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## THE RISE OF THE SMALL TOWN: POLICIES FOR SMALL AND MEDIUM- SIZED TOWNS

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Cover image: Wittenberge, location of the secretariat of the German Small Town Academy

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# EXECUTIVE SUMMARY

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Small and medium-sized towns (SMST) have often been overlooked and can get caught in the middle between urban development policy and rural development policy. However, their role as 'anchors' of territorial cohesion has increased the focus on their development and capacity building, also within the regional policy sphere.

The definition of SMST is complex and varied and this report focuses on municipalities between 5,000-50,000 inhabitants. This is the dominant settlement type in large parts of Europe. The challenges of the demographic, green, digital and economic transitions have very diverse impacts on SMST, often related to their location.

The important role of SMST is not always translated into dedicated policies but support is often addressed within wider policy approaches (regional, urban, spatial planning, fiscal equalisation). However, there are also many examples of dedicated support mechanisms including measures supporting investment, networking and capacity building.

Investive measures can focus on town centre development (SCO), wider regeneration (UK) including support not just for economic growth but also wider quality of life (PL, FR). EU Cohesion Policy also offers

a range of options for investive support for SMST.

Networking measures encourage cooperation and partnership, recognising the benefit of knowledge exchange, especially peer-to-peer. The support of targeted thematic networks has become more common (FI, DE, PL, FR).

A strong focus can be seen on capacity-building measures which is a recognition of the particular challenges faced by SMST in having sufficient capacity to act. This is critical in order to mobilise people and resources, navigate uncertainty and 'punch above their weight' in policy and project implementation (DE, PL, NL, NO, FR).

The implementation of policies for SMST face several challenges linked to their specific characteristics. SMST generally have fewer capacities and more limited funding than larger cities to respond to similar tasks. Governance arrangements can neglect them as metropolitan regions dominate the urban discourse. Insufficient targeting can result in SMST with very different framework conditions (e.g. those that are part of agglomerations) receiving similar support as those most in need. Finally, lack of evidence of the value of SMST targeted policy puts it at risk in the context of budgetary cuts and streamlining.



# 1 INTRODUCTION

Over the past few decades, small and medium-sized towns (SMST) have often been overlooked in favour of either metropolitan regions on the one hand, or of peripheral and rural areas on the other. Sometimes SMST appear to be caught in the middle between urban development policy and rural development policy. The former is more interested in large cities and agglomerations, while the latter concentrates its efforts on sparsely populated territories, often with an agriculturally oriented rationale. Some research even identified a “systematic attention gap”<sup>1</sup> for SMST, which are perceived to be too small to be of interest to the metropolitan community and too urban for the rural community.

Some of this negligence might also result from the unclear definition of what the term SMST covers, especially in international comparison. Also, in terms of the support for SMST, there is significant definitional variation of what this entails, especially in terms of its relationship with regional policy. Yet, we can observe an increased focus on SMST, responding to their role as crucial ‘anchors’ of territorial cohesion, particularly in less developed or peripheral regions. The challenge for policymakers is to ensure that urban authorities have the tools, jurisdiction and funding that would allow them to play a more active role in designing and delivering strategies.<sup>2</sup>

As a result, we can find policies targeting SMST – defined according to their specific contexts – both in individual countries and at EU level. There are now many countries that place a strong and explicit focus on SMST in their territorial development policies and accordingly have developed a series of dedicated tools and approaches. This report argues that there is indeed a “rise of the small town” and attempts to take stock of the varied picture of policy responses. It focuses on EoRPA Consortium member countries (see end page), but also highlights EU-level trends and tools.

The following sections present a definition of SMST and illustrate the increasing recognition of SMST (Section 2.1) and describe the challenges faced by SMST (Section 2.2). The report then presents the range of policy responses for SMST, organising these into investive measures (Section 3.1), networking measures (Section 3.2) and capacity-building measures (Section 3.3). Section 4 summarises the main messages and identifies the challenges of implementing SMST policies. Finally, Section 5 presents some conclusions and raises issues for discussion.

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<sup>1</sup> Porsche L, Steinführer A and Sondermann M (2019) [Kleinstadtforschung in Deutschland. Stand, Perspektiven und Empfehlungen](#), Arbeitsberichte der ARL 28, Hannover.

<sup>2</sup> Ferry M and Kah S (2022) [Embedding the Urban Dimension in Cohesion Policy](#), IQ-Net Thematic Paper 50(2), European Policies Research Centre Delft.



## 2 CONTEXT

### 2.1 Identification and increasing recognition of SMST

The definition of SMST is complex and different countries have adopted a variety of ways of organising settlements of different sizes into categories. In recent years, a number of studies, e.g. by ESPON, have suggested that a combination of total population and density allows a suitable working definition. ESPON defines small and medium-sized towns as urban settlements between 5,000 and 50,000 inhabitants and a population density of between 300 and 1,500 inhabitants per square kilometre (Table 1).<sup>3</sup> This definition also includes larger urban settlements beyond 50,000 inhabitants, as long as their population density is below 1,500 inhabitants.

**Table 1: ESPON settlements typology to define SMST (2014)**

		DENSITY criterion (inh. / km <sup>2</sup> )		
		< 300	> 300 and < 1500 km <sup>2</sup>	> 1500 km <sup>2</sup>
POPULATION threshold (inh.)	under 5,000	OTHER SETTLEMENTS	VST (very small town)	VST (very small town)
	Between 5,000 and 50,000	OTHER SETTLEMENTS	SMST	SMST
	over 50,000	OTHER SETTLEMENTS	SMST	HDUC (high-density urban clusters)

Source: ESPON TOWN (2014)

Other European level research has used similar definitions, such as a 2022 Committee of the Regions study on “small urban areas”,<sup>4</sup> and the 2023 “Policy Atlas of Sustainable Urban Development for Small Urban Areas” by the European Commission’s Joint Research Centre.<sup>5</sup> Based on this, **this report follows a similar approach to the definition of SMST and largely focuses on municipalities between 5,000 and 50,000 inhabitants.** However, there is some flexibility and country-specific contexts are taken into account.

It is worth taking a brief look at the relative importance that SMSTs have. In the EU, more than one in three citizens live in towns and cities of between 5,000 and 100,000 inhabitants<sup>6</sup> and as Figure 1 shows, SMSTs (5,000-50,000 inhabitants) are the dominant settlement type in large parts of Europe. Looking at NUTS3 level, this includes, for instance, many parts of Germany, Benelux, western Poland and Spain, as well as parts of Italy, where SMST are prevalent in many coastal

<sup>3</sup> ESPON (2024) [Role of small and medium-sized towns and cities in territorial development and Cohesion](#), Policy Brief, February 2024.

<sup>4</sup> Böhme K et al (2022) [Small urban areas: a foresight assessment to ensure a just transition; European Committee of the Regions](#), Commission for Territorial Cohesion Policy and EU Budget.

<sup>5</sup> Fioretti C, Saraceno P, Perpiña Castillo C and Testori G (2023) [Policy Atlas of Sustainable Urban Development for Small Urban Areas](#), Joint Research Centre.

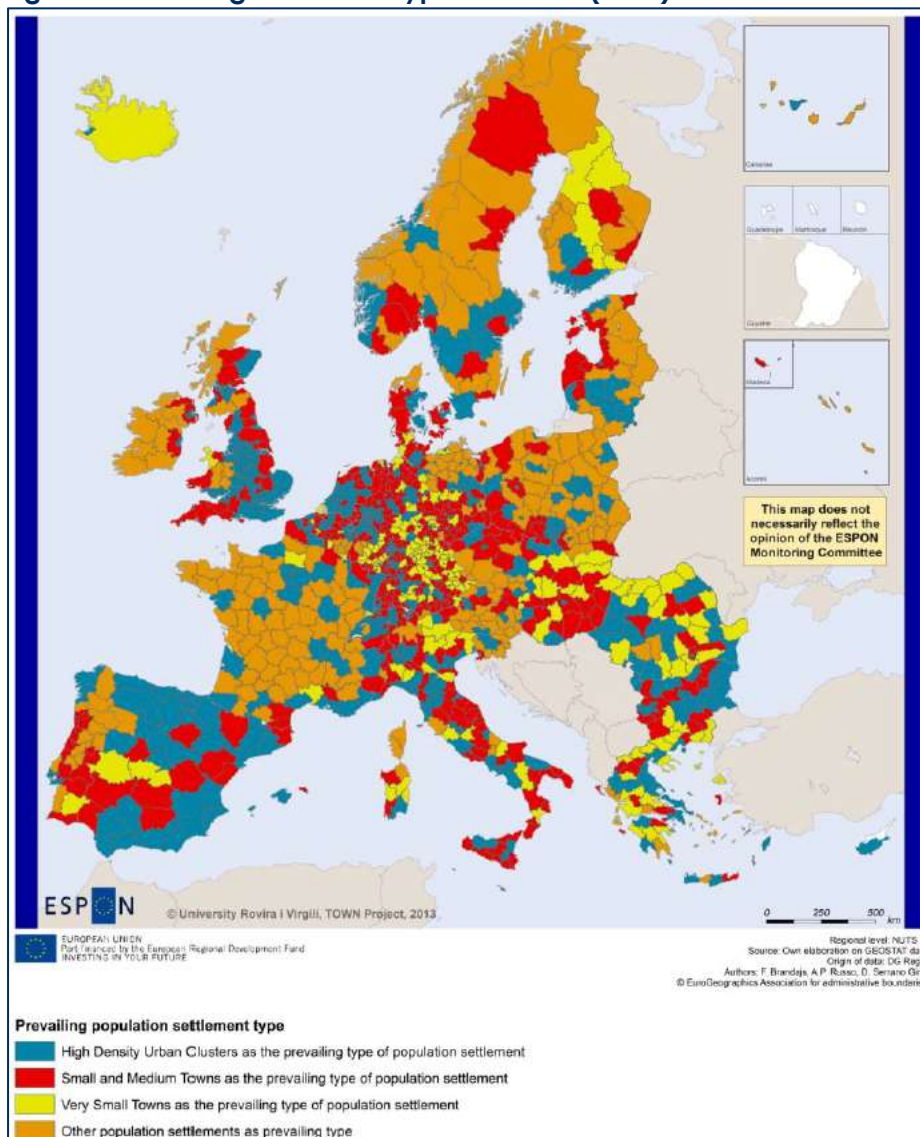
<sup>6</sup> Tocchi C, Scagliotti L and Cianetti L (2021) [Small towns and cities must be given a greater voice in efforts to increase urban inclusion](#), 4 June 2021.





areas. SMSTs are less dominant in other parts, such as in France or in parts of central and eastern Europe.<sup>7</sup>

**Figure 1: Prevailing settlement types in the EU (2014)**



Source: ESPON (2014)

**In the light of the relative importance of these types of settlements, the visibility of SMST in regional and spatial development policy has grown<sup>8</sup> over the past decade.** In many countries, there has been a renewed interest in this spatial category. There is not only academic interest

<sup>7</sup> ESPON (2014) *TOWN. Small and medium sized towns in their functional territorial context*, Final Report, 6 November 2014.

