup>.

**This situation calls for a new industrial strategy making regions and cities hubs for innovation, implementation and community engagement,**

**accelerating the clean energy transition and enhancing territorial cohesion.**

**The fusion of industry and data is now considered the 'fourth industrial revolution'.** To stay competitive and run 'Industry 4.0 factories', regions and cities need connections to digital platforms, data centres and 5G networks, and must promote AI start-up innovation, boosting cybersecurity to protect innovation and the functioning of services.

## 2 Future challenges for regions and cities

**The EU's competitiveness will continue to depend on a properly functioning single market.** Further reducing internal barriers would increase its competitiveness and lead to greater economic development. EU leaders acknowledge this and are reflecting on a 'new competitiveness deal', with the recent report by Mario Draghi<sup>38</sup>, that could be seminal for regions' and cities' place in the single market.

**Cohesion policy will need to remain at the heart of the single market.** Enrico Letta's recent report on the single market<sup>39</sup> sees cohesion policy notably as an essential tool to achieve the 'freedom to stay' and give the single market a social dimension. Echoing the principles of smart specialisation, he underlines the need to focus on regional strengths and address weaknesses and on support for interregional territorial cooperation across national borders.

**Bolstering cross-border movement, services and infrastructure projects in the single market would be a cornerstone of a new competitiveness deal.** Nowhere do such cross-border activities matter more than in regions and cities. Regional and local competitiveness depends on them, and many opportunities lie ahead, including for regions whose energy-intensive industries are undergoing the green and digital transition.

**If the EU wants to keep its manufacturing industry on its own soil, it will need a true EU industrial strategy with regions and cities as partners.** It will require close monitoring of the progress made in achieving the agreed target and an early warning system if these targets are not met. That means having a European industrial strategy with industrial transformation at its heart and with an eye for territorial challenges and opportunities<sup>40</sup>. This will require dedicated governance structures involving regions, strengthening the future role of smart specialisation strategies, to make sure EU funds and State aid are invested efficiently in clean tech development in energy-intensive industries, as part of an overarching new competitiveness deal and single market strategy. It will also require a pragmatic approach to finding tailor-made solutions.

**The EU's industrial strategy should also incorporate the Carbon Border Adjustment Mechanism to support the transition of energy-intensive industries to climate neutrality.** For that purpose, the Carbon Border Adjustment Mechanism must be regularly monitored and when necessary reviewed, taking account of its territorial impact and avoiding CO<sub>2</sub> price speculation as well as carbon leakage and circumvention.

**The renewable energy industry is one of the central parts of the EU single market and plays a**

**key role in fostering the EU's sustainable economic development, enhancing energy security, and driving innovation.** An integrated cross-border energy market is the quickest and most cost-effective way to deploy clean energy in Europe. Regions and cities are essential actors in the proper functioning of such a market, localising the energy transition with tailored solutions to meet specific local and regional needs, ensuring inclusivity and effectiveness.

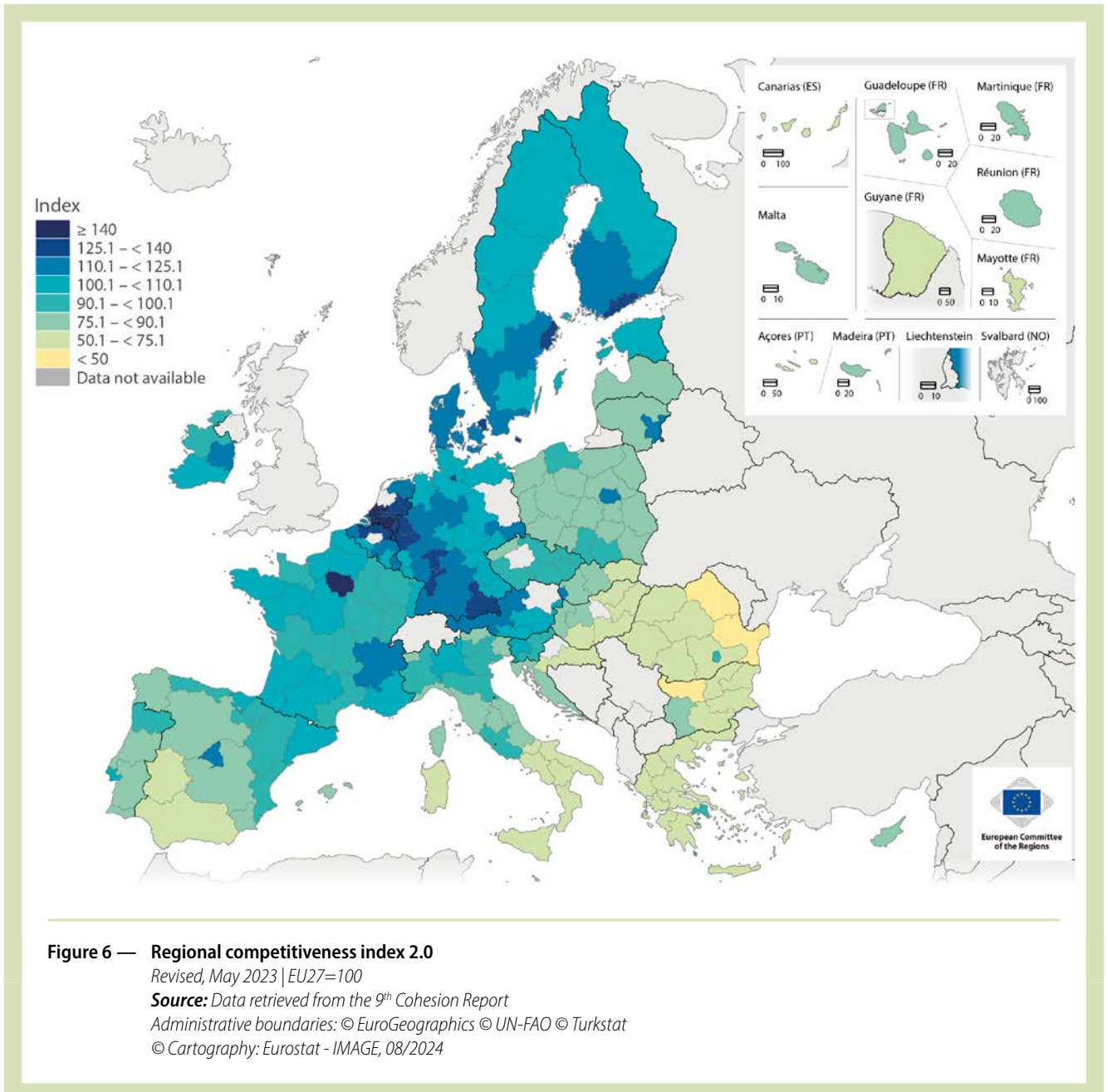
**In the coming decades regions and cities will increasingly act as catalysts of the energy transition.** The EU's Fit for 55 package offers new opportunities and obligations for local and regional renewable energy installations. Recent trends are expected to continue, with the EU producing more electricity from wind and solar than fossil fuels in 2023, and increasing heat pump sales reducing fossil fuel reliance and boosting energy independence while lowering GHG emissions.

**Public procurement will be one of the tools to build a real EU energy single market.** An EU energy strategy should use public procurement to build infrastructure for cross-border electrical power and grid expansion, and to promote net-zero products<sup>41</sup>. Not only are regions and cities not only major public procurement contractors in the field of energy themselves; their involvement is also necessary to make such projects work on the ground.

**Another important policy instrument that will be a vehicle to reach the goal of an integrated energy market are the 'Important Projects of Common European Interest'.** Within the framework of State aid rules, they make it possible to channel large amounts of public funding to cross-border energy projects that are needed for further integration of the energy market. Involving regions and cities in such projects will be critical for their success, not least in energy infrastructure.

**Regions and cities are pivotal in the 'proximity economy', helping their industries handle the many different simultaneous transformation processes.** At the same time, the rapidly evolving geopolitics of the energy transition are having a huge impact on market stability and industrial competitiveness. Many global players rely on cheap energy in the long term.

**In this regard the European Green Deal's ambitions, in particular the efforts to secure cheaper and more sustainable energy sources, are becoming a key element in preserving the EU's economic competitiveness, making the European Green Deal not only an environmental imperative but an economic imperative as well<sup>42</sup>.**



**With regard to the digital transformation, an interesting example of a pan-industry digital platform has been created by a group of German companies that have developed a new architecture for their engineering data infrastructure as part of Gaia-X<sup>43</sup>.** These shared data spaces for industry store data and generate new data throughout the manufacturing process.

**Such data are the foundation for innovative uses of AI, including at regional level.** In this context, the 'Regions and Digital Innovation Hubs alliance for AI-driven digital transformation of European

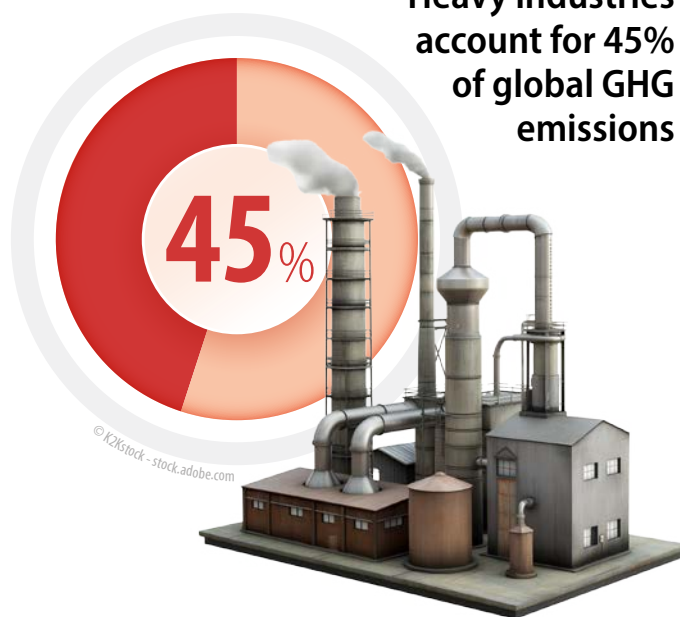
Manufacturing SMEs' (AI REGIO) will build a one-stop-shop platform that enables access to resources for AI-based solutions in efficient and sustainable manufacturing, with particular emphasis on resources that can lower the AI adoption barriers for SMEs.

### 3 What regions and cities call for

- Accelerating and streamlining procedures for Important Projects of Common European Interest<sup>44</sup>, especially to further integrate the single market.
  - Keeping the climate neutrality target by 2050 as a compass, with citizens' wellbeing at its heart.
  - Adopting industrial transformations across the supply and value chains, respecting technological neutrality and low-carbon technologies, providing financial support for large companies and SMEs.
  - Upgrading tools for local renewable energy production, consumption, and storage, and removing barriers to mainstreaming local energy communities.
  - A key role for the European Digital Infrastructure Consortia in enhancing the Union's technological excellence, leadership, innovation, and industrial competitiveness in critical technologies, digital products, infrastructure, and essential services.
- Reinforce and connect regional industrial ecosystems, such as semiconductor ecosystems or automotive regions, focusing on industrial transformation challenges, contributing to the EU's industrial strategy and strengthening its strategic autonomy.
  - Liaise with stakeholders and promote opportunities for cities and regions in European Digital Infrastructure Consortia.
  - Leverage the Energy Poverty Advisory Hub to develop strategies and measures to eliminate energy poverty and accelerate a fair energy transition for local governments across Europe.
  - Collaborate with the European Commission to streamline public procurement rules, steering public investment towards innovative green and digital solutions.

### 4 What regions, cities and the CoR can do

- Steer investment in clean energy, using the expertise of regional energy agencies and promoting sustainable local energy communities.



## Success story

### Circular Economy: The Heart of Industrial Transformation (Veneto, Italy)

Veneto has launched an ambitious regional plan aimed at expanding the market for secondary raw materials through research and innovation. Focused on promoting a circular economy, the region aims to overhaul production and consumption patterns to enhance efficiency in waste reuse. It specifically targets energy-intensive sectors with measures designed to reduce consumption and promote the adoption of renewable energy sources.

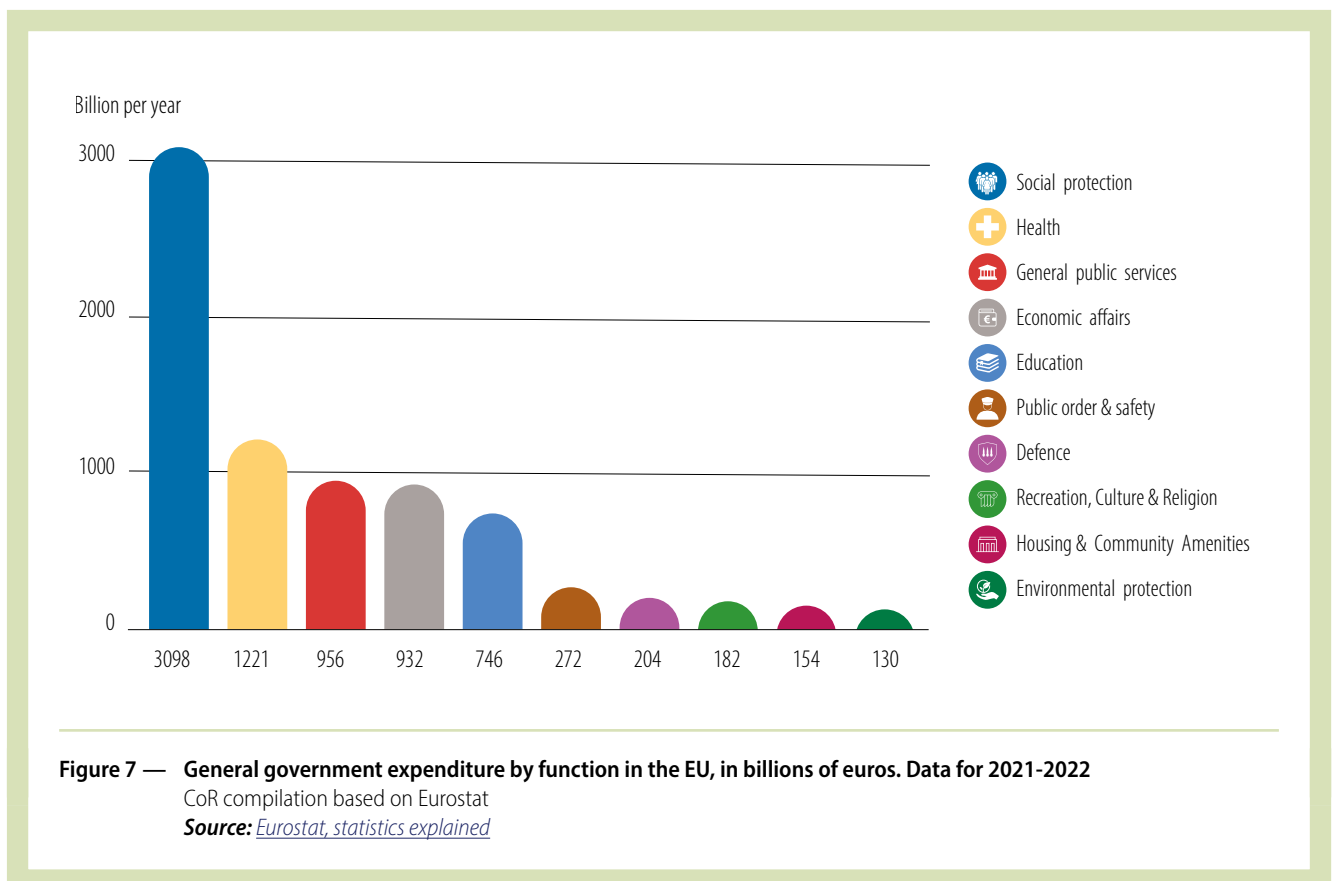


# 4 } Social protection and social services

## 1 Why regions and cities matter

**Enhancing social cohesion and promoting high standards of living are fundamental principles for the European Union, and they rely on social protection and the delivery of public services.** Despite having less than 6% of the global population and 20% of global GDP, the EU Member States spend at least 40% of their public funds on social protection<sup>45</sup>, within EU frameworks supporting cooperation and common goals.

