



European Committee
of the Regions

EU annual report

2023



The State of Regions and Cities



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2023 EU Annual Report on the State of Regions and Cities

MANAGING CRISES, BRINGING SOLUTIONS, BUILDING THE FUTURE

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Foreword

2023 was a year of challenges and crises for all regions and cities across the European Union, but also a year of full commitment from more than a million elected representatives in town halls and regional parliaments to deliver concrete and tangible solutions to their citizens. With a view to the upcoming European elections, this report provides readers with the topics that will matter in cities and regions, where citizens will cast their vote. As if under a magnifying glass, 2023 has shown where our European Union needs to find common answers, better solutions and areas where our cooperation needs to be strengthened.

In Ukraine, the war brought by Russia is still raging, bringing destruction and forcing millions of people away from their homes. Since day one, European regions and cities have opened their doors, offering protection to Ukrainians, with essential services at the heart. The same regions and cities are also getting ready to help with the reconstruction efforts, accompanying Ukrainian local and regional authorities on the road towards peace and EU membership – together with other candidate countries.

The social and economic consequences of the war, combined with ongoing crises, have been a heavy weight on the shoulders of European households. The climate crisis is everywhere, every day, taking lives through natural disasters and putting a strain on our economies. Ensuring our energy and food safety has been a key mission, as millions of Europeans were and are still not able either to keep their house warm or put food on the table.

Whatever the magnitude of the challenges we face, we are committed to leaving no one behind and keeping our social fabric strong.

We can only come out stronger from these crises, with a commitment to ensuring progress and the well-being of our citizens. This is why regions and cities have fully embarked on the green and digital

transitions, transforming our societies, as key actors of the sustainable development agenda.

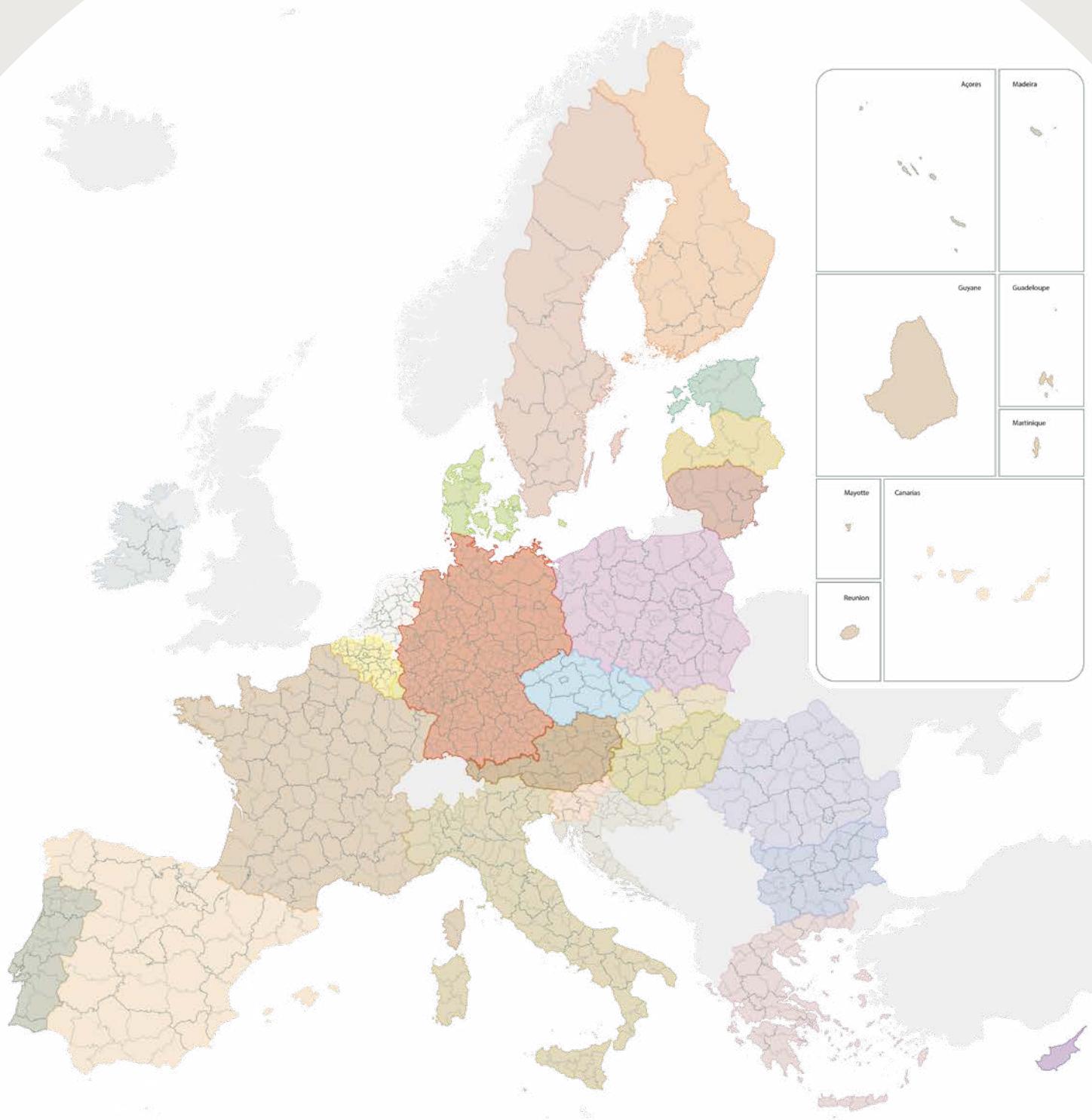
Central to this structural and long-term transformation is cohesion policy, the main investment policy in the EU to help regions and cities secure a better future, unlocking their potential, regardless of whether they are urban or rural, central or peripheral, industry centres or even outermost regions, like my home region of the Azores. Again, as we design the policies and the investments for the future, leaving no one and nowhere behind remains our compass.

Finally, any transformation that is people-oriented require people's involvement. Local and regional leaders have the highest degree of trust from their citizens, and this is why, as we look at the future of our European Union, we can only reinforce the legitimate role of regions and cities in the EU's architecture so that it becomes more efficient, more grounded and closer to the people.

The 2023 EU Annual Report on the State of Regions and Cities is a flagship publication of the European Committee of the Regions, including its annual Regional and Local Barometer produced in partnership with IPSOS. It tells you stories of the incredible strength and commitment of local and regional authorities in Europe.

I would like to thank all the contributors to this report, most importantly all the regional and local leaders who ensure that Europe is made by everyone, and for everyone.

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



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

Highlights and recommendations

Regions and cities managing crises

1 Solidarity with Ukraine

Continue and strengthen support to Ukraine by partnering with EU regions and cities for reconstruction and reform.

The Russian war against Ukraine has caused an unprecedented influx of displaced people, affecting cities and regions in the EU unevenly. Regions and cities in the EU are providing direct humanitarian relief to Ukrainian cities and regions and developing projects and partnerships to help with their future reconstruction. Despite stretched resources, local authorities focused not only on emergency measures (such as reception centres, housing and medical care for displaced people) but are also now turning their attention to long-term strategies for the socioeconomic inclusion of four million Ukrainian refugees (such as social welfare, language training and job-insertion).

The EU should use the potential, capacities and expertise of its regions and cities to anchor reconstruction, reform and European integration of Ukraine at grassroots level and continue to support decentralisation. The Ukraine Facility shall provide resources and financing for this purpose.

The EU should increase direct support to its cities and regions to manage the local integration of Ukrainian

refugees and provide services, mainly in terms of medical care, education and employment. The local and regional component of the Ukraine Facility should be developed in line with the governance principles of EU regional policy.

The European Alliance of Cities and Regions for the Reconstruction of Ukraine, which is coordinated by the CoR, is helping to strengthen local and regional capacities in Ukraine, boosting peer-to-peer cooperation, assisting local authorities in Ukraine to get familiar with the acquis and advising on the implementation of the decentralisation process.

For 45% of respondents, regions and cities can contribute to Ukraine's reconstruction.

Regional and local barometer 2023

2 Energy transition

Ensure a multi-level governance approach to the energy transition. Only with increased EU funds can local and regional projects increase and improve their impact to meet the EU's climate ambition on the ground and strengthen acceptance for the green transition within local communities.

The energy crisis has hit all territories across Europe hard but has been even harder on regions and cities with a higher percentage of vulnerable people in or at

risk of poverty: 40 million people were unable to keep their home warm in 2022. The ambitious goals of the European Green Deal require unprecedented changes

at an unprecedented speed in the years to come, which need to happen largely at local and regional levels. Regions hosting energy-intensive industrial facilities, such as for basic metals, chemicals, non-metallic minerals and paper, were also heavily impacted, with a severe prospect of deindustrialisation and future delocalisation of industries to regions providing lower energy prices. Despite skyrocketing energy prices and high inflation, local and regional governments have continued to provide essential services (such as schools, hospitals, care homes and public transport) through significant energy savings in the heating and lighting of public buildings, quicker deployment of renewable sources, but also through budget cuts to other community services.

The EU should tailor its energy transition to local needs, constraints and opportunities. Only by taking a bottom-up approach can the EU shift from energy crisis to energy independence and provide a long-term vision to the EU territories.

Building on the REPowerEU initiative, the EU should provide regions and cities with additional support and investments to improve energy efficiency, deploy renewables, circular economy and smart grids, thus promoting local energy production and enhancing EU energy autonomy.

The CoR is facilitating the local energy transition through its Green Deal Going Local Initiative and several campaigns such as the EU Cities Energy Savings Sprint, launched together with the EU Covenant of Mayors and the European Commission.

For 62% of respondents, their city and region has taken measures to reduce energy consumption.

Regional and local barometer 2023

3 Climate action

Invest significantly in climate adaptation and mitigation with a place-based strategy to preserve cohesion and resilience across regions and cities and in the face of the disruptive and asymmetric effects of climate change, as well as biodiversity loss.

European regions and cities are paying an increasing toll to disruptive heatwaves, draughts, flash floods and wildfires. Climate change will deepen existing inequalities: Southern and Eastern Europe, European cities, islands, coastal and peripheral regions will be most affected in terms of casualties among populations, damage to critical infrastructures and the disruption of tourism, industrial clusters and agriculture production. To protect its regions from the harmful impacts of climate change, the EU would need to invest about EUR 40 billion every year, if the global temperature stays within a 1.5°C increase. This amount would rise up to EUR 120 billion and 200 billion per year to adapt to a 2°C or 3°-4°C temperature increase. Only stronger investments in climate adaptation and mitigation can preserve cohesion among the EU and within Member States.

The EU should step up its solidarity. Cohesion mechanisms will allow its regions and cities to scale up investments for climate adaptation and resilience

and prevent the most vulnerable territories and vulnerable social groups from being the hardest hit.

The European Green Deal should strongly involve regions and cities in achieving climate neutrality and becoming resilient to climate change.

The CoR is partnering with the European Commission Joint Research Centre to promote the use of its Vulnerability Dashboard, which defines regional vulnerabilities and capabilities to deal with disasters, including climate change risks.

For 51% of respondents, regions and cities should have a greater say in EU policy-making regarding the climate crisis and environment.

Regional and local barometer 2023

4 Food safety

Support sustainable local agriculture and partner with local and regional authorities to help make European food systems more resilient and sustainable.

The Russian war against Ukraine has substantially disrupted European agriculture overall, with the highest impact felt in regions of Bulgaria, Hungary, Poland, Romania and Slovakia, and increased prices on the shelves for everyone living in Europe. In addition, droughts, water shortages and other extreme climate events are severely reducing agriculture yields in many regions, stretching across the whole of the EU. Local and regional authorities are confronted with the social emergency of food poverty in their local communities: over 32.5 million Europeans cannot afford a proper meal every other day.

The EU should invest in sustainable local agriculture production and shorten its supply chains. It should favour local produce, procure sustainably and move towards sustainable food systems.

The EU should also step up its coordination and investments to help regions fight draughts and manage water scarcity by building on existing regional experiences in reducing consumption, increasing reuse and tackling wastewater.

The CoR has launched the EU Organic Award together with the European Commission to promote sustainable local production among EU regions.

Regions and cities as actors for sustainable development and cohesion

5 The European Green Deal and the Sustainable Development Goals

Ensure more support to implement the European Green Deal and the Sustainable Development goals at local and regional level.

Without the commitment of European regions and cities, 105 out of 169 targets set out by the SDGs will not be achieved by 2030, such as the reduction of poverty and the greening of local infrastructures. Regions and cities increasingly monitor their progress by carrying out Voluntary Local Reviews, and they join forces in initiatives such as the URBACT Cities for Sustainable Governance network and the European Covenant of Mayors. Nevertheless, they often lack the financial resources and technical capacities to implement the SDGs and plan investments in Green Deal measures. This threatens to deepen existing divides between "frontrunning" regions or cities and those already facing economic challenges due to technological and demographic transitions.

The EU should provide regions and cities with a consistent and consolidated framework for sustainable development that aligns with global climate and sustainability agendas. It should take into account the transformative challenges regions and cities are facing to make implementation more reflective of local realities.

The EU institutions must team up with all levels of government to fill financial gaps by providing direct

funding and concrete guidance, introducing green budgeting and better linking the EU Green Deal to EU economic governance.

The CoR's Green Deal Going Local Initiative comprises a set of communication and engagement tools to accelerate the green transition at the local and regional level. It allows regions and cities to exchange best practices on Green Deal implementation and provide expert feedback on it.

45% of the respondents affirm that their city or region has set a climate neutrality target by 2050, demonstrating their ambition to exceed the EU's broader target.

The future of the Green Deal: taking stock and looking ahead CoR survey

6 The green and digital transitions

Unlock investments for the green and digital transitions, supporting people and reducing inequalities, while also fostering the industrial competitiveness of European regions.

The green and digital transitions increase both costs and risks and put existential challenges to many European regions. Skyrocketing energy prices and foreign place-based industry policies threaten to exacerbate the situation. At the same time, households are facing the impact of inflation and strong inequalities remain across Europe. Close to 50% of regions and cities have had to set up food banks and food distribution programmes. As the twin transition is ongoing, it is key that the targets of the European Pillar of Social Rights related to employment, training and the fight against poverty and social exclusion remain central. Subnational governments are responsible for a key share of the overall expenditure in education and skills. They therefore have a key role to play in addressing socioeconomic challenges, paying particular attention to the question of development traps. Furthermore, as 41 regions are in fact considered to be the most vulnerable due to the green and digital transitions, regions and cities are seeking ways to ensure their resilience and competitiveness by adopting new strategies, building up expertise, providing means for upskilling and by forming alliances to make their voice heard. European regions and cities are also increasingly feeling the consequences of digital threats directly: they are primary targets of cyberattacks and experiencing temporary shutdowns of crucial public services. However,

many of them lack sufficient financial resources and organisational capacities to build digital resilience and upgrade their economic ecosystems.

The EU should further promote the local perspective when it comes to skills development.

The Committee of the Regions should be invited as members of the governing and monitoring bodies set up by the Critical Raw Materials Act and the Net-Zero Industry Act since regions and cities have an important role to play in assuring societal acceptance of strategic projects and identifying levers for change and investment.

The EU has to step up its efforts by running awareness-raising campaigns on cyber-threats directed against local and regional infrastructures.

For 52% of respondents, regions and cities should have a greater say in EU policy-making regarding stronger economy, social justice and jobs.

Regional and local barometer 2023

7 The future of cohesion policy

Reform cohesion policy with a mission and place-based approach, applying the principle of "do no harm to cohesion" across all policies.

Thanks to the single market, the EU's GDP is 9% higher than it would be without it. Internal EU trade supported the creation of 56 million jobs in the last thirty years. However, prosperity is not distributed fairly among the EU core regions and periphery. The COVID-19 pandemic and the Russian war against Ukraine have made it even more challenging for peripheral regions to catch up with the rest of the EU. Cohesion policy as long-term investment contributes to a better performing single market, closing the development gap between regions by providing them with social resources and infrastructures. However, regional differences remain large. The future of cohesion policy needs to be designed as an inclusive strategy engaging all people and stakeholders at all levels, addressing the current policy fragmentation and complexity across several funds.

The EU needs to further develop a strong place-based cohesion policy with a mission approach that can help all EU places and people. It must apply the principle of "do no harm to cohesion" across all EU policies and initiatives by conducting comprehensive territorial impact assessments.

The Cohesion Alliance, set up by the CoR, will serve as a debate and exchange platform, engaging EU institutions with cities and regions.

59% of respondents are aware of cohesion policy funds.

Regional and local barometer 2023

8 The rural agenda

A long-term approach to rural areas must equip them with investment in their green and digital transitions to effectively fight depopulation and attract young talent.

By 2033, it is estimated that 30 million people will have left Europe's rural areas. This equals the combined population of Romania, Bulgaria and Lithuania. Rural regions face obstacles that threaten their growth as well as the EU's objectives to achieve climate neutrality. Young people and families leave rural areas because of the lack of services, such as schools, hospitals, public transport and digital connectivity. This constant outflow of younger people leads to a decrease in the labour force, an ageing of local populations as well as to impoverishment and social exclusion. 16% of the EU's population live in so-called talent development trap regions. Adult learning opportunities are much lower in regions suffering a talent development trap (at 5.6%, compared to the EU average of 10%). Regional and local governments are actively involved in formulating and executing integrated rural development initiatives, such as dedicated local schooling projects, as well as mobility

concepts for rural villages and green entrepreneurship schemes for women.

The EU should invest more in rural areas as they are major contributors to its green transition in fields like renewable energy production, sustainable food and nature preservation.

The next generation of cohesion policy programmes and the Recovery and Resilience plans should boost investments and reforms to reduce the talent development traps in EU regions, diversify economic prospects for young people and ensure the economic and social well-being of rural communities.

The CoR is actively involved in the Rural Pact, which provides a platform for all levels of government and civil society to exchange on the needs and potential of rural areas.

Regions and cities shaping the future of Europe

9 European democracy

The EU must take advantage of citizens' trust in regional and local representatives to reinforce European democracy better and to a greater extent.

In the European Union, 1.2 million citizens hold an electoral mandate at local or regional level. They are the grassroots of European democracy. Member States' local and regional authorities are more trusted than national governments and, in most countries, they are more trusted than the EU institutions as well. Rising discontent in regions and cities threatens the overall social cohesion in the EU. This makes it even more crucial to adapt EU programmes for cities and regions to the specific needs of the EU's diverse territories and their needs. To that end, local and regional authorities need to have a greater say in shaping EU policies. A higher involvement of subnational levels of government would help to make EU policies better understood and accepted by citizens.

The EU should promote the multilevel dimension of European democracy and governance and systematically include local and regional politicians in the legislative process of the EU, thus following up on the results of the Conference on the Future of Europe.

The European elections taking place in June 2024 will be a test for European democracy. In this context, the EU institutions should increase their cooperation with regions and cities in order to build trust and increase voter turnout, while ensuring their voice is heard in the definition of the next political priorities.

The Young Elected Politicians programme and the Network of Local and Regional Councillors – both set up by the CoR – can further support local and regional elected representatives, reinforcing the bridge between the EU and local communities. Local and regional authorities are also key partners to enhance a sense of belonging in the European project, based on EU principles and values.

For 91% of respondents, it is important to increase the influence of regions and local authorities in national policy-making.

Regional and local barometer 2023

10 The enlargement of the European Union

Involve local and regional authorities, with their experience and networks, to prepare for the next wave of enlargement.