<sup>8</sup> Georgieva N and McMaster I (2022) 'Small, but not forgotten': Small and Medium-Sized Towns in Regional Policy, Briefing paper for the EoRPA Consortium Coffee Break Workshop, 24 March 2022.





in SMST,<sup>9</sup> but also increasingly from policymakers. In Germany, the Federal Institute for Research on Building, Urban Affairs and Spatial Development (BBSR) published a report on small towns in 2012 which initiated a dedicated research focus on this type of settlement. The activities initially focused on peripheral and rural SMST but expanded to include small towns in more populated areas in recognition of specific challenges faced also by these towns. This was developed into a specific research cluster to take a cross-sectoral and interdisciplinary approach to the development of SMST. Italy has launched an observatory specifically dedicated to SMST in 2020<sup>10</sup> and Poland commissioned a series of research studies to identify the municipalities most at risk of permanent marginalisation. It identified 755 mostly rural small towns with up to 15,000-20,000 inhabitants, which became a target group for policy responses (Section 3).

The important role of SMST has also been acknowledged at European level:

- The **EU's Territorial Agenda 2030**<sup>11</sup> supported the Pilot Action "Small Places Matter" between 2021 and 2023 (Box 1). The "small places" concept is broader than SMST, including also more rural territories, but both concepts share the concern about how these territories can be supported appropriately so that they can fulfil their important role for the development of a wider territory.
- The **EU's long-term vision for rural areas up to 2040**,<sup>12</sup> presented in 2021, provides a valuable basis for highlighting the importance of SMST as driving forces for rural attractiveness and development and for the provision of access to services for their surrounding rural areas. It asks for a balanced territorial development that is anchored in place-based approaches and the involvement of all governance levels. Making the most of the potential of rural areas requires the consideration of the role of SMST located within them.
- The **EU's 8<sup>th</sup> Cohesion Report** from 2022 highlighted how smaller cities and towns provide an 'anchor point' for their wider regions, supporting territorially balanced development.<sup>13</sup>

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<sup>9</sup> Mayer H and Lazzeroni M (2022) [A Research Agenda for Small and Medium-Sized Towns](#), Elgar.

<sup>10</sup> <https://mediaree.it/osservatorio/>

<sup>11</sup> <https://territorialagenda.eu/>

<sup>12</sup> CEC (2021) [A long-term Vision for the EU's Rural Areas - Towards stronger, connected, resilient and prosperous rural areas by 2040](#), COM(2021) 345 final, Brussels, 30.06.2021.

<sup>13</sup> European Commission (2022) [Cohesion in Europe towards 2050, Eighth report on economic, social and territorial cohesion](#).





### Box 1: Territorial Agenda Pilot Action “Small Places Matter”

The EU Territorial Agenda 2030 ‘Small Places Matter’ Pilot Action is led by the Ministry of Local Government and Modernisation of Norway and includes partners from Germany, Ireland, Poland, Romania, Spain, Sweden and Switzerland.

The pilot action’s work focuses on the vital role of small towns and villages in the development of integrated territorial development processes and in strengthening cooperation between territories. Key to the pilot action is identifying ways to link the valuable insights and momentum that come from bottom-up initiatives and top-down planning processes.

Source: McMaster I (2023) [TA 2030 ‘Small Places Matter’](#), Pilot Action Final Report.

There is an **increasing shift from acknowledging the role of SMST in strategic documents to appropriate policy actions**. One recent example is the Territorial Agenda’s Pilot Action. Most importantly, EU Cohesion Policy’s already strong urban emphasis has been reenforced in the 2021-27 programme period by increasing the compulsory national ERDF allocation to sustainable urban development from 5 percent to 8 percent. This also impacted SMST, as Member States often broadened the range of targeted urban territory, typically by expanding to include smaller urban settlements (e.g. in Belgium-Flanders, Czechia and Denmark).<sup>14</sup>

The strong policy interest is also exemplified by recent efforts by the European Commission’s JRC and by ESPON:

- In March 2023, the JRC’s **Policy Atlas of Sustainable Urban Development for Small Urban Areas** looked at a diverse range of SMST (or rather small urban areas) in Germany, Hungary, Ireland, Italy, Latvia, Portugal and Spain and suggested five “policies to turn the tide”:
  - re-activating places for people and community;
  - re-discovering uniqueness;
  - re-connecting with nature for a sustainable future;
  - re-inventing smart public services; and
  - re-imaging governance and partnerships.<sup>15</sup>
- In February 2024, ESPON’s **Policy Brief on the Role of Small and Medium-sized Towns and Cities in Territorial Development and Cohesion** presented policies for SMST in Germany, Italy, Portugal and Spain. The brief asks for integrated and place-based policy interventions that
  - foster the diversification of economic activities and smart specialisation;
  - find solutions for the provision of high-quality, accessible and cost-efficient public services; and
  - promote territorial cooperation within functional areas.<sup>16</sup>

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<sup>14</sup> Ferry M and Kah S (2022) *Op. cit.*

<sup>15</sup> Fioretti C, Saraceno P, Perpiña Castillo C and Testori G (2023) *Op. cit.*

<sup>16</sup> ESPON (2024) *Op. cit.*



## 2.2 The challenges faced by SMST

While SMST naturally face challenges similar to those dealt with by other European settlement types, looking at these in the light of the different ongoing societal transitions<sup>17</sup> helps with the identification of some specificities:

- **Demographic transition:** SMST will be affected differently, depending on their territorial setting, but many will suffer from shrinking and ageing. At the same time, there are also strongly growing SMST, e.g. in the vicinity of larger cities or where the SMST benefits from migration from surrounding peripheral areas.
- **Climate change and green transition:** as other places, SMST will be impacted by climate change. However, cities including SMST are drivers for change and the location of many SMST in otherwise sparsely populated areas is an opportunity to become drivers of green transition by making use of the opportunities provided by the surrounding rural areas.
- **Digital transition:** while many SMST, especially peripheral ones, lack sufficiently powerful internet connectivity, digitalisation can be an opportunity to make up for locational disadvantages. Yet, there seems to be little proof that remote work opportunities have made SMST more attractive.<sup>18</sup>
- **Economic transition:** there is an ongoing concentration of enterprises and jobs in metropolitan areas that risks excluding SMST, but these in turn can themselves act as hubs of economic activity for their more rural surrounding areas.

**The described transitions show that their impact can be very diverse and that the location of SMST is crucial to understanding to what extent they experience transitions as a threat or an opportunity.** While some are affected by shrinking due to declining economic activity (old industries, fisheries etc.), others are experiencing growth and the associated challenges of availability of housing and infrastructure.

Germany, for instance, **distinguishes clearly between SMST in central and in peripheral areas**, acknowledging that the two types of SMST require different policy responses. This is illustrated by Figure 2, which compares population development of different municipality categories in Germany between 1990 and 2019. Overall, small towns (5,000 to 20,000 inhabitants) grew by 1.3 million inhabitants (5.4 percent) in that period, but the picture is quite diverse when looking at the types of locations, from very central to very peripheral: very centrally located small towns recorded significant growth of 17 percent between 1990 and 2019, while small towns in very peripheral locations showed significant and continuous demographic decline (-18 percent).

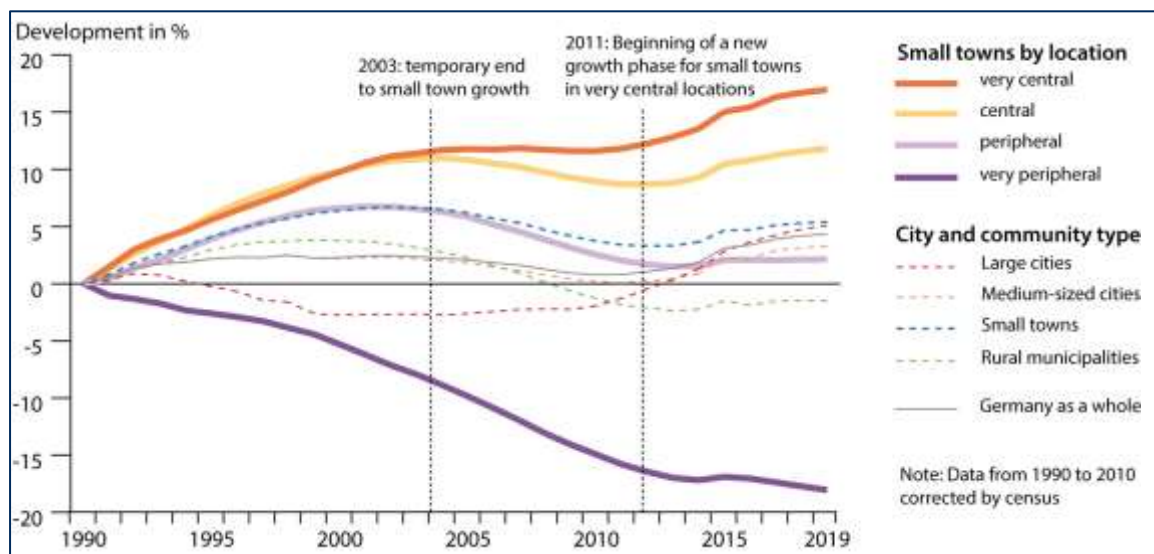
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<sup>17</sup> Böhme K et al (2022) *Op. cit.*

<sup>18</sup> Granath Hansson A and Guðmundsdóttir H (2024) [Remote work in smaller towns: Possibilities and uncertainties](#), Nordregio.



Figure 2: Population development in different municipality categories in Germany, 1990-2019



Source: Kah S (2023) *Small and medium-sized towns and cities in Germany. Policies strengthening their role in achieving active, inclusive and functional territories*, ESPON, based on BBSR data.

Many SMST in peripheral areas risk being so-called “left behind places”,<sup>19</sup> showing signs of declining public services, degradation of natural spaces, abandonment of settlements, weakening of local identity and material and immaterial cultural heritage. This often goes along with a **decrease in capacities for local governance, which is of particular relevance from a policy perspective**. In addition to the material challenges experienced by SMST, there are the challenges of being able to respond to them in an effective and efficient manner.

<sup>19</sup> Dijkstra, L (2024) [What do we owe a place? How the debate about left behind places is challenging how we distribute public funding and the problems it should address](#), *Cambridge Journal of Regions, Economy and Society*, Vol. 17(2), July 2024 pp 417-423.