**Regions and cities are pivotal in delivering tailored social protection and public services. They handle a significant portion of public investment and expenditure,** making them critical to developing infrastructure, education, health, housing and social services at local level, with an estimated 50% of EU public expenditure occurring at these levels. They also effectively deploy EU funds to enhance education and health services, reducing poverty rates and promoting social inclusion.



**A recent overview of subnational expenditure by function<sup>46</sup> clearly shows that this is particularly true in Belgium, Germany, Finland, Denmark and Sweden, where subnational entities are entrusted with such competences.**

## 2 Future challenges for regions and cities

**With almost 100 million people at risk of poverty and social exclusion in 2023<sup>47</sup>, the EU cannot ignore the growing need for efficient social protection and quality public services.** Long-term unemployment, access to housing, demographic changes and skill shortages are among the challenges affecting regions and cities that the EU must address.

**The problem of unemployment, particularly long-term and youth unemployment, threatens the effectiveness of public services and social protection systems across the EU, straining programmes like unemployment benefits and social assistance, while also increasing the demand for healthcare and mental health support.**

**Labour markets in many OECD countries are resilient, with low unemployment rates easing pressure on public services<sup>48</sup>. Eurostat highlights higher long-term unemployment rates in southern and eastern European regions, where disparities are greatest<sup>49</sup>.** Public services in these regions must adapt to address the needs of the long-term unemployed, including retraining, job placement, and targeted social protection.

**At the same time, skills shortages and understaffing pose some challenges for European public services.** Quality public services require an adequate number of employees, and because the European population is getting older, service providers will soon have to compete harder to replace those who will retire<sup>50</sup>.

**Access to affordable, quality housing is vital for social protection. Today, tens of millions of Europeans are overburdened by housing costs, according to Eurostat, demonstrating the need for affordable and social housing in Europe.** Average rents in the EU were almost a quarter higher at the end of 2023 than at the start of 2010, and the average cost of a house rose by almost 50% between 2010 and mid-2023. Furthermore, 47% of young Europeans between the ages of 18 and 34 still live at home with their parents.

**It is therefore of paramount importance to support not only vulnerable groups like low-income families, the elderly, and the long-term unemployed but also middle-income households.** The shortage of affordable and social housing in many EU regions strains public services and deepens social inequalities. Increased investment in social housing and other social protection measures is essential for sustainable, inclusive communities.

**The Commission President's 2024-2029 guidelines<sup>51</sup> highlight housing as a key priority, advocating a European Affordable Housing Plan to ensure**

**accessible and sustainable housing, reinforcing social equality across the Union.** Regions and cities will be key actors together with the European Investment Bank in setting up a pan-European investment platform for affordable and sustainable housing to attract more private and public investment, using more cohesion funds to develop more affordable housing.

**Meeting future challenges will require continuous innovation and adaptation of public services, such as investing in digital health services and e-government to improve efficiency and accessibility.** Technology investment, policy harmonisation, and sustainability are recommended in order to support efficient public services and ensure equity in social protection across all regions and cities in the EU, paying particular attention to the most vulnerable groups. These commitments are essential to promote social cohesion, gender equality and economic stability across Europe.

**The Single Market may have increased the privatisation of social services, focusing on profit over quality and well-being<sup>52</sup>.** The report also argues that stronger social protection systems and targeted policies are needed to address inequalities and ensure inclusive growth. Any single market development must include a social dimension for justice and cohesion. For instance, a reform of EU State aid rules is needed to enable housing support measures, especially for affordable energy-efficient and social housing.

**Eurostat has noted that the COVID-19 pandemic highlighted and sometimes exacerbated these regional differences, impacting areas like health services, economic activity, and digital infrastructure, depending on regional capabilities and specialisations<sup>53</sup>.** Public sector innovations developed during this time could lead to more resilient social service systems in the future.

**Digital transformation is also a key focus for regional and local public administrations, with the aim of improving service quality and enhancing the efficiency of public resource management.** Recent studies highlight that over 50% of regions and cities are actively pursuing digital transformation strategies to improve the efficiency and accessibility of public services.

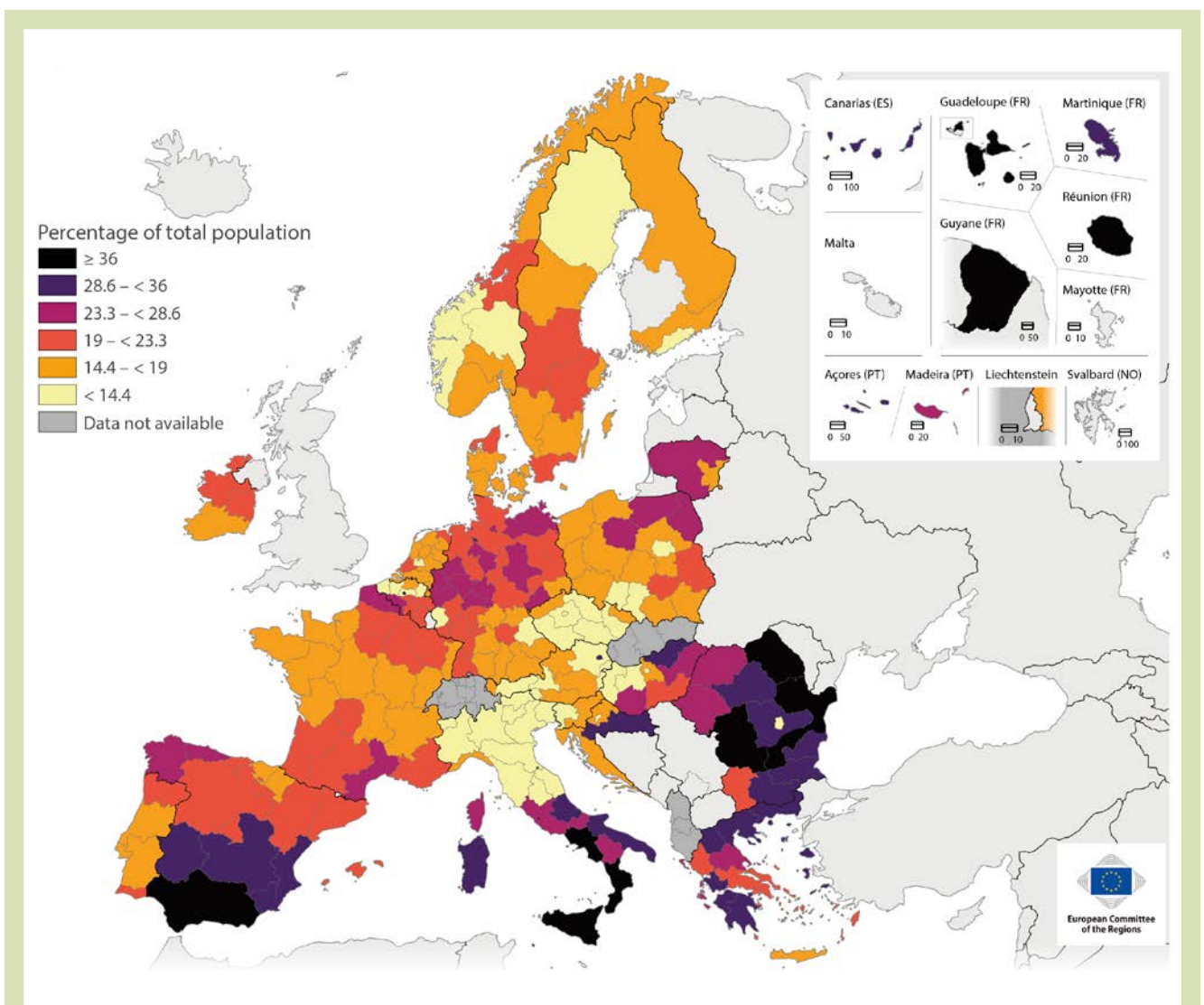
**Economic disparities remain a persistent challenge, with GDP per capita in the wealthiest regions being up to three times higher than in the poorest regions within some EU countries.** This economic gap directly affects the quality and extent of public services available to citizens in less affluent areas, highlighting the need for targeted interventions to ensure equitable access to high-quality public services across all regions.

**Irrespective of digitalisation, service performance has stagnated or deteriorated in the EU over the last couple of years.** Nonetheless, significant national and subnational variation exists, with Nordic and western European regions leading in quality of service and eastern and southern European regions lagging behind<sup>54</sup>.

**Further investment is particularly important in addressing territorial inequalities and the urban-rural divide in promoting regional economic development.** Rural areas and coastal, mountain and outermost regions often face depopulation and a lack

of services, complicating efforts to maintain economic development and social cohesion.

**Looking to the future, regions and cities will be required to enhance their capabilities to adapt EU policies more autonomously<sup>55</sup>, allowing for more tailored solutions in social protection and healthcare services to meet specific demographic and economic challenges.** Regions and cities are expected to pioneer integrated and sustainable approaches to social and public services, employing smart technologies to improve efficiency and accessibility.



**Figure 8 — People at risk of poverty or social exclusion**  
 By NUTS2 regions  
 Data for 2023  
 Source: Eurostat (dataset code tgs00107)  
 Administrative boundaries: © EuroGeographics © UN-FAO © Turkstat  
 © Cartography: Eurostat – IMAGE, 08/2024

### 3 What regions and cities call for

- › Ensuring public services are accessible to all, through digital means, regardless of physical location.
- › Supporting cross-border public services in key areas such as interoperability, electronic service of documents and other foundational elements of e-government, as well as promoting inter-regional cooperation, bench-learning and data exchange.
- › Facilitating public sector innovation to generate significant public savings, economic boosts and more responsive services for citizens.
- › Increasing investment in affordable housing programmes. This includes developing mixed income housing projects, offering rental assistance and implementing social policies that prevent displacement of low-income residents.
- › Using European funds for developments in the field of digital transformation, sustainable infrastructure, and talent retention<sup>56</sup>.

### 4 What regions, cities and the CoR can do

- › Modernise the public sector by providing digital support and training to all citizens and managing digital infrastructures, frequently through cross-border or interregional collaborations.

**At the level of the EU, expenditure on general public services decreased from 9.5 % of GDP in 1995 to 6.0 % of GDP in 2022**



- › Play a dual role as both providers and beneficiaries of services in various domains, including cross-border, green government and interoperability.
- › Be the entry point to services for citizens and act as the crucial link between 'end users' and government services.
- › Identify citizens' needs and wants and raise awareness about efficient public services and give guidance on how to access them.



## Success story

### Social protection and digitalisation (Flanders, Belgium)

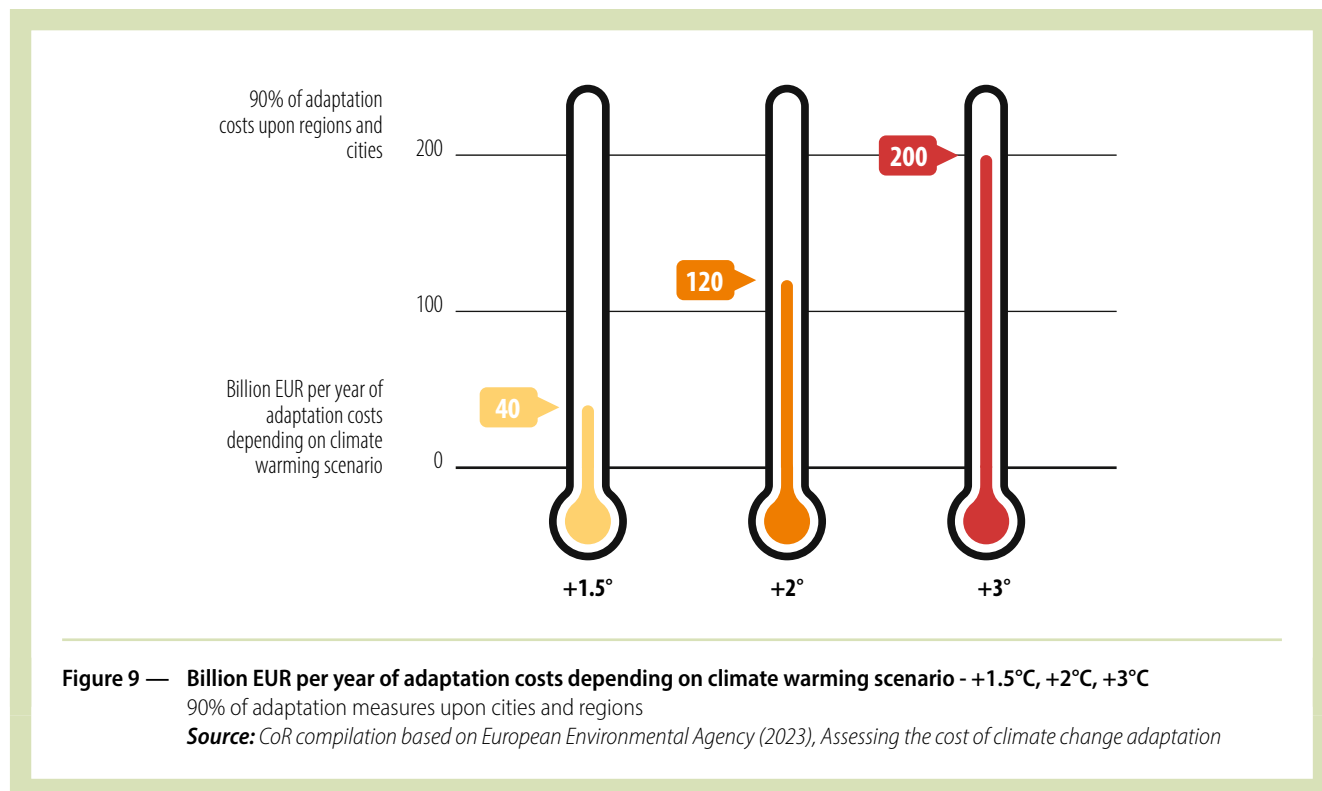
The Region of Flanders, Belgium, provides quality social protection and public services through its efficient healthcare system, robust social services, and proactive digital transformation. Notable initiatives include the Flemish Social Protection programme and Digital Flanders. These efforts have significantly improved public service delivery and quality of life, setting a benchmark for other regions<sup>57</sup>.