The Russian war against Ukraine has put EU enlargement policy higher up on the political agenda and highlighted the importance of ensuring stability in the EU neighbourhood, both at its eastern and southern borders, through enhanced cross-border cooperation. Regions and cities in candidate countries have a key role to play in engaging citizens in the accession process, consolidating European values and fostering European integration.

European regions and cities can share their own experiences of accession and support the capacity building of potential newcomers through various formats like the Joint Consultative Committees (JCCs), Working Groups (WGs), the Conference of Regional and Local Authorities for the Eastern Partnership (CORLEAP), the Euro-Mediterranean Regional and Local Assembly (ARLEM) or using the Technical Assistance and Information Exchange (TAIEX) peer-to-peer instrument. CORLEAP is currently pursuing the dual objectives of continuing to provide a format for multilateral cooperation at local and regional level in the Eastern Partnership framework and helping the new EU candidate countries on their path towards the EU, and will continue to do so in the near future.

Moreover, cross-border cooperation programmes with neighbouring countries (in particular via Interreg IPA CBC programmes) has been crucial to build trust and develop expertise in neighbouring local and regional authorities while they prepare to join the EU.

This makes capacity building easier and increases the understanding of EU policies and laws.

European regions and cities can be fully part of the EU enlargement process by championing multilateral cooperation formats and providing practical support to EU candidate countries' local and regional authorities.

Previous rounds of enlargement have shown that decentralisation and involvement of local and regional authorities in preparing for EU membership is key to success.

The CoR advocates for strengthening cross-border cooperation with neighbouring local and regional authorities and contributes to promoting TAIEX through the JCCs and WGs, as well as through ARLEM and CORLEAP, and it has a special role to play in assisting local and regional authorities in the enlargement countries to prepare for the implementation of the EU acquis. The CoR is focusing its enlargement work on practical capacity building and has notably enlarged its Young Elected Politicians Programme (YEPs) to candidate countries.

Key recommendations of the CoR

1

Continue and strengthen support to Ukraine by partnering with EU regions and cities for reconstruction and reform.

3

Invest significantly in climate adaptation and mitigation with a place-based strategy to preserve cohesion and resilience across regions and cities and in the face of the disruptive and asymmetric effects of climate change, as well as biodiversity loss.

5

Ensure more support to implement the European Green Deal and the Sustainable Development goals at local and regional level.

7

Reform cohesion policy with a mission and place-based approach, applying the principle of "do no harm to cohesion" across all policies.

9

The EU must take advantage of citizens' trust in regional and local representatives to reinforce European democracy better and to a greater extent.

Ensure a multi-level governance approach to the energy transition. Only with increased EU funds can local and regional projects increase and improve their impact to meet the EU's climate ambition on the ground and strengthen acceptance for the green transition within local communities.

2

Support sustainable local agriculture and partner with local and regional authorities to help make European food systems more resilient and sustainable.

4

Unlock investments for the green and digital transitions, supporting people and reducing inequalities, while also fostering the industrial competitiveness of European regions.

6

A long-term approach to rural areas must equip them with investment in their green and digital transitions to effectively fight depopulation and attract young talent.

8

Involve local and regional authorities, with their experience and networks, to prepare for the next wave of enlargement.

10



Chapter I

Regions and cities managing crises

A multifaceted set of crises is affecting the European Union. From the Russian war against Ukraine and its consequences to the energy, climate and food crises, social inequalities and the lasting consequences of the COVID-19 pandemic, regions and cities are at the forefront, addressing the numerous challenges faced by citizens.

The European Union is being put to the test, and will stand it as long as it continues to develop new common tools of solidarity and resilience, to support its territories and citizens.

A Ukraine: Displaced people, sustainable reconstruction, path to EU integration

The Russian war against Ukraine has caused an unprecedented influx of displaced people, unevenly affecting regions and cities in the EU. Despite many difficulties, local and regional governments have taken successful measures to welcome displaced Ukrainians, while catalysing solidarity from local populations. The focus is now shifting from emergency measures to longer-term strategies for socio-economic inclusion. Which regions are at the forefront in helping displaced Ukrainians to integrate locally? How can solidarity from local governments help Ukraine to recover from the war and build a better future for its people?

Regions and cities in the EU and in Ukraine are convinced they have an active role to play in the reconstruction of Ukraine. They are already developing the structure, principles and plans for this purpose in the context of networks such as the European Alliance of Cities and Regions for the Reconstruction of Ukraine, set up by the Committee of the Regions (CoR), bringing together local and regional authorities in the EU and Ukraine.

The integration of Ukraine into the EU will go hand in hand with its reconstruction. Local and regional authorities in Ukraine need to be prepared for EU membership and need support from their EU counterparts. The CoR is doing its part through capacity-building initiatives.

After what was probably historically the most intensive conflict-induced migration to the EU on record,¹ many regions and cities are now shifting from crisis mode to developing sustainable strategies for integrating Ukrainian nationals afforded EU protection. Most Ukrainians receiving temporary protection² in the European Union (3.5 million³ out of the EU total of 4 million⁴) arrived and registered in the first three months following the Russian invasion on 24 February 2022. In the second half of 2022 and throughout 2023, cities and regions began moving from emergency response mode to developing structured and sustainable integration strategies aimed at improving the socio-economic inclusion of displaced Ukrainians.⁵

88% of regions and cities have taken concrete action to respond to the emergency created by the war on Ukraine in their city or region and, hand in hand with local communities, they continue to play a crucial role in supporting displaced Ukrainians. Approximately half of authorities of regions and cities have created reception centres and provided housing for displaced people and more than one third have ensured access to social welfare and medical care (33%). 21% have created opportunities and facilities specifically for displaced

children, while 13% have taken measures to mitigate the economic and social impact of the war on the most vulnerable as well as mitigating the impact of increased energy prices for citizens and enterprises. Over a third (35%) have also engaged in symbolic actions of support to Ukraine. In addition to fully supporting Ukraine against the Russian aggressor, the majority of regions and cities (60%) are also convinced that the presence of Ukrainians would bring positive demographic and economic consequences (54%).⁶

As the majority of registered Ukrainian beneficiaries of temporary protection are women and children,⁷ many regions and cities also provide tailored support, education and integration services. Over 56% of regions and cities provide specific support for women from Ukraine in the form of childcare, followed by housing (55%), job training (52%), psychological assistance (almost 48%), healthcare (46%), and transportation (45%).⁸ However, about 44% do not provide any specific support tailored to Ukrainian displaced women which is an issue that needs to be addressed to support them and to ensure adequate conditions for their socioeconomic integration⁹. A stand-out example of rapid integration and a testimony to the strength and resolve of Ukrainian women comes from Poland, where government figures confirm that 60-70% had found a regular job by the end of last year.¹⁰

While solidarity towards the people from Ukraine has been unequivocal across the EU, the territorial impact of this unprecedented crisis predominantly affects regions and cities in just three Member States. This is due to several factors, such as concentrations in urban and metropolitan areas, large pre-existing diasporas in some regions,¹¹ visa-free travel for Ukrainians to the EU, and the speedy protection under the Temporary Protection Directive (TPD), all of which contributed to a highly decentralised process of reception.

The majority of Ukrainians registered under the TPD reside in regions of Germany, Poland and Czechia,¹² and it is in these countries that the top 10 regions with the highest numbers of registrations are situated: Nordrhein-Westfalen (Germany), Mazowieckie (Poland), Bayern (Germany), Baden-Württemberg (Germany), Niedersachsen (Germany), Dolnośląskie (Poland), Śląskie (Poland), Małopolskie (Poland), Wielkopolskie (Poland), and Praha (Czechia). Romania, Spain, Italy, Slovakia and Austria also have regions where the number of registrations exceeds 20 000 per region (see map below). However, the ratio of Ukrainians to local populations is highest in Czechia, Poland and Estonia.¹³

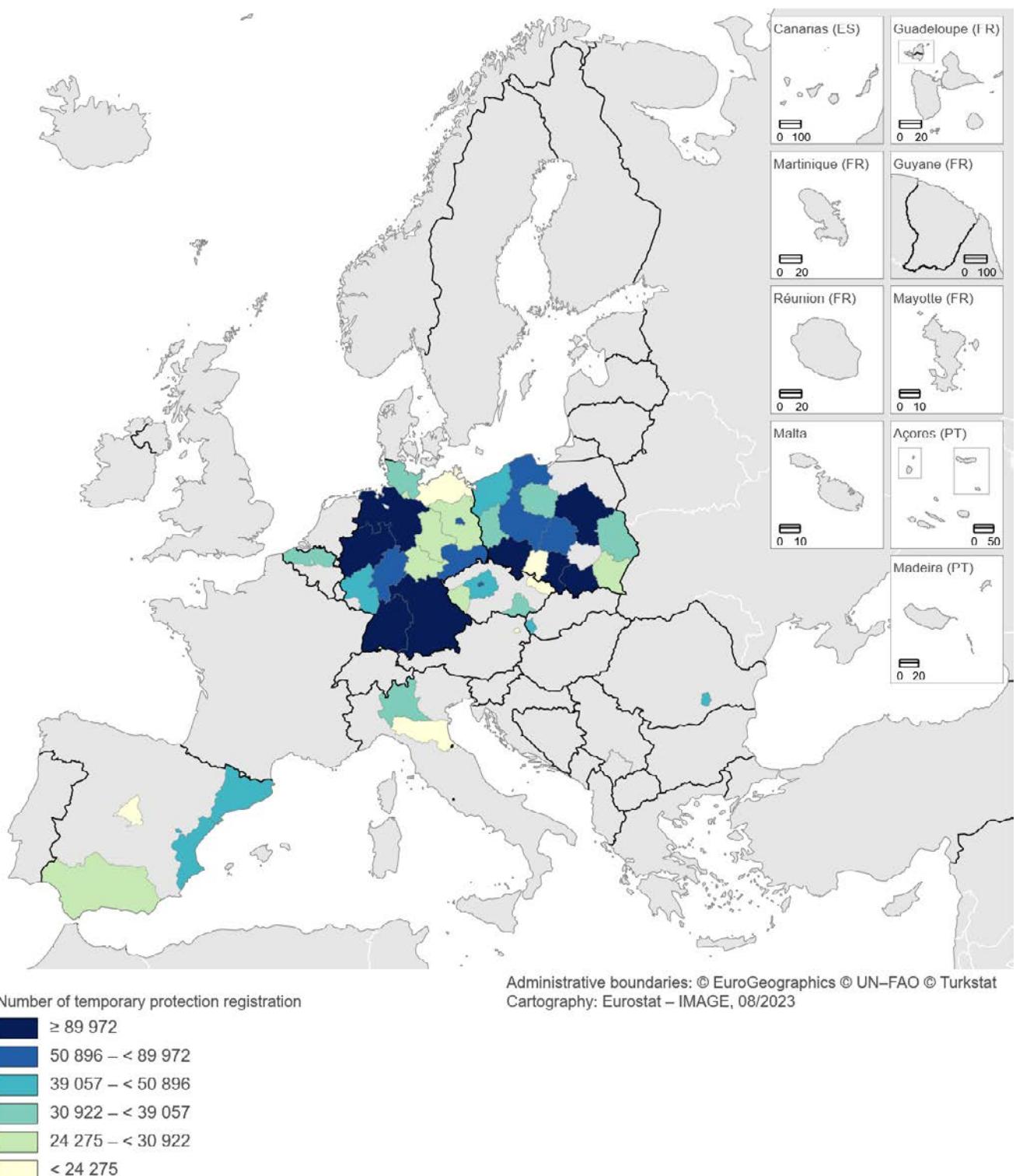


Figure 1 — NUTS2 regions with more than 20 000 active registrations for temporary protection (Ukrainian citizens)

CoR compilation based on UNHCR, Mediendienst Integration, ibz, MINV, La Moncloa, Österreichischer Integrationsfonds¹⁴
Please note, this map intentionally shows the selected regions only.

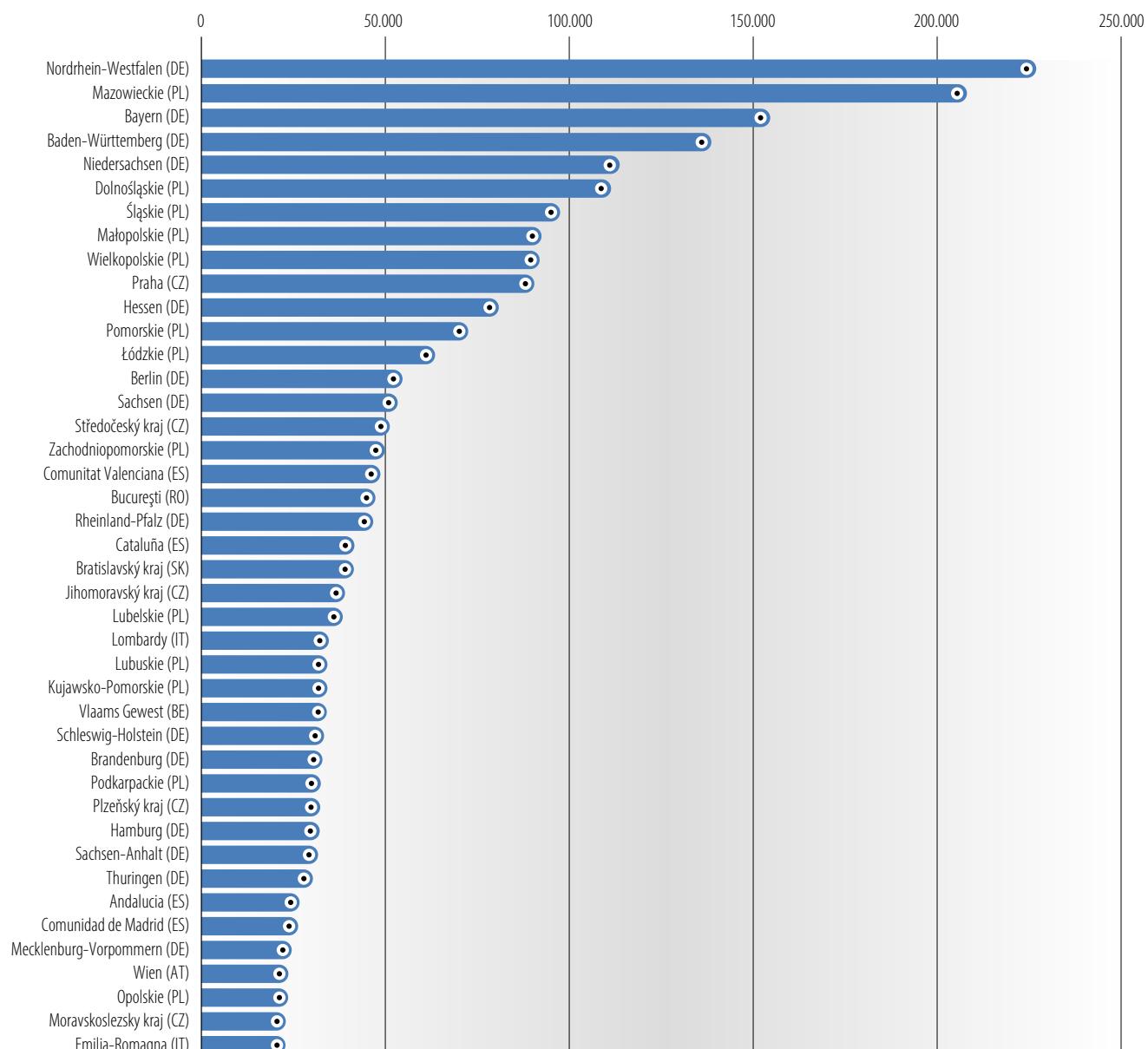


Figure 2 — EU regions with the highest numbers of Ukrainians actively registered for temporary protection
CoR compilation¹⁵

Many regions and cities continue to face challenges as their capacities to provide services to locals as well as to refugees, such as accommodation, means of subsistence, medical care, education and employment, are stretched and often not optimised.¹⁶

In Poland, the territorial distribution of Ukrainians is characterised by concentration in voivodships with large urban agglomerations. Two-thirds of Ukrainians in Poland live in the 12 largest metropolitan areas¹⁷ and most are staying in Warsaw (more than 100 000), Wrocław, Kraków and Poznań.¹⁸

In Germany, the proportion of Ukrainian nationals in the total population was highest in Berlin and Hamburg. Due to the high number of arrivals, some regional authorities expressed concerns about reaching their limits and the need for more schools, nurseries, and accommodation places.¹⁹

In Czechia, the city of Prague struggled with hosting almost a quarter of all Ukrainians²⁰ but at the end of October 2022, the capital city approved its Strategic Framework for the support of Ukrainian refugees and partnered with UNICEF in the creation and running of a new Centre for subsequent support for displaced people from Ukraine.

Insufficient resources and funding constraints have been among the most pressing issues for all regions and cities in providing essential services to Ukrainians and putting into practice long-term integration goals.

The money for regions and cities to support Ukrainians came mostly from higher levels of state government (51%, a welcome increase from 20% before the war started), followed by the private sector (10%) while direct funding under the EU was significantly limited or not available for direct application to local governments.

UKRAINIAN CONSULTATION CENTRES

PRAGUE, BERLIN AND GDANSK HELPING UKRAINIANS IN THEIR LANGUAGE

The cities of Prague (Czechia), Berlin (Germany) and Gdansk (Poland) set up Ukrainian Consultation Centres to provide Ukrainian citizens, primarily women with under-age children or elderly people, with face-to-face consultations in their native language.²¹

In relation to supporting displaced people from Ukraine, only about 5% of regions and cities used funding from the Asylum, Migration and Integration Fund (AMIF), 9% from the European Social Fund Plus (ESF+), and only 1% from European Regional and Development Fund (ERDF). In relation to refugees in general, the use of such funds is higher, with 13% of regional and local governments usually benefitting from AMIF funds, 10% from ESF+ funds and 2% from ERDF funds.²²

Greater direct support to regions and cities is therefore needed so that they continue to effectively provide public services in all areas of their competence while also integrating Ukrainians into local communities. A particular focus shall be placed on ensuring targeted measures that take better into consideration the specific needs and rights of the most women, children and other displaced people.

Reconstruction and reform happen in tandem while responding to the challenges which vary according to the scale of destruction in Ukraine. Just as it differs across regions and municipalities, depending on their geographical location and proximity to the front line,²³ the challenges and needs also vary. As relentless fighting and hostilities continue to escalate the dire humanitarian situation in certain areas of Ukraine,²⁴ many regions and cities need to focus on ensuring access to water, sanitation, food, health services and materials to repair homes. However, there are those who are also increasingly able to focus on recovery and reconstruction efforts rather than emergency humanitarian needs and to this end they are seeking international partners in a range of areas – from de-mining to urban re-development and economic cooperation – in order to focus on reconstruction and reform plans simultaneously.²⁵

83% of EU cities and regions are convinced there is a way they can contribute to Ukraine's reconstruction. Almost half (45%) of all EU cities and regions think they can help by being involved in a wider European plan for the reconstruction of Ukraine, while about one-third of EU cities and regions see their potential contribution to the reconstruction of Ukraine in providing material and financial help (31%), and in

twinning programmes to strengthen technical and institutional capacity and exchange best practices (30%). 27% of EU cities and regions are ready to help through promoting good governance at local and regional level and 16% consider that public administrations could be supported through training programmes organised by universities and training centres for officials (including online courses).