### 3 POLICY RESPONSES FOR SMST

The policy attention given to SMST varies by country, depending on each country's territorial settlement structure, the type and degree of challenges and political choices. For instance, SMST play important roles in sparsely populated areas and in territories with geographical challenges.<sup>20</sup> Accordingly, in countries with large peripheral or mountainous areas, such as Norway, there is a broad strategic approach to using SMST as motors of development for surrounding areas. Also, where the balanced development of all parts of a country is an important priority, such as in Germany, the significance of SMST for the spatial fabric has been recognised by urban and regional development policies. Accordingly, stabilising and supporting small towns is an important element in Germany's effort of achieving equivalent living conditions.<sup>21</sup> Similarly, Italy sees its network of SMSTs as "an important armour in terms of wealth of resources, quality of the productive fabric and social and cultural heritage".<sup>22</sup> These perceptions can change over time, and in the UK, towns have become an important focus in recent years as part of the government's levelling up policy.

However, the important roles of SMST are not always translated into dedicated policies. SMST are instead addressed as part wider policy approaches, as shown in Table 2. This can be as part of broader regional development policies (e.g. Sweden), as a focus of spatial planning (e.g. Austria), in strong fiscal equalisation mechanisms (e.g. Norway) or where Cohesion Policy provides significant support (e.g. Portugal). In Switzerland, there are limited examples of policies concentrating on SMST and in Italy, the types of urban settlement targeted by policy are similar to SMST, but often much smaller.

**Table 2: Role of SMST in countries where responses are integrated in wider policies**

 <p><b>In Sweden, regional development policy covers the entire country and highlights the importance of the territorial perspective.</b> Policy supports all types of territories including SMST. Since funding and implementation is largely decentralised to the regional level, it is up to the regions to decide the focus of funding, as long as it is in line with their respective regional development strategies and the national strategy. At national level, there are no special measures targeted at SMST and instead discussions are more around functional areas combining both urban and rural areas.</p>	 <p><b>In Norway, fiscal equalisation mechanisms form the most important support framework for SMST.</b> This is the case in Norway, where municipalities play a significant role, and many consist of small settlements and their surrounding areas. In this context, SMST have a key role in overall development, as part of the country's overall commitment to equal standards for citizens in all parts of the country, especially providing public services. There are strong fiscal equalisation mechanisms in place that mitigate disparities in local tax revenues</p>
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<sup>20</sup> Bertram D and Chilla T (2024) [Investigating roles beyond size: Small towns in the European Alps](#), ESPON TerritoriALL magazine, issue 13, pp. 45-45.

<sup>21</sup> Milbert, A and Porsche, L (2021) [Kleinstädte in Deutschland](#), BBSR, Bonn

<sup>22</sup> <https://www.smartbuildingitalia.it/news/imperia-smart-city-lab/il-valore-delle-citta-medie-italiane-e-dei-loro-territori/>





 <p><b>In Austria, there is an increasing focus on town centres and urban regions.</b> Integrated urban development concepts gain in importance as governance instruments in spatial and regional planning. Due to the country's urban structure, SMST play an important role which has been emphasised in the recent drive towards a greater role of regions (sub-Land level).</p>	 <p><b>In Portugal, relevant measures for SMST are part of wider territorial management or spatial planning,</b> and EU Cohesion Policy plays a crucial role in financing urban development measures, covering all types of cities and links between them. EU territorial instruments are used intensively across the whole country.</p>
 <p><b>In Switzerland, while there is acknowledgment of SMST in spatial frameworks, targeted policies for their development are limited.</b> SMST in the form of regional centres are acknowledged as economic growth poles by limiting tax credits under regional policy to 100 pre-selected SMST across the country.</p>	 <p><b>In Italy, a policy focus is placed on small urban settlements referred to as “borghi”,</b> old small towns that are at risk of abandonment or are already abandoned. Often, their urban character is historical and the territories can be described as rural municipalities with an urban nucleus. Policies for “borghi” aim to maintain or increase their economic activity and the attractiveness of settlements.<sup>23</sup></p>

Source: EoRPA research

**Identifying relevant SMST policies is complicated by the fact that available support is often not specifically targeted to this type of settlements. Instead, the most important support framework for SMST can be broader territorially-oriented policies.** These can be urban development policies that target cities and towns of various sizes. An example is German urban development policy, which is one of the most significant examples of urban policy in Europe (Box 2).

### Box 2: SMST orientation in German urban development policy

Since its launch in 1971, **German urban development policy** (*Städtebauförderung*) has supported over 12,000 projects with a value of over €18 billion. Federal funding for eligible activities can cover a third of the costs with the remainder provided by the *Land* or municipality. There is an annual federal budget of €790 million and after some restructuring of the support in 2020, the funding is organised into three strands:

- 'Living Centres': maintenance and development of town centres to strengthen inner urban areas (€300 million)
- 'Growth and sustainable renewal': stimulation of urban districts, transformation and revitalisation of derelict sites, particularly for housing (€290 million)
- 'Social Cohesion': support to stabilise and develop disadvantaged urban districts and improve social conditions (€200 million)

SMST are important beneficiaries of the policy and implementation data shows that cities of between 20,000 and 100,000 inhabitants benefit most from the policy, receiving the highest per capita funding.<sup>24</sup> Before the 2020 reform, there was a dedicated programme for SMST that was subsequently integrated into current funding streams: “Smaller Towns and Municipalities – intermunicipal cooperation and networks”. The original programme focused on low-density and rural areas, often with depopulation

<sup>23</sup> <https://www.invitalia.it/cosa-facciamo/rafforziamo-le-imprese/imprese-borghi>

<sup>24</sup> Kah S (2023) [Small and medium-sized towns and cities in Germany. Policies strengthening their role in achieving active, inclusive and functional territories](#), ESPON.



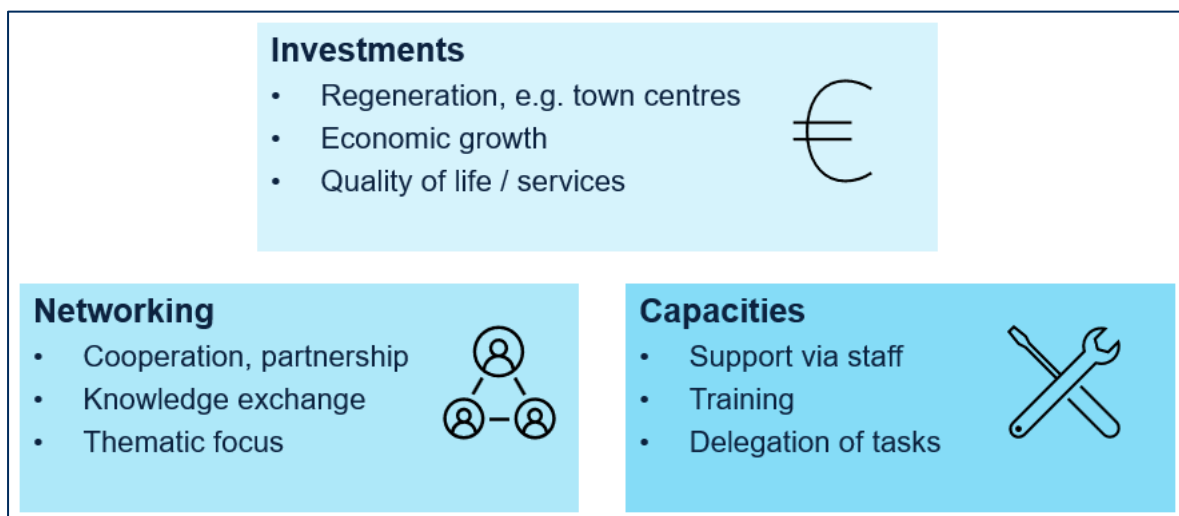


challenges, and helped small towns access urban development support funding. In ten years, the programme supported 674 intermunicipal cooperation and network projects, involving 1,450 SMST and other municipalities.

Source: Kah S (2023)

The following sections look at the wide range of support mechanisms that specifically target SMST. They are organised into measures that provide funding support for investments in the targeted territories, measures that encourage networking and measures that aim to build capacity (Figure 3). It covers examples from Germany, Finland, France, Netherlands, Norway, Poland and the United Kingdom, as well as EU-level approaches.

Figure 3: Types of interventions for SMST



Source: own elaboration.

### 3.1 Investive measures

This section looks at examples of policies that focus on providing substantial funding for investment in SMST. There are examples from France, Poland, the United Kingdom / Scotland and the European level that show the range of measures. Some cases focus on town centres as a territorial focus of investment (Scotland), others on wider regeneration (e.g. United Kingdom), covering not only support for economic growth, but also for quality of life (France, Poland). The EU provides a broad range of options via its Cohesion Policy.

**In terms of a focus on town centres, there are several examples from different countries that implement measures that target SMST in such a way** (Austria, France, Germany, Ireland, Scotland, UK). Although these are characterised by a strong territorial focus on town centres and often on their roles as centres of retail and public services, the policies tend to have wider objectives. Supporting city or town centres can have important effects not just for the town as a whole, but also beyond, stabilising the SMST's function as the gravitational centre of its wider area.





### Box 3: Scotland's Town Centre Action Plan



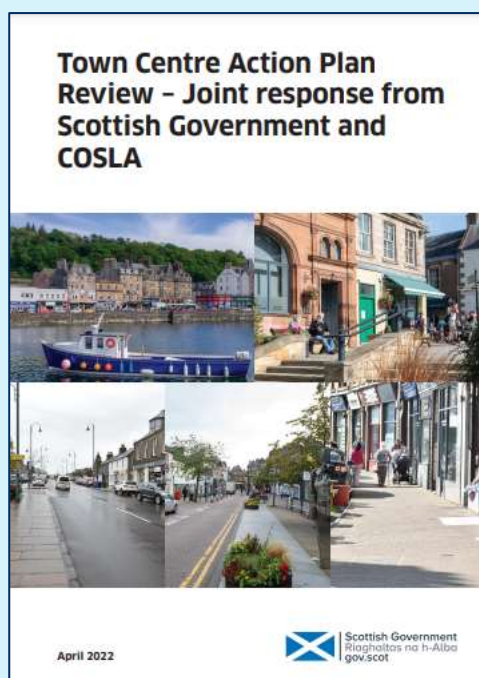
Scotland's Town Centre Action Plan emphasised a 'Town Centre First' approach. The progress of this approach was supported in 2019 with £50 million from the Scottish Government granted to local authorities through the capital Town Centre Fund. A review carried out in 2020 developed a vision for towns in Scotland that intended to make Scotland's towns and town centres 'greener, healthier and more equitable and inclusive places':

*"Towns and town centres are for the wellbeing of people, planet and the economy. Towns are for everyone and everyone has a role to play in making their own town and town centre successful".*  
(Town Centre Action Plan Review Group, 2021)

Actions to better embed the 'Town Centre First' approach include, for instance:

- ensuring town centre regeneration contributes to climate action (reducing emissions, investing in low-carbon transport and creating more green spaces)
- making town centre services as accessible as possible (to help reduce unnecessary car journeys and prevent climate change)
- incentivising entrepreneurship
- supporting businesses with town centre premises by exploring a new online sales tax
- using the planning system to limit out of town development and ensuring that the non-domestic rates system continues to support net zero ambitions by providing reliefs for businesses generating more energy from renewable sources
- requiring developers to install and optimise digital connectivity in new town centre housing developments and supporting community organisations delivering digital skills training.<sup>25</sup>

A national towns collective, 'Scotland's Towns Partnership', is taking forward the review's recommendations.