# 5 } Climate resilience and health

## 1 Why regions and cities matter

**European regions, provinces and cities experience daily what it means to be on the fastest-warming continent on Earth.** Rising temperatures affect Europe unevenly: some regions are getting drier, others wetter.

Extreme heat, wildfires, drought, and floods are getting worse, impacting energy and food security, water resources, economic and social stability, and health.



**EU coastal regions, relatively well equipped to deal with flooding, are becoming prone to droughts, especially in southern Europe, where nearly 30% of the population live in areas with permanent water stress.**

**In European cities, home to three quarters of the population, nearly half of hospitals and schools are located within 'urban heat islands', exposing vulnerable users and staff to high temperatures.** Urban populations also suffer disproportionately from air and noise pollution<sup>58</sup>.

**One in eight Europeans live in areas prone to river flooding, and almost one million additional people moved into such areas over the last decade<sup>59</sup>.**

**Climate impacts hit different places and people differently.** Cities and regions are key to a climate-resilient Europe, implementing nearly 90% of adaptation measures, strengthening societal resilience and linking civil protection, health and water management.

## 2 Future challenges for regions and cities

**Climate change is impacting Europe's environment and people in many ways.** People's health, in particular, is one of the five clusters identified in the first European Climate Risk Assessment.

**Europe is warming twice as fast as other continents and heatwaves sprawl beyond summer months.** The number of hot days in Europe may increase fourfold by the end of the century under a high-emissions scenario, with the largest absolute increases in southern European regions.

**Heatwaves are killing Europeans.** The Copernicus Climate Change Service reports that heat-related mortality has increased almost in all European regions, by around 30% on average in the past 20 years. The WHO Office for Europe estimates that by 2050 there could be 120 000 heat-related deaths every year.

**Extreme heat in the summer months is becoming the norm.** Last year and again this summer, Europeans endured a record number of days with 'extreme heat stress', when it feels like it is more than +46 °C – a temperature that may lead to heatstroke even in a healthy person and is deadly to vulnerable people. Chronic heat stress can also trigger or exacerbate kidney disease, hypertension, and cardiovascular disease. A link has also been established between high temperature and Alzheimer's (and other neurodegenerative diseases). All European metropolitan areas will be more vulnerable to extreme heat in the coming decades, according to WHO Europe's experts.

**High temperatures lead to wildfires.** Wildfires destroy biodiversity and CO<sub>2</sub>-capturing vegetation and produce toxic smoke that can contribute to breathing and cardiovascular problems, and pregnancy-related health effects, increasing premature deaths. Across Europe, mortality from wildfire smoke has increased by more than 100% in the last 30 years. Children's mental health is also disproportionately affected by wildfires. The Joint Research Centre (JRC) predicts that under the 3°C scenario the number of Europeans exposed to high-to-extreme fire danger levels for at least 10 days per year will grow by 15 million (24%). Sicily, Sardinia, Thrace, Crete and the Algarve will face 80 or more such days a year in the medium term.

**A changing climate also brings more protracted drought and water scarcity.** Water scarcity affects almost 30% of the EU's territory, and up to 70% of the population of southern Europe is at risk of seasonal water stress. Increasingly, droughts are also occurring winter. The EU PESETA-IV study demonstrates that, over this century, droughts will become more frequent, last longer and become more intense in the Mediterranean and Atlantic regions of Europe. And northern and

central regions will not be spared. In Flanders, where low water availability has become an issue, the regional government has launched a 'Blue Deal', a programme aimed at tackling wasteful consumption and investing in new governance methods, research and innovation in the field of water management.

**The health impacts of droughts include increased likelihood of water-, food- and vector-borne diseases, as well as malnutrition and mental health issues.** Droughts decrease water quality and accessibility, create conditions for bacteria and toxins to thrive and change the distribution and abundance of disease-carrying mosquitos and ticks. By 2040, both malaria and haemorrhagic dengue could become endemic in western Europe, reports the WHO. Drought can also increase the likelihood of depression and suicide, especially among farmers and in rural communities.

**Climate change increases the risk of flooding in some regions of Europe.** Indre-et-Loire saw twice its typical rainfall in May 2024; Saarland had its capital flooded; Limburg and the province of Liège were also under water. Projections under both high- and medium-emissions scenarios show that extreme precipitation will intensify in northern, central and eastern European regions and in the Alpine area over the coming decades.

**Over 53 million Europeans live in flood-prone areas and one in nine hospitals may be at risk of flooding.** The JRC estimates that, by 2100, almost half a million people will be exposed to floods by the rivers and over 2 million will suffer from coastal floods every year under the high-emissions scenario.

**Floods have direct and cascading health impacts.** Flooded sewers, wastewater facilities and burst oil tanks worsen water quality and cause outbreaks of infectious diseases and respiratory infections. Children, the elderly and people with weak immunity are most at risk. In addition, floods have a profound negative impact on children's mental health.

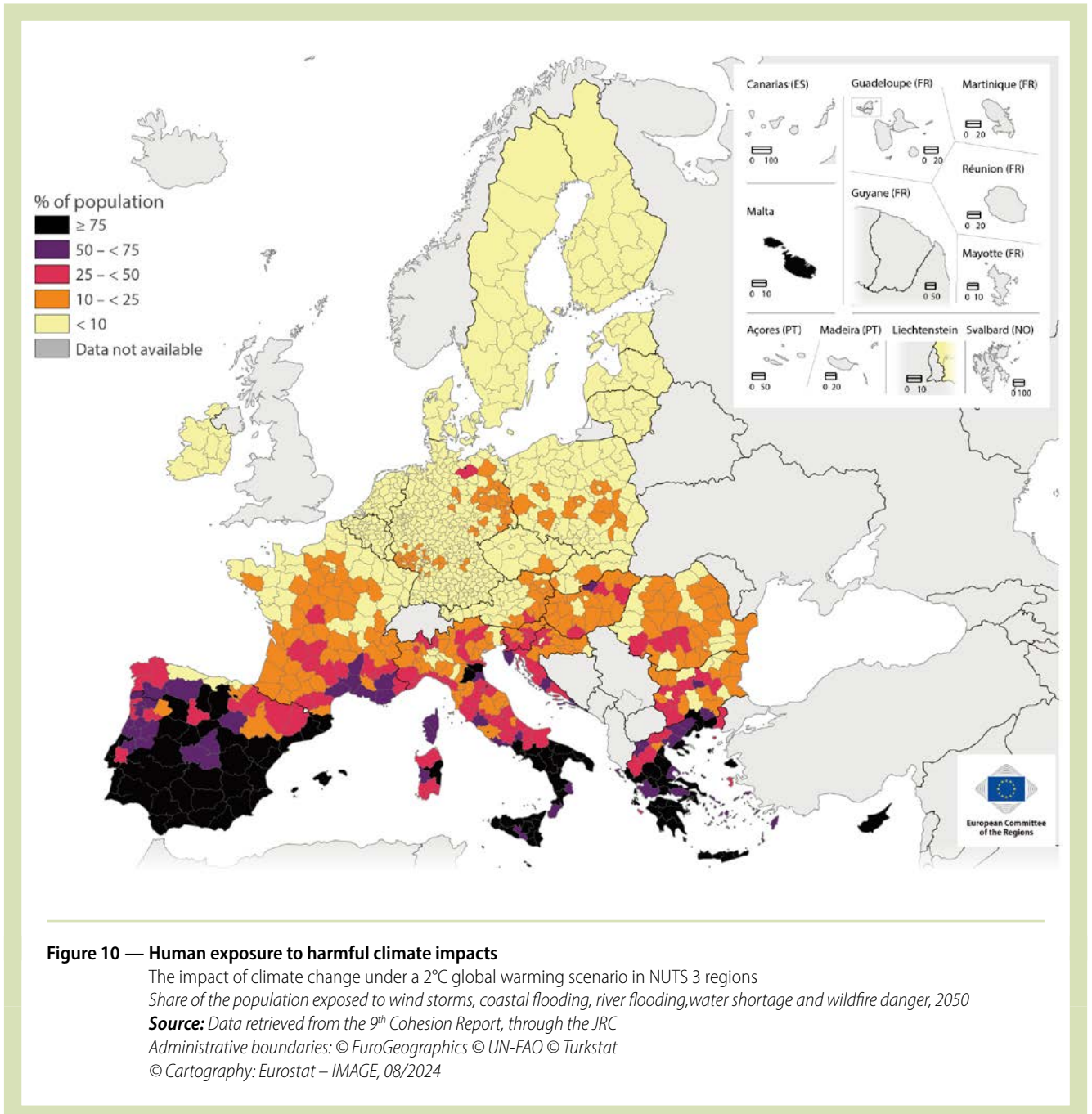
**For every euro invested in risk prevention, the return on investment in terms of lives saved and damage avoided can range from EUR 2 to EUR 10 or more, as estimated in the 9<sup>th</sup> Cohesion Report.** There is a clear case for investing in territorial societal resilience.

**Climate adaptation, disaster risk management and public health across Europe are governed by multiple policies.** Their overall success relies on effective implementation and integration of measures on the ground, backed up by science and funding. Supported by the European Committee of the Regions and developed by the JRC, the Vulnerability Dashboard

provides scientific data on systemic vulnerability to disasters across administrative levels, helping local leaders to understand the risks and act on them.

**Looking ahead, an EU climate and health agenda should address the health benefits of mitigation and adaptation measures and promote the development and availability of effective medical countermeasures**

**to respond to climate-sensitive infectious diseases.** The health impacts of extreme weather events on cities and regions and all cascading effects will need to be assessed to contribute to the EU's overall strategic autonomy and the societal resilience of its communities.



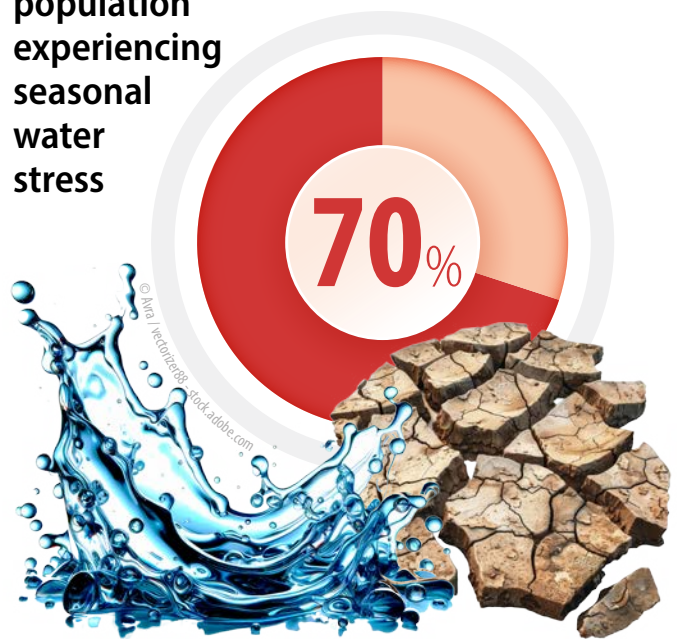
### 3 What regions and cities call for

- Prioritising societal preparedness – raising awareness and mobilising citizens to be active partners in civil protection, climate and health adaptation, as part of the Preparedness Union Strategy.
- Focusing on crisis resilience and addressing social and territorial vulnerabilities in cohesion policy; advocating the use of the future cohesion policy to address these vulnerabilities based on the territorial vulnerability scoreboard.
- Testing the cross-border resilience of health systems to climate change impacts.
- Strengthening European water security and mapping risks and preparedness needs both in cities and in rural areas; recognising that resilience translates into competitiveness and that preparedness and prevention are an investment with an excellent return-on-costs ratio.

### 4 What regions, cities and the CoR can do

- Direct experience in managing healthcare systems, forests, water transmission networks and civil protection and emergency response services – all in support of the future European Civil Defence Mechanism.

70% of population experiencing seasonal water stress



- Regional and cross-border cooperation in the field of health, climate adaptation and resilience, water management, civil protection and disaster risk management.
- Green Deal Going Local repository of good practice examples that deliver adaptation and mitigation on the ground.
- Awareness raising and commitment to a cross-cutting all-hazards and all-of-society integrated approach to implementing the future EU agenda on climate resilience and preparedness.
- Active participation of regions and cities in all five Horizon Missions, particularly the Adaptation to Climate Change Mission.