A ONE-STOP AGENCY WITH OPEN DOORS

RIGA CENTRALISES ITS HELP TO UKRAINIANS

The city of Riga (Latvia) has an open-door policy and aids Ukrainians in manifold ways, such as operating a refugee support centre turned into a one-stop agency where all the governmental, municipal and non-governmental services are located, renting extra classrooms to keep Ukrainian children in schools, and initiating digital nomad visas and talent sponsorships.²⁶ **The process for Ukraine's sustainable reconstruction has already begun and EU regions and cities are already involved.** Even as Russia's war of aggression continues to cause extreme civilian harm and infrastructure damage,²⁷ regions and cities across the EU have already committed to undertake various reconstruction efforts which cannot wait until the end of the war as they are crucial for restoring the services needed for the day-to-day functioning of local communities. Many EU cities and regions have provided direct humanitarian aid and financial support to their twin cities in Ukraine, donated to humanitarian organisations, and contributed with repair material, power generators, ambulances, buses, and other useful items²⁸.

The proposed €50 billion EU funding structure for Ukraine's reconstruction also recognises that the regions and cities need to be involved at all stages. Directly supporting regions and cities is central to the EU's approach as evidenced by the fact that their empowerment is a pre-condition of the Ukraine Facility²⁹ set by the European Commission³⁰ in its proposal for a review of the Multiannual Financial Framework (MFF) 2021-2027. As the EU budget was not designed to deal with the consequences of the war against Ukraine and the so-called 'flexibilities'³¹, which were used from the beginning of the war, reached their limit, the creation of a new Ukraine Facility is timely and welcome, as is the attention paid in the proposal to the involvement of regions and cities in decision-making and to their capacity building³².

Number of bilateral partnerships between EU and Ukrainian regions and cities has gone up, but more than a half of Ukraine's smaller cities are still without formal EU partners. Sub-national collaboration,³³ such as between Gdansk (Poland) and Lviv (Ukraine),³⁴ and peer reconstruction efforts, for example involving Ukrainian cities in the Climate-neutral and smart cities Mission,³⁵ as well as the various twinning agreements³⁶, are an important part of the reconstruction process and of bringing Ukraine closer to EU standards.³⁷ While most of the existing agreements are signed with regions and cities from Poland and from EU countries in closer proximity to Ukraine,³⁸ many more new agreements with German³⁹ and French⁴⁰ local authorities point to a wider, pan-European trend.

EU cities have a lot to offer to their Ukrainian partners⁴¹ in terms of expertise and best practices on issues such as sustainable city development, heritage protection, education, social services, fundamental rights and good governance. While the regional capitals are more likely than other cities to establish economic and business cooperation with cities abroad,⁴² more than half of Ukraine's smaller cities, mostly in the Eastern part of Ukraine, still have no formalised international cooperation and there is still considerable room for intensifying EU-UA cooperation at sub-national level.⁴³

The Alliance of Cities and Regions for the Reconstruction of Ukraine⁴⁴ set up by the CoR is helping to fill in the gap in EU-UA sub-national cooperation and connect the two sides. The pan-European platform with the potential to connect thousands of local and regional leaders in the EU and wider Europe has significantly contributed to intensifying international cooperation and reconstruction efforts through its activities⁴⁵ and strategic recommendations by involving an ever-growing number of representatives, including the members of the CoR, the Congress of Local and Regional Authorities of the Council of Europe, European associations such as CEMR, CPMR, EUROCITIES, CALRE, AER, Covenant of Mayors, Energy Cities, as well as all Ukrainian associations of local and regional authorities and many associated partners.⁴⁶

The CoR Recommendations for strengthening the role of Local and Regional Authorities in Ukraine's Recovery and Reconstruction Process and on their road to EU membership⁴⁷ anchored the decentralisation discussion at the Ukraine Recovery Conference⁴⁸ by reiterating the requirement for the direct participation of regions and cities as critical to the success of recovery, reconstruction (including project prioritisation, planning and selection), and EU accession preparations.

A EUROPEAN ALLIANCE FOR RECONSTRUCTION

A COR INITIATIVE TO COORDINATE AID AND SUPPORT UKRAINIAN REGIONS

The European Alliance of Cities and Regions for the Reconstruction of Ukraine is providing a platform for coordinating aid efforts and expressing strong political and symbolic support by the EU regions and cities for their Ukrainian counterparts⁴⁹ in order to ensure their meaningful involvement in the reconstruction process as guided by its strategic recommendations⁵⁰. **Work to prepare Ukraine's regions and cities for the EU accession process is underway and the CoR is supporting its partners in achieving the EU-mandated reforms.**

After symbolically confirming its solidarity with Ukraine by awarding Vitaliy Klitschko, Chairman of the Association of Ukrainian Cities and Mayor of Kyiv, honorary membership,⁵¹ the CoR chartered its path for supporting Ukraine in a concrete 10-point support package plan.⁵²

Implementing the plan without delay, the CoR made available office space for Ukrainian local and regional governments,⁵³ included local Ukrainian elected officials in its Young Elected Politicians programme,⁵⁴ opened up training and recruitment opportunities for seconded experts from Ukrainian regions and cities, will revive peer-to-peer cooperation with the support of the European Union Anti-Corruption Initiative⁵⁵ and its "Integrity Cities" concept, and enlarged its Ukraine working group to provide targeted political and technical support to Ukrainian partners to help them achieve good governance at all levels, reinforce local democracy, and advance decentralisation reform.⁵⁶

Solidarity with Ukraine also relies on intergenerational solidarity. This is why the CoR and Association of Ukrainian Cities launched the 'Summer Camps Initiative'⁵⁷ and many cities and regions organised holiday programmes for Ukrainian children and young people.⁵⁸ About 20 cities and regions from 12 Member States have sponsored fun stays full of activities, sports and cultural events and provided a much-needed respite and sense of normality to approximately 1 800 Ukrainian children and young people.

A BREAK FROM WAR

SUMMER HOLIDAYS FOR UKRAINIAN CHILDREN

Summer holidays for Ukrainian children⁵⁹ gave many Ukrainian children the opportunity to enjoy summer holiday youth programmes in diverse cities and regions, such as Nîmes (France), Athens (Greece), Rome (Italy), Tampere (Finland), Gdańsk (Poland), Portimão (Portugal), Preiļi (Latvia), Wielkopolska (Poland), Lubelskie (Poland), Maramureş (Romania), Podkarpackie (Poland), Pomorskie (Poland), Bavaria (Germany), Łódzkie (Poland),⁶⁰ as well as Miskolc and Sátoraljaújhely (Hungary).⁶¹

Recommendations expressed by the CoR members & the Alliance partners have grown in relevance in line with Ukraine's EU membership ambitions. As advocated in the CoR opinion on The role of EU cities and regions in rebuilding Ukraine,⁶² the decentralisation reform needs to be embedded in the overall architecture of Ukraine's recovery and reconstruction processes, and Ukrainian local authorities need to be given a prominent

role in decision-making about reconstruction projects. To help Ukrainian regions and cities succeed in attracting and managing efficiently the necessary international funds and investments in line with principles of the rule of law, multi-level governance and zero tolerance for corruption⁶³, the CoR reinstated its proposal for an Erasmus programme for local officials and setting up a European school for local administration.

It is important to help regions and cities in Ukraine to develop the necessary capacities to meet the membership criteria⁶⁴ and the CoR strongly encourages all regions and cities to get involved through one-on-one partnerships and the wider Alliance of Cities and Regions for the Reconstruction of Ukraine. The EU and its Member States need to increase their support for Ukraine on its path to EU accession, including in terms of technical expertise, capacity-building and institutional reforms, so as to enable the country's regions and cities to map the needs of short-term reconstruction objectives, but also to implement the long-term strategies of digital and green transitions in order to meet and create the conditions for increased resilience and improved citizen well-being.⁶⁵ A good example in this regard is the EU-funded project **Covenant of Mayors – East** which is aimed at introducing the EU climate and energy initiative to the Eastern Partnership countries and has 198 signatory municipalities in Ukraine, with 158 developed local action plans.⁶⁶

B Energy crisis

The energy crisis has had a significant impact on all communities across Europe. Notwithstanding skyrocketing energy prices and high inflation, local and regional governments have nonetheless continued to provide essential services in Europe's 90 000 towns and villages, 900 cities and 280 regions. They have taken measures to ensure energy saving, energy business continuity and contingency plans with the aim of strengthening energy resilience. They have also provided economic and social relief to vulnerable households and small and medium-sized enterprises. However, the crisis also magnified structural questions on future investments: how do we tackle energy poverty in our communities? How do we support the energy transition of our local businesses so as to maintain global competitiveness?

In 2022, the EU had to add to the 'Fit for 55' agenda, which was already busy, significant additional measures and actions to address the energy crisis, such as REPowerEU. Russia's invasion of Ukraine and the subsequent reduction in Russian gas exports to the EU pushed prices

to previously unimaginable highs, causing pain for households and businesses. In this challenging context, regions and cities rose to the challenge and reacted decisively.

While current achievements across the EU are commendable, there is vast scope for further advancements. **In its urgent Resolution Cities and Regions responding to the energy crisis: towards a real European Energy Union⁶⁷ adopted in February 2023, the Committee of the Regions (CoR) underlined the crucial role of regions and cities in supporting people affected by the energy crisis and implementing measures to ensure energy savings and energy business continuity.**

Yet, to further accelerate the clean energy transition, cities and regions must be involved in ongoing energy reforms to secure strategic investments. By creating synergies between EU funding instruments, sustainable energy projects can be accelerated at the local level. Only then will a real Energy and Climate Union be achieved.

This is an urgent call to action. Soaring energy prices affect all Europeans, particularly the most vulnerable. Between 2019 and 2022, the average share of energy expenditure in a household budget increased by more than 1/3 and almost doubled in some EU Member States. Electricity prices have risen by 35% over the last year⁶⁸ and recent assessments estimate that poorer households would need to pay at least an additional 25% of their total expenditure in energy bills.⁶⁹

About 40 million EU citizens (9.3% of the population) were unable to keep their homes adequately warm in 2022.⁷⁰ The energy crisis, exacerbated by the war, has worsened already challenging situations, posing a risk of increasing energy and mobility poverty. Local economies are being heavily impacted, with many family businesses and small and medium-sized enterprises compelled to reduce their activities and workforce.⁷¹ Moreover, the crisis further contributes to gender inequalities, with women and women-led households more likely to be impacted by energy poverty and drastic energy saving choices due to structural inequalities in income distribution, socio-economic status and the gender care gap.⁷² In 2022, Eurofound found that 44% of single mothers and 31% of single women were struggling to pay their energy bills⁷³.

The CoR recently conducted a survey among its Regional Hubs Network (RegHub)⁷⁴ on The future of the Green Deal: taking stock and looking ahead. According to the survey findings, a **significant majority of respondents (75%) affirm that their respective regions' or cities' climate actions have been impacted by the ongoing energy crisis.** When asked about main challenges hindering progress in clean energy production, a substantial proportion of the participants (90%) point to the need for dedicated funding mechanisms. Additionally, 80% of respondents highlight the importance of support for innovation, while 50% emphasise the significance of capacity-building.

Regions and cities have been taking brave and immediate steps to reduce their own energy consumption, following the Russian invasion of Ukraine. The CoR Regional and Local Barometer⁷⁵ survey conducted by Ipsos European Public Affairs revealed that a majority of respondents (63%) confirmed that their city or region has taken action to reduce energy consumption, while around a quarter (27%) responded that their city or region has implemented measures to introduce more sustainable transport in their area.

These efforts include diverse initiatives such as reducing the room temperature in public buildings, turning off Christmas lights, accelerating the roll-out of LED bulbs (Warsaw, Poland), installing dynamic street illumination systems (Jena, Germany), and engaging in public 'awareness and action' campaigns at work (Graz, Austria) and in schools (Cesena, Italy). Regions and cities have been working directly with citizens and business, showcasing the bravery and determination of citizens in both urban and rural areas.

The **EU Cities Energy Savings Sprint**,⁷⁶ jointly launched by the CoR, the Covenant of Mayors Europe and the European Commission, has been a central activity aimed at highlighting that simple actions, such as setting a thermostat at 19°C (as seen in cities like Leipzig (Germany), Bordeaux (France), and Ghent (Belgium)) would not only keep energy bills in check, but also contribute to creating a more resilient and environmentally-friendly Europe.

The EU's response to fight energy poverty has remained resolute, through swift decision-making and the implementation of emergency measures to protect vulnerable consumers. In October 2022, the Council of the European Union agreed on a regulation for an emergency intervention to address high energy prices and allocated EUR 140 billion to support EU households and business.⁷⁷

Action taken to fight energy poverty is, nevertheless, largely local, as proved by the EU Energy Poverty Advisory Hub initiative.⁷⁸ Specific projects addressing energy poverty with a social inclusion angle were also supported by the 2014–2020 Interreg Europe programme⁷⁹ and through urban innovative actions, such as with the Energy Poverty Intelligence Unit project in Getafe (Spain).⁸⁰ Regions and cities have provided essential services and advice, and channelled social support to help citizens and business endure this very challenging period.

However, as well as tackling the immediate energy costs crisis, the longer-term objectives of reversing climate change and advancing the energy transition must be maintained and furthered. The EU's transition from fossil fuels towards renewable energy sources and energy efficiency can only be made possible with the commitment and active engagement of regions and cities, working together with citizens and civil society. The EU Green Deal is the lynchpin of this process, and its proper implementation can only be achieved through the direct involvement of citizens and authorities at local and regional levels – where green energy projects are materialising.

Renewable-generated electricity is at the forefront of this transformation, gradually replacing fossil fuels for heating-cooling (e.g. with heat pumps) and transportation (e-cars, e-trains etc). The graph below demonstrates the extent of this sea change in the EU when the EU Green Deal was beginning to settle in. The increase of renewables to such an extent that they replace fossil fuels will require substantial investment but also significant support from society for new solar parks, on- and offshore wind farms, and other projects that will be located in the EU. It will be essential that key equipment for generating renewable energy is also produced within the EU. Here, **regions and cities can be catalysts and accelerators for the transition while also raising awareness and rallying public support around the issues at stake on the ground.**

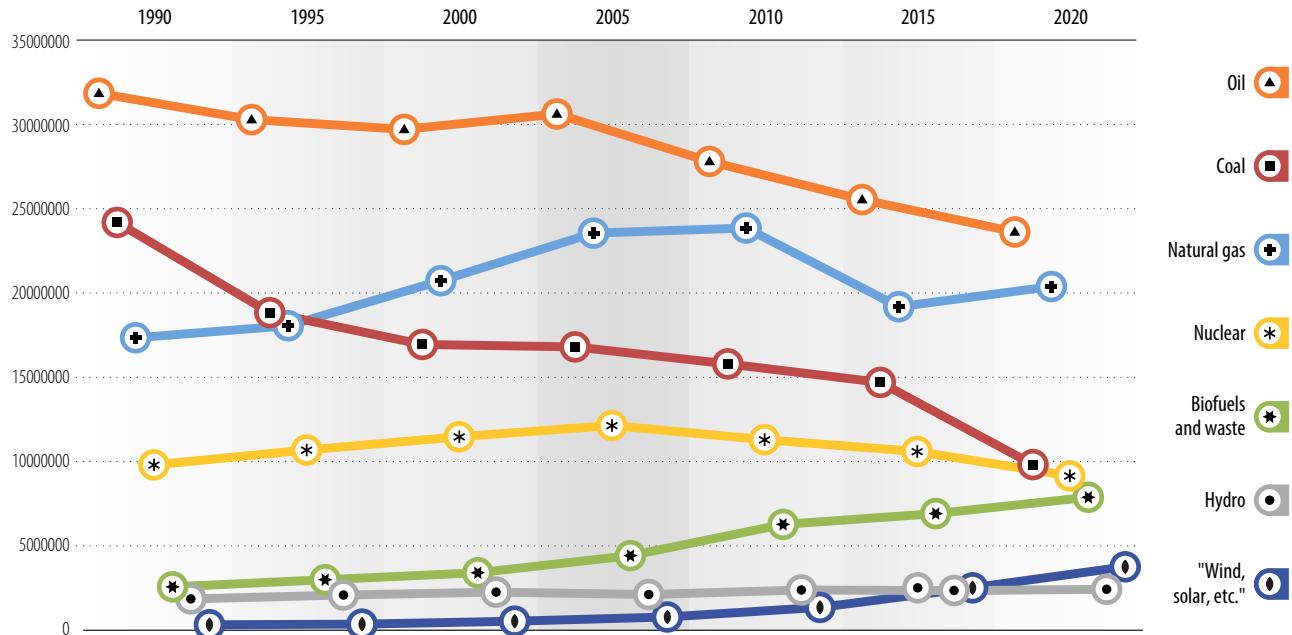


Figure 3 — Electricity generation by source, Europe 1990 - 2020

CoR compilation based on International Energy Agency⁸¹

Total energy supply here excludes electricity and heat trade. Coal also includes peat and oil shale where relevant.

The EU Green Deal and the REPowerEU need to be implemented in a more integrated way that will prioritise innovation and efficiency in how energy is produced and consumed, whilst leaving no city or region behind. In this transformative journey, regions and cities are taking the lead. In the survey conducted by the CoR RegHub on The future of the Green Deal: taking stock and looking ahead⁸² **45% of the respondents affirm that their city or region has set a climate neutrality target to be reached by 2050, demonstrating their ambition to exceed the EU's broader target.** Another shining example of this commitment can be seen in the more than 100 cities that have joined the EU Mission on Climate Neutral and Smart Cities, pledging to achieve climate neutrality by 2030.

2023 is still a year of adaptation to the new geopolitics of the energy market. The EU economy was hit hard by the impact of the war against Ukraine but remained resilient, and high energy prices were countered by policy intervention. Specific actions at the regional and local levels to reduce energy consumption, adopt energy-saving measures in public buildings, deploy and incentivise the use of public transport and be more fuel efficient overall, together with deep innovation actions, not only reduced Russian energy dependency but also paved the way for a cleaner energy outlook for the EU.

REGIONS AND CITIES FACILITATING 'DEEP INNOVATION'

HEAT PUMPS REPLACE GAS FOR HEATING AND COOLING

EU households are purchasing and installing heat pumps at a record pace. This is enabled by fiscal incentives, e.g., lower taxation and/or purchase subsidies by the central government but also via local government flexibility and supportive actions in the form of simplified application procedures for installation, and in many cases further funding support. As a consequence of the above, market trends suggest that a record number of installations of nearly 3 million heating units were sold in 2022.

For example, in Poland the heat pump market grew by 121% year-on-year in the first three quarters of 2022. In 2022, heat pump sales grew 53% year-on-year in Germany. With conservative assumptions, it is estimated that the deployment of heat pumps alone will reduce EU gas consumption in 2023 by 20 TWh.⁸³

The departure from Russian gas presents an opportunity to accelerate the prominence of non-fossil fuels in the EU energy mix and for the EU to become energy independent. More wind, solar, hydro, geothermal energy, and a significant focus on energy efficiency, have been the chosen ingredients for this transition. This shift towards domestic energy production, at the heart of the REPowerEU efforts, underscores **the crucial role of regions and cities in facilitating the implementation of more, larger scale, and locally relevant clean energy projects within time and budget constraints** – all while adhering to strict environmental and social criteria set by EU and national legislation.⁸⁴

A CLIMATE AGENCY AS A ONE-STOP SHOP FOR RENOVATION

BUDAPEST, HUNGARY

Budapest plans to tackle the low energy performance of private buildings and energy poverty with the establishment of CARES, a Climate Agency for Renovation of homes.⁸⁵ The pilot activities aim to address the following challenges related to energy-efficient housing stock:

1. the lack of incentives for private owners to renovate their houses due to the absence of national financing schemes and caps on household energy prices at the national level;
2. partial access to EU funds, limiting the municipality's ability to intervene in the housing market without external support.