Source: Town Centre Action Plan Review Group (2021) [A New Future for Scotland's Town Centres](#), February 2021.

A prominent example was the Towns Fund in the UK, a £3.6 billion intervention implemented in 2019-21. It targeted 101 places, not only reshaping town centres, but also inviting stakeholders to develop proposals for investments in urban regeneration, planning and land use, skills, heritage and enterprise infrastructure. Similarly, in France, there has been a programme for the revitalisation of town centres since 2014 and in Austria, there are schemes implemented at the level of its *Länder*, such as Styria's initiative "Strong Centres".<sup>26</sup> Some of these measures can have significant funding available, such as the funding line "Living Centres" of the German national urban development policy, which provides €300 million annually to strengthen inner urban areas (Box 2). An example is provided by Scotland's Town Centre Action Plan in Box 3.

<sup>25</sup> <https://www.gov.scot/publications/new-future-scotlands-town-centres/>

<sup>26</sup> <https://www.sfg.at/starkezentren-fuer-die-belebung-steirischer-ortszentren/>





**The French City Centre Development Programme (*Action Cœur de Ville*, ACV) also focuses on town centres, but has a dual ambition: to improve the living conditions of residents of SMST and to strengthen the role of these towns as drivers of regional development.** Launched in 2018, the programme operates in the context of a new approach to the territorial organisation of France based on the so-called 'decentralisation of projects' (*décentralisation de projets*)<sup>27</sup> which implies that local authorities retain responsibility for project selection and execution while central state authorities act as a facilitator and aim at capacity building. The programme targets the revitalisation of city centres of 245 medium-sized cities in 232 metropolitan and overseas territories in France. The Development Programme represents an example of how the government envisages reshaping the relations between the State and sub-national administration and mobilised €5 billion over a five-year period until 2022 for the first phase. In September 2021, President Macron confirmed the extension of the City Centre Development programme for the period 2023-26.<sup>28</sup> The programme builds on the mobilisation and coordination of policy actors who use their own financial resources to contribute to the objectives of the programme. In this respect, targeted technical support to individual projects plays a key role. It therefore relies on the engagement of various actors, who have committed to support the implementation of the programme and have earmarked financial resources for this purpose. The new period 2023-26 has also been expanded with new strategic priorities, in particular with the green transition as the guiding principle.

In the United Kingdom and Poland, we can find **wider investment measures taking a broader territorial focus beyond the centres of SMST:** the Levelling Up Partnership Programme and the Long-Term Plan for Towns in the UK, and the Local Development Programme in Poland.



**The investment character of the UK's Levelling Up Partnership Programme goes beyond town or city centres and aims at the wider regeneration of cities and towns.** It was initiated in 2022 following the piloting of a series of 'deep dives' in three SMST in England (Blackpool, Grimsby and Blyth).<sup>29</sup> The 'deep dives' aimed to investigate what a concerted effort from government to levelling up could look like outside of the large cities. The approach was based on central government working closely with a range of local stakeholders, especially, but not only, councils, to try to deliver important and meaningful change and to tackle challenges and unlock opportunities specific to the pilot areas. The approach was co-designed with local stakeholders and was intended to be cross-cutting and

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<sup>27</sup> Downes R, Ferry M, Maguire R and Bachtler J (2024) Regional Policy in Europe: No Place Left Behind, EoRPA Report 24/1, EoRPA Regional Policy Research Consortium, European Policies Research Centre, University of Strathclyde, Glasgow and EPRC Delft.

<sup>28</sup> Banque des Territoires (2022) [Action cœur de ville : une phase II centrée sur les entrées de villes et les quartiers de gares](#), February 2022.

<sup>29</sup> <https://www.gov.uk/government/news/new-plans-to-level-up-blackpool-unveiled>; <https://www.gov.uk/government/news/levelling-up-investment-unlocks-300-million-blackpool-regeneration>; <https://www.gov.uk/government/news/major-funding-package-to-level-up-blyth>; <https://www.lgcplus.com/politics/devolution-and-economic-growth/rob-walsh-levelling-up-grimsby-the-deep-dive-experience-21-03-2023/>



holistic, aiming to understand in-depth the challenges being faced. The pilots involved an intensive hands-on approach, with analytical input and fieldwork, including in-person interviews with stakeholders, aiming to put in place longer-term partnership working. The roll-out of the programme to 20 further places in England (as a £400 million 'bespoke regeneration programme') was announced in the March 2023 Spring Budget.<sup>30</sup> Further extension to Scotland was announced in 2024.<sup>31</sup> The selection of the initial 20 places chosen for rolling out the Levelling Up Partnerships in England was based on lower tier local authorities and assessed based on the methodology, for measuring 'levelling up need' (using four metrics – skills, pay, productivity and health). This is measured at a local authority level, which can be large and cover multiple urban areas. The starting assumption is to 'work with the largest urban area, unless – given the work is undertaken in partnership with a local area – there is a strong local rationale for choosing somewhere else. The largest urban areas will be identified using population estimates for towns and cities.'<sup>32</sup>



**Another type of investment into SMST in the United Kingdom is the Long-Term Plan for**

**Towns,**<sup>33</sup> launched in October 2023. It invests £1.1 billion into 55 SMST across the United Kingdom, later expanded to 75 towns. Each town will be awarded a £20 million endowment-style fund to invest in a 10-year plan drawn up by new Town Boards made up of local community leaders and employers. The long-term planning will be based on consultation, with funding aligned to the themes of safety and security, high streets, heritage and regeneration, and transport and connectivity, alongside a 'toolkit of powers', such as tackling anti-social behaviour, auctioning empty high street shops, reforming licensing rules and supporting more housing in town centres. Towns will also be supported by a new Towns Taskforce which will report directly to the Prime Minister and the Secretary of State for Levelling Up. The methodology for the selection of towns was as follows. First, local authorities were ranked according to 'levelling up need' (using metrics for skills, pay, productivity and health).<sup>34</sup> Second, local authorities without eligible built-up areas within the population threshold (20,000-100,000) were excluded, with regional caps also applied within each UK nation. Last, the most deprived built-up areas within the eligible local authorities were selected. Some of the selected places have city status but were identified on the basis of deprivation and a population size of between 20,000-100,000.

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<sup>30</sup> <https://www.gov.uk/government/publications/levelling-up-partnerships-methodology-note/levelling-up-partnerships-methodology-note>

<sup>31</sup> <https://www.gov.uk/government/news/levelling-up-partnerships-rolled-out-in-scotland-for-first-time>

<sup>32</sup>

[https://assets.publishing.service.gov.uk/media/643e67676dda69000c11df3d/Levelling\\_Up\\_Partnerships\\_Methodology\\_Note.pdf](https://assets.publishing.service.gov.uk/media/643e67676dda69000c11df3d/Levelling_Up_Partnerships_Methodology_Note.pdf)

<sup>33</sup> HM Government, Department for Levelling Up, Housing & Communities (2023) [Our Long-Term Plan for Towns](#).

<sup>34</sup> Department for Levelling Up, Housing and Communities (2023) [Long-Term Plan for Towns: towns selection methodology note](#), Guidance.





**An important measure involving investments for SMST in Poland is the Local Development Programme.** Polish regional policy includes a package of support to SMST<sup>35</sup> to strengthen their social and economic cohesion. Poland's National Development Strategy (the Strategy for Responsible Development) identified 255 small and medium towns/cities facing serious socio-economic challenges. The Local Development Programme is funded through the EEA Grants and Norway Grants instrument (total programme budget is €117.6 million, with €100 million grant and €17.6 million national co-financing). The long-term objective is to strengthen social and economic cohesion in SMST in Poland, including through strengthening institutional capacity of local-government authorities. In the first stage of the programme (ending in July 2019), 255 SMST were invited to submit project proposals. For the second stage, 54 of these proposals were selected for detailed preparation and submission. **Local Development Programme support has two components: a Local Development Plan and an Institutional Development Plan.** Local Development Plans cover investment in social (e.g. social housing), economic (entrepreneurship) and environmental (e.g. energy efficiency) dimensions but projects must include complementary actions in associated fields, in order to achieve synergy effects. This emphasises the importance given to the integrated character of the measures. At the same time, SMST must prepare Institutional Development Plans that have the objective to increase the capacity of local administration (Section 3.3). All cities involved are being supported by a network between Norwegian and Polish cities that provide scope for exchange of knowledge and experience in how to design and deliver investment projects. For instance, there have been dialogues between SMST on how to invest in Smart City technologies. Similar network approaches are presented in the following section.



**Finally, it is important to also look at EU Cohesion Policy as the largest example of European regional policy.** Across the whole EU, significant amounts of funding are invested in "small urban areas" (between 5,000 and 50,000 inhabitants and with intermediate density). **In the 2014-20 programme period, €45.9 billion of CP funding was invested in SMST territories.** This corresponded to 29 percent of all CP funding that was earmarked for a specific territorial category in programme documents.<sup>36</sup> In some countries, such as Portugal, EU Cohesion Policy is the most important source of development funding for SMST.