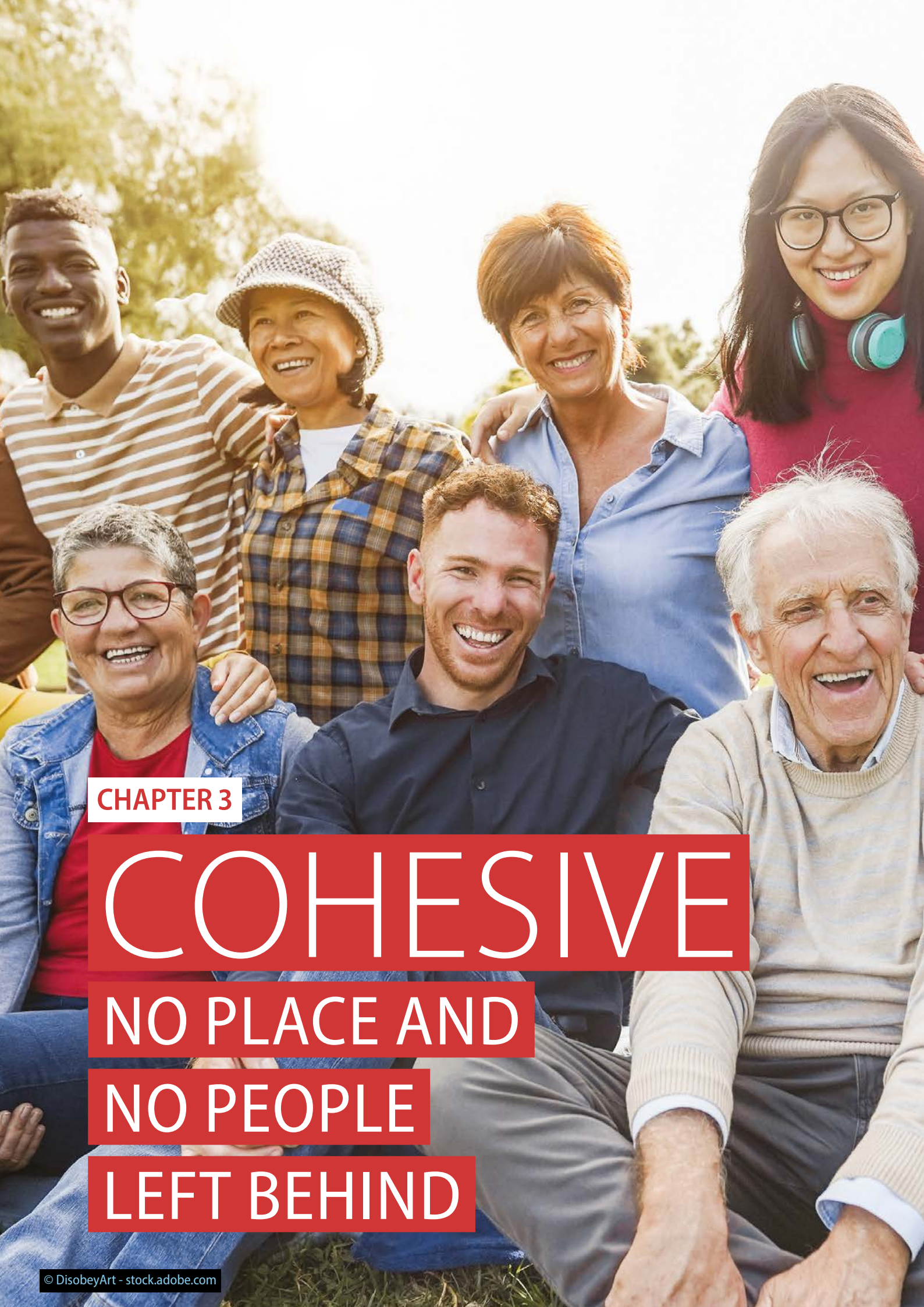


## Success story

A LifeCoolCity (Wrocław, Poland)

The LifeCoolCity project will help 10 000 cities in the European Union to strengthen their capacity to adapt to the effects of anthropogenic climate change. Wrocław, the warmest city in Poland, will pioneer the approach as the project demonstration. The city takes a comprehensive approach to its urban heat islands, parks and rivers to improve residents' health and wellbeing.





CHAPTER 3

# COHESIVE

NO PLACE AND

NO PEOPLE

LEFT BEHIND

CHAPTER 3

# COHESIVE

NO PLACE AND

NO PEOPLE

LEFT BEHIND

# 6 Cohesion and just transition

## 1 Why regions and cities matter

**European regions and cities are responsible for implementing around three quarters of EU legislation.** They deliver 50% of public investment and 30% of public expenditure. The vast majority of climate change mitigation and adaptation measures are delivered at local and regional level. Real action and change that turn European resources into concrete projects making people's lives better start at local and regional level.

**Regions and cities play a crucial role in contributing to economic, social and territorial cohesion in the European Union.** They are the level of government that is closest to citizens and that knows the most about the specificities and challenges of their territories. This makes them crucial partners in improving the design and implementation of cohesion and just transition policies on the ground.

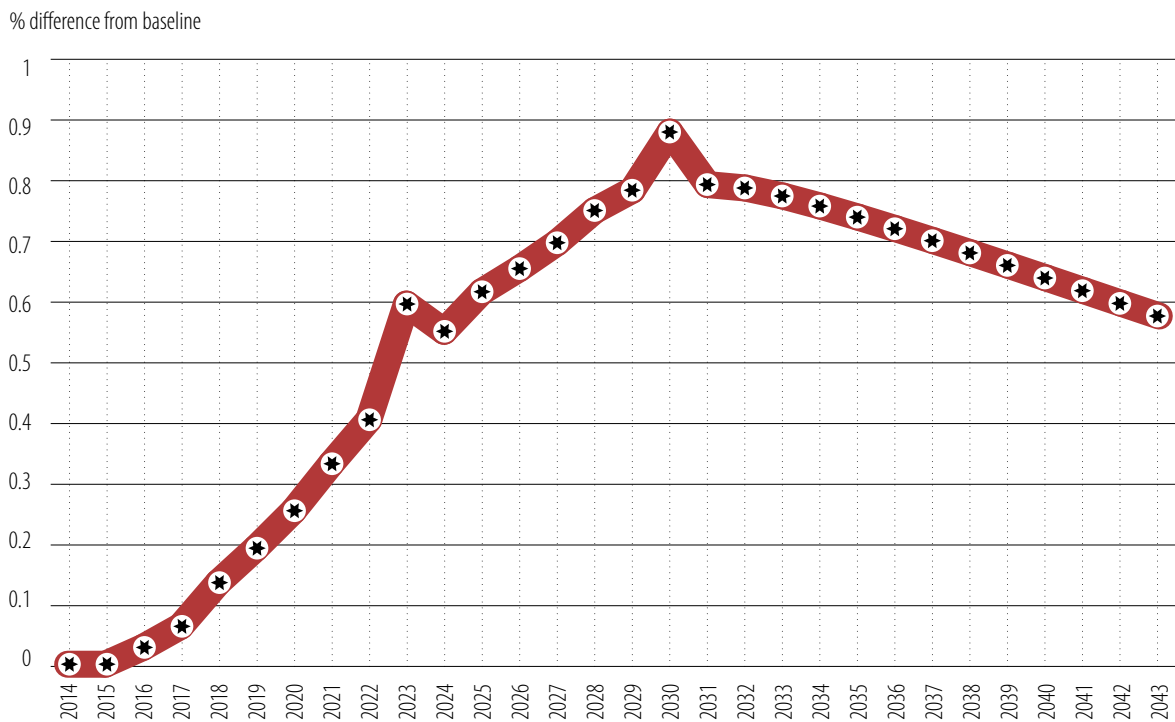


Figure 11 — Impact of Cohesion Policy programmes 2014–2020 and 2021–2027 on EU GDP, 2014–2043

CoR compilation based on European Commission

Source: European Commission, 9<sup>th</sup> Cohesion report, March 2024

**Over the years, cohesion policy programmes and projects have shown their capacity to improve quality of life, invest in regions and cities and contribute to economic development – and they will**

**continue to do so. The green and digital transitions have asymmetric territorial impacts that will need to be addressed with place-based solutions.**

## 2 Future challenges for regions and cities

**The state of economic, social and territorial cohesion in the coming years will largely depend on two factors. Firstly, global challenges such as the uncertain geopolitical landscape, the climate crisis, the digital and green transitions, and demographic change** will have a significant, but uneven impact across the European Union. Secondly, the nature of this impact will depend on the ability of cohesion policy, together with other European and national policies, to fend off any negative effects of these trends on our regions and cities and to ensure a just transition for all EU regions.

**The new geopolitical landscape is likely to be characterised by a trend shifting from cooperation and integration towards competition and friction.** Increasing economic, technological and systemic rivalry will have a significant impact on the EU economy and thus on many EU regions. Growing uncertainties and threats to peace and to democratic structures also have a negative effect, as shown already by the Russian war of aggression against Ukraine.

**The twin green and digital transitions will have a profound impact across all economic sectors and activities and on the way Europeans live, work and do business.** They will bring new opportunities but will also require significant structural changes that are likely to create new inequalities. Not all places are starting from the same position, and territories have different strengths, potential, and administrative capacity to shape the transformation.

**The problem will be particularly acute for local and regional economies that rely heavily on a single economic sector or industry that is directly impacted by the green transition, such as energy-intensive industries.** These cities and regions must be enabled to manage the necessary restructuring, support sustainable development, and mitigate potential job losses and economic downturns.

**Moreover, highly competitive and innovative EU regions that can develop and produce the necessary green technologies are better equipped for the green transition of their economies than rural and remote areas.** In most cases, these regions are already economically strong and urbanised, with a large share of knowledge-intensive services. This also means that cohesion policy, while envisaged for all regions, should therefore also focus on rural and peripheral areas in order to support the provision of basic public services and to address the geography of discontent.

**More economically diversified regions face lower socioeconomic risks than regions heavily dependent on fossil fuel extraction.** Most of the regions at high risk

are already lagging behind the national average and need to rely on support to overcome the challenges associated with decarbonisation of energy.

**Infrastructure investment will be crucial, particularly in renewable energy and digital connectivity, fostering development but also potentially widening the gap between regions.** Transport infrastructure, in particular, is needed to deliver territorial and social cohesion by connecting territories and people. It also delivers on the Paris climate goals through a much needed and radical reduction of CO<sub>2</sub> emissions from the transport sector. Zero-emission vehicles and a shift towards the most sustainable transport modes are key.

**Socially, the transitions could both mitigate and exacerbate inequalities.** Successful integration of green and digital policies could enhance living standards and access to services, but failure to manage the transitions inclusively may deepen existing disparities. Job markets will shift, with some sectors shrinking and new opportunities arising in green and digital fields, necessitating retraining and reskilling.

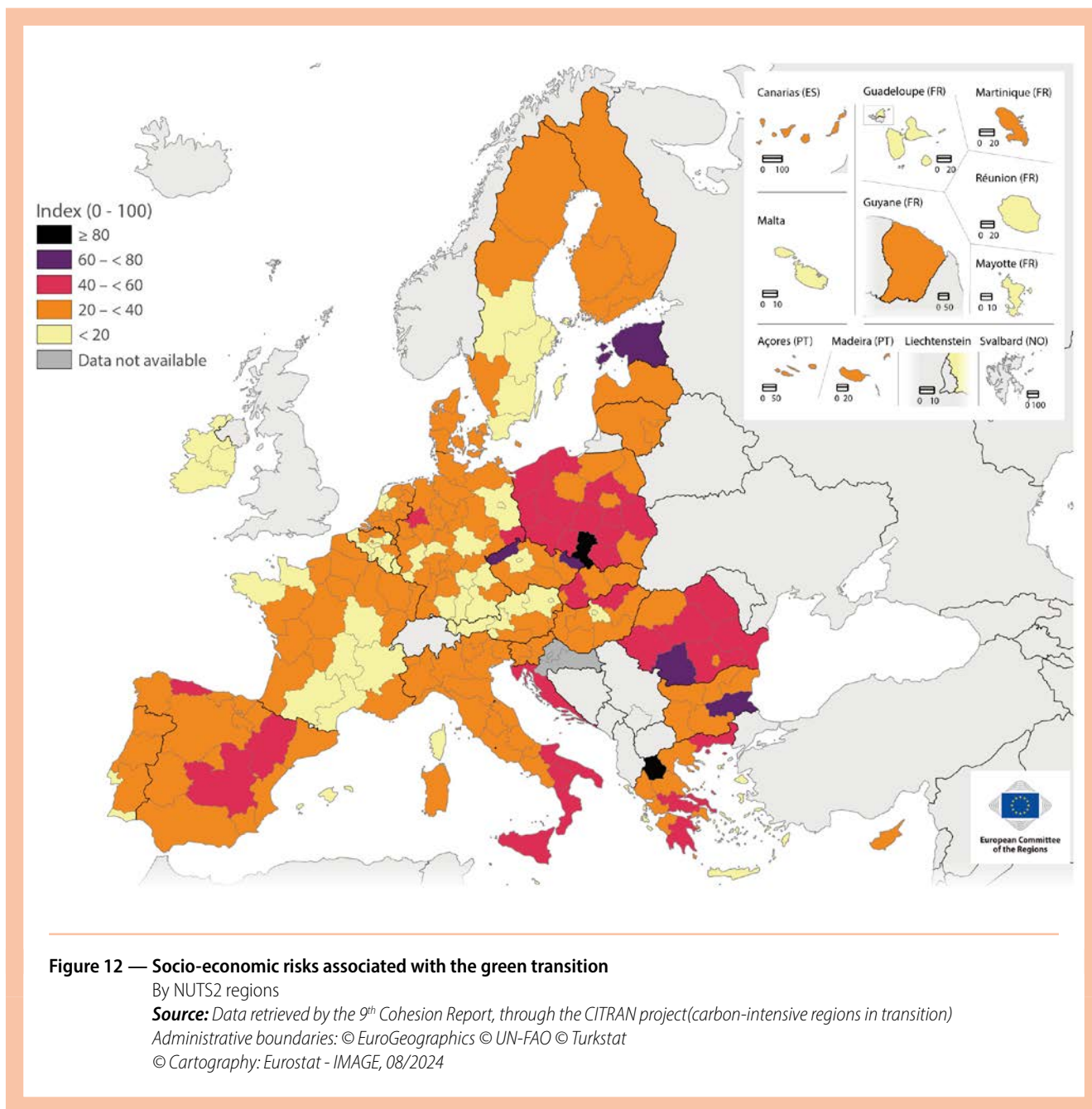
**While the digital transition offers numerous opportunities for cities and regions, including for rural and remote areas, it may also entail risks for cohesion, due to the uneven capacity of territories and people to embrace new digital technologies.**

**Demographic change is the third transformation that will significantly impact cohesion.** By 2040, the European Union is expected to have 17 million fewer people of working age than in 2023 and a further reduction of 10 million is expected by 2050<sup>60</sup>.

**All these challenges have a strong territorial dimension with an uneven distribution of effects within and between the different regions and cities across Europe and could potentially mutually reinforce each other.** If not adequately tackled, they could contribute significantly towards widening existing inequalities and social polarisation even further.