The objective is to establish a Climate Agency in the form of a one-stop-shop model that will develop financial models in cooperation with commercial banks and international financial actors. The Agency will be responsible for ensuring that the financial products reach the end users, and smart technical solutions are deployed as part of the refurbishments. Intervention areas will be chosen based on scientific results and technical and socio-economic building parameters. The Climate Agency will also pay particular attention to involving communities and shaping public attitudes while reducing energy poverty.

HELPING CONSUMERS DURING THE ENERGY CRISIS

CASTILLA Y LEÓN, SPAIN

The regional energy agency of Castilla y León, EREN, has planned and enacted a host of measures, from photovoltaics to radio campaigns, to enable energy-saving and efficiency measures that support Castilian citizens in response to the ongoing energy crisis.⁸⁶ EREN is running two subsidy programmes to help consumers in Castilla y León cope with the effects of the energy crisis, with more than €80M in aid from Next Generation EU allocated to individual consumers and companies.

The first subsidy programme (€71.8 million budget) was launched in January 2022 with the objectives of promoting investments in self-consumption and storage with renewable energy sources and implementing thermal renewable energy installations in the residential sector. The total budget is €340 million. The second subsidy programme (€8.2 million budget) promotes investments in the implementation of renewable thermal systems in sectors other than the residential sector.

Key actions include:

1. New energy-saving and efficiency measures;
2. Measures aimed at reducing dependence on fossil fuels, such as installing solar panels on the rooftops of public buildings;
3. Energy efficiency measures in public building stock;
4. Promotion of the use of bicycles, e-bikes, and e-scooters as a substitute for private vehicles;
5. Public awareness campaigns on TV, radio and online.

PHASING OUT FOSSILS

A PATH TOWARDS GREENER AND MORE EFFICIENT RESIDENTIAL HEATING

EAP, the Energy Agency of the city of Plovdiv (Bulgaria), supports the phase-out of firewood and coal use for domestic heating. EAP has long advocated for the sustainable use of local biomass for heating, and increased energy efficiency of heating devices as the main means to fight air pollution. The agency offers a 100% state grant to 3 500 households to replace their old heating stoves with environmentally friendly alternatives. This action showcases how integrated decarbonised and low-emission policies may be a game-changer in addressing the energy, climate, and environmental challenges facing regions and cities.⁸⁷

AN ISLAND MODEL FOR GREEN, AUTONOMOUS ENERGY

HALKI, GREECE

Halki is the first island that will be part of the GR-Eco Islands project,⁸⁸ a partnership of Greek and French companies, under the coordination of the Hellenic Ministry of Environment and Energy and with the participation of the local authority, aimed at transforming Greek islands into models of green economy, energy autonomy, digital innovation, and ecological mobility.

The project includes various actions such as increased use of renewable energy sources, the creation of digital infrastructure, promotion of energy efficiency, sustainable management of waste and water, e-mobility and transport electrification, and the green transformation of agriculture and tourism.

HalkiON is the first local energy community to own and operate a photovoltaic power station on a non-interconnected Greek island. Residents, businesses and the municipality of Halki will benefit from a 55% reduction in electricity bills, annual savings of 180 000-250 000 euros, energy self-sufficiency, and a reduction of 1 800 tons of carbon emissions per year.⁸⁹

THE PORTO ENERGY-HUB ONE-STOP SHOP

ENGAGING CITIZENS AND LOCAL ENTITIES IN PORTO, PORTUGAL

AdEPorto (Porto Energy Agency) coordinates the Porto Energy ElevatoR (PEER) project, which aims to support public and private entities in developing bold renovation programmes, mainstreaming new financial schemes in the Porto Metropolitan Area north of Portugal's Douro River.

AdEPorto's ambitious renovation programme has resulted in the creation of one-stop-shops that adopt innovative financing schemes to renovate 3 000 homes and encourage citizens to engage in energy efficiency and renewable energy production. The project focuses on existing family buildings, particularly in social and low-income housing, both public and privately owned. Its principal goal is to have 3 000 refurbished dwellings and 12MW of PV installed capacity by the end of the project.⁹⁰

C Climate disasters

Global warming and climate change are hitting European regions hard. Local populations and economies are increasingly suffering the effects of disruptive heatwaves, droughts, flash floods and wildfires. While local and regional governments are already frontrunners in reducing greenhouse gas emissions, they increasingly need to step up measures to ensure the climate adaptation and resilience of their communities, to protect lives, infrastructure and businesses.

Europe needs investment for climate adaptation at an estimated rate of EUR 40 billion per year, to adapt to a 1.5° global temperature rise above 1990 levels. This would rise to EUR 120 billion and 200 billion per year to adapt to a temperature increase of 2° or 3-4° respectively.⁹¹ Which European regions are more vulnerable to climate risks? What are the adaptation needs at local level? How can we help regions face this twin transition, to climate neutrality but also to climate resilience?

The year 2023 is magnifying the relevance of these questions. Following the hottest June on record

and a series of extreme weather events, including heatwaves and wildfires in Southern Europe, the Copernicus Climate Change Service confirmed that the global average temperature for July 2023 was the highest on record for any month.⁹² Critical events in 2023 include droughts in the Sado river basin in Alentejo (Portugal) and the Sau basin in Catalonia (Spain), and the devastating floods in Emilia Romagna and Le Marche (Italy).⁹³ In the latter case, heavy rains led to the overflow of twenty-three rivers across the region, causing widespread damage and displacing more than 30 000 residents. This catastrophic event claimed 14 lives, significantly impacted nearly a million people, and resulted in an estimated EUR 5 billion in damages. Catastrophic floods also devastated several municipalities across two thirds of Slovenia's territory, causing seven casualties and severe material damages.⁹⁴ Another climate disaster recorded in the summer of 2023 was the occurrence of approximately 60 wildfires occurring simultaneously in Greece. Notably, on the island of Corfu, more than 19 000 citizens were evacuated – the biggest such evacuation in the history of the country.⁹⁵

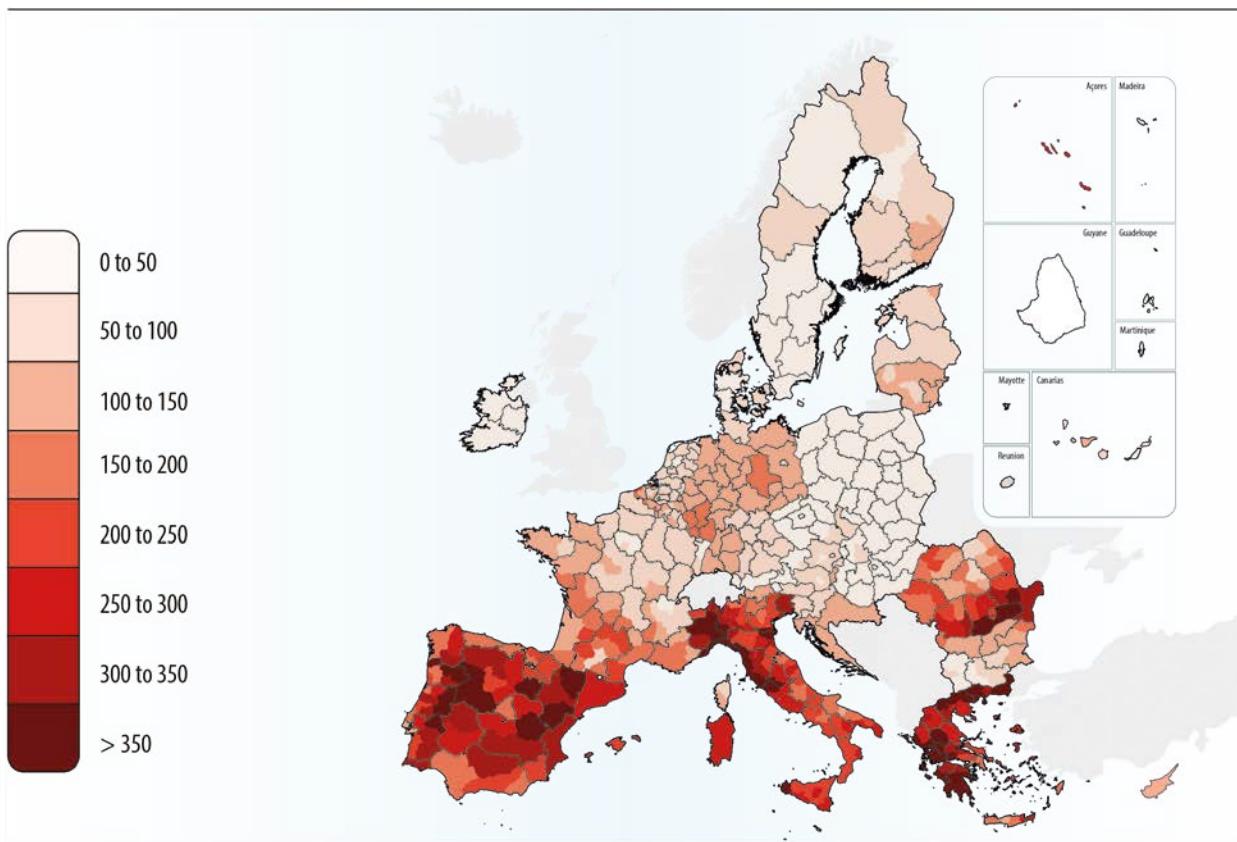


Figure 4 — Number of heat-related deaths per million inhabitants per year (2015-2022)

CoR compilation based on Nature⁹⁶

Heat-related mortality in Europe (2015-2022)

In 2022, over 16 000 fatalities were reported due to high-impact weather and climate events, with 99.6% of these attributed to heatwaves.⁹⁷ According to the Emergency Events Database,⁹⁸ there were 40 meteorological, hydrological and climate-related hazards in Europe in 2022, resulting in 16 365 reported fatalities and directly affecting 156 000 people. Approximately 67% of these events were flood- and storm-related. As mentioned above, however, heatwaves account for the highest number of victims – with wildfires also affecting respiratory systems and impacting biodiversity – and a recent study published by Nature highlights regional vulnerability to heat-related mortality, with notable peaks in the regions of Portugal, Spain, Italy, Greece and Romania, as well as in the south of France and several regions in Germany.⁹⁹ To acknowledge this grim reality and underline its commitment to act against climate change, the EU recently inaugurated 15 July as the Annual EU Day for the Victims of the Global Climate Crisis.¹⁰⁰

Additionally, according to the European Environment Agency, **emissions of air pollutants are already estimated to cause the premature death of 315 000 people per year**, the equivalent of an entire medium-sized city such as Nantes (France), Timișoara (Romania), Bonn (Germany) or Bari (Italy). In addition to greenhouse gases from large industrial sites in Europe, it is estimated

to have cost society between EUR 277 and 433 billion in 2017. This amounts to about 2-3% of the EU's gross domestic product (GDP), surpassing the total economic output of many individual Member States.¹⁰¹

Eurostat calculates that extreme weather events have caused over EUR 145 billion in economic losses in the EU over the past decade.¹⁰² Furthermore, the 30-year moving average of climate-related economic losses shows a clear trend, increasing nearly 2% annually over the last decade.

Climate-related disasters are also increasingly damaging critical infrastructures, such as power grids, the transport network and information and communication systems. The expected annual damage in Southern Europe and large parts of Western and Central Europe will be devastating and financially unbearable. The graph below illustrates the concerning trends if climate change is not reversed. This deterioration will exacerbate territorial disparities among EU regions, posing a significant challenge for the sustainability of critical infrastructure and overall societal well-being. Coastal regions, under high-emission scenarios (an increase of 3.2 to 5.4 degrees Celsius by 2100), may suffer economic losses of around EUR 39 billion per year by 2050 and up to EUR 960 billion per year towards the end of the century.¹⁰³

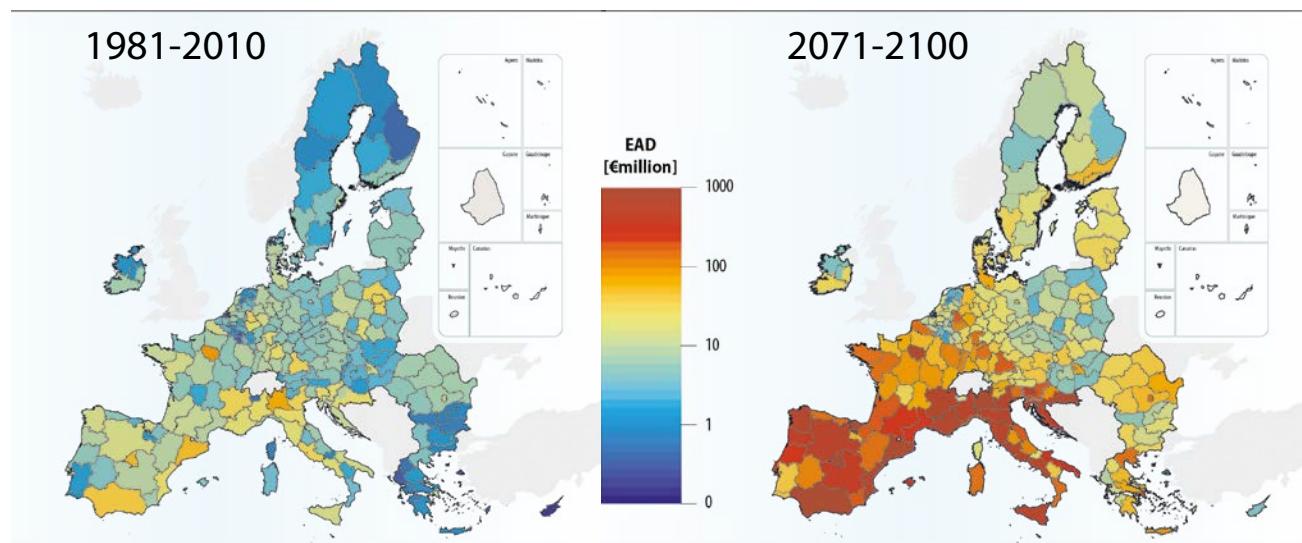


Figure 5 — Expected annual damage to critical infrastructure in European regions, due to climate change, by the end of the century (million EUR)

CoR compilation based on European Commission¹⁰⁴

Extreme weather events and climate disasters are also reducing the viability and productivity of many local economic activities. Regions with high levels of employment in agriculture, or the building sector, are significantly affected by longer and more

intense heatwaves. Labour productivity will decline, especially in the Mediterranean regions. Heatwaves will make outdoor work hard and potentially deadly.¹⁰⁵ To give a sense of scale, it has been estimated that the 2023 summer heatwaves cost the territories of Spain,

where local workers were most exposed to scorching temperatures, 1% of GDP; and agriculture suffered from prolonged droughts. In terms of productivity loss, one day of extreme heat (above 32 degrees) is equivalent to half a day of strike action.¹⁰⁶

The consequences of climate change also risk significantly disrupting the local tourism industry, not only when it comes to destinations but also seasonality. Tourism is a major source of revenue

for the southern regions of Europe, particularly due to the appeal of the Mediterranean Sea. However, an increase in global temperature is predicted to have devastating effects on this economic activity, which is fundamental in many small villages, cities and regions of Cyprus, Greece, Spain, Italy, Croatia, Portugal and Malta. The graph below shows potential scenarios when it comes to tourism demand in Europe if no proper action to counter the impact of climate change is taken.¹⁰⁷

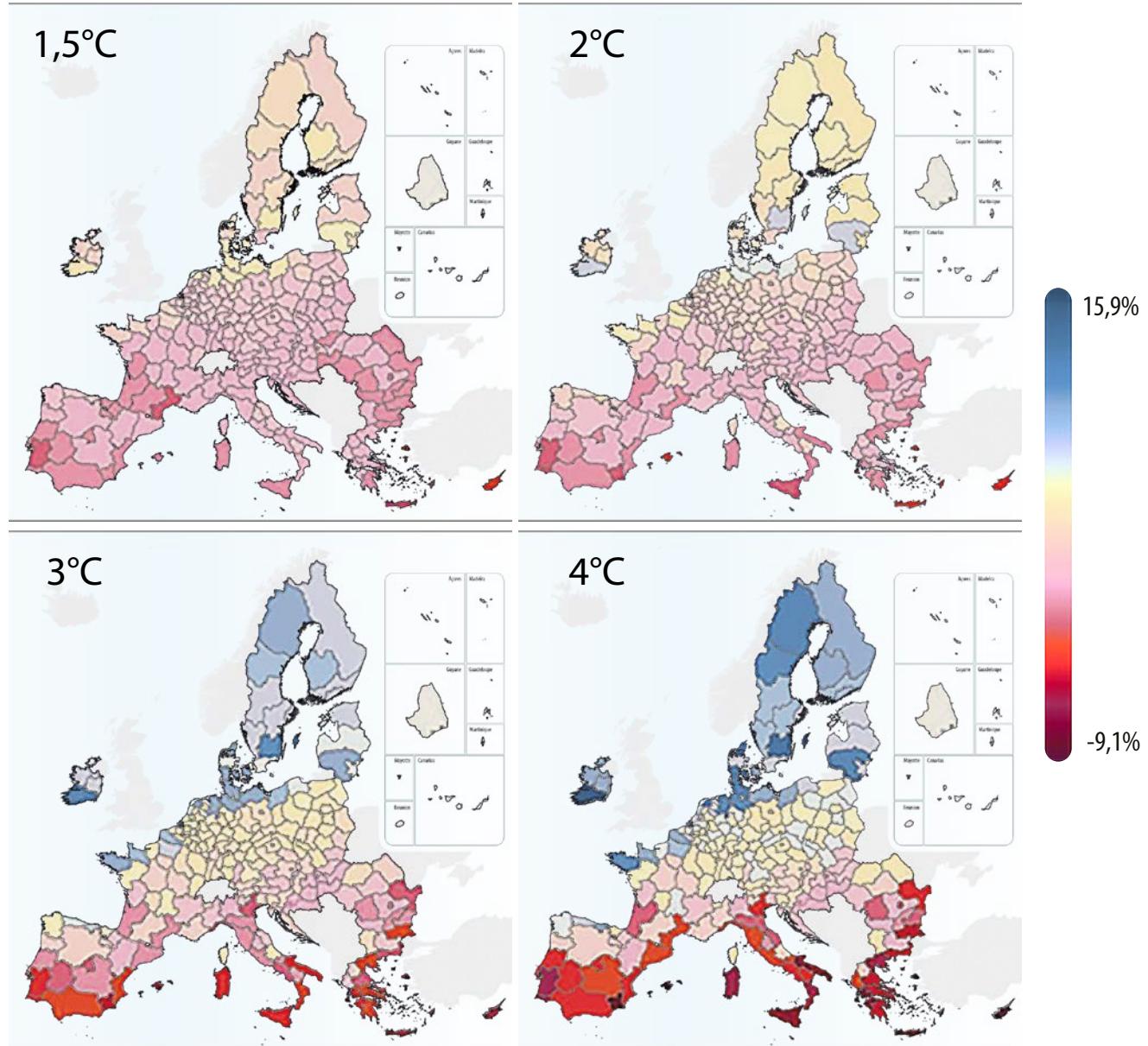


Figure 6 — Projected evolution of European regional tourism demand for all global warming scenarios, compared to the present (2019) in percentage terms
 CoR compilation based on Joint Research Centre¹⁰⁸
 The values shown refer to the RCP8.5 emission scenario

Climate change will deepen existing inequalities. Southern Europe, European cities and coastal regions are predicted to be most affected by multiple risks.¹⁰⁹ Both the cohesion and competitiveness of European

regions are at stake. Natural disasters have a negative influence on economic, social and territorial cohesion in the EU, hindering the implementation of the Union's cohesion policy.¹¹⁰ Recent evidence from

the ESPON CLIMATE project¹¹¹, which combined climate related hazards with regional exposure and vulnerability, reveals that even if the Paris Agreement objectives are met, European regions will still face numerous risks at different degrees. It takes it into account heat stress on populations; coastal floods on infrastructure, industry and service sectors; river floods on populations, infrastructure,

industry and service sectors; flash floods on cultural sectors; wildfires on the environment; droughts on the primary sector (while also directly affecting local communities and biodiversity). Therefore, specific attention needs to be paid to the socio-economic realities of touristic regions, while investing in their resilience against the consequences of climate change.