**An important aspect of the past 2014-20 programme period was that the urban dimension of the policy was significantly boosted.** Some CP funds were implemented via dedicated territorial instruments, which gave local authorities active roles in the process of funding delivery. A minimum allocation of 5 percent of ERDF funding for sustainable urban

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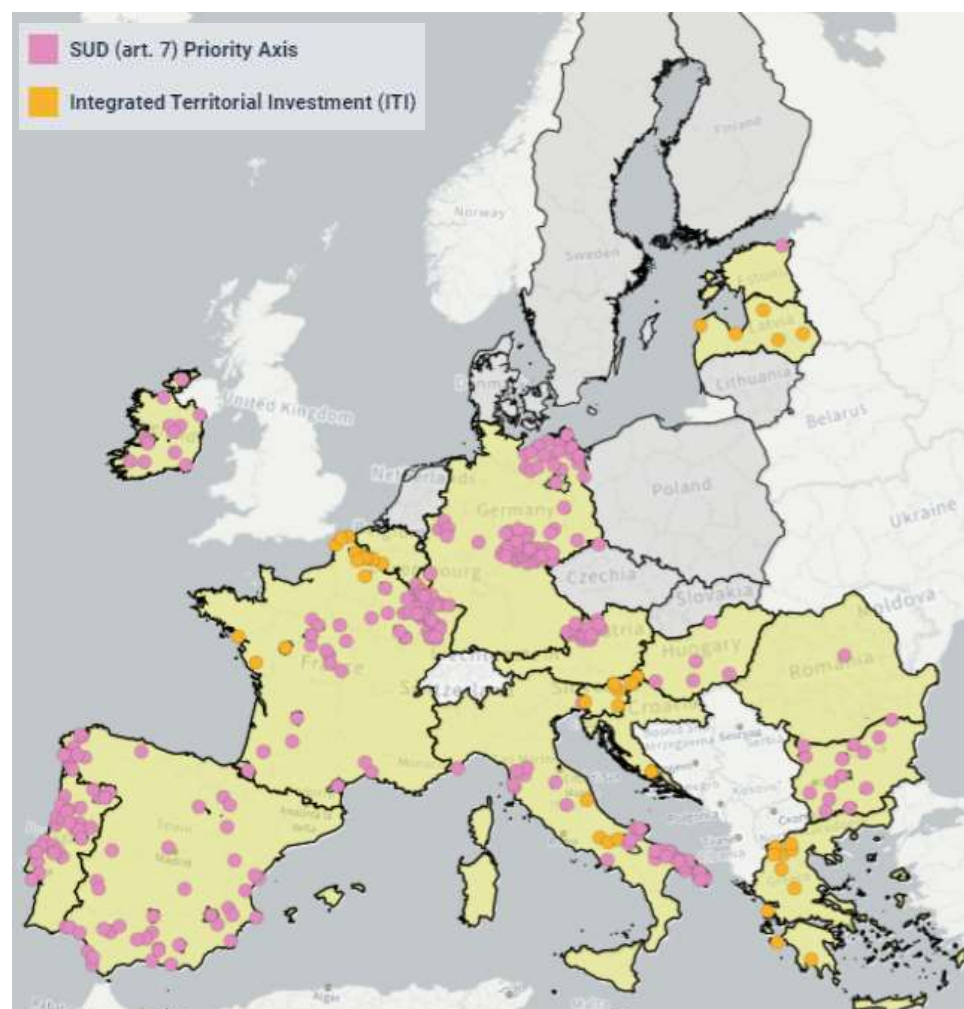
<sup>35</sup> Cities over 20,000 inhabitants and towns of over 15,000 inhabitants that are county capitals, excluding those that are also capital cities of regions.

<sup>36</sup> Open Cohesion Data, <https://cohesiondata.ec.europa.eu/2014-2020/Overview-of-Planned-use-of-cohesion-policy-14-20-T/4i22-jwww>



development was introduced, together with an obligation to involve local authorities in strategy design and implementation, e.g. by requiring the participation of actors at the territorial level in the project approval process.

**Figure 4: Territorial instruments targeting urban settlements up to 50,000 inhabitants (2014-20)**



Note: four cases in the Canary Islands (ES) and one in Cyprus are not shown.  
Source: JRC STRAT-Board

**Figure 4 shows the 336 CP-funded instruments that targeted SMST in 2014-20** (of 1,975 in total). To do so, EU Member States had the option to choose between two types of territorial instruments: Integrated Territorial Investments (ITIs) and dedicated Priority Axes in programmes, which essentially differed in terms of their degree of integrating lines of funding sources.<sup>37</sup> Urban settlements of up to 50,000 inhabitants accounted for 17 percent of all territorial instruments, but almost for one third (31 percent) of all urban instruments. These invested €1.2 billion of EU funding, which corresponded to 8.3 percent of all the urban funding channelled through territorial instruments (or 4.9 percent of all territorial funding). The use of these instruments for

<sup>37</sup> For more information on ITIs and other territorial instruments see: Ferry M and Kah S (2022) *Op. cit.*







SMST varied, with some countries concentrating on larger cities (FI, NL, PL, SE, UK), while others (AT, DE, ES, FR, PT) decided to focus strongly on SMST. Portugal, for instance, makes strong use of EU co-funded territorial instruments with very broad spatial coverage, including SMST. Austria focused parts of its urban dimension in 2014-20 on 16 city-regions around SMST in Upper Austria that ranged from 10,000 to 85,000 inhabitants.

**Urban CLLD (Community-led Local Development) is another Cohesion Policy tool that can be of particular relevance for SMST.** CLLD strategies are implemented by Local Action Groups (LAG), which are partnerships of local public, private, and community representatives responsible for the implementation of CLLD in their areas. While some of the 223 urban CLLD strategies that were implemented in seven countries in 2014-20<sup>38</sup> targeted parts of larger cities, the majority were implemented in SMST, for instance in Hungary, Lithuania and Romania. An important feature of urban CLLD is the strong role of the social dimension, typically supported by ESF funding. In most cases, there was a combination of both ERDF and ESF. In Romania, for instance, the ERDF supported social housing, health and educational infrastructure and the upgrading of public spaces and utilities. At the same time, the ESF funded education measures (e.g., reducing the number of early school leavers), accessing and remaining in employment (e.g., apprenticeships), integrated services (multi-functional centres, social services), and entrepreneurship both in the mainstream and social economy.<sup>39</sup>

**Member States can also support SMST by preferential treatment of applicants from selected territories as part of mainstream CP calls.** In Poland, CP Managing Authorities, particularly in national sectoral OPs and Poland's multi-regional OP for Eastern Poland have introduced criteria to support applicants from SMST, so that they can compete more effectively with entities from larger centres. This is the case, for instance, under the OP for Eastern Poland, where competitive calls for sustainable urban mobility measures are aimed at SMST with fewer than 100,000 inhabitants. Similarly, some ESF support (labour market, adaptability of enterprises, education and health) uses mechanisms that give preference to SMST.

**Finally, it should be noted that also European rural development policy can support SMST, albeit smaller ones and only where national rural development regulations allow this.** Under LEADER, urban territories are usually excluded from funding. This can be problematic for some SMST that have a central function in rural areas, as intervention for urban-rural linkages might not be possible due to eligibility rules. Thresholds for eligible territories, e.g. based on the number of inhabitants, are defined by programme authorities in each Member State. In Austria and the Netherlands, for instance, projects in municipalities with up to 30,000 inhabitants are still eligible for EAFRD funding under the LEADER framework, while in Sweden the limit is 20,000.

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<sup>38</sup> Hungary, Lithuania, the Netherlands, Poland, Portugal, Romania and the United Kingdom.

<sup>39</sup> Kah S, Martinos H and Budzich-Tabor U (2023) '[CLLD in the 2014-2020 EU Programming Period: An Innovative Framework for Local Development](#)', *World*, 2023, 4(1), 122-139.





Other countries such as Estonia also take population density into account in order to define eligibility.

## 3.2 Networking measures

**This section looks at examples of policies that support SMST via networking arrangements, encouraging cooperation and partnership.** Policymakers recognise the benefits of knowledge exchange, especially peer-to-peer, and have designed appropriate frameworks. The presented measures take advantage of the opportunities offered by encouraging cooperation and knowledge exchange between different SMST. Traditionally, networks have been thematically rather open and were set up by the cities themselves. There are various forms of city associations across Europe which engage in knowledge sharing and lobbying. There are also examples of networks for SMST, such as the Dutch M50 network, which involves 65 SMSTs between 30,000 and 80,000 inhabitants, or the Region 10<sup>40</sup> in Sweden, which is a voluntary association of ten small municipalities in the northern part of the country. While these municipalities are rather rural and not SMST as understood in the context of this report, the cooperation and mutual support focus is similar to offers for SMST in other countries.<sup>41</sup>

**More recently, policymakers have tended to support targeted thematic networks**, sometimes running for a limited amount of time. These can be found in Finland, France, Germany and Poland, as well as at European level.



**Finland is notable for the strong emphasis it places on networks.** It does this through various networking arrangements such as the **thematic partnership for medium-sized growth cities**. This includes the cities of Pori, Kouvola, Vaasa, Hämeenlinna, Seinäjoki, Rovaniemi, Mikkeli, Porvoo, Salo, Kotka, Kokkola, Hyvinkää and Kajaani.<sup>42</sup> The aim is to strengthen the dialogue between the state and the involved cities, to share a common view regarding their development situation and to find solutions to joint challenges. The first themes for the cooperation are culture and renewing industry.<sup>43</sup> In addition, there is set to be a thematic partnership between the cities of Lappeenranta, Joensuu and Imatra which is linked to the East Finland programme following the changed geopolitical situation.<sup>44</sup> An initiative looking at smaller towns across the whole country is the Regional City Programme (*seutukaupunkiohjelma*), which supports regional city cooperation amongst smaller regional cities, the so-called 'seutukaupungit'. The programme is based on three elements: 1)

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<sup>40</sup> <https://region10.se/>

<sup>41</sup> McMaster I (2023) *Op. cit.*

<sup>42</sup> <https://tem.fi/kaupunkipolitiikka-temaattiset-kumppanuudet>

<sup>43</sup> Ministry of Economic Affairs and Employment, News item '[Kaupunkien ja valtion yhteistyötä vahvistetaan uudenlaisten kumppanuuksien kautta – yhdessä ratkotaan esimerkiksi jengiytymistä, liikumista ja osaamisen kysymyksiä](#)'

<sup>44</sup> Valtioneuvosto (2024) [Pohjoisen ja Itäisen Suomen ohjelmien valmistelu käynnistyy](#), 18 March 2024.



independent development 2) partnerships and contracts, and 3) network development (see Box 4).

#### Box 4: Cooperation in the Regional City Programme in Finland

The smaller Finnish regional cities (*seutukaupungit*) are defined to be 'functional centres and concentrations of services and industry within the regions'. They are located between the regional cities and rural areas and are seen to play a role in the wider development of the region. There are around 57 smaller regional cities, and they represent c. one million of the Finnish population<sup>45</sup>, see also image below.

The Regional City Programme (*seutukaupunkiohjelma*) has in the past supported not just networking and collaboration, but also the development of joint analyses and studies. There is a strong need for supporting future networking and partnership, but also the gathering of data and development of indicators that accurately portray the situation in the different types of regional cities. The programme has an implementation plan which is due to be updated in the autumn of 2024.<sup>46</sup>



Source: <https://www.kuntaliitto.fi/yhdyskunnat-ja-ymparisto/kaupunkipolitiikka/seutukaupungit-ja-seutukaupunkiverkosto>



**The Polish Partnership Initiative of Cities (PIM) also builds on thematic networks between SMST.** In line with its National Urban Policy 2030, Poland aims to promote cooperation and exchange of experiences and knowledge between cities, with the support of the Ministry of Development Funds and Regional Policy, in cooperation with the World Bank, guaranteeing access to the best expert knowledge. There is no investment

<sup>45</sup> Pukkinen K, Peltoniemi K, Pursiainen S, Sepponen R, Häkämies S (2024) [Seutukaupunkihankkeiden kokonaisuuden arviointi](#), Publications of the Ministry of Economic Affairs and Employment, 25 June 2024.