**Carefully implemented territorial policies can help mitigate these adverse effects and ensure that all regions and all citizens reap the benefits of the green and digital transitions.**

**A strong and effective cohesion policy will therefore remain indispensable in the future<sup>61</sup> to support all communities and regions in developing local and tailor-made solutions for the green, digital and demographic transitions that are much needed to overcome the 'geography of discontent' and retain trust in the European Union.**



**It will also be important to add a more forward-looking and anticipatory dimension to cohesion policy that supports cities and regions in proactively dealing with upcoming challenges and vulnerabilities.** Enrico Letta’s report confirmed the key role of cohesion policy for the single market and called for a dynamic approach towards safeguarding regions from economic decline and fostering local and regional capacities<sup>62</sup>.

**The successful implementation of a just transition also requires active participation and buy-in from local stakeholders, including businesses, civil society, and citizens.** Regions and cities are best placed to

facilitate this engagement, ensuring that transition strategies respond to local needs and that decision-making is inclusive and transparent.

**The objective of economic, social and territorial cohesion, however, cannot be reached by cohesion policy alone. All other EU policies with a territorial dimension have to contribute to the objective as well.**

### 3 What regions and cities call for

- › Maintaining a strong cohesion policy for all regions as the EU's key long-term investment tool.
- › Emphasising the golden principles of cohesion policy, namely shared management, multilevel governance, partnership, and the place-based approach, which should be reinforced.
- › Embedding just transition in cohesion policy to anticipate changes and support regions in transformation, ensuring no one and no place is left behind.

**Regions and cities coordinate 50% of total public investment**



- › Strengthening European territorial cooperation and in particular cross-border cooperation as the main tool for European integration and solidarity.
- › Applying the 'do no harm to cohesion' principle and ensuring that other EU and national policies contribute to the objective of reducing economic, social and territorial inequalities.

### 4 What regions, cities and the CoR can do

- › Mobilise local governments and stakeholders to join the Cohesion Alliance, supporting cohesion policy.
- › Support efforts to ensure quality implementation of 2021-2027 cohesion programmes, including Territorial Just Transition Plans via, for example, the CoR Multi-level Dialogue on Just Transition.
- › Communicate, at all levels, the success stories of cohesion policy and how they have contributed at EU, national, regional and local level.
- › Address the digital and green transitions in road transport, sharing expertise in sustainable, safe, and accessible transport infrastructure and mobility services, notably by engaging in the Automotive Regions Alliance.
- › Promote territorial impact assessments in EU and national policymaking to uphold the 'do no harm to cohesion' principle.



## Success story

### Jobs after coal (Wielkopolska, Poland)

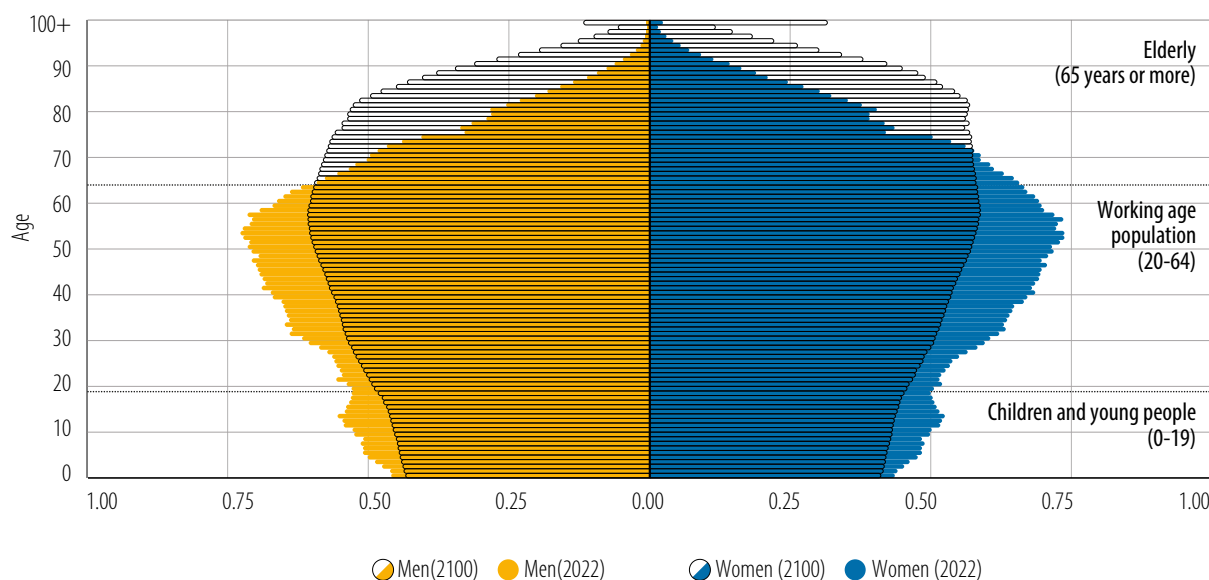
By supporting the re-skilling and up-skilling of 2 200 workers affected by the phasing out of lignite energy production in the Wielkopolska region, this project co-financed by the Just Transition Fund will help ensure that no one is left behind in the green transition.

# 7 Demographic challenges

## 1 Why regions and cities matter

**Demographic change is evident in the EU, although its causes and effects manifest themselves in a variety of ways: regions with predominantly ageing populations, brain drain, desertification and climate**

**change effects, growing old-age dependency ratios, etc.** For many regions, demographic change is a much bigger challenge than the green and digital transitions, as shown in a recent study<sup>63</sup>.



**Figure 13 — EU population pyramids, 2022 and 2100 - % of total population**

CoR compilation based on Eurostat

Source: [Eurostat, EU's population projected to drop by 6% by 2100](#)

**Many EU regions are caught in a 'talent development trap' due to a lack of skilled workers and graduates to counteract the effects of an aging and shrinking workforce.** Increased productivity, innovation, and trained personnel are needed. The absence of economic dynamism and innovation, coupled with low skill demand, could significantly hinder regional competitiveness and development<sup>64</sup>. Legal and effective migration of third-country nationals can help address skills shortages and workforce gaps.

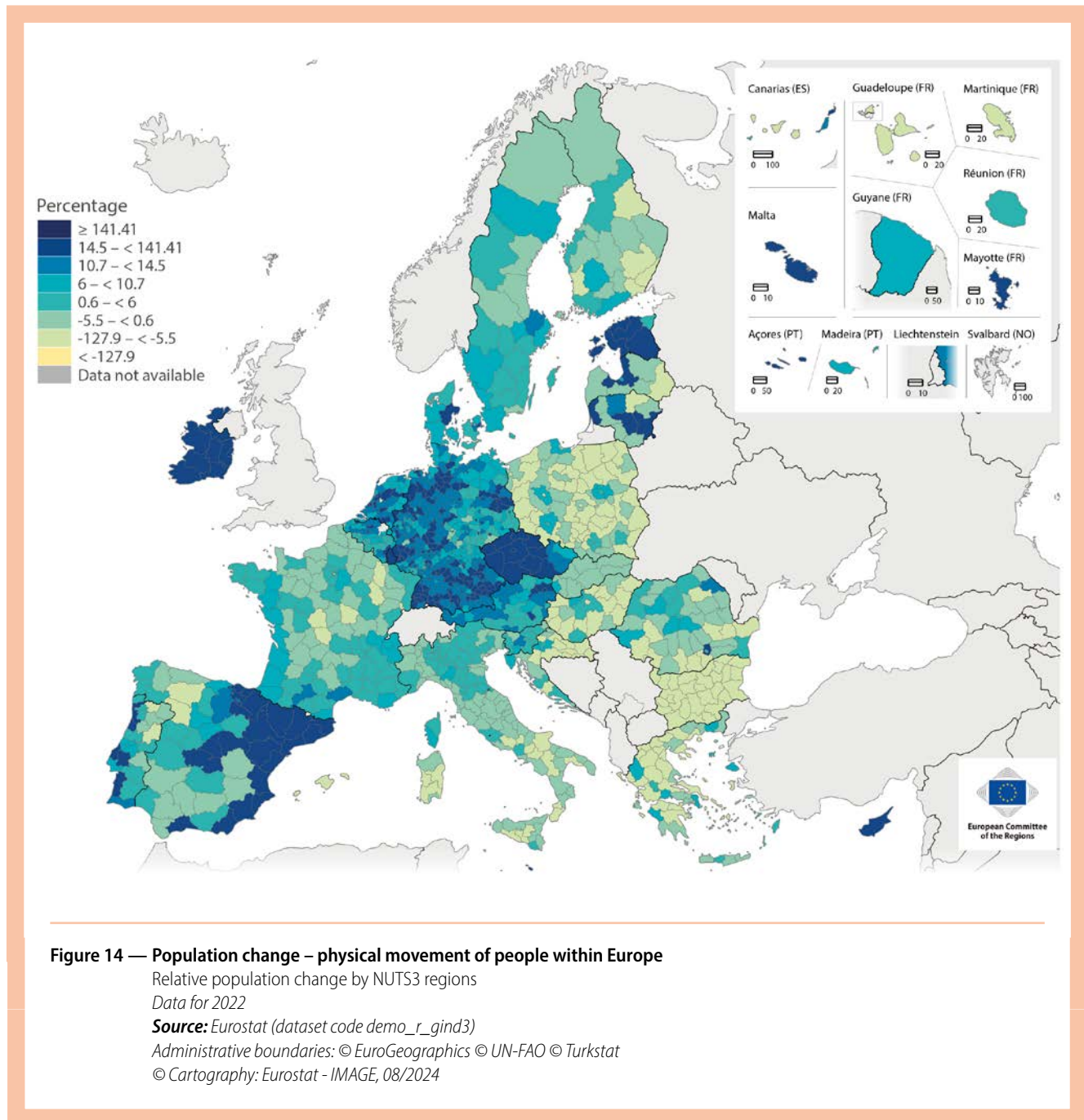
**Brain drain is resulting in a sharp decline in working-age populations in some regions, ultimately hampering their economic capacity, creating new problems and resentment, according to the Letta report on the single market, which stresses 'a need to break this vicious circle by supporting these territories in their efforts to retain and attract a working-age population'**<sup>65</sup>.

## 2 Future challenges for regions and cities

The EU must deal with the inevitability of a shrinking population<sup>66</sup>. It is therefore essential to prepare regions and cities to cope with this fact and its various consequences.

The demographic transition also needs to be addressed in conjunction with the green and digital transitions and should be taken into consideration

when developing all policies in the EU. At EU level, it would be prudent to create institutional capacity-building and policymaking mechanisms. Regions and cities need to use the funding and investment available to create policies that will keep people in their regions by offering access to services, good living standards and career opportunities.



The European Commission’s demography toolbox provides a comprehensive approach to demographic change through a policy mix, focused mainly on four

pillars: parents, young people, older persons and migration<sup>67</sup>. The urban-rural divide also represents a serious challenge in many parts of the EU. There are



significant differences in opportunities for education, employment, access to services and remuneration between urban and rural areas<sup>68</sup>; people aged 20-39 are more likely to move from rural to urban regions, while among those aged 40 and over the opposite may be expected<sup>69</sup>. It is essential to adopt measures to address this trend, as it can erode political trust and social cohesion.

**It is crucial to reinforce the 'freedom to stay'.** But to achieve this, it is essential to adopt and implement a policy mix that will create the necessary conditions for people to remain in their regions, such as providing basic public services even in the most remote areas. To that end, the approach towards demographic change expressed by the newly elected President of the European Commission in her Political Guidelines 2024-2029 is very encouraging<sup>70</sup>.

**More concretely, the first EU anti-poverty strategy, the pan-European investment platform for affordable and sustainable housing and the reference to a strengthened cohesion and growth policy, focused on the right to stay<sup>71</sup>, are all responses to EU regions' demands.** Finally, the notion that 'regions will stay at the centre of our work<sup>72</sup> and the recognition of the specific economic and social challenges facing islands and outermost regions are very promising for the demographic future of the EU.

**In addition to internal dynamics, migration continues to shape the socioeconomic landscape of regions and cities.** To navigate this challenge, we need a holistic approach that changes the narrative and includes integrating migrants into the local labour market, in conjunction with legal pathways for migration.

**Between 1 January 2013 and 2023, the EU's population grew by 7.5 million, mainly because of net inward migration.** In 2023 Cyprus experienced the highest number of first-time asylum applications among EU Member States with 1 266 applications per 100 000 inhabitants. This clearly has a direct impact on the local and regional authorities responsible for processing these applications and providing the support necessary for integration<sup>73</sup>.

**Migrants need to be recognised for the positive diverse economic, creative and cultural contributions they can bring to the communities they join.**

**In the EU, almost 4 out of 10 of employed non-EU citizens aged 20-64 with degrees are working in jobs that do not require a degree.** This compares to 32% for EU citizens in another EU country and 21% for nationals

in their own country. The highest over-qualification rates for non-EU citizens are in southern European regions<sup>74</sup>. These statistics underscore the need to better recognise and utilise the skills of migrants at regional and community level, and to reconsider the job requirements and the recognition of qualifications.

**The importance of attracting migrant talent to cities and regions cannot be underestimated<sup>75</sup>, and durable solutions are needed, including promoting legal access to the labour market and migration.** Europe's population is shrinking relative to other continents<sup>76</sup>. Demographic shifts, such as declining birth rates and an ageing population, require more than just increased migration: a flexible and dynamic migration policy is essential. Positive attitudes towards migration, focusing on employment, cultural, social and economic benefits, are crucial. Tailored integration strategies involving all government levels can support this shift when developed in coordination with predictable EU rules on migration.

**Integration strategies need to be developed and tailored to regional requirements. This, too, will help change attitudes towards migratory movement, preventing the politicisation of negative perceptions.** Europe also faces a challenge in how to manage irregular migration while establishing more structured and accessible legal pathways, i.e. legal migration opportunities linked with studies, research or work.

**Cities and regions will be the first to benefit from a shift towards a more coherent migration policy.** Robust policies on legal migration, irregular migration, asylum and integration are required, based on multi-stakeholder engagement including cities and regions, to ensure the development of appropriate solutions for a future with ageing populations and decreasing birth rates.

### 3 What regions and cities call for

- Pursuing demographic-transition policies, such as the Talent Booster Mechanism and Harnessing Talent Platform, to retain young, skilled individuals and ensure a sustainable future in areas with declining populations.
- Effective monitoring of the demographic situation with accurate regional data.
- Becoming the focal point for the implementation of the demography toolbox, since most of the policies described in it are implemented at local and regional level.
- Enhancing the solidarity and support mechanisms, creating a comprehensive EU migration management system based on solidarity and shared responsibility among Member States.
- Implementing firm, humane and fair migration procedures, such as safe pathways and expanded resettlement programmes.