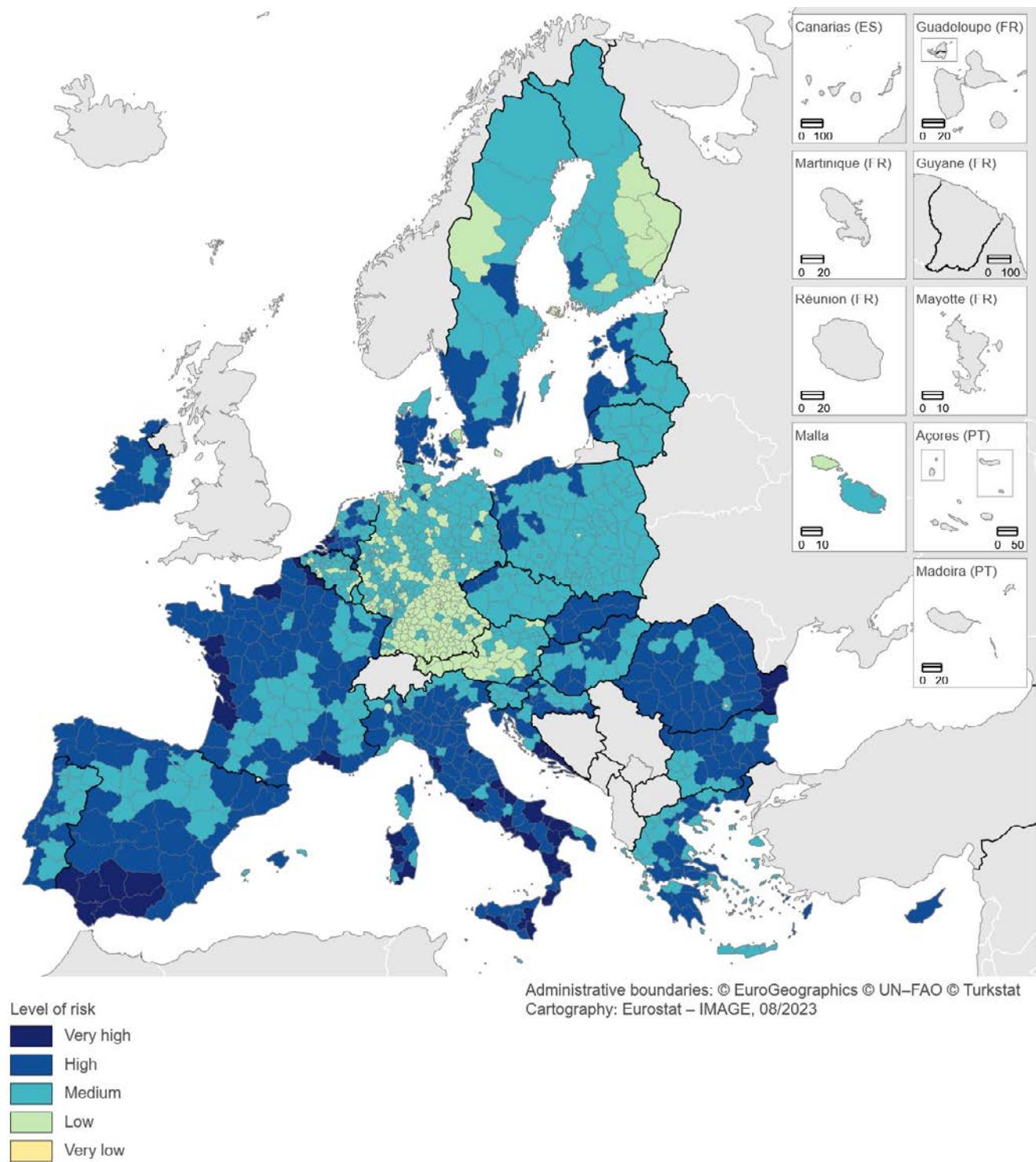


Figure 7 — Aggregated Climate Risk – very high emission scenario with absolute exposure (2070 – 2100) RCP 8.5

CoR compilation based on ESPON¹¹²

No data available for outermost regions. For the sake of the 2023 EU Annual Report, the map does not show EFTA/non-EU countries, however please note the ESPON project has provided them.

The United Nations' Intergovernmental Panel on Climate Change¹¹³ reports that these climate risks are increasingly evident and more acute. Rising temperatures, rapidly shifting weather patterns, frequent and intensified natural disasters and extreme weather events directly and forcefully affect society, the economy and the environment, resulting in deaths, property devastation, destruction of natural habitats and loss of biodiversity.¹¹⁴

Extreme weather events and their corresponding consequences in Europe over the last 5 years have emphasised the urgent need to act against climate change (mitigation) and, in parallel, implement measures to protect against its harmful impacts (adaptation). Adaptation, in particular, plays a crucial role at the local level, as it is there that vulnerabilities associated with climate change are most pronounced. It is at the local level where climate disasters have a profound impact, necessitating concentrated efforts to proactively address risks or, once a natural disaster occurs, to act swiftly and decisively to prevent loss of life, safeguard livelihoods, and protect the natural environment.

Regions and cities play a fundamental role in a broad range of adaptation measures: from upgrading critical infrastructures to withstand floods, to making local schools, hospitals and care homes fit for heatwaves; from protecting coastal areas from sea-level rises to investing in efficient water management to counteract droughts, as well as renovating public spaces in general to provide shade and cooling areas and many other examples. In fact, about half of respondents (51%) to the CoR's Regional and Local Barometer¹¹⁵ survey conducted by Ipsos European Public Affairs highlighted 'climate crisis and the environment' as one of the main areas in which regions and cities should have a greater say in EU policy-making.

There is however a real adaptation finance gap, estimated at around EUR 40 billion per year,¹¹⁶ which is especially apparent for lower levels of governance, as acknowledged by the same European Commission.¹¹⁷ In the survey conducted by the Regional Hubs Network (RegHub), within the Committee of the Regions (CoR), on The future of the Green Deal: taking stock and looking ahead¹¹⁸ 40% of respondents reported active implementation of climate adaptation policies in their regions or cities. However, the survey also shed light on the obstacles faced by a significant portion of participants, with 35% admitting difficulties in effectively implementing adaptation policies. The primary hurdles identified by these respondents include a lack of dedicated funding mechanisms, which 75% highlighted as a major concern. Furthermore, 65% of the participants emphasised the crucial need for greater support for innovation and specific targets to enhance the success of their climate adaptation strategies.

Finding the right data, metrics, indicators, and methodologies for tracking progress in adaptation continues to be a significant barrier. Knowledge of local impacts of climate change needs to be developed

and supported in order to help regions and cities plan and manage climate risks, as well as knowledge on solutions, mobilisation of and access to adequate financial and technical resources, stakeholder mapping and engagement.

In order to fill this capacity gap, the CoR has developed a **Green Deal Going Local Handbook on Adaptation¹¹⁹** to allow knowledge-sharing and create networks where local stakeholders can find project partners, minimise their internal knowledge gaps and actively seek support for their own initiatives from dedicated experts. For example, a promising field of adaptation lies with nature-based solutions which deliver innovative action with a quick and strong impact. A new study¹²⁰ shows that increasing tree coverage to 30% would lower temperatures by an average 0.4°C, avoiding nearly 40% of deaths attributable to Urban Heat Island¹²¹ effects in European cities.

Furthermore, resilience against climate disasters is a key issue for regions and cities, as 1 euro spent in disaster prevention and preparedness can save up to 10 euros in disaster response, according to the World Bank.¹²² For this reason, the CoR is working together with the Commission's Joint Research Centre on the development of regional 'Resilience Dashboards',¹²³ defining capacities and vulnerabilities related to climate change risks and adaptation. In this regard, the CoR considers that developing an index and territorial vulnerability scoreboard is crucial to start a policy debate on how to use future cohesion policy to respond to such vulnerabilities.

Over the period 2021-27, cohesion policy is investing 12.5 billion euros in climate change adaptation and risk prevention.¹²⁴ That corresponds to 3% of its total budget for 7 years, while the whole investment in the green transition accounts for around 30%. As climate change and disasters will impact more and more unevenly across European regions, with vulnerable territories, poor households and marginalised social groups being the most exposed, there is a growing urgency to address these new disparities. In this regard, it is necessary to start considering a range of solutions, from the possibility that 'the Just Transition Mechanism could be extended to address the social costs of climate mitigation and adaptation' as referred to by the European Commission,¹²⁵ up to setting up a dedicated Climate Change Adaptation Fund, as referred to by the European Parliament¹²⁶.

Inspiration could be taken by the Adaptation Fund being established within the United Nations Framework Convention on Climate Change to support developing countries, which are particularly vulnerable to the effects of climate change.¹²⁷ At this global level, the CoR has also been actively engaged in climate negotiations on the issue of adaptation to climate change.¹²⁸ In recent opinions, it has advocated for the establishment of a framework for the Global Goal on Adaptation that integrates the insights and expertise of regions and cities. The CoR has also called for such a framework to prioritise locally-led adaptation efforts

and effectively mitigate the risks and consequences of 'maladaptation'¹²⁹ particularly among women and the most vulnerable, including children, the elderly, and people with disabilities.

In this context, recognising and addressing the gender dimensions of climate change is also essential, as women's capacity to adapt and fight climate change is often constrained due to their roles in their households and society, institutional barriers, and social norms. To tackle this challenge, the CoR has consistently advocated for a shift in perspective, urging that women should not be perceived merely as vulnerable beneficiaries but as effective agents in mitigating and adapting to climate change.¹³⁰ Furthermore, the CoR advocates for equal representation for women in decision-making processes, recognising the need for their voices and expertise to be included in shaping effective climate policies.

While science continues helping to understand how global boiling has a knock-on effect on the Earth's climate system, EU regions and cities are facing two climate-related transitions. To sum up, on one side, they invest in achieving **climate neutrality** and contribute reversing the climate change trend. On the other side, they must also invest in **climate adaptation and resilience** to face more intense and frequent climate disasters and adapt local societies and economies to new local climate patterns.

SUPPORTING EU REGIONS AND CITIES TO ADAPT

THE EU MISSION ON ADAPTATION TO CLIMATE CHANGE

The EU Mission on Adaptation to Climate Change¹³¹ focuses on supporting EU regions, cities, and local authorities in their efforts to build resilience against the impacts of climate change. The Mission's objective is to accompany by 2030 at least 150 European regions and communities towards climate resilience. The sponsored projects develop tools, practices, and networks that can be replicated across Europe, including:

A Mission Implementation portal¹³² providing relevant knowledge, data and resources to European regions and cities to prepare and plan for climate resilience.

A wide range of EU-funded projects¹³³ undertaking research and developing innovative approaches and options for climate adaptation and associated guidance, tools, data, and case studies to help regional and local authorities deliver the Mission

A Citizen Engagement Manual¹³⁴ to guide regions and cities on how to engage stakeholders and citizens throughout the six main steps of the climate change adaptation planning process.

SUPER-BLOCK – THE CITY WE WANT

GREEN ARCHITECTURE IN BARCELONA

The city of Barcelona (Spain) is actively integrating green architecture and accessibility principles into its city planning. This transformation includes improvements in public transport accessibility, the addition of more trees and 'green spots', and the incorporation of water collectors for irrigation. These initiatives are aimed at making the city more pleasant and sustainable for its citizens.

LEARNING FROM THE 2021 FLOODS

RESILIENT RECONSTRUCTION AND SOCIAL SUPPORT IN WALLONIA

In response to the catastrophic floods in 2021 in Wallonia (Belgium), Wallonia's authorities revamped their territorial planning and adapted it to address potential consequences of climate change.

At the same time, the regional government is developing its Master Plan de la Vallée de la Vesdre and sustainable neighbourhood programmes, aimed at rebuilding the area responsibly and sustainably. Budgets have been allocated to enable municipalities to acquire strategic real estate. Additionally, 40 million euros will be invested in new public housing for the most affected municipalities.

Moreover, the Walloon government has pledged 1.03 billion euros to fully cover citizens affected by the floods, who would otherwise have only received partial insurance coverage. This significant financial commitment aims to assist the affected population, representing about 50% of the total claims. Uninsured citizens are being supported by a Disaster Fund.

RESILIENT TERRITORIES PLATFORM

PREPARING FOR EXTREME WEATHER EVENTS

The city of Milano (Italy) and its broader metropolitan area are facing the impacts of climate-related extreme weather events. To address this challenge, the Resilient Territories platform has been developed as a digital service, adopting a collaborative planning approach and co-creating adaptation solutions to combat the effects of climate change.

This innovative tool facilitates and disseminates climate joint planning and co-design for professionals and local authorities. It promotes an inclusive approach based on strong scientific and technical knowledge, combining spatial and climatic analysis with participatory planning. By doing so, the platform enables stakeholders to better understand and tackle the phenomena resulting from climate change, enhancing the city's resilience and ensuring a sustainable and climate-ready future.

D Food safety

The current instability of the European food system must be understood in connection with current geopolitical events and the long-term impact of climate change. Regions and cities are central in designing and delivering appropriate solutions. What is the common denominator between dwindling supply of olive oil in Andalusia (Spain), poor grain harvest in Västergötland (Sweden), a difficult season for oranges in Sicily (Italy), plummeting prices of wheat in Podkarpackie (Poland) and a lack of forest berries and mushrooms in Southern Estonia? Why are there more children coming to school without breakfast?¹³⁵ Are European traditional foods under threat?

Food system resilience, for a long time an afterthought in political forecasting and outlook strategies, came fully into the spotlight last year, following the Russian aggression against Ukraine. Within weeks the prices of energy and fertilisers skyrocketed. Ukrainian grains

and oils, trapped in the Black Sea ports, could not reach their destinations. Together with speculation and a lack of market regulation, this pushed food and feed prices up in Europe and globally. Today, almost a year and half since the war began, the situation remains dire.

Developing countries in Sahel, Northern Africa and Middle East have experienced new levels of hunger. Between 2016 and 2021, some 90% of Ukrainian wheat exports went to Africa and Asia, supporting food security in some of the most disadvantaged regions of the world. The UN World Food Programme calls the current scale of the current global hunger and malnutrition 'enormous'¹³⁶ and highlights that the current figure of **345 million people facing high levels of food insecurity is more than double the number in 2020.**

Europeans, while not facing famine, are now paying significantly more for their food staples. Within a year,

average food prices went up by almost 20%.¹³⁷ European consumers now pay 30% more for eggs,¹³⁸ 23% more for oil¹³⁹ and staggering 61% more for sugar.¹⁴⁰ It is not just a general shift towards more basic, cheaper food items but also between different types of food, for example more poultry and less beef.

Food affordability is a pressing concern. Over 32.5 million Europeans cannot afford a proper meal every other day. The scale goes from 0.4% of the population in Cyprus to a whopping 22.4% in Bulgaria. Behind such aggregate numbers hides huge regional difference, as illustrated by the graphs below.

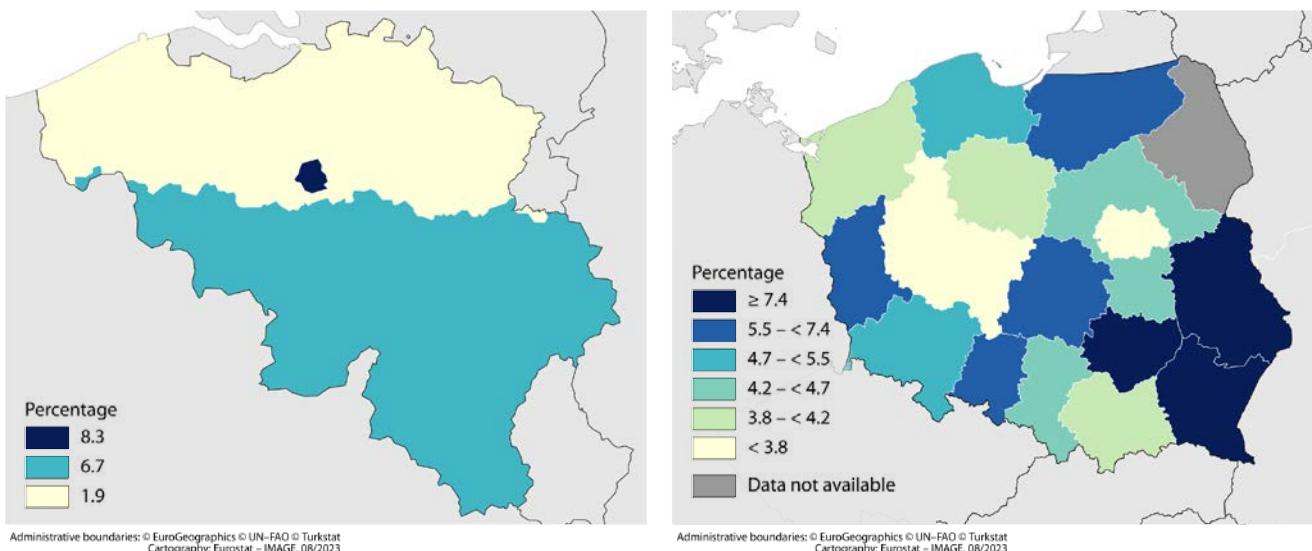


Figure 8 — Inability to afford a meal with meat, chicken or fish at least every second day in Belgium (by NUTS1 regions) and Poland (by NUTS2 regions)

¹⁴¹ CoR compilation based on Statbel and Glowny Urzad Statystyczny

Data not available from PL84 – Podlaskie region

Throughout 2023 life has become more expensive, and not just for European families; farmers, too, have experienced significant variations in prices of energy and fertilisers. The latter are still significantly more expensive than two years ago. These changes have weighted heavily on overall profitability of farming.

In addition, instead of reaching developing countries, Ukrainian grain transported out of the country via solidarity lanes has found its way to the silos in the Ukraine's neighbouring states for several reasons, including speculation. Local farmers have suddenly found themselves unable to sell their crops and prices have plummeted, reaching levels not seen in years: -30% for wheat in Poland¹⁴² and -50% for sunflower seeds in Bulgaria.¹⁴³ Unilateral measures were introduced by national governments in late April. The European Commission has allocated extraordinary funds from the agricultural reserve for 2023, including EUR 56.3 million¹⁴⁴ for Poland, Romania and Bulgaria in March and another EUR 100 million¹⁴⁵ for Bulgaria, Hungary, Poland, Romania and Slovakia in May. The European Commission has also approved national schemes to support agricultural producers' payments of insurance premiums under State Aid rules¹⁴⁶.