<sup>46</sup> <https://tem.fi/kaupunkipolitiikka-temaattiset-kumppanuudet>



funding involved, but World Bank experts help the participating cities identify impediments to sustainable urban development and propose solutions that can be employed over the next few years. The project is also intended to stimulate collaboration and participation in knowledge-sharing networks. The target group consists of cities and urban functional areas operating in the forms available in Polish law, as well as other organisational and auxiliary units operating in cities to which the city has entrusted the implementation of part of its development policy. Preference for participation in the networks is currently given to medium-sized cities that are losing socio-economic functions as identified in Poland's National Development Strategy and the National Regional Development Strategy 2030. 34 cities (including three associations/unions of local government units) take part in the established networks.

**PIM operates through thematic networks that bring together a group of cities to analyse challenges, identify good practices and develop innovative solutions on a given topic.** The initiative is now in its third phase. In the pilot (2017-19) there were three thematic networks: revitalisation, urban mobility and air quality. In the second phase (2021-23), the thematic scope covered the issues of digital city, green city and public-private partnerships. The current (2024-26) round focuses on energy-efficiency, compact cities and affordable housing. In each thematic area, the participating cities have prepared their Municipal Action Plans (MAPs), which produce scalable solutions that, when tested and proven, can further be used by a wider group of cities in Poland and beyond. MAPs are diverse in their scope, which reflects cities' ambitions and capacities and can include large-scale programmes, such as the revitalisation of city centres. Thanks to this, the PIM produced an array of solutions that could be picked up by other urban centres. One example under the digital network is the city of Świdnica, which has a population of 55,000 people. The city faces challenges with scattered data and lack of information flow. Świdnica is addressing this through the creation of the City Information Architecture that takes stock of digital assets and allows their interconnection and future compatible development. Another city, Dąbrowa Górnicza (118,000 inhabitants) plans to revitalise its post-industrial city centre by applying, among others, a public-private partnership approach, which was fine-tuned through PIM interactions.



**Thematic networking, in the form of pilot projects, are also a component part of the German Small Town Academy** (Section 3.3). As part of its pilot phase, six model projects on selected topics have been implemented, each involving at least four municipalities aiming to represent the highest possible diversity and distribution throughout the country. Each group received scientific support and had its own project agency.<sup>47</sup> The projects were identified via calls and selected by the advisory board for the Small Town Academy (Figure 5). The themes of the first round were: a) real-world laboratory for urban development; b) liven-up the city centre!; c) small towns, big diversity, bright future; d) alliance for housing in

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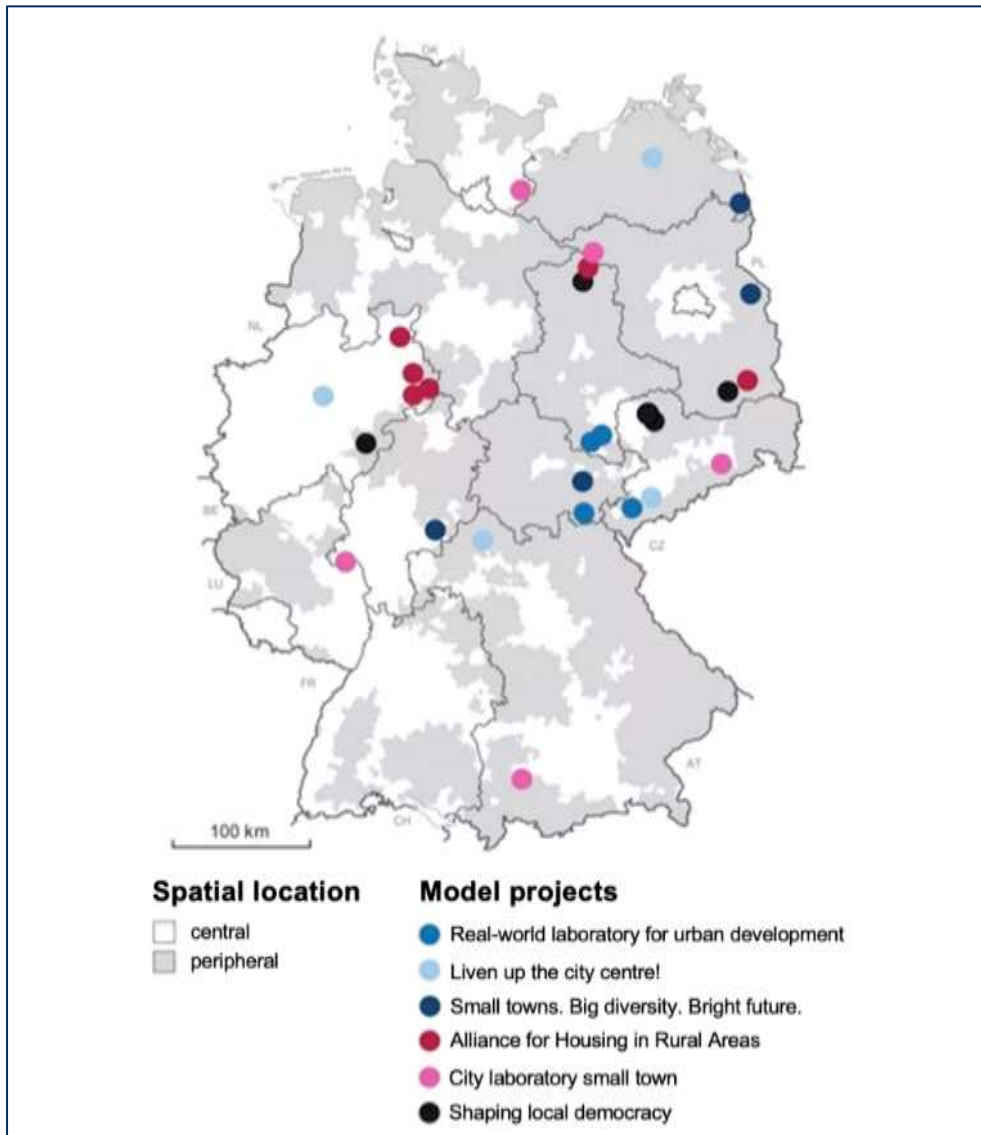
<sup>47</sup> Kah S (2023) *Op. cit.*





rural areas; e) city laboratory small town; and f) shaping local democracy. The use of thematic networks is expected to continue into the next phase of the Small Town Academy initiative.

**Figure 5: Small Town Academy model projects**



Source: Kah S (2023) based on BBSR.



**In France, the Small Towns of Tomorrow Club is a network for the exchange of experience and promotion of innovation.** It is part of a wider measure for SMST, the Small Towns of Tomorrow initiative (Section 3.3). In the Club, SMST are invited to share good practices between programme stakeholders. The Club provides technical (engineering) and other thematic support in the form of concrete tools to implement revitalisation projects. The Club also has local teams that help exploring new themes that could encourage the strategic thinking of SMST.





**URBACT is a European exchange programme for sustainable urban development and has been operating since 2002.** Cities and towns from all EU Member States, Norway and Switzerland can participate in the URBACT programme. URBACT networks can involve between five and twelve partner cities, and there are three types of networks, which cities and selected other bodies can apply to join:

- Action Planning Networks – cities and local stakeholders co-produce an Integrated Action Plan to tackle their common challenges.
- Transfer Networks – cities share and adapt a successful good practice that has already been implemented in a network's city.
- Innovation Transfer Networks – cities adapt the experience of a successful Urban Innovative Actions' project and develop an investment plan to implement it.<sup>48</sup>

URBACT can be particularly useful for SMST, as these often have fewer resources than larger cities, making it more difficult to participate in EU programmes and other urban initiatives. SMST have been the focus of a series of dedicated URBACT networks and conferences.<sup>49</sup>

### 3.3 Capacity-building measures

**Administrative capacity is an essential factor for the successful implementation of regional policy.** This is not only the case more generally, but also for local authorities. These have increasingly important roles in the delivery of the policies, e.g. in Cohesion Policy's territorial instruments. Past research has highlighted that capacity challenges can be particularly pronounced in SMST.<sup>50</sup> A 2022 study on small urban areas, carried out for the Committee of Regions, emphasises that SMST need the capacity to act. Capacity to act translates into capacities to mobilise people and resources to develop and implement strategies, to navigate under uncertainty, i.e. in times of crises, transitions or abrupt changes, and to 'punch above their weight' to make things happen rather than following a 'laissez-faire-approach'.<sup>51</sup> This section looks at examples of measures that aim at building the capacities of SMST. It illustrates examples from France, Germany, the Netherlands, Poland, the United Kingdom and from the EU level.

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<sup>48</sup> <https://urbact.eu/>

<sup>49</sup> See for instance [https://urbact.eu/sites/default/files/2023-05/informe\\_verisio\\_bona\\_digital.pdf](https://urbact.eu/sites/default/files/2023-05/informe_verisio_bona_digital.pdf) and <https://urbact.eu/whats-new/stories/vitality-small-cities-priority#:~:text=Hundreds%20of%20small%20towns%20and,dwindling%20jobs%20or%20ageing%20populations>.

<sup>50</sup> For instance, in Denmark, Greece and Portugal, see Ferry M and Kah S (2022) *Op. cit.*, p. 40.