### 4 What regions, cities and the CoR can do

- The CoR can be a platform for exchanging best practices between regions, and enhance cooperation and exchange of ideas between EU and international institutions and stakeholders that deal with demographic change.
- Support the dissemination of innovative solutions that have been developed to protect migrants' rights and help them integrate into local communities, for example by matching their skills with the needs of the local labour markets.
- Facilitate the exchange of positive examples of the inclusion of migrants, via the CoR's 'Cities and Regions for Integration of Migrants' initiative.

180 regions and cities join the Integration of Migrants Initiative<sup>77</sup>



## Success story

**Walking the tightrope of a new journey  
(Basque Autonomous Community, Spain)**

Trapezistak, which is Basque for tightrope walkers, is a programme for developing and implementing comprehensive, personalised processes for supporting the inclusion and transition to adult life of young people, mostly migrants, without a family support network in the Basque Autonomous Community (Euskadi). 330 places on this successful programme are available between 2022-2027.

# 8 > Rural development and agriculture

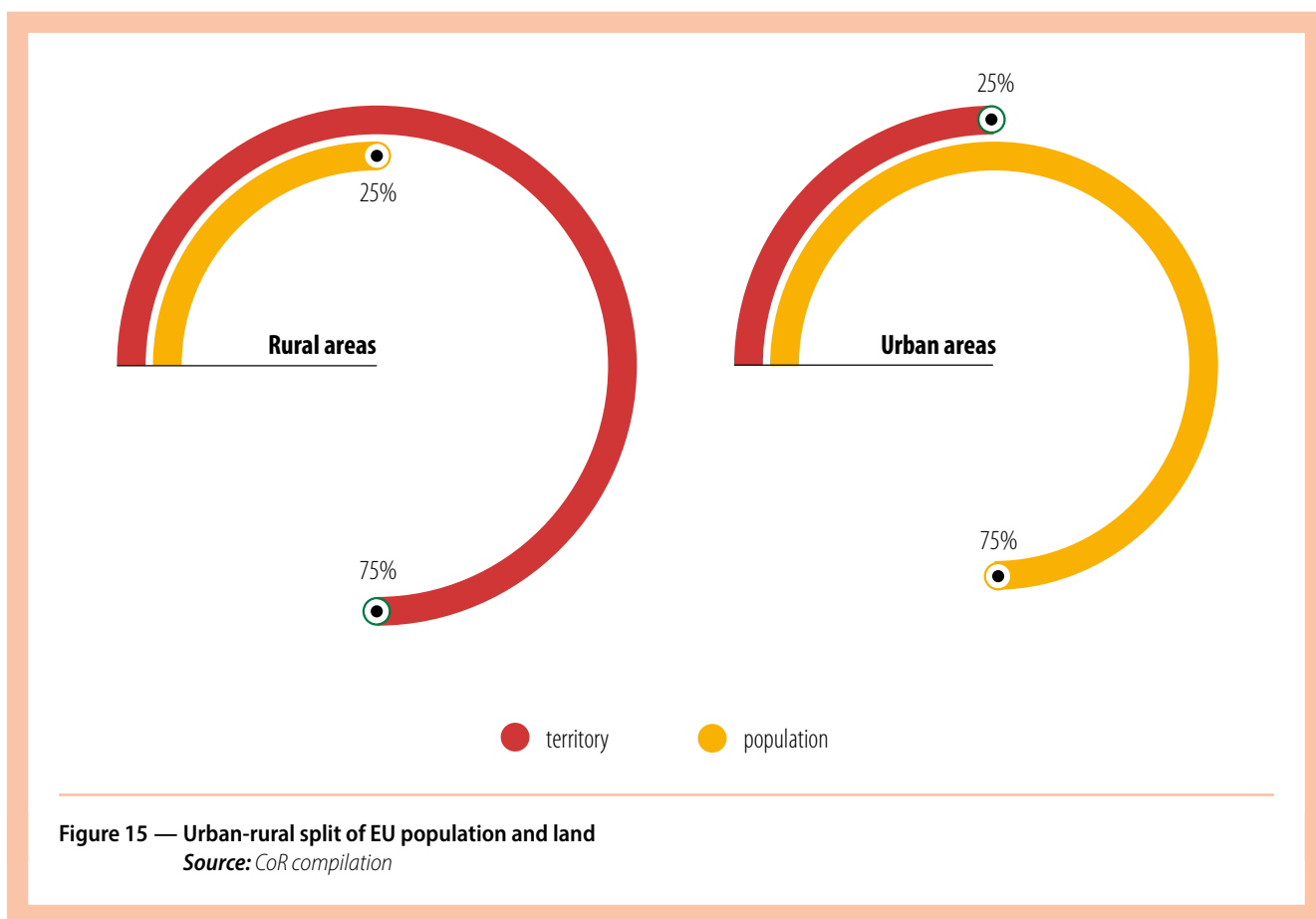
## 1 Why regions and cities matter

**One in four EU citizens – more than 110 million people – live in the countryside, which covers around 75% of the EU’s territory.** Rural areas and the people who live and work there are an essential part of Europe’s economy, culture, environment and society.

**Products and services from rural areas are trademarks of local cultural identities, and play an important role in the resilience of cities and regions, and of the EU as a whole.** Productive soil, functional rural communities connected through clean transport and digital infrastructure, sustainably managed forests and peatlands, and space for renewable energy generation:

these are just some examples. Urbanisation and suburbanisation, as well as demographic trends, risk affecting this role.

**Between 2010 and 2020, one in four farms (around 3 million) disappeared – an average of 800 farms per day.** This is due in particular to the increase in size of many farms. The percentage of young farmers is decreasing compared to 2010. Until 2021, farmers earned on average less than half of the amount earned in other sectors of the economy<sup>78</sup>. Thriving rural areas are key for keeping the EU’s agricultural production alive.



## 2 Future challenges for regions and cities

**Rural areas are facing three big challenges for the EU's future: green and digital transitions, enlargement, and security.** At the same time, rural areas are seriously affected by climate change and depopulation.

**30 million people are forecast to have disappeared from rural Europe by 2033, compared to 1993. Depopulation and an ageing rural population are reducing the labour force in the public and private sectors and impacting the provision of services.** Remote rural areas suffer particularly from demographic trends<sup>79</sup>, due to a lack of economic and employment opportunities, along with lack of access to key services, which make them less attractive and makes it harder for citizens to exercise their 'freedom to stay'<sup>80</sup>.

**Sub-optimal road, rail and digital connections, less access to training and high-quality education, and fewer employment opportunities hinder economic development and increase the risk of poverty.** This also affects sectors that could otherwise stimulate local economic growth and social change like rural tourism or renewable energy production<sup>81</sup>.

**The average household income in remote rural areas was 22% lower than the EU average in 2022, and 87.5% lower than in urban areas<sup>82</sup>.** Meanwhile, around 22% of the population in all rural areas were at risk of poverty. The highest rates persist in rural eastern and southern regions, and there are marked differences both between and within Member States. Rural areas in the East and South are also the most directly affected by energy poverty.

**Many rural and less developed regions have considerable potential for renewable energy production or for carbon capture and storage. Almost 80% of unexploited renewable energies are in rural areas.** Developing this potential would serve these regions and benefit energy security and economic cohesion across Europe.

**And yet, in mid-2022, less than half of households (45.1%) in rural areas had access to fixed broadband networks allowing for gigabit speed. 9% of rural households were not covered by any fixed broadband network.** 65.3% of populated rural areas were not covered by 5G and only 46% of people living in rural areas had at least basic digital skills<sup>83</sup>. Ongoing support is therefore needed, particularly in rural and remote areas, to ensure they can reap the benefits of the digital transformation.

**Physical connectivity remains a key factor in rural citizens' access to services. In rural areas, less than 4 in 10 people live within a 15-minute walk of a primary**

**school.** In urban areas, this proportion is 80%. This can reduce the attractiveness of rural areas for families with young children. In 2021, the share of young people (15-29 years) not in employment, education or training in rural areas was 13.7%, compared to 12.2% in cities<sup>84</sup>.

**In rural regions, the average distance to the nearest healthcare centre is over twice as long as the 6.4 km in urban regions; in remote areas it rises to 16.8 km.** At the same time, the proportion of people aged over 65, who are those most often in need of medical treatment, is largest in rural and remote regions.

**Small and medium-sized towns often play an important role in providing services to rural areas, including the economic and social infrastructure needed to avoid rural depopulation and ensure rural areas remain attractive places to live.** Urban-rural linkages can therefore be essential for the attractiveness of rural areas within the reach of towns and cities. Many people in rural regions do not have access to a rail station at all.

**Regions, cities and municipalities use funding from the common agricultural policy (CAP) and cohesion funds to improve the availability of non-agricultural services and infrastructure in rural areas.** Instruments like LEADER and community-led local development are also widely used.

**Good living and working conditions in rural areas are a prerequisite for a sustainable agriculture in the EU.** The number of farms is consistently decreasing and the share of jobs in agriculture has gone down to 3% of total employment. In 2020, there were about 9.1 million farms in the EU, 25% less than in 2010. Primarily smaller farms with less than 10 hectares of land are disappearing. As the agricultural area remains largely constant, the average farm size is growing, from 13 hectares in 2010 to 17 hectares in 2020.

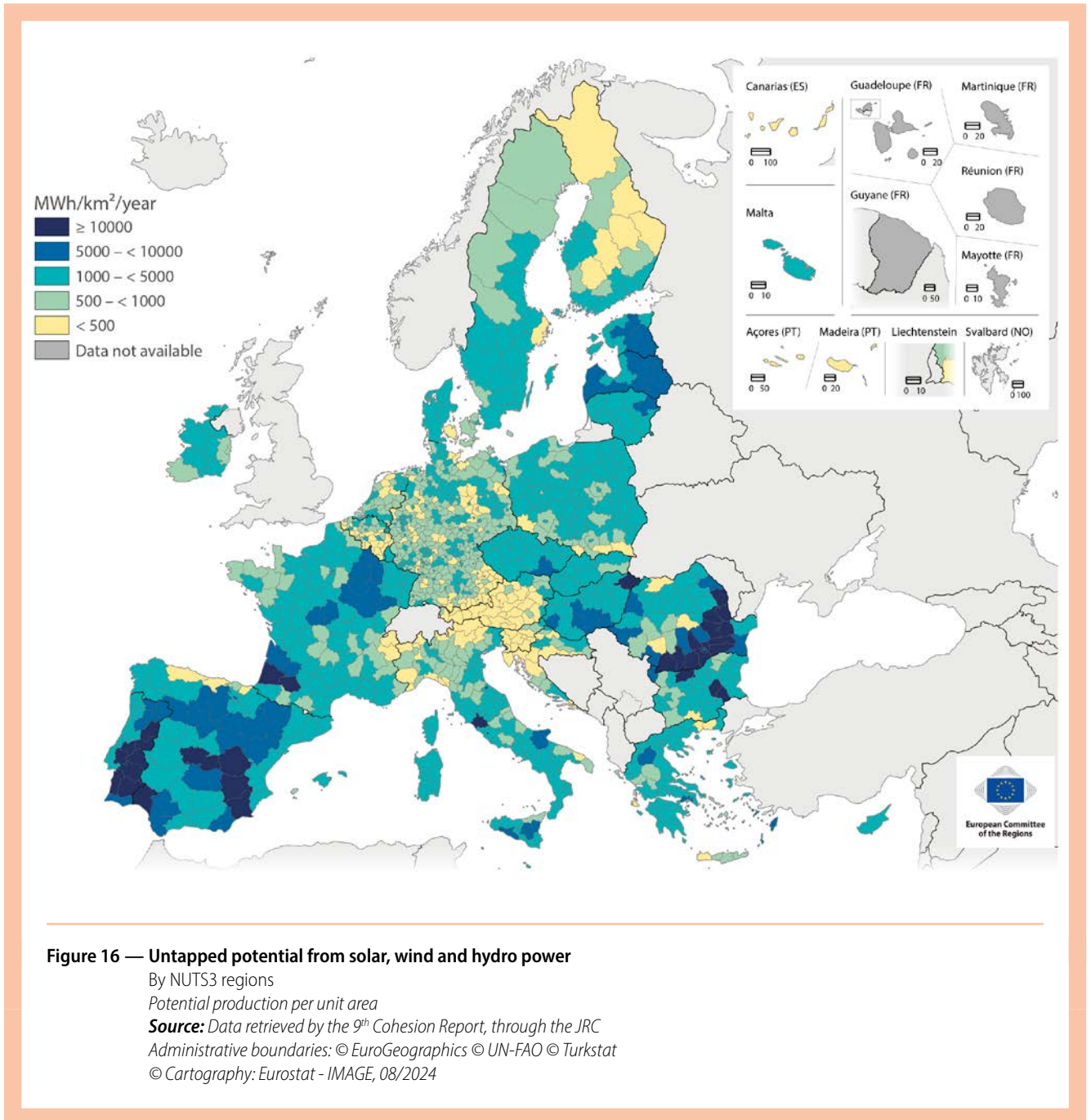
**Only one in twenty farms is run by farmers under 35; one in three is run by a farmer over 65.** The gap has been increasing since 2010.

**The CAP has a key role in supporting the transition of European agriculture to more sustainable farming.** EUR 264 billion of EU funding will support a more sustainable and resilient agricultural sector and help preserve vibrant and diverse rural areas between 2023 and 2027, but CAP reform is still urgently necessary to strengthen the development of rural areas. Only 24% of direct payments are allocated to eco-schemes, which is far from sufficient to reach the objectives of carbon neutrality by 2050.

**The long-term vision for the EU's rural areas has set out several goals to be reached by 2040.** The Rural

Pact, chaired by a representative of the CoR, brings together over 2 000 organisations and authorities at all levels of government to forge stronger cooperation

across different policy areas and boost the sustainability and vitality of rural areas.



### 3 What regions and cities call for

- › Supporting rural development for a high-quality living environment, including infrastructure and public services; attracting innovative businesses, and ensuring quality jobs, new skills, and sustainable agriculture.
- › Strengthening the role of the regions in the governance of the common agricultural policy based on regional strategies for food security and rural development.
- › Turning the long-term vision into a concrete European Rural Agenda, including dedicated budget, targets and indicators; introducing a multi-fund approach, with minimum earmarking of European funds for agricultural and non-agricultural projects in rural areas.
- › Strengthening the LEADER approach, Smart Villages initiatives and Local Action Groups across the funds.
- › Introducing a European Year of Rural Europe and a European Smart Villages Award.

### 4 What regions, cities and the CoR can do

- › Act as direct links to rural areas and to agriculture; represent urban areas and consumers, and work for environmental protection and socioeconomic order.