As if that were not enough, the EU has once again experienced a dry and warm winter. After a disastrously hot summer in 2022, the snow water equivalent in the Alps is far below the historical average and as early as

spring 2023, several EU rivers had been depleted and there were signs that both irrigation and water transport would be problematic to deliver.

Parched soils and intense atmospheric and hydrological drought are afflicting a broad range of crops and threatening to drive food prices higher in many EU countries. This year's olive oil harvest is predicted to fall by 40% and that of maize by 25%.¹⁴⁷ Farmers from Wielkopolska (Poland) region estimate that this year's barley and rapeseed harvest could be down by 20% while rye and triticale by a third to a half.¹⁴⁸ Spain and Italy, meanwhile, report significantly lower orange harvests (-16% and -20% respectively).

Droughts, traditionally associated with the southern rim of the EU, have now spread over large parts of Union's territory, affecting arable lands and livestock. In June 2023, over 40% of the EU-27 territory (excluding Madeira, Azores and the Canary Islands) was in warning conditions and 4.3% in alert conditions according to the European Drought Observatory. The June 2023 analytical report¹⁴⁹ shows comparable conditions to those for the same period in 2022, when a severe-to-extreme drought developed over Europe, affecting water resources, food and energy production.

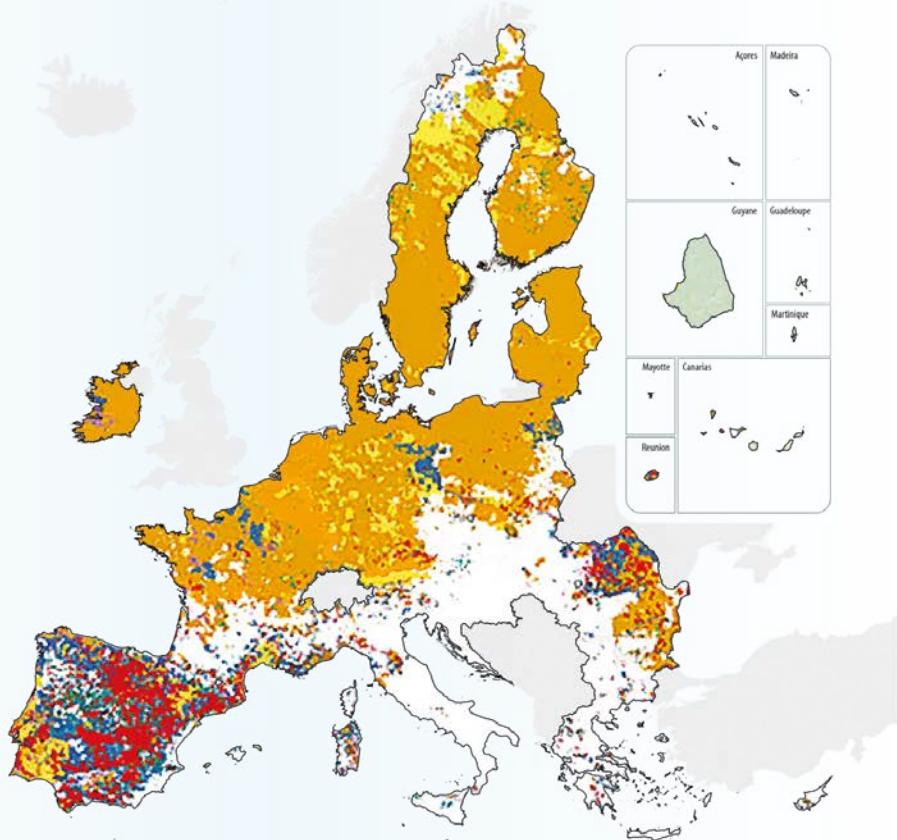
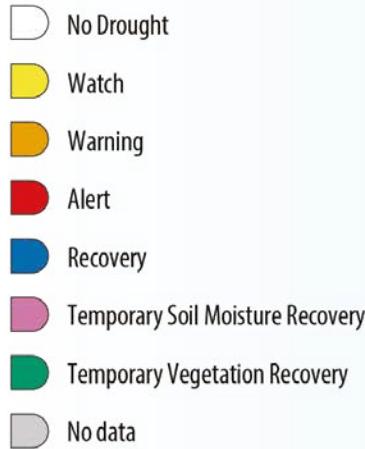


Figure 9 — The Combined Drought Indicator, based on a combination of indicators of precipitation, soil moisture, and vegetation conditions, for mid-June 2023

CoR compilation based on Joint Research Centre¹⁵⁰

Across many regions, the lack of water is frighteningly visible and real for farmers and local communities alike. The Lake of Montbel (Cathar Pyrenees, France) lost 80% of its water by April 2023; while the water level of the iconic lake Garda (Italy) was 70 cm below the average. In the region of Algarve (Portugal), groundwater levels in April 2023 were below 25%;¹⁵¹ the same figure was recorded in the water reservoirs in neighbouring Andalusia (Spain). In some of the worst-affected provinces, such as Cordoba (Spain), water reservoirs have dried up completely and local residents rely exclusively on truck deliveries for drinking water, limited to 5l per person per day. In April 2023, the government of Catalonia (Spain) announced a state of exceptionality due to the ongoing drought in a total of 495 towns and drought laws cut water use for agriculture by 40%.¹⁵²

The question of water ownership and distribution has gained momentum. Illegal water syphoning as well as tensions between nature protection and farming, such as the clashes around the Donana wetlands¹⁵³ (Andalusia, Spain) led the press across the Union to herald upcoming ‘water wars’. As agriculture relies heavily on water, the dwindling supply will in the future not only destabilise European food systems but may also call into question European strategic autonomy.

Flanders has launched an extensive Blue Deal strategy, which aims to combat the recurring droughts that have been plaguing the region since 2016. The Flemish strategy will gradually ameliorate water retention in swamps and wet grasslands, invest in large-scale filtration and buffer basins and increase circular water use in agriculture and industry.

Exacerbated by the war in Ukraine, speculation and climate change, the current situation – if not managed properly – could destabilise European food systems and increase our vulnerability. Its full impact and exact territorial distribution are far from being known; yet local and regional governments across the Union have braced to cope with the shocks it brings, to minimise their impact and to recover stronger and better prepared for the next round.

To strengthen the resilience of the Union, including in terms of food safety, it is paramount to develop societies’ capacity to deal with the challenges of climate change and the green transition, and to increase regional and local preparedness to tackle vulnerabilities to risks, crises and disasters.¹⁵⁴

PREPARING FOR DROUGHTS, SAFEGUARDING THE FUTURE

CATALAN WATER MANAGEMENT PLAN 2022-2027

Aware of the devastating impact of droughts on regional agriculture, in May 2023 the government of Catalonia (Spain) approved its 2022-2027 Water Management Plan¹⁵⁵ laying out investments of 2.4 billion euros to 'prepare the region for droughts that will become increasingly frequent and more severe'. Predicting that the rainfall pattern is likely to diminish by 18% in the next couple of decades, the government intends to prioritise water recovery, water saving and more efficient irrigation techniques.

MAXIMISING CIRCULAR WATER USE

FLEMISH BLUE DEAL APPROACH

Although not as heavily reliant on water for agriculture as Spain (80% vs 10%), Flanders (Belgium) has also developed a new approach to water management. Its priorities? Retaining water locally wherever possible. Using less, reusing more and tackling wastefulness. The strategy, called the 'Blue Deal'¹⁵⁶ is carried out by the private sector, NGOs, farmers, academia, local authorities and citizens joining forces, guided by the High Level Task Force of ministers, governors, policy-makers and scientists. The Blue Deal's initiatives will receive support through the European Recovery Plan of the Facility for Recovery and Resilience and the Flemish Recovery Plan 'Flemish Resilience'. A total budget of 343 million euros will support local initiatives.

PIONEERING THE CHANGE, LEADING THE TRANSITION

ORGANIC FARMING CONVERSION IN OCCITANIE

The southern region of Occitanie (France) has been steadily developing organic farming. Currently, over 13 000 local farms covering 19% of all agricultural land produce organic foods and the goal is to reach 30% in the next 7 years. The strategy looks at the whole value chain from production to consumption and supports sustainable development of all actors involved. Occitanie was awarded the first EU organic award¹⁵⁸ last autumn; the European Committee of the Regions is one of the founders of this important recognition awarded to the best cities, regions and individual farmers across the Union.

EATING HEALTHY AND CUTTING GREENHOUSE EMISSIONS

MALMÖ ORGANIC FOOD STRATEGY

Farming organically is a start – making sure that the produce is consumed is the next step. The city of Malmö (Sweden) rolled out its ambitious strategy several years ago and today, over 70% of all meals prepared and served in pre-schools, schools and elderly care homes is organic. It represents some 8 500 tons of food every year (worth EUR 24 million) or 65 000 lunches a day. The city aims for 90%¹⁵⁹ in near future, taking the greenhouse gas emissions relating to food procurement down by 40%.

In this context, a key element of the EU food system resilience is organic farming,¹⁵⁷ a fast-growing area in EU agriculture. It tends to have a limited environmental impact thanks to more responsible use of energy and natural resources, greater focus on maintaining water quality and soil fertility and limited reliance on synthetic fertilisers. As such, it also reduces overall dependence on foreign providers of pesticides and fertilisers.

PROCURING LOCAL AND SEASONAL PRODUCE

BOLZANO-SOUTH TIROL APPROACH TO PUBLIC PROCUREMENT

Sustainable food procurement is another way of safeguarding the resilience of EU food systems. This tool, which is powerful yet still not universally used, can help local and regional authorities to favour healthy, seasonal and local food as well as short supply chains. The province of Bolzano- South Tirol (Italy), one of the key proponents of this approach,¹⁶⁰ has introduced sustainability criteria into its procurement practice in order to ‘bring regional, wholesome and healthy dishes to the plates of canteens, in both schools and hospitals’.

It is worth noting that these pioneering approaches may become part of EU law. Announced in the Farm to Fork Strategy and expected towards the end of 2023, a horizontal framework law should accelerate and facilitate the transition to sustainability and ensure that foods placed on the EU market increasingly become sustainable. Subject to public and targeted consultations, the draft included notions of the ‘general mandatory requirement of procuring sustainably’ as well as the possibility of flexibly adding criteria and priorities related e.g. to food waste, or land and water use.¹⁶¹

The Committee of the Regions, in its outlook opinion on this future law,¹⁶² advocates that to ensure food security Europe must invest in sustainable local agriculture production and shorten its supply chains. Favouring local produce, procuring sustainably and moving towards climate-neutral and resilient food systems is the only way of making Europe food crisis-proof.

E Social inequalities and Demographic change

While overall employment improves and poverty slightly decreases, important inequalities at the local and regional level persist across the EU. This concerns employment and poverty rates as well as gender pay gaps and youth unemployment. How can we reduce disparities between regions and make sure that our policies support regional labour markets? How can we ensure that we create the skills we need for the green and digital transition?

Employment in the EU has surpassed pre-crisis levels. The overall number of people working in the EU (164 million in the eurozone) reached 213.4 million in the second quarter of 2022 and the employment rate (for people aged 20 to 64) was 74.8%, 1.9pp higher than pre-pandemic highs; in the eurozone it was 74.3%, which is 1.6pp higher than the pre-pandemic level.¹⁶³

The gender employment gap remains significant in 2022. Across the EU, the proportion of men of working age in employment exceeded that of women by 10.8pp. This gender employment gap varies significantly across EU Member States, with the lowest gap reported in Lithuania (1.4pp) and the highest in Romania (20.1pp).¹⁶⁴

Trends in the labour market showcase strong positive signs. Despite considerable gender discrepancies, women’s labour force participation continues to improve. Nominal wage growth has also improved but has remained behind inflation in the majority of Member States. However, women’s gross hourly wages in the EU, in 2021, remain 14.4% lower than men’s, despite the fact that closing the gender pay gap remains a top objective for gender policy at both the EU and national levels.¹⁶⁵

A promising statistic is that women have taken up two out of every three new jobs created in the EU over the previous two decades, with the rise being greatest among 30-49-year-olds and older women aged 50+;¹⁶⁶ however, to reach the gender and employment objectives outlined in the European Pillar of Social Rights Action Plan, women’s employment must rise at least three times faster than men’s by the end of the decade.¹⁶⁷

Regional employment rates are overall improved but regional inequalities remain unchanged. Employment and unemployment rates varied widely across regions long before the pandemic. Despite the recent economic recovery, some regions are facing ongoing challenges. Regions in Southern Italy (Sicilia, Campania, Calabria and Puglia) have all shown improvement during the last 5 years, but their employment rates still remain below 50%. The region of Åland (Finland) experienced the highest employment rate between the Member States (84.6%) – Åland has been consistently in the top 10 regions for the last 5 years.¹⁶⁸

Employment rates have risen spectacularly in regions in the Netherlands – Utrecht, Noord-Brabant, Zeeland, Drenthe, Overijssel, Gelderland and Noord-Holland all recorded employment rates above 82%, while Flevoland, Friesland, Zuid-Holland, and Groningen exceeded 80%. These regions, together with those of Niederbayern, Oberbayern, Schwaben, Tübingen and Oberpfalz (Germany) (and Åland as mentioned above), were the only EU regions with an employment rate above 80%.¹⁶⁹

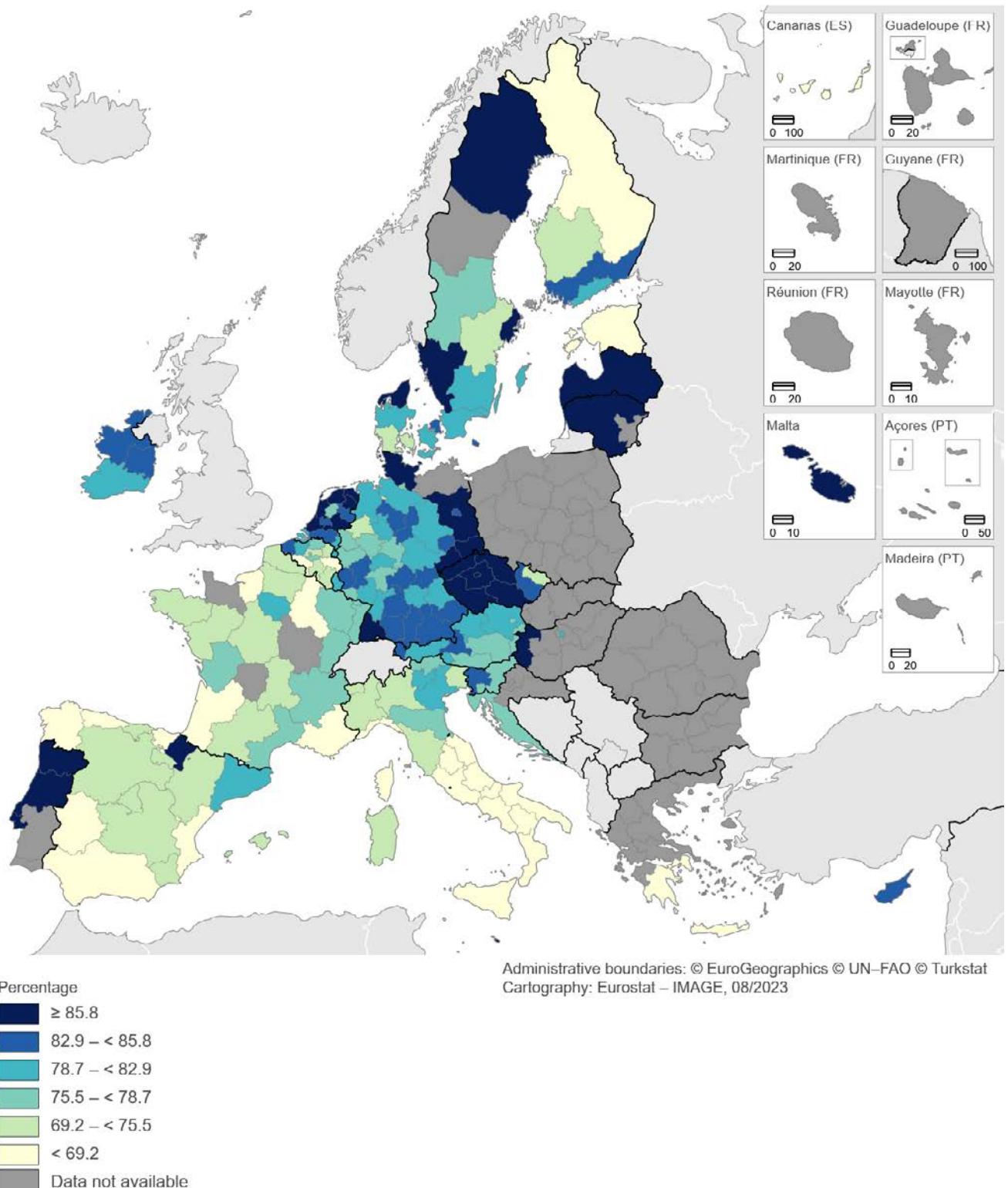


Figure 10 — Employment rates by NUTS 2 regions (from 2020), 2022

CoR compilation based on Eurostat¹⁷⁰

All ISCED 2011 levels, men and women from 20 to 64 years / Data not available for several regions in Eastern Europe

Unemployment rates have improved – even long-term unemployment numbers are slightly decreasing. The EU unemployment rate (15-74) continued its downward trend reaching 6.2% for 2022, (from 6.8% in 2019). Long-term unemployment was 2.4% of the active population, which is an improvement compared to 2.7% in 2019 and 2.8% percent in 2021.¹⁷¹ It is noteworthy that by May 2023, 289 000 refugees from Ukraine, beneficiaries of the EU Temporary Protection scheme, were registered as unemployed in the 22 countries which provided such data to Eurostat.

Regions in Czechia had the lowest unemployment rates in 2022;¹⁷² the lowest unemployment rate was recorded in the Czech regions of Central Bohemia (1.2%), followed by the region of Prague (1.6%), the Czech South-East and South-West regions and the region of Central Transdanubia (Hungary) (all three 1.7%).

The analysis continues to highlight how unemployment rates remained high for regions in Spain, Greece and Italy. The highest unemployment rates were registered in the regions of Ceuta (28.4%), Melilla (21.6%) and Andalusia (19%) (Spain); furthermore, all Spanish and Greek regions had an unemployment rate above the EU average (6.2%), together with those of Finland as well as Cyprus and Latvia (both only one region in the country). 25 regions had an unemployment rate double the EU average (12.4%); of these, nine regions were in Greece and in Spain, four in France and three in Italy.

Regional inequalities are very prominent in Spain, Italy and France, where the difference between the highest and lowest unemployment rates in 2022 was 19.8, 14.8 and 12.7 percentage points respectively.

Finally, **regional unemployment rates differ between men and women.** Regions with the highest and lowest unemployment rates vary according to sex. In 2022, the 10 highest male unemployment rates were in Spanish, French (outermost) and Italian regions and the three regions with the highest male unemployment rates were the Spanish regions of Ceuta (23.9%) and Melilla (17.7%), as well as the French outermost region of Réunion (19.9%). The highest female unemployment rates were mostly in Spanish and Greek regions, and the three with the highest female unemployment rates were the Spanish regions of Ceuta (34.6%) and Melilla (25.8%) and the Greek region of West Macedonia (24.4%).¹⁷³

Youth unemployment remains high in the EU with significant regional differences.¹⁷⁴ In 2022, the average unemployment rate for young people aged 15-29 years in the EU was 11.3%, a 1.7pp decrease over 2021. However, there are marked regional differences in the unemployment rates for young people, ranging from 1.7% to 42.4% in 2022. The lowest youth unemployment rates were recorded in Czechia, in the regions of Central Bohemia (1.7%), South-West (3.1%) and Prague (3.2%), in Germany in Upper Bavaria (3.3%) and Poland, in the region of West Transdanubia (3.6%).