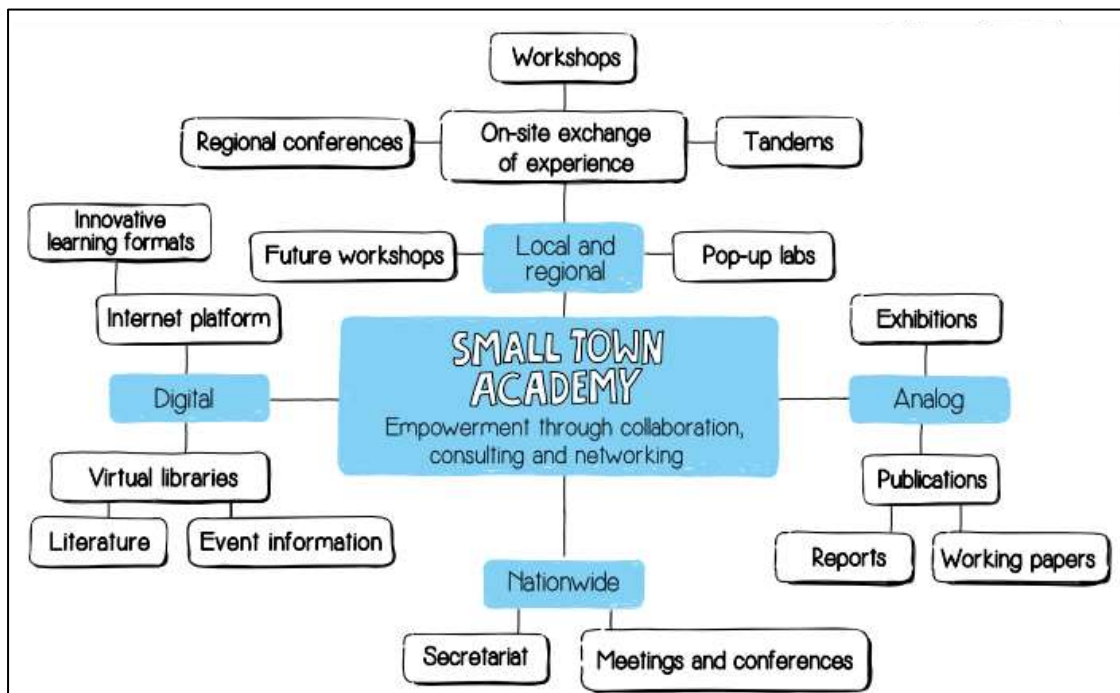
<sup>51</sup> Böhme K et al (2022) *Op. cit.*



**The German Small Town Initiative was launched in 2018 and one of its key tools is the German Small Town Academy** (Figure 6). The Initiative is overseen by the Federal

Ministry for Housing, Urban Development and Building. It was designed to raise awareness of the particular issues that small towns are facing. The initiative brings together and develops existing federal initiatives in support of small towns and acts as a communication and knowledge exchange platform for relevant actors at federal, *Land*, and municipality levels. One of its most prominent activities is the Initiative Small Town Academy (*Kleinstadtakademie*). The academy is implemented by the BBSR and aims to strengthen the functionality of small towns by offering a purpose-built platform for networking, exchange of experiences and advanced training. It combines digital and analogue tools and operates both at local/regional and national levels. The Academy targets primarily the 2,106 German small towns with between 5,000 and 20,000 inhabitants, but the size category is only indicative.

**Figure 6: Dimensions and tools of the Small Town Academy**



Source: BBSR (2021)

The focus of the academy is on direct exchange between participants in a variety of forms including digital methods to strengthen cooperation and collaboration and the sharing of knowledge. The pilot phase of the academy (2019-23)<sup>52</sup> was used to create and promote networking between municipalities, to develop instruments and methods for the support of small towns, and to work towards the creation of a Small Town Academy office to carry on activities after the pilot phase. In 2023, the BBSR ran a competition for the location of the offices

<sup>52</sup> Federal Institute for Research on Building, Urban Affairs and Spatial Development (BBSR) (2021) [German Small Town Academy – Pilot Phase](#). Empowerment of Small Towns through collaboration, consulting and networking.





of the Small Towns Academy, which was won in early 2024 by Wittenberge in Brandenburg. There is a budget of €2 million for the construction and operation of the Academy.



A key capacity-building measure in Poland is the **Advisory Support Centre** (*Centrum Wsparcia Doradczego – CWD*), a strategic project implemented by the Ministry of Development Funds and Regional Policy (MDFRP) with the main goal of strengthening the administrative efficiency of local governments (municipalities and counties), including SMST. This includes through improving their competences in strategic management and initiating and implementing comprehensive development projects in partnership with neighbouring local governments. A CWD pilot was launched in September 2020. The MDFRP asked regional governments to propose partnerships of local government units to access support. Regions had different options to select partnerships (through calls for municipalities or own decisions) but the Ministry required that at least 40 percent of the partnership coverage came from municipalities on the list of those at risk of permanent marginalisation (as identified in the Poland's National Development Strategy and National Regional Development Strategy). A list of 38 local government partnerships was identified, covering capital cities of counties (up to 20,000 inhabitants), and local authorities from 15 regions. The partnerships vary in size: some are very small (including just a couple of municipalities), others cover over 20 municipalities. Three partnerships cross the border between regions.

The pilot programme provided comprehensive support for partnerships, including strategic and project consulting, through expert advice from the Association of Polish Cities, which dedicated 70 experts to the initiative. Funding for this amounts to around €2 million, provided by a project in the Cohesion Policy OP Technical Assistance for 2014-20. The first component provides strategic consulting, individually tailored to the specific needs of the partnership, in order to prepare a territorial strategy and project. The second component supports the preparation of a package of projects. For each project, a preliminary feasibility analysis and implementation schedule will be prepared and, for one key project selected by the partnership, an outline application for project co-financing with a sectoral analysis is drafted.

The implementation of the pilot showed that there was a need to further support local government partnerships. Therefore, in April 2022, a new phase of the project called CWD Plus was launched. The project is again co-financed from the OP Technical Assistance 2014-20. This was implemented up to the end of June 2023, focusing further assistance on existing partnerships as well as on supporting new participants, particularly in the preparation of strategic documents for a new generation of EU-funded integrated sustainable urban development instruments. An additional element of the new phase was the creation of a knowledge and experience exchange system for participating partnerships of local government units, as well as for regional self-governments. This encompassed the organisation of networking meetings, seminars and creating a knowledge base. The partnerships include almost 50 percent of local governments identified in the National Development Strategy's categorisation as medium-sized cities losing their socio-economic functions and areas at risk of permanent marginalization.





A Final Report on the project was published in June 2023 and MDRP is preparing an evaluation on the effectiveness of the initiative. This will include the opinions of sub-national governments and partnerships on what was most valuable, identifying any assistance they may need to continue the project and what measures could be introduced in response. Early indications are that in addition to the practical dimension of CWD, the key effect of the advice has been to strengthen the role of the territorial approach in shaping and implementing development policy, e.g. by popularising the model of cooperation in partnership of local governments in the search for solutions to common problems, joint provision of services, recognising common development potentials and using partners' experience. This has been a timely process as regions and municipalities respond to new Polish regulations on the development of strategies and also prepare to launch the new generation of EU-funded territorial instruments and other measures in the 2021-27 perspective. However, there are still multi-level governance challenges, as MDRP has to support each region in deciding the best form that partnerships should take based on existing needs and potentials (e.g. the optimal combination of municipalities involved).



**Another important capacity-building measure in Poland are the Institutional Development Plans that have to be implemented in parallel to investment measures as part of the Local Development Programme** (Section 3.1).

Institutional Development Plans aim to increase the capacity of local administration in implementing long-term integrated development goals (through organisation of workshops, studies, systems supporting the functioning of public administrations and human resource management, systems to support citizen participation etc.). Examples of these actions include support for the development of local strategies and action plans, developing evaluation skills. A minimum of 40 percent of funded measures must relate to administrative capacity-building, although this requirement has been softened due to changes following the new challenges resulting from the influx of Ukrainian refugees since 2022. For the capacity-building, the SMST have received external support through a pre-defined project in the Programme. The Association of Polish Cities has been funded to provide support and advice in the 54 municipalities. This support has focused on the development of relationships between local authorities and economic and social partners in identifying local potentials and in ensuring strong interaction with local communities. At the same time, the OECD has developed a tool to support the self-assessment of needs, including institutional or administrative gaps.

A similar arrangement for capacity-building is in place in Norway, although its scope is broader and not exclusively targeted at SMST (Box 5).





### Box 5: The Centre for Rural Development in Norway as knowledge exchange hub



In Norway, there are measures to promote the attractiveness of rural municipalities as places to live and work, notably through networking and exchange of experience. In addition, the Centre for Rural Development (*Distriktssenteret - Kompetansesenter for distriktutvikling*) collects and disseminates information on the development of attractive communities and acts as a hub for the exchange of experience and a 'sounding board' on some issues for the Ministry of Local Government and Regional Development. The aim is to strengthen municipalities and regions' ability to develop attractive and fast-growing local communities. A key feature of the Distriktssenteret is its close focus the specific needs of its core clients - small municipalities and county administrations including:

- highly tailored, targeted solutions and support addressing specific needs on the ground;
- connections for small places to innovative and novel approaches drawn from the Distriktssenteret's wide experience and expertise; and
- a strong two-way relationship with their core clients which informs future work and support.

Source: McMaster I (2023) *Op. cit.* and <https://distriktssenteret.no>



**In the Netherlands, SMST are supported by government to work together to identify solutions.** Launched in 2022, Town Deals target municipalities with up to 50,000 residents.<sup>53</sup> They complement the existing City Deals, which have been launched in 2015 and focus on urban issues in metropolitan areas. Town Deals encourage collaboration, innovation and knowledge exchange, provide support for a variety of issues such as sustainability of existing housing, development of decentralised energy systems and spatial planning. Town Deals have been developed in collaboration with the Association of Dutch Municipalities and the three Dutch umbrella organisations dedicated for municipalities of different sizes (medium, small and rural). So far, five towns have been included (Bronckhorst, Noardeast-Fryslân, Het Hogeland, Voerendaal and Beesel).



**In France, the Small Towns of Tomorrow (*Petites villes de demain*, PVD) scheme supports the capacities of small towns of up to 20,000 inhabitants that exercise central functions.**<sup>54</sup> The scheme aims to improve living conditions of the inhabitants of the small towns and surrounding areas by supporting communities towards dynamic and environmentally friendly trajectories. The PVD programme combines funding (Section 3.1), networking through the Small Towns of Tomorrow Club (Section 3.2) and capacity-building.<sup>55</sup> It gives technical support to SMST that allows them to define and implement their territorial projects, in particular by strengthening teams (for example with a grant for a project manager position of up to 75 percent) and providing expertise. The PVD programme was launched in

<sup>53</sup> <https://popupcity.net/projects/revitalising-rural-regions-shaping-the-first-town-deal/>

<sup>54</sup> Coudrier L (2023) '[Les villes petites et moyennes : le retour du « Petit Poucet » ?](#)', Bulletin de l'association de géographes français, 100-2 | 2023, pp. 148-163.

<sup>55</sup> Agence Cohesion des Territoires (2021) '[Révéler le potentiel des petites villes pour des territoires de cohésion au cœur de la reliance](#)'.





October 2020 with a budget of €3 billion for a six-year period and has supported c. 1,600 until January 2024. The programme was included in the recommendations formulated in Summer 2019 by the members of the "Rural Agenda" mission in the report submitted to the Government.<sup>56</sup> It follows three years after the City Centre Development Programme which targeted cities of more than 20,000 inhabitants with a budget of €5 billion over five years to improve the living conditions of the inhabitants of these medium-sized towns and strengthen their role in the development of the territory.



The European Urban Initiative (EUI) aims to provide coherent support for cities pursuing the EU Urban Agenda. Allocated upon request of Member States, support for inter-governmental cooperation on urban matters covers all urban areas and has an ERDF budget allocation of €400 million. There are three strands: Innovative actions (60% of the budget); capacity-building (20% of budget); and knowledge building and communication (20% of the budget).<sup>57</sup> As with URBACT's networking activities, EUI offers are not exclusive to SMST, but until August 2024, 124 cities with up to 100,000 inhabitants received support, which corresponds to 44% of all cities.<sup>58</sup> However, applications can also come from groupings of several urban authorities. Considering the comparatively more limited capacities and financial resources of SMST, this target group would likely benefit strongly from EUI activities.