800 farms disappearing every day in Europe



- › Provide first-hand knowledge of the challenges and needs of agriculture at local level.
- › Play an active role in the Rural Pact and in its coordination group (chaired by a CoR representative) to implement the long-term vision and guarantee involvement of local and regional players.
- › With the JRC, promote the regional and local vulnerability dashboard as a tool in policymaking, focusing on rural resilience to climate risks and social vulnerabilities.
- › Apply the rural-proofing approach to strategies and investments in current and future EU funding programmes.



## Success story

**Sustainable development and rural entrepreneurship  
(Galicia, Spain & Lousã, Portugal)**

Galicia has received the 2025 European Entrepreneurial Region award for its exemplary commitment to innovative entrepreneurship in rural areas. The region empowers local entrepreneurs and established businesses to act as catalysts for economic development and job creation. The municipality of Lousã is revitalising previously abandoned villages and territories by combining rural development, touristic economic activity and forest protection and valorisation.



**CHAPTER 4**

# AMBITIOUS

INVESTING IN

OUR FUTURE





# 9 > Enlargement

## 1 Why regions and cities matter

**Regions and cities are responsible for implementing around 70% of the *acquis communautaire*, half of overall public investment and a third of public expenditure.** With the European Union now working towards a new wave of enlargement, it is essential for regions and cities to be fully involved in this process, as they will all be affected by enlargement. Enlargement will represent both challenges and opportunities for all Member States in various ways.

**The renewed impetus for enlargement, sparked by the Russian invasion of Ukraine, represents a historic milestone for the EU.** The European Union has outlined the importance of being well prepared

for such a process. The European Commission has presented the main opportunities and challenges in its Communication on pre-enlargement reforms and policy reviews<sup>85</sup>.

**The various levels of decentralisation in candidate countries require that the territorial dimension is properly taken into account when preparing policy reviews and the enlargement process.** For example, Bosnia and Herzegovina is an extremely decentralised state, while Montenegro is very centralised. In Ukraine, reforms were underway before the invasion, but the consequences of the war have led to re-centralisation.

Country	Number of regions	Number of higher-level local authorities (districts, cities)	Number of municipalities
Albania	12	n/a	61
Bosnia and Herzegovina	13	2	139
Georgia	1	n/a	64
Montenegro	n/a	n/a	25
Moldova	2	32	66
North Macedonia	n/a	1	80
Serbia	1	1	145
Türkiye	81	30	1 389
Ukraine	25	136	1 469
<b>TOTAL</b>	<b>135</b>	<b>202</b>	<b>3 438</b>

Figure 17 — The levels of sub-national governments in the candidate countries

Source: CoR compilation

## 2 Future challenges for regions and cities

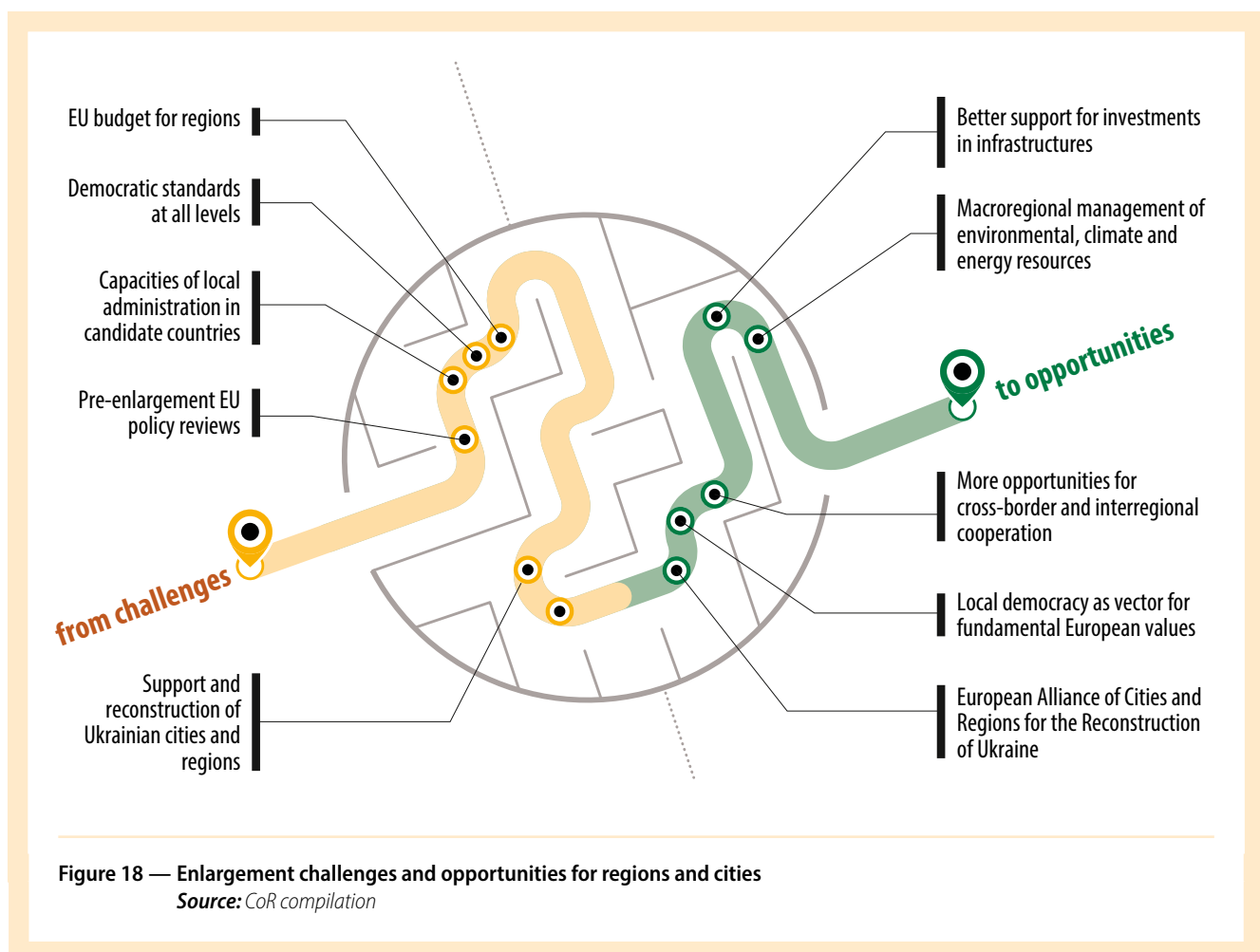
**Most analyses, including the study commissioned by the European Committee of the Regions (CoR)<sup>86</sup>, are based on three possible scenarios regarding enlargement.** They range from no enlargement at all to a 'big bang', welcoming all candidate countries at once, via a staged approach where some of the current candidate countries are gradually accepted into the Union. The latter is considered the most probable, and is in line with the merit-based approach favoured by the European Commission. The number of Member States in such an enlarged Union could range from 28 to 37.

**Whatever the scenario followed, the continued involvement of regions and cities in all aspects of the EU enlargement process will be necessary.** That involvement should include monitoring progress in the accession negotiations, supporting regions and cities in the candidate countries, especially in capacity building, and also discussing reforms to be undertaken, both in the EU and in the candidate countries. Regions and cities in both current and future Member States need to thoroughly prepare for enlargement. Some challenges are already known, such as reforming cohesion policy and the CAP. In addition, the risk of

unfair trade practices or social dumping in an enlarged Union must be considered, recognised and addressed. National governments and EU institutions must consider legitimate local and regional concerns as well as the role played by local and regional authorities in implementing EU policies.

**The CoR has identified a number of challenges and opportunities regarding the upcoming enlargement<sup>87</sup>.**

**The first challenge concerns the EU budget for regions.** If one or more large countries accede to the EU, that could have a negative effect on the eligibility of some current EU regions for cohesion policy funds, unless transition mechanisms are set up; the same could apply to the implementation of the CAP. This impact could be mitigated through reform of these two policies<sup>88</sup>, which may need to be reviewed even in a 'no enlargement' scenario. This is also linked to the discussion about the size of the overall EU budget. Ensuring stable and sufficient own resources for all levels of government is crucial, not least to meet the geopolitical challenges of EU enlargement.



**In addition to budgetary questions, it remains vital to maintain democratic standards.** Monitoring and sanctions mechanisms to protect the rule of law, democracy and human rights should be enhanced to avoid backsliding in these areas. This requires robust involvement from regions and cities, including the EU taking a differentiated approach towards regions or cities that are performing better than their national counterparts.

**Furthermore, as the experience of previous enlargements shows, local and regional administrations must be prepared, among other things, to manage and implement cohesion projects effectively.** More pre- and post-accession funding from the EU and increasingly consistent efforts from the candidate countries are needed to implement public administration reforms and build sufficient administrative capacity, including through dedicated training programmes and peer-to-peer cooperation.

**As with the previous rounds of EU enlargement, the forthcoming one(s) will be an opportunity for the EU to reform and adjust many of its rules.** This can take place with or without treaty changes, looking at institutional and decision-making issues.

**While we focus on preparing long-term processes towards enlargement, one cannot ignore the need to provide sustainable support to Ukraine and its cities and regions in their effort to reconstruct, reform and modernise on the way to EU accession and following the Russian invasion.** Sustainable funding solutions should be found to support the country beyond 2027, taking into account the devastating impact of the war and the increased internal disparities (especially in formerly occupied territories reintegrated into Ukraine). The new geopolitical realities and challenges in terms of disinformation, foreign information manipulation and interference need to be considered, including from a local point of view.

**Enlargement will represent many opportunities for future Member States. Better support for investment in sustainable infrastructure** (energy, transport and mobility, digital) will enable the integrated development of macro-regions that include regions both from the current EU-27 and from future Member States. This would facilitate the development of industry, trade, and tourism, ensuring greater mobility for people and goods.

**More integrated and consistent management of environmental, climate and energy resources on continuous territories, natural basins, watercourses and bodies across the borders will bring healthier environments, better mitigation of the negative**

**consequences of climate change, and numerous economic opportunities.**

**Enlargement will also bring more opportunities for cross-border and interregional cooperation on topics related to the daily life of local communities and regions, including through peer-to-peer cooperation, which will help regions and cities in new EU Member States to integrate more easily, foster local economic development and promote culture in regions and cities in both 'old' and new EU Member States.**

**Local democracy as a positive vector for fundamental European values and principles, such as democratic participation and respect for human rights, including those of people belonging to minorities, will be consolidated and strengthened in a more extensive and populous geographical space, serving as a model for many non-EU countries too (whether or not they aspire to join the EU).**

**In areas of research and innovation, science and technology, education and culture, closer exchanges and cooperation between an increased number of actors in an enlarged EU and with its new neighbours could bring considerable synergies and tangible results.**

### 3 What regions and cities call for

- › Insisting on the merit-based approach and the need to reform the EU itself.
- › Highlighting the essential role of regions and cities in implementing the EU acquis-related reforms, and emphasising the need for effective cooperation and involvement in enlargement.
- › Promoting democratic governance, rule of law, respect for human rights, decentralisation and the fight against corruption at all levels.
- › Providing EU financial and technical assistance to local and regional authorities of enlargement countries to improve their administrative capacities and the lives of their citizens.
- › Dedicating greater financial support to assisting Ukraine and to empowering local and regional authorities in the recovery and reconstruction, as well as in the enlargement processes.

**70% of the acquis is dealt with the local and regional authorities**



### 4 What regions, cities and the CoR can do

- › Support local institutional development in candidate countries, a key to successful accession.
- › Deploy strong peer-to-peer learning mechanisms to involve local and regional authorities in enlargement, including via CoR Joint Consultative Committees (JCCs), working groups, and the Enlargement Day.
- › Be prepared to launch new JCCs, starting with Albania, and potentially with all candidate countries, when the conditions are right.
- › Remain committed to recovery and reconstruction in Ukraine through the efforts of the European Alliance of Cities and Regions for the Reconstruction of Ukraine and support for Ukraine on its path to the EU.
- › Promote reforms to establish effective multilevel governance, based on active subsidiarity and cooperation between all levels of government.



## Success story

### The European Alliance of Cities and Regions for the Reconstruction of Ukraine

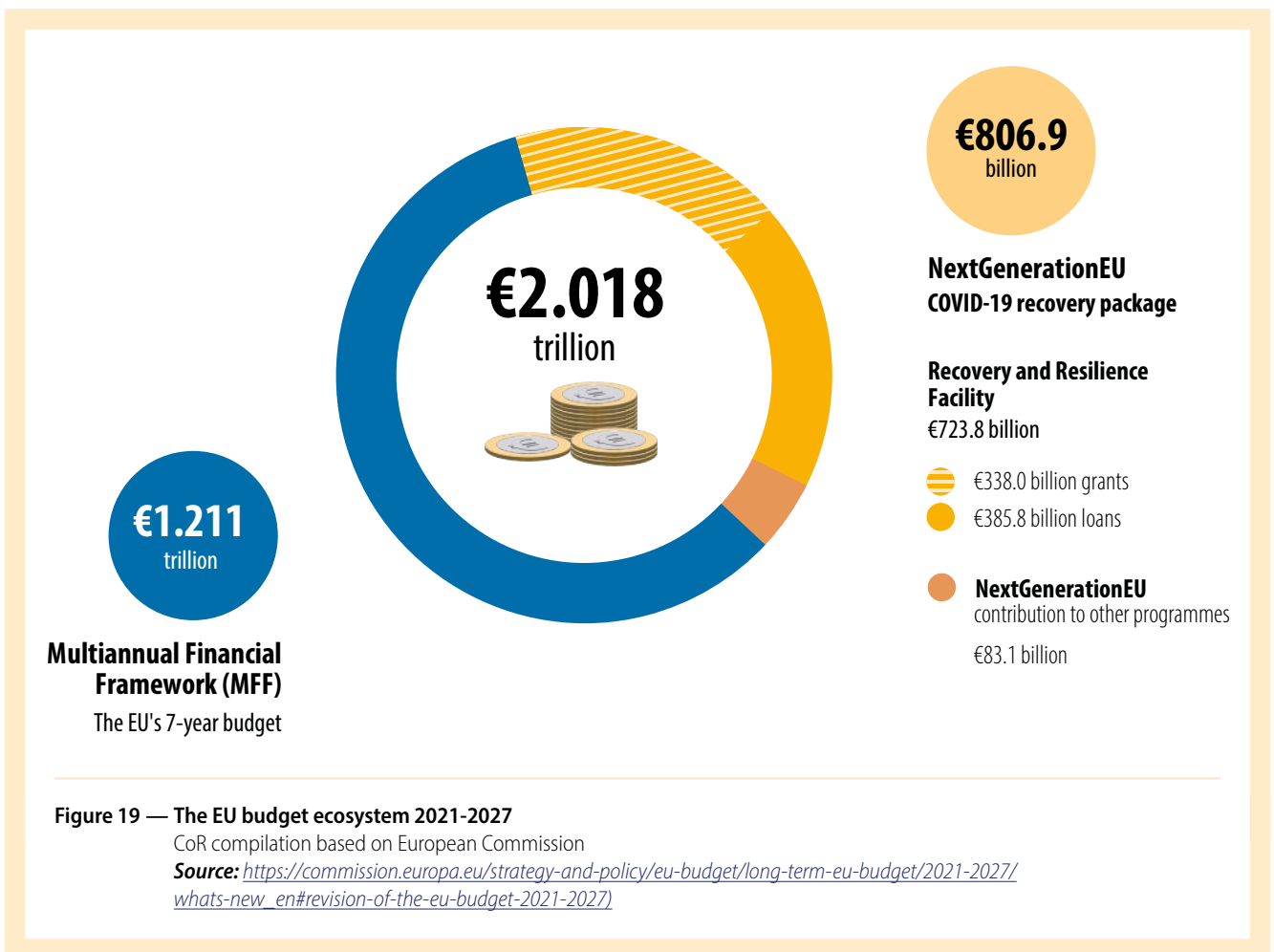
The European Committee of the Regions is leading the work of the Alliance, which is now internationally recognised. The Alliance presented recommendations promoting the role of regions and cities ahead of the 2024 Ukraine Recovery Conference. In addition, the CoR has also announced that the TIPS4UA training and internship programme will be established in 2025, in cooperation with U-LEAD.