Spanish and Greek regions have the highest youth unemployment, despite the fact that compared with 2021, unemployment for people aged 15-29 years in 2022 decreased the most markedly in these regions. The highest youth unemployment rate was recorded in the region of Ceuta (42.4%) (Spain), followed by Thessalia (39.8%), Central Greece (36.5%) (Greece) and Melilla (36.1%) (Spain). West Macedonia (Greece), as well as Campania and Sicilia (Italy), also had a high youth unemployment rate with 34.3% each. At the same time, the top five regions with the highest decreases in the unemployment rate for young people aged 15-29 years between 2021 and 2022 are in Greece and Spain: the Greek regions of South Aegean (-17.9%) and East Macedonia, Thrace (-15.4%), the Spanish regions of Ceuta (-13.6%) and Canary Islands (-10.3%), and the Greek Peloponnese (-8.4%).¹⁷⁵

In 2022, approximately 95.3 million people in the EU, 21.6% of the total population, were at risk of poverty or social exclusion. Women (22.7%) were more likely to face poverty than men (20.4%). Additionally, over 24.4% of the EU population living in households with dependent children were at risk.¹⁷⁶ People living across much of Bulgaria, Greece and Romania, as well as central and southern regions of Spain and southern regions of Italy, were often more likely to be at risk of poverty or social exclusion. In 2020,¹⁷⁷ the highest share of people at risk of poverty or social exclusion was recorded in Romania's Sud-Est region (51.9%); it was the only region in the EU where a majority of the population faced such risks. The next highest shares were in Campania (47.4%) (Italy) and Severozapaden (44.2%) (Bulgaria). All three regions had relatively high risks of monetary poverty after social transfer.¹⁷⁸

IT and care jobs should be the focus of job creation in the EU. Technology and digitisation are key drivers of direct job growth worldwide but are also powerful contributors to economic development in other sectors. One study among European countries¹⁷⁹ found empirical evidence suggesting that economic development in Europe's tech employment has indirect effects in other sectors – the study reports that each additional tech job leads to the generation of around five additional jobs in other sectors in Europe. Furthermore, the International Labour Organization¹⁸⁰ estimates that investing in care could create up to 299 million jobs globally by 2035, 78% of which are predicted to be held by women, and 84% are predicted to be formal employment.

Reaching the 2030 headline targets of the European Pillar of Social Rights (EPRS) will be difficult but must remain the focus of EU social policy: at least 78% of people (aged 20-64) in employment; at least 60% of all adults participating in training every year; and number of people at risk of poverty or social exclusion reduced by at least 15 million, including at least 5 million children, compared to 2019.

Regions and cities are central in supporting policies related to the EPRS. Financial distress levels among low-

income households were comparable to those observed in the aftermath of the financial crisis. The challenge ahead, especially if the 2030 headline targets of the EPSR action plan are to be achieved, is to ease the financial burden in these households. Cities and regions can assist in this effort, by implementing support policies and initiatives.

Homelessness remains a serious issue, but EU cities are teaming up in fight against it. However, the Member States pledge (Lisbon Declaration in June 2021) to try to end homelessness by 2030 is most likely unattainable in the current economic and social circumstances. The pandemic, the consequences of the war against Ukraine, inflation and rising energy prices have all had a negative impact on the economic situation, which explains why there are still a lot of people who are facing housing challenges or even homelessness.

There is hope, however, that the work of the European Platform on Combatting Homelessness (EPOCH) will lead to a reduction of the number of homeless people in the EU. EPOCH provides a tool that helps reinforce prevention and implement integrated, housing-led approaches, support mutual learning for policy-makers and practitioners, contribute to harnessing EU funding possibilities, strengthen evidence and monitoring on homelessness, and disseminate and promote good practices.

MUTUAL LEARNING AGAINST HOMELESSNESS

THE EUROPEAN PLATFORM ON COMBATTING HOMELESSNESS

In 2022 several cities like Madrid (Spain), Lyon (France) and Ghent (Belgium) hosted mutual learning events under the auspices of EPOCH, focusing on promoting the exchange of good practices in the fight against homelessness and showcasing the housing-first approach. The city of Tampere (Finland) has one the most successful strategies on eradicating homelessness and has achieved spectacular results in reducing the number of people without a home.

Emerging work practices, such as telework and platform work, can bring societal and economic benefits, but require adaptation of regulations, policies and work culture. The recent pandemic led to a significant number of people teleworking or finding employment on digital platforms. However, these developments need to go hand-in-hand with proper monitoring, regulation and enforcement, to avoid exploitation of workers. The right to disconnect needs to become an integral part of teleworking. Furthermore, algorithmic management,

misclassification of employment status and lack of cross-border transparency constitute challenges that need to be addressed, in order to secure a fair labour market for platform workers.

All EU regions are affected by demographic repercussions such as population ageing caused by longer life spans and low birth rates, but some, particularly distant, rural, island and/or border regions facing major depopulation, are affected considerably more severely than others, as stated in the European Parliament Research Service briefing Demographic trends in EU regions.¹⁸¹

Additionally, last year's European Commission Staff Working Document on demography¹⁸² shows that almost two-thirds of a rapidly shrinking region's population lives in a region with a low gross domestic product (GDP) per capita, compared to 28% across the EU. In quickly rising regions, 83% of the population resides in a region with a high GDP per capita, compared to 46% across the EU. The relationship between fast population loss and GDP per capita has a substantial urban-rural component. In impoverished regions with fast population decreases, 55% of the population resides in a rural region and only 1% in an urban region, whereas for the whole EU population, 21% lives in a rural region and 40% in an urban zone.

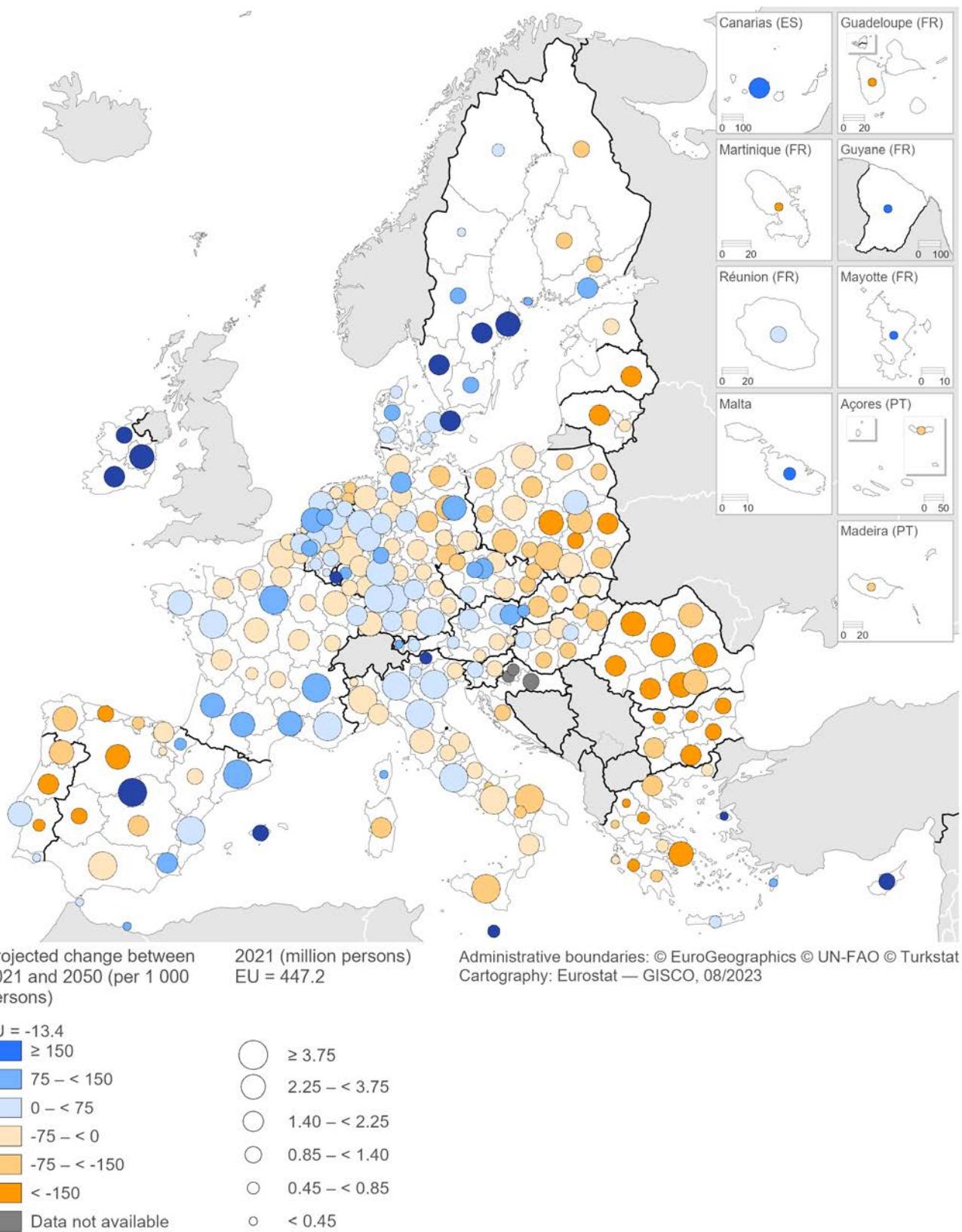


Figure 11 — Population developments, 2021-2050 by NUTS 2 regions

CoR compilation based on Eurostat¹⁸³

While inequality across Member States is decreasing, there is also a significant increase in inequality within individual Members according to the European Commission's 2023 Strategic Foresight Report.¹⁸⁴

In 2021, the top 20% of the population earned 38.2% of total equivalised income in the EU, while the bottom 20% received just 7.9%, with large differences across Member States. These numbers reflect European attitudes: 81% of EU people believe that income inequality is excessive. Many Europeans living in various towns and cities enduring economic stagnation and decline are growing increasingly dissatisfied as a result of inequalities in education or career possibilities, social mobility, equality, life expectancy, or connectivity.

At the same time, **income inequality is becoming more acute due to wealth concentration, impeding fair opportunity and upward social mobility while also fuelling political polarisation.** Monitoring and data collection are still an issue when it comes to measuring poverty. Data on those who are at risk of poverty and social exclusion is still fragmented and occasionally unavailable at the regional level. A precise picture of the situation at the local and regional level is required in order to achieve the 2030 headline goal of rescuing 15 million people from poverty, especially because local and regional authorities are in charge of carrying out a significant portion of social policies in the EU.

The Strategic Foresight Report also states that **social cohesion is eroding.¹⁸⁵ Climate change, as well as many transition processes, are likely to affect territories and people unequally, with disproportionate consequences on the poorest and most vulnerable. The EU's green transition can only be effective if people can participate in and profit from it.** Otherwise, deteriorating social cohesiveness will jeopardise faith in governments as well as the feasibility of the transitions.

More emphasis is needed to address inequalities within Member States at local and regional level by strengthening social cohesion and the principles of partnership and multi-level governance. This requires strong cooperation between local and regional authorities and social partners as well as civic society to develop place-based strategies for social inclusion and cohesion.

There are strong signs of a recovery , but it needs to incorporate upward conversion and to include everyone. Despite the signs of recovery, according to the Employment and Social Developments in Europe 2023,¹⁸⁶ household financial troubles have increased from 12.5% in December 2021 to 15.8% in December 2022. The number of individuals who expect to have to delve into their savings to fulfil daily requirements has also increased, from 9.1% in December 2021 to 11.8% in December 2022.

Several EU regions and cities have undertaken initiatives to re-integrate long-term unemployed people into the labour market. These programmes are largely based on the principles of "zero long-term unemployment", "job guarantee" and "local employment guarantee".

These projects have been developed with very little EU help and oversight; while some (Territoires zéro chômeur de longue durée projects in France and Belgium) receive funding from the European Social Fund Plus (ESF+), most of the rest benefit from national or regional resources. The programmes also foster the transition to greener jobs, as they employ people in recycling, gardening, bicycle repair, cleaning polluted areas, etc.

These projects have shown great promise; the CoR in its opinion on zero long-term unemployment,¹⁸⁷ calls on the European Commission to support similar projects, to support the replication of successful social economy models in more Member States, to map these initiatives, including by mobilising its European Network of Public Employment Services and to propose guidelines for implementing such initiatives in other EU Member States.

Finally, it requests some ESF+ funds to be earmarked for local "zero long-term unemployment" initiatives in order to overcome these difficulties, in particular in the form of support for starting up and developing projects at local level. It also reiterates the recommendation it made in a previous opinion,¹⁸⁸ to tackle long-term unemployment more effectively through extraordinary initiatives, such as the creation of an ad hoc fund to combat long-term unemployment.

ZERO LONG-TERM UNEMPLOYMENT AND JOB GUARANTEES

CITIES IMPLEMENT PROGRAMMES TO INCREASE EMPLOYMENT

Zero long-term programmes can be found primarily in various areas in France and Belgium (Territoires zéro chômeur de longue durée, tzcl), while Gramatneusiedl (Austria) and Groningen (Netherlands) - named "Basisbaan" - are based on the job guarantee principle. Similar programmes have been developed in Berlin (Germany), Rome (Italy) and Konin (Poland), to name a few.



Chapter II

Regions and cities as actors for sustainable development and cohesion

The green and digital transitions of European economies aimed at improved efficiency and climate-neutrality are key elements of the EU's long-term strategy towards sustainable development. Only by implementing new and existing EU Green Deal instruments "on the ground" (alongside strategies that ensure social, economic and territorial cohesion, and prevent further disparities across the Union) can the transformation of our economies become the success Europe needs to keep up with the technological, geo-political and societal challenges ahead.

How can we ensure economic development, digitalisation and industrial transformation on one hand, and social security, digital resilience, economic autonomy, and thriving places and people on the other? Regions and cities have many solutions to offer that ensure that no place and no one is left behind, from local climate pacts to interregional hydrogen alliances and integrated rural strategies to combat depopulation.

A The European Green Deal and the SDGs

Regions and cities are vital players in ensuring the successful implementation of the UN Sustainable Development Goals (SDGs)¹⁸⁹ and the European Green Deal.¹⁹⁰ However, they need to be supported with adequate competences, human capacity, legal frameworks and financial resources. What needs to be done to harmonise growth and prosperity with the demanding social and environmental measures required to achieve climate neutrality and sustainability?

Europe must consistently implement the SDGs and the European Green Deal at all levels of government if it is to remain a key global economy and a leader for sustainable development and social and economic well-being.

Progress on delivering the SDGs has slowed down since 2020 as a consequence of the multiple crises, and in some cases progress has even reversed. More progress is needed on many SDGs, in particular on those related to climate action and the protection and sustainable use of natural resources. Accelerating the implementation of the SDGs is more urgent now than ever, with a particular focus on those living in vulnerable situations.¹⁹¹

According to estimations¹⁹² from the Organisation for Economic Cooperation and Development (OECD), **without the engagement of local and regional governments, at least 105 of the 169 targets derived from the 17 SDGs will go unmet.**

A survey on The role of cities and regions for the SDGs in an uncertain geopolitical context¹⁹³ highlights **SDGs as a key framework for regions and cities to recover from the COVID-19 pandemic and to deal with the effects of the Russian war against Ukraine.** This evaluation of the engagement of regions and cities in the SDGs in 2023 suggests that recent crises have not deterred them from their previous commitment to the SDGs, but rather strengthened it and positioned the SDGs as a solution to address current challenges. The results further indicate that the SDGs will also be used to counter future uncertainties: 39% of local and regional authorities that took part in the survey had used the SDGs before the pandemic, and continued to do so to address recovery. Moreover, 25% did not use the SDGs before the pandemic, but planned to do so now.

Implementation of the SDGs in 2023

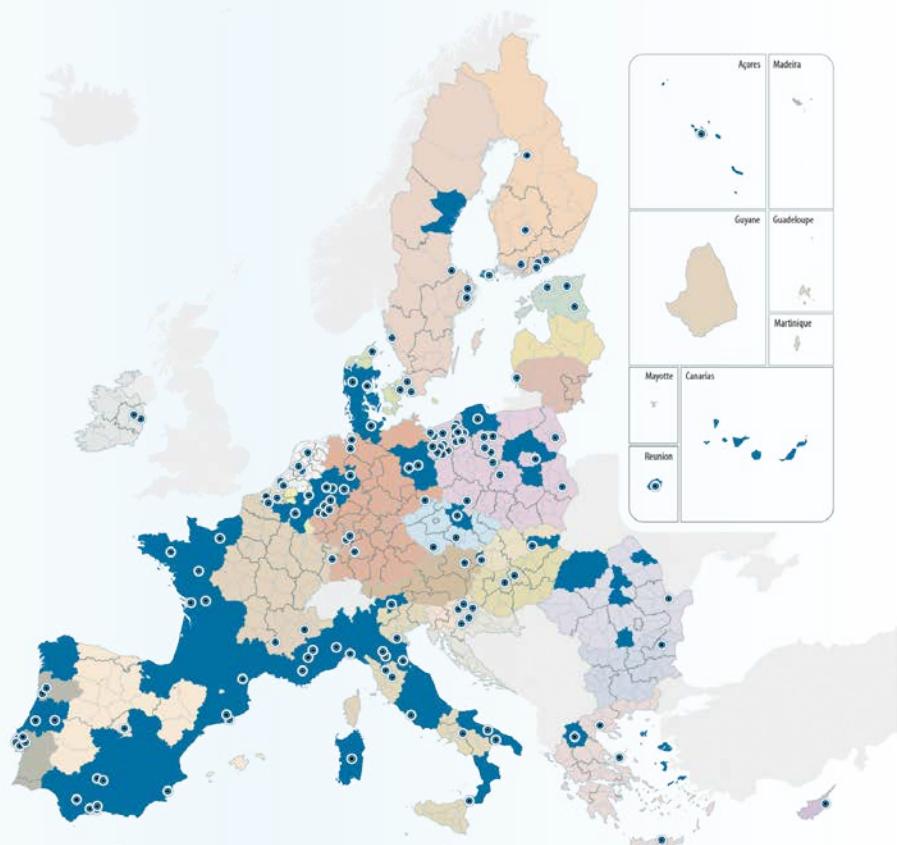


Figure 12 — EU regions and cities implementing the SDGs in 2023

CoR compilation based on the CoR/UNSDSN/OECD¹⁹⁴

This map intentionally shows the selected regions only

Regions and cities' renewed commitment to the SDGs is further evidenced by the steadily increasing number of Voluntary Local Reviews (VLRs) carried out – the highest quality of SDG monitoring in place. So far, 129 VLRs have been submitted, with one third coming from EU regions and cities, showing their enthusiastic engagement. More EU cities, such as Porto and Strasbourg, are currently preparing their VLRs.

The use of SDGs is characterised by a coastal-central divide in the EU. Western and southern France, Portugal, Spain, Belgium, the Netherlands, Denmark, Finland, the Baltic States, Poland, Romania and Italy, and more generally the local and regional authorities of the coastal regions, are strongly involved in implementing the SDGs, while the central EU states seem to make little use of them.

There is no local-regional divide when it comes to the use of the SDGs. Rather, there are differences in terms of remits and competences of local and regional authorities within EU Member States. For instance, in Finland and in the Baltic States, cities have much leeway to act on the SDGs, and their engagement is having an impact beyond their constituencies. In Finland, where the population density is low, the engagement of the six biggest cities is having a large impact throughout the country. In Estonia, the engagement of three cities stirs up action at all levels. Likewise, in Spain and Italy, regions are a driving force for implementing the SDGs in their territories and in cities.

The vast number and diversity of initiatives at national, European and international levels to support SDG localisation also shows how vibrant the commitment of regions and cities is. EU projects such as the URBACT Cities for Sustainable Governance network,¹⁹⁵ the smart specialisation strategies,¹⁹⁶ the EU Joint Research Centre REGIONS2030 project,¹⁹⁷ and European Handbook for SDG Voluntary Local Reviews,¹⁹⁸ the OECD pilot project on a territorial approach to SDGs,¹⁹⁹ the UN's new Local2030 Coalition Secretariat²⁰⁰ in Bilbao, and the Eurocities taskforce on SDGs are just a few examples of structures at all levels that support regions and cities on the SDGs.

LOCALISING THE SDGS

THE CITY OF BRAGA, PORTUGAL

Braga, the third-largest city of Portugal, has embarked on a journey to localise SDGs and use them to create innovative jobs and improve well-being and care for the environment. The city took part in the EU-funded programme URBACT EU Global Goals for Cities and is now member of its successor, the URBACT Cities for Sustainable Governance network. Braga's mayor, Ricardo Rio, is an OECD champion mayor and chair of the executive committee of the Global Parliament of Mayors, recognised for his commitment to inclusiveness. The city also shares best practices within the Eurocities SDG taskforce and is currently implementing all the SDGs. With regards to SDG9 on industry, innovation and infrastructure, Braga created Startup Braga, an innovation hub to support entrepreneurship with global ambition. It helps entrepreneurs to create, launch and accelerate start-ups, mainly in the areas of digital economy, health technologies, nanotechnology, biotechnology and sustainability. It also gives access to a wide range of partners, mentors and investors. The community now has 190 start-ups, responsible for creating more than 1 000 jobs and for raising more than EUR 375 million in investment.²⁰¹

PROMOTING SDGS AT ALL LEVELS

THE BASQUE COUNTRY, SPAIN

The Basque Country has transposed the SDGs and their targets at its level and is now a champion of SDGs at all levels. It has already published five Voluntary Subnational Reviews to report on its continuous efforts and commitments towards implementing the SDGs. In addition to having created an SDG strategy and an SDGs multi-stakeholder platform, it has also been a pioneer in launching sustainability bonds and including SDGs in its budget. Moreover, it is also working with Basque provinces, cities and civil society to co-create policies and ensure their effective implementation on the ground. Finally, it is championing SDGs at all levels, including in the CoR and in the OECD, as well as at international level. This engagement at global level culminated in the opening of the UN Local2030 office in the city of Bilbao this year.²⁰²

As regards the European Green Deal, while there have been ambitious legislative efforts since its launch in December 2019, the real test will come now, with its transposition and implementation at national, regional and local level. The proper implementation of these improved pieces of legislation only started in 2023 – with the first agreements on the Fit for 55 legislative acts.

The combined interaction of multiple pieces of legislation and their asymmetric impact towards regions and cities with different territorial needs and possibilities will be demanding, also considering the lack of proper territorial impact assessments of the legislations. EU and national institutions need to team up with regional and local authorities now more than ever to make sure that the Green Deal legislation can work on the ground.

Notwithstanding this challenging context, regions and cities do have a strong will to act, however, capacity to implement is lacking, and significant hurdles remain. 90% of respondents in the Committee of the Regions (CoR) Regional Hubs Network (RegHub) survey on The future of the Green Deal: taking stock and looking ahead²⁰³ confirmed that they were actively involved in a national or EU initiative for implementing the Green Deal, indicating a strong collective commitment

towards sustainable practices. Additionally, 40% of respondents stated that they already had one or more plans for sustainable development in place.

However, the survey also revealed that 35% of participants were facing challenges in effectively implementing these plans, indicating the need for targeted support and capacity-building measures.

A lack of funding is the main challenge for regions and cities and threatens the implementation of Green Deal policies at subnational level. A European Investment Bank survey on local infrastructure²⁰⁴ revealed that a lack of funding – alongside lengthy and uncertain regulatory processes – continues to pose a significant deterrent for municipalities when it comes to planning investments. Municipalities are particularly dissatisfied, with over 60% perceiving their investments in climate change and adaptation infrastructure over the past three years as insufficient. In addition, shortages of skilled labour and supply chain bottlenecks delay the implementation of investment plans: a shortage of experts with environmental and climate assessment skills poses a problem for 69% of EU municipalities.

Likewise, a lack of financial resources is the biggest challenge in implementing the SDGs for more than 60% of regions and cities.²⁰⁵

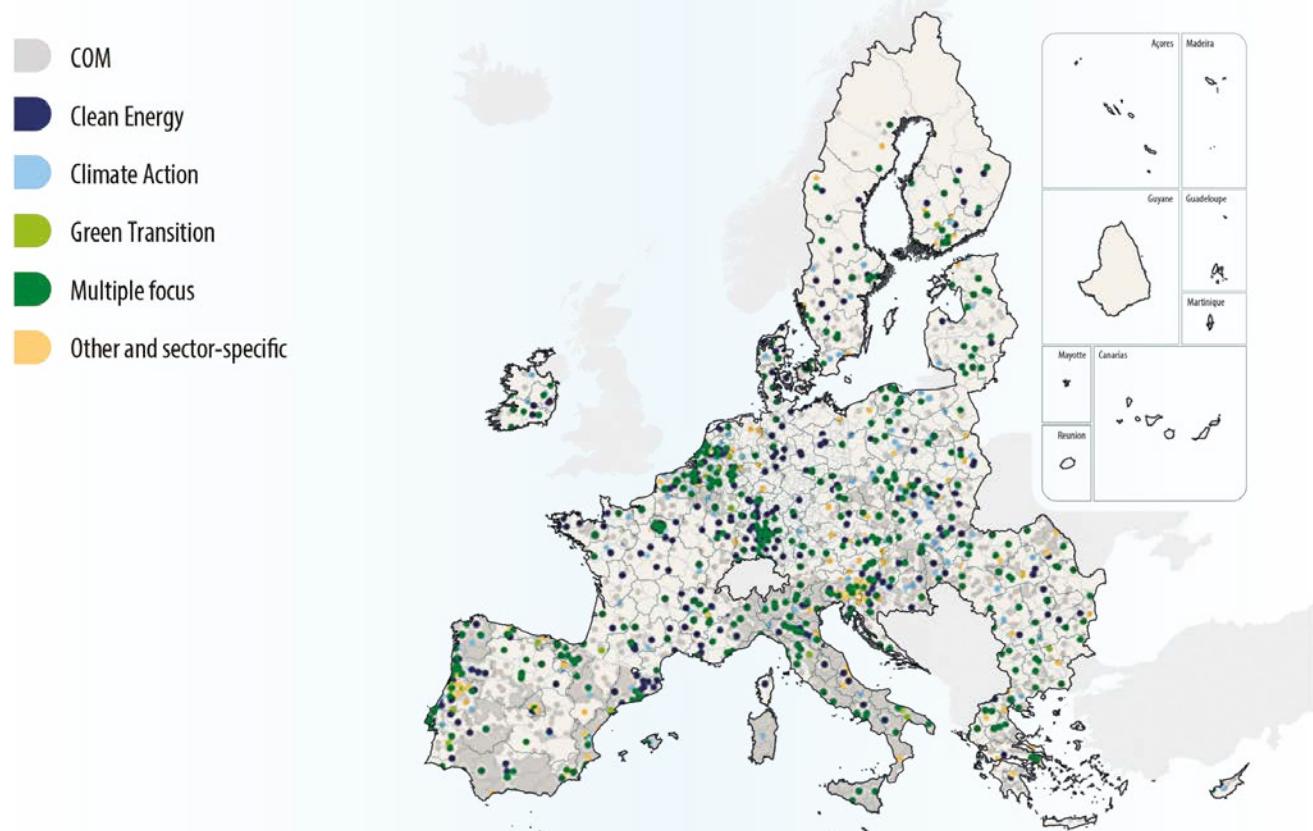


Figure 13 — Geographical mapping of local and regional authorities' initiatives by theme

CoR compilation based on Gasperini, M., Markowska, S., and Vroom, I.²⁰⁶

The digital and green transitions are likely to amplify already diverging growth patterns in Europe. According to Bertelsmann Stiftung,²⁰⁷ high-income EU NUTS 2 regions exhibit the highest potential for economic growth in the twin transitions, while low-income regions exhibit the lowest. Thus, there is an underlying trend towards economic divergence across the EU. If this trend continues, there is a risk that progress, both on the implementation of the Green Deal and the SDGs, will fall to a lower level, and that existing social inequalities will be exacerbated.

This is echoed in the assessment of regions and cities regarding the most important post-COVID-19 pandemic challenges: 46% of regions and cities consider the people dimension of the SDGs (SDGs 1 to 5), which includes poverty and health, to be by far the biggest challenge of the post COVID-19 pandemic period.²⁰⁸

It is undeniable that capacities are needed to build capacities for local and regional authorities.²⁰⁹

To fill the implementation gap, cities and regions are leveraging multiple networks and capacity-building initiatives to upgrade and upscale their Green Deal action. Over the last couple of years, new initiatives have been added to the already existing platform of the European Covenant of Mayors²¹⁰ and the Green City Accord,²¹¹ such as the Local Green Deals²¹² initiative, the Circular Cities and Regions Initiative²¹³ and the EU missions on Adaptation to Climate Change²¹⁴ and 100 Climate-Neutral and Smart Cities by 2030.²¹⁵

Platforms for exchanging information and finding partners, support and advice (especially for obtaining funding and improving the visibility of good practices), and better representation of the interests of regional and local actors are positive aspects.

At the same time, several barriers to the implementation of climate initiatives remain, such as conflicting timelines and requirements, excessive administrative burdens, insufficient flexibility, different reporting methods and requirements, a lack of active and tailored support, and a malalignment of objectives, leading to insufficient synergies and overlaps.

In this context, the CoR Green Deal Going Local initiative is partnering with the above-mentioned initiatives and creating a go-to place for cities and regions willing to take action. As part of this initiative, the CoR aims to foster stronger engagement and the active participation of local and regional authorities in implementing the Green Deal policies and initiatives. This initiative recognises the critical importance of involving subnational entities in achieving climate and environmental goals, as they are the ones implementing policies at the grassroots level.

To succeed in the transformation triggered by the green and digital transitions, it is essential to recognise the links between the environmental, social, and economic dimensions of sustainability. This approach

is vital for ensuring that cities and regions are able to face the increasing complexity of global trends, as echoed by the recent 2023 Strategic Foresight Report.²¹⁶

Only by recognising the challenges faced at local and regional level can the EU tailor appropriate measures to support the implementation of Green Deal policies and the SDGs. This makes the CoR's role increasingly essential for ensuring that implementing EU legislation is "foolproof". Stronger cooperation with the other EU institutions, starting with early consultations in the run-up to new proposals and greater CoR engagement in the final round of negotiations, is key for this goal.

TEACHING SUSTAINABILITY

SDG4, YOUTH AND EDUCATION IN FINNISH CITIES

Finland has been among the most ambitious and innovative countries to develop their education system towards more quality and equality. The six largest cities in Finland (Helsinki, Espoo, Tampere, Vantaa, Oulu, and Turku) are frontrunners in sustainable development and education. For instance, Helsinki has created a model for a sustainable future in early education called KETTU. Children receive education on climate and the environment, the circular economy, the Agenda 2030 and on planning for the future. Similarly, Tampere has put a strong emphasis on turning children and young people into a generation that cherishes sustainability. In the city of Oulu, programmes such as the Learning Stream for a Sustainable Future and the Agenda of Hope event strengthen both pupils' relationships with nature and their knowhow on the circular economy.

Building capacity, providing expert advice and fostering synergies at local and regional level have emerged as key strategies for the climate transition of cities.²¹⁷

Coordination, flexibility, simplification, transparency and better communication (both in the definition of the objectives to be achieved and in the written communication from the EU and central administrations towards local and regional authorities) are key ingredients for achieving the objectives of the EU Green Deal and the SDGs at regional and local levels. Finally, active and tailor-made support for regions and cities, especially during implementation (rather than at the planning stage), the provision of opportunities for direct funding and concrete guidance for the active involvement of other funding opportunities are key accelerators for implementation at regional and local levels.

Making public budgets fit for sustainability must be a priority for European policy-makers. Rising pressures on the social and economic aspects of sustainability fuel the debate about the need for a new economic model, focused on the well-being of people and nature. Such a model can be achieved by making public budgets fit for sustainability. The CoR opinion on The implementation of green budgets at local and regional levels²¹⁸ highlights the importance of green budgeting as a pragmatic instrument to strike the right balance between the need to achieve climate neutrality by 2050 and the urgent need to ensure economic and social fairness.

Ensuring a more consistent framework for sustainability and strengthening the links between the implementation of the European Green Deal and sustainability is key for accelerating the sustainable transition and reducing red tape on all scales. In the RegHub consultation on the Green Deal,²¹⁹ all respondents claimed that their sustainable development strategies were connected to the European Green Deal, showcasing how these frameworks tend to coincide at the implementation stage.

Properly aligning the climate and sustainability agendas also requires efforts to better link frameworks at global level, bringing together the SDGs, the United Nations Framework Convention on Climate Change, and the UN Convention on Biological Diversity processes. This aspect is being assessed by the UN expert group working on the report Analysing Climate and SDG Synergies, Aiming to Maximize Action Impact,²²⁰ and is the focus of CoR action on a global scale. This is why it is crucial for the CoR to continue its efforts towards formally and actively involving the subnational level in UN processes. A precedent for this was established during the last UN Biodiversity Conference (COP15). At COP15, the CoR received explicit recognition as one of the key partners for implementing the global biodiversity framework action plan.²²¹

Strengthening the links between the EU's internal and external policies to boost the EU's political offer and narrative on the global stage is another crucial factor for achieving this new economic model. Local and regional governments have proven to be proactive and reliable players, including at international level, by forming new initiatives to fight climate change and promote climate neutrality and sustainable development. The CoR is participating in global efforts on SDGs, climate and the environment.

Building on the achievements at EU level, the CoR proposes better aligning the European Green Deal with global efforts, under an SDG umbrella, and formally and actively involving the subnational level in the process. This alignment is vital for fostering international

cooperation and achieving a more cohesive and coordinated approach towards sustainable development.

Political leadership at regional and local levels is a key factor for localising SDGs according to 80% of the regions and cities that participated in the CoR-OECD-SDSN 2023 survey. Peer-to-peer learning with other cities and regions and dedicated funding for SDGs are further instrumental tools for implementation. Awareness-raising campaigns, both internal (among employees and departments) or external (targeted to citizens, civil society, businesses and/or schools) are the most commonly used tools for promoting SDGs (60%), followed by dedicated strategies or action plans (54%) and the use of indicators to track and stimulate progress (53%).

SDG2 on Zero Hunger has now increased in relevance for regions and cities due to rising inflation. Close to 50% of regions and cities have set up food banks and food distribution programmes to respond to ruptures in food supply chains. Regions and cities have also become more engaged in order to reduce food waste by promoting a circular economy approach (60%), reusing surplus food (47%) and preventing food waste throughout the supply chain (46%).

The CoR has consistently called for gender considerations to be better integrated into policies and programmes, as this is part of the SDGs. For instance, the Spanish Region of La Rioja has been championing gender equality not only within the region and in its governance but also at European level. Its pioneering work has been recognised by the European Commission, which featured these efforts in the first ever EU Voluntary Review presented to the UN.

Peer-to-peer learning is key for speeding up implementation. The CoR Green Deal best practices interactive map²²² complements the EU SDG localisation map and shows how individual communities are transforming their ways of living, working, producing and consuming, and how they are trying to achieve environmentally sustainable and socially and economically just growth.

ADVANCING ON THE GENDER EQUALITY AGENDA

LA RIOJA, SPAIN

The Region of La Rioja in Spain has adopted a specific law against gender-based violence. It promotes the inclusion of victims in the labour market and sets up a care network to ensure victims receive the care they need until they recover. The region is working on education through a general communication campaign and trainings for specific audiences such as trade unions and future professionals in the field of health, social services and education. La Rioja also created an inter-department responsible for integrating gender equality in all policies.

GETTING CITIZENS ON BOARD FOR THE GREEN TRANSITION

ŁÓDŹ (POLAND) AND OULU (FINLAND)

Among the best practices included in the CoR database on the Green Deal at local level, the Ecopact for Łódź²²³ in Poland includes a comprehensive municipal approach to sustainability involving stakeholders and addressing climate, energy, waste, circularity, sustainable urban planning and mobility, and biodiversity.

At regional level, the circular economy handbook for schools in Oulu,²²⁴ Finland, educates and raises awareness among citizens on protecting the local environment, on biodiversity, on health, and on quality of life, while also promoting the reskilling of workers.

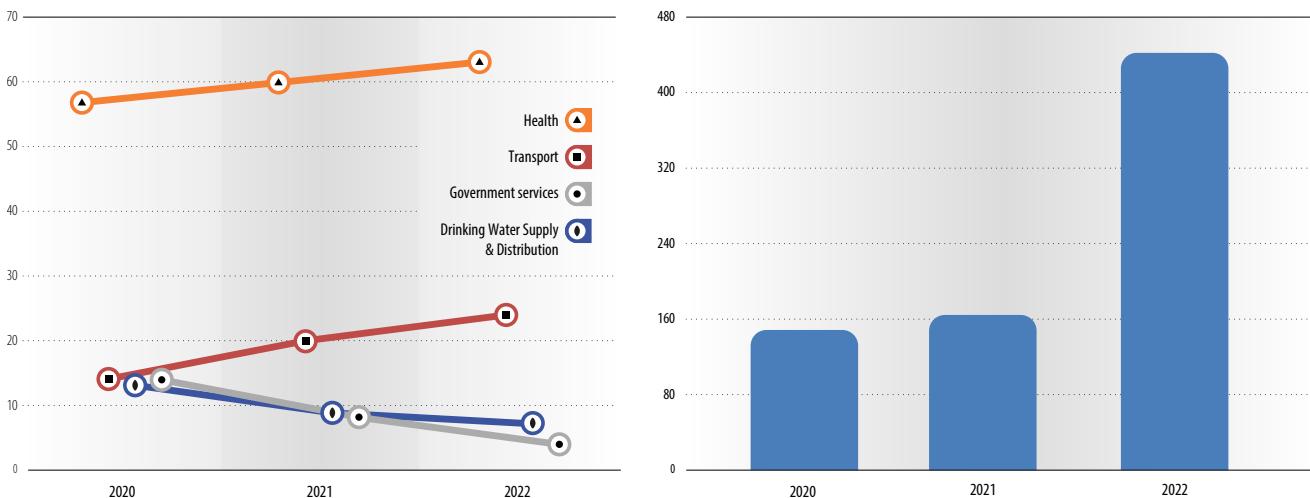
B Digital transformation and resilience

A high-quality digital infrastructure is an increasingly significant cornerstone of the whole economy, taking