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<sup>56</sup> Maire Info (2019) [Agenda rural: "La ruralité a besoin d'un grand plan national!"](#), AMF, 26 July 2019.

<sup>57</sup> <https://www.urban-initiative.eu/>

<sup>58</sup> European Urban Initiative data



## 4 MAIN MESSAGES AND CHALLENGES FOR SMST POLICY

Table 3 summarises the policies presented above, providing an overview of how selected countries target their support for SMST.

**We can see a strong focus on capacity-building, which is a recognition of capacity as a key bottleneck in the development of SMST.** At the same time, traditional investment, e.g. in infrastructure, continues to play an important role, but investments are not carried out in isolation. In fact, we can see that in most cases, different approaches are combined, i.e. several countries target more than one dimension, e.g. by combining investment with networking, or networking with capacity-building activities. This is done either through separate tools or as part of the same framework. In France, the Small Towns of Tomorrow initiative even combines all three dimensions – investment, networking and capacity-building – under the same umbrella. We can see this also at EU level, where Cohesion Policy investments, URBACT networking and EU capacity-building are all linked.

**The combination of investment and capacity-building in the same measure appears to be seen as especially valuable.** We can see this in at least three countries:



In France, both the Small Towns of Tomorrow and the City Centre Development Programme provide substantial funding for investments in SMST, while they also build capacities, either by providing concrete direct support to pay for staff (Small Towns of Tomorrow) or delegation of tasks (City Centre Development Programme).



In Poland, the Local Development Programme builds on two parallel activities: investments through Local Development Plans and administrative capacity-building through Local Institutional Plans.



In the United Kingdom, the Long-Term Plan for Towns funds physical investments in SMST, while delegating tasks to Town Boards, where capacity is built with the support from the UK Towns Taskforce.

**Investments are implemented in parallel with measures that strengthen the capabilities of the targeted territories,** so that in the long term these can take their development into their own hands.
















**Table 3: Tools and approaches for SMST in selected countries and the EU**

	Investment	Networking	Capacity-building
Finland 		<p><b>Thematic partnerships:</b> for medium-sized growth cities (first themes are culture and renewing industry) and for 3 cities in Eastern Finland</p> <p><b>Regional City Programme:</b> dialogue, networking and joint working for 57 regional towns (<i>seutukaupungit</i>)</p>	
France 	<p><b>City Centre Development Programme:</b> improve living conditions, special focus on town centres</p> <p><b>Small Towns of Tomorrow:</b> funding for targeted thematic measures</p>	<p><b>Small Towns of Tomorrow:</b> “Club” that promotes innovation, exchange of experience and sharing of good practices; thematic support; local teams</p>	<p><b>Small Towns of Tomorrow:</b> technical support for municipalities; strengthening administration incl. grants for project managers</p> <p><b>City Centre Development Programme:</b> build capacities of SMST to participate in the policy process (e.g. delegation of tasks to SMST)</p>
Germany 		<p><b>Small Town Initiative:</b> communication and knowledge exchange platform for relevant actors at federal, <i>Land</i>, and municipality levels</p> <p><b>Small Town Academy:</b> pilot model projects on selected topics, involving at least four municipalities</p>	<p><b>Small Town Academy:</b> exchange of experiences and advanced training</p>
Netherlands 			<p><b>Town Deals:</b> 5 participating SMSTs so far; joint workshops for identification of solutions with government support,</p>
Poland 	<p><b>Local Development Programme:</b> Local Development Plans for social, economic and environmental</p>	<p><b>Partnership Initiative of Cities (PIM):</b> thematic networks bring together a group of cities to analyse challenges, identify good practices and develop innovative solutions</p>	<p><b>Local Development Programme:</b> Institutional Development Plans to increase capacity of local administration</p>





	investments, important focus on synergies between these		<b>Advisory Support Centre:</b> strengthening administrative capacity for strategic management, and initiating and implementing comprehensive development projects in partnership with neighbouring local governments
United Kingdom 	<p><b>Levelling Up Partnership:</b> funding support for regeneration</p> <p><b>Long-Term Plan for Towns:</b> funding for a) safety and security; b) high streets, heritage and regeneration; c) transport and connectivity</p> <p><b>Town Centre Action Plan</b> (Scotland – town centre focus)</p>		<b>Long-Term Plan for Towns:</b> Delegation of tasks to Town Boards; support from UK Towns Taskforce
EU 	<p><b>Cohesion Policy,</b> especially ERDF via dedicated urban funding</p> <p><b>Rural development policy,</b> with limited eligibility of towns in rural areas</p>	<b>URBACT:</b> cooperation and knowledge exchange; thematic networks	<p><b>URBACT:</b> improving skills of local stakeholders in the design and implementation of integrated and participatory policies, and by sharing knowledge and good city practices</p> <p><b>European Urban Initiative (EUI):</b> capacity and knowledge building</p>

Source: EPRC research.





**While we have identified a broad range of policy responses addressing SMST, there remain several key challenges for the presented SMST policies to be effective.** These relate to

1. Inadequate capacities
2. Limited funding
3. Governance arrangements
4. Insufficient focus and lack of competitive elements
5. Limited evaluation evidence

**1. Inadequate capacities.** The key challenge is insufficient capacities in SMST. This expresses itself in two ways: quantitatively and qualitatively. First, many SMST have very few human resources, especially outside of the SMST's core tasks. In practice, this means that many SMST have limited or no staff time available to engage with policy measures, prepare proposals in competitive bidding processes, oversee projects etc. (Austria, Germany, United Kingdom). Second, there are issues related to having the appropriate expertise to implement complex projects that would be supported by policy measures. As raised by German SMST, the high administrative demands associated with the submission and processing of applications present many potential beneficiaries with almost insurmountable hurdles.<sup>59</sup> These challenges are especially problematic as, similar to the challenge of funding, the SMST most in need are likely those experiencing the greatest capacity issues.

**2. Limited funding.** The challenges related to the lack of funding include the funding available for policy measures, but also limited own funding available in SMST. In Finland, while the regional cities programme has been generally evaluated as successful there is limited or a lack of earmarked funding for measures supporting SMSTs. In many countries, including Austria, Germany and the United Kingdom, constrained municipal budgets are limiting the scope for SMST to participate in measures requiring co-funding. This is particularly problematic, as some of the SMST most in need (e.g. some at the forefront of the UK's levelling up agenda) are also those experiencing the biggest financial problems.

**3. Governance arrangements.** In the light of complex and country-specific governance arrangements, there is a need for governance models that involve SMST to a greater extent. This has been raised in Italy<sup>60</sup> and the Netherlands. In the latter, SMST networks have been calling for a stronger recognition as valuable partners, something that has been recently acknowledged by the "Progress Report Action Agenda Strong Governance 2023-24". Some countries face limited willingness to cooperate amongst local authorities (e.g. Austria) and the challenge of fragmented governance structures, e.g. Switzerland with its strong municipalities

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<sup>59</sup> Urbanizers (2022) [Dokumentation Bundestagung „Kleinstädte in Deutschland“](#), ExWoSt-Forschungsprojekt Pilotphase Kleinstadtakademie.

<sup>60</sup> <https://mediaree.it/e-in-atto-la-metamorfosi-delle-citta-medie/>



and cantons. This complicates cohesive policy implementation and requires improved coordination and strategic alignment.

**4. Insufficient focus and lack of competitive elements.** Some policies suffer from a lack of territorial focus in targeting the SMST most in need. There can be a redistribution logic over a competitiveness logic, resulting in broad territorial coverage. This has been experienced, for example, in Portugal, where Cohesion Policy-funded measures for SMST are designed to cover the whole territory. Associated risks are a homogeneous mobilisation of public policies, i.e. different territories making very similar choices of priorities instead of developing genuine place-based solutions. SMST measures are not always compatible with the diversity of socio-economic realities if all municipalities are being supported equally, whereas objectively, they are not equal. Some countries have used procedures to identify the territories/SMST most in need (e.g. Poland) or distinguish between different types of SMST (e.g. Germany by differentiating between central and peripheral regions). Still, there is a reluctance to use positive discrimination and make choices.

**5. Lack of evaluation evidence.** There is not only a limited amount of evaluation evidence of how more general regional policies support SMST, but there is even less evaluation evidence for specific policies for SMST. While this is understandable due their comparatively recent launch, it poses a challenge to tailoring effective support measures for SMST. Nevertheless, there are a limited number of recent evaluation examples, e.g. from Finland and Poland. In Finland, the Regional City Programme was evaluated in 2024, emphasising the value of the networking activities but also noting the difficulties in measuring longer-term impacts of the activities or the durability of the networks.<sup>61</sup> In Poland, there are ongoing evaluations of the various initiatives noted above, including an assessment of the Centre for Advisory Support that highlights the complexity of finding the optimal form of cooperation in the targeted territories. There is also some evaluation evidence coming from the EU context, where 2014-20 Cohesion Policy support for the territorial dimension was evaluated. However, this was not specifically targeted at SMST.

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<sup>61</sup> Pukkinen K, Peltoniemi K, Pursiainen S, Sepponen R and Häkämies S (2024) *Op. cit.*



## 5 CONCLUDING REFLECTIONS

**The past few years have seen a growing interest in SMST, both as a spatial category with their own set of challenges and opportunities and as a target of territorial development policies.**

While the definition of what they are varies between countries, SMST are a spatial category that risks falling between the cracks of urban policies focusing on metropolitan regions on the one hand and rural policies predominantly interested in peripheral or sparsely populated regions on the other.

The presented examples of policies illustrate that policymakers from different countries and at EU level typically provide three types of support frameworks. While the categories sometimes overlap, we can distinguish between **policies that dedicate funding for physical investments, those that provide networking frameworks and others that build capacity in the targeted territories.** What became evident is that these three approaches are often combined, either as part of the same framework or of a wider national approach, as these mutually reinforce each other's impact. For instance, the implementation of investment projects can be supported with accompanying capacity-building measures or creating networks can be encouraged by providing funding for investments.

**We have also seen that the implementation of policies for SMST comes with several challenges.**

Some appear to be more general, common also to other policies, such as limited capacity or funding. However, the challenges presented all have characteristics specific to the situation in which SMST find themselves:

- For instance, SMST are likely to have fewer capacities and more limited funding than larger cities, while often being asked to carry out the same or similar task.
- Governance arrangements might neglect them, as the urban discourse is dominated by metropolitan regions.
- An insufficient focus could result in a situation in which SMST with very different framework conditions (e.g. those that are part of agglomerations) receive the same support as those most in need.
- Finally, a lack of evidence highlighting the value of the recent SMST policies might put these policies at risk in the light of budget cuts and pressures on streamlining the available territorial policies.





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