# 10 } Investment and EU budget

## 1 Why regions and cities matter

From 2004 to 2022, EU regions and cities made 54% to 58% of total government public investment<sup>89</sup>. The differences between EU countries regarding decentralisation levels and responsibilities of sub-

national entities are diminishing. Though the EU budget is only about 2% of overall EU GDP, it drives local reforms, investments, and innovation.



**Cohesion policy is crucial, accounting for 13% of total government investment in the EU.** Other EU budget funds should respect the 'do no harm to cohesion' principle. Central government and EU transfers make up about half of regional entities' revenue in Europe<sup>90</sup>.

**With new rules for economic governance<sup>91</sup>, attention must be paid to the impact on investments in regions and cities.**

## 2 Future challenges for regions and cities

**Regions and cities across the EU are facing many long-term structural challenges<sup>92</sup> and will need to undertake massive investment during the triple transformation of societies (green, digital and demographic) to leave no people and no places behind<sup>93</sup>.** These long-term structural challenges occur in a context of increased polarisation within European societies. Notwithstanding the fact that, thanks to cohesion policy, EU economies are converging, major economic inequalities across EU regions and growing regional disparities within countries are creating significant territorial pockets of scarce opportunities.

**Individuals stuck in places with limited opportunities face a greater likelihood of experiencing poverty and social exclusion.<sup>94</sup>** Left behind regions and cities – very often medium-sized and rural ones – see part of their population migrating elsewhere. This creates a ‘talent trap’ which adds to the demographic challenge linked to the ageing of the entire European population, which is affecting all societies.

**Regions and cities are not immune to the challenges of adapting to a turbulent global landscape where the tectonic plates of geopolitics seem to shift daily in new and unexpected ways<sup>95</sup>.** In addition, the decline in Europe’s economic clout in the world has an impact on cities and regions as well. They must and will be part of the solution to reinforce Europe’s global competitiveness and attractiveness.

**Regions and cities will be crucial in making the necessary investments to anticipate and respond to these long-term structural challenges.** To strengthen their investment capacities, regions and cities need a predictable – yet sufficiently flexible and agile – legal and financial environment. The role of the European Union is instrumental in that respect.

**Article 3 of the Treaty of the European Union states that it must ‘promote economic, social and territorial cohesion and solidarity among Member States’.** This fundamental objective is set on an equal footing with other EU objectives such as the establishment of the internal market, the sustainable development of Europe based on balanced growth and price stability and a highly competitive social market economy aiming at full employment and social progress. All objectives are intertwined.

**We need to ensure that the political priorities of the next multiannual financial framework (MFF) are defined based on a broad and open debate.** The negotiations on the multiannual budget post-2027 will start soon, since the European Commission’s proposal

is due for publication by 1 July 2025 at the latest. The President of the European Commission has published an initial set of principles. Subnational authorities are strategic partners in this exercise and the European Commission would be well advised to acknowledge their role: it should avoid discussing exclusively with central governments.

**Whatever the format and duration of the next MFF, the impact on the investment priorities and opportunities of cities and regions across the EU will need to be properly assessed, taking into account the fact that the life cycle of the EU budget and its funding programmes do not necessarily match the life cycle of local projects.**

**The next EU multiannual budget should be far more place sensitive. It should be a better tool to deliver place-based policies, reflecting the diversity and varying capacities of European region and cities<sup>96</sup>.** Regions and cities are at the forefront in delivering on the promise of a sustainable transition for all towards climate neutrality.

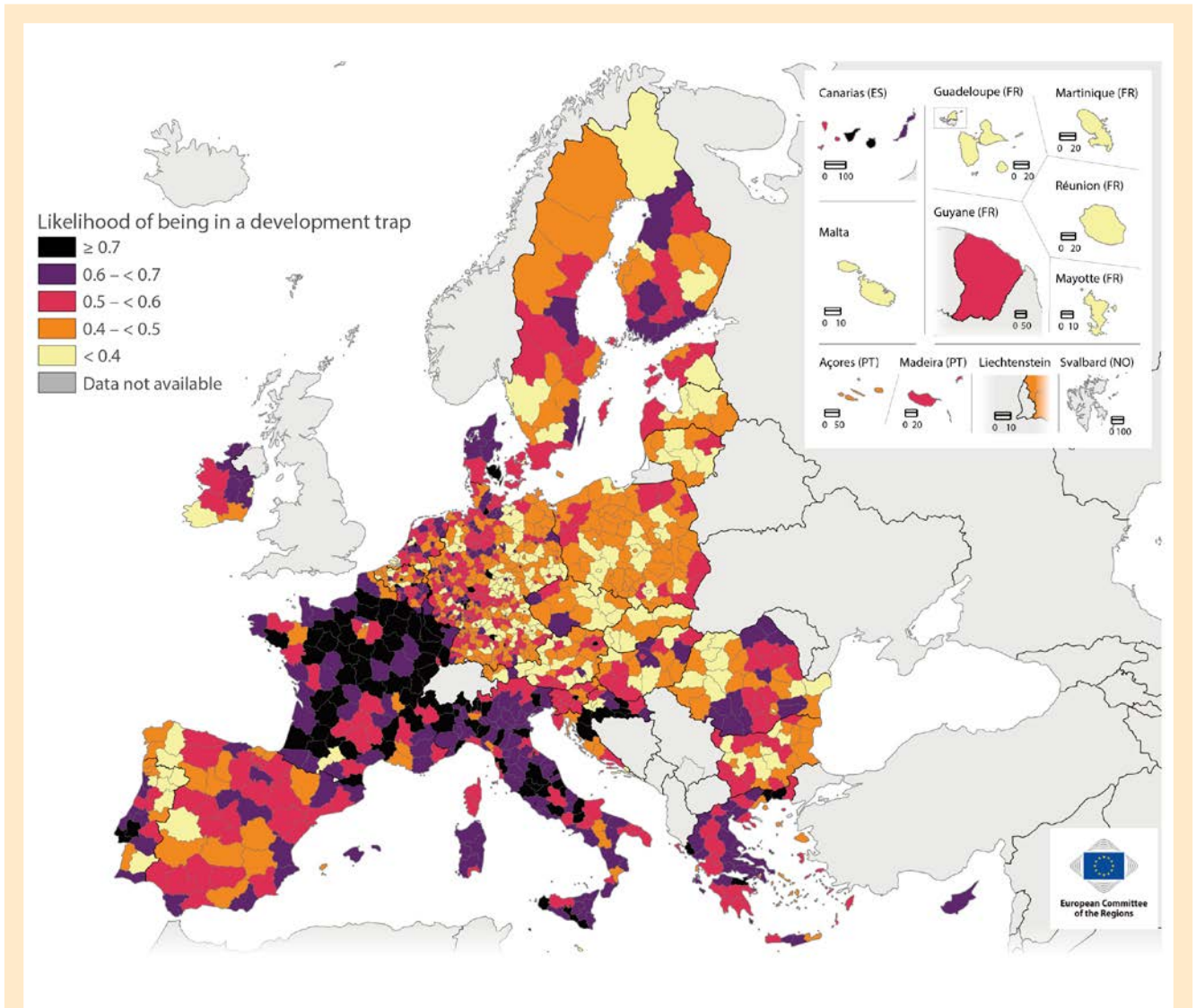
**That is why the design and the delivery mechanisms of new EU funding programmes post-2027 need to fully implement the principle of ‘do no harm to cohesion’.** The whole EU budget should aim to reinforce economic, social and territorial cohesion. EU cohesion policy – despite its undisputable merits and added value as one of the most sophisticated place-based policies in the world – cannot achieve cohesion alone.

**Recent discussions around the mid-term revision of the current multiannual budget 2021-2027 highlighted the interplay between national contributions to the EU budget and national fiscal-policy considerations.** If national contributions based solely on the economic wealth of Member States (gross national income) remain the main source of revenue for the EU budget, the issue is likely to dominate the political debate. It risks resulting in a zero-sum game where national interests prevail over a shared long-term vision of common goals.

**Regions and cities therefore support innovative proposals to widen the sources of revenue for the EU budget, such as those put up for public debate in Enrico Letta’s report on the single market<sup>97</sup>.** This debate could better reflect the impacts of economic transformation and globalisation which result in an increasing role for intangible assets and the greater international mobility of economic activities.

**The green transition itself could contribute to the contraction of the traditional tax base, due to the phase-out of fossil fuels, changes in consumption patterns, and growth fluctuations.** New forms of taxation (e.g. on carbon emissions, waste, and

unsustainable or unhealthy products and services) could also gain in importance to complement labour taxes and boost the sustainability of the public finances and of the welfare state<sup>98</sup>.



**Figure 20 — Development trap index 1**

By NUTS3 regions

*This index measures if a region's growth is lower than that of the EU, of its country or of the same region during the previous 5 years. It considers growth in GDP per head, productivity and employment over a five-year period. A region scores 1 for each time its growth is lower. this scores between 0 and 9 is then rescaled to 0-1*

**Source:** Data retrieved from the 9<sup>th</sup> Cohesion Report, through DG REGIO calculation based on JRC and Eurostat data

Administrative boundaries: © EuroGeographics © UN-FAO © Turkstat

© Cartography: Eurostat - IMAGE, 08/2024

### 3 What regions and cities call for

- › Designing an ambitious and place-sensitive EU budget that supports local investment.
- › Making place-based industrial and innovation policies be a key focus of any future new EU funding instrument to support the EU's competitiveness.
- › Finding new sources of revenue for the EU budget to reduce its dependency on national budget contributions and bring its financing into line with the Treaty provisions.

- › Endowing the future EU cohesion policy with sufficient financial resources to ensure that no place is left behind and to improve all people's wellbeing.
- › Fostering a culture of trust between the different layers of government in the EU to better coordinate public investment across policies at all levels.

### 4 What regions, cities and the CoR can do

- › Provide first-hand knowledge of the impact of EU funding programmes (ex-ante/ex-post) on various EU territories.
- › Improve delivery of EU funding programmes, focusing on results and performance from a local perspective.
- › Create synergies between various stakeholders to mobilise in favour of an ambitious, fit-for-purpose place-sensitive EU budget post-2027.
- › Deliver on the EU's overarching ambition of spearheading a just transition for all places towards climate neutrality by 2050.
- › Promote policy learning across level of government.



## Success story

### The renewed Cohesion Alliance

The Cohesion Alliance calls for cohesion policy to remain a fundamental pillar of the EU development model and the core long-term, decentralised investment policy in the future, building on place-based solutions. The political guidelines of the European Commission President for 2024-2029 stress that the EU's next long-term budget should focus in particular on promoting economic, social and territorial cohesion.



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# Endnotes

- 1 The University of Duisburg-Essen's Political Science Department is currently working on an analysis of turnout and results at European elections based on regional and local data. A similar analysis was previously conducted for the 2019 elections – see: Haußner, S., and Kaeding, M., [Political equality without social equality? Social distortion of voter turnout in the European elections 2019 across nine European capitals](#), *Research & Politics*, 7(2), May 2020.
- 2 European Commission, [Standard Eurobarometer 101](#), May 2024.
- 3 European Commission, [Flash Eurobarometer 359](#), March 2024.
- 4 European Committee of the Regions, [EU annual report on the state of regions and cities 2023](#), October 2023.
- 5 European Strategy and Policy Analysis System, [Choosing Europe's future](#), April 2024.
- 6 *Ibid.*, p. 5. 'The trend towards democratic backsliding continues. Technology is playing a greater role in how democracies function. The spread of participatory democracy, coupled with high levels of engagement on specific issues, is a positive trend'.
- 7 <https://strongcitiesnetwork.org/>.
- 8 The European Citizens Panel on Tackling Hatred in Society met three times in April and May 2024. [Its final recommendations](#) have been published on the European Commission's Citizens' Engagement Platform: they call for the organisation of citizens' panels at local and national levels on how to tackle hate speech using media, and also encourage the creation of community spaces to support marginalised people and develop voluntary civic services for adults in local communities.
- 9 European Committee of the Regions opinion, [Defence of democracy](#), CIVEX-VII/030, 17-18 April 2024, rapporteur József Kóbor (HU/EA), Member of the Local Government of Pécs with county rights.
- 10 Ursula von der Leyen, Candidate for the European Commission President, [Europe's choice. Political Guidelines for the next European Commission 2024-2029](#), 18 July 2024.
- 11 [European Network of Regional and Local Councillors](#).
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of the Regions**

Created in 1994, the European Committee of the Regions is the EU's political assembly of 329 regional and local representatives such as regional presidents or city-mayors from all 27 Member States, representing over 446 million Europeans.

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Rue Belliard/Belliardstraat 101 | 1040 Bruxelles/Brussel | BELGIQUE/BELGIË  
Tel. +32 22822211 | e-mail: [visuals@cor.europa.eu](mailto:visuals@cor.europa.eu) | [www.cor.europa.eu](http://www.cor.europa.eu)  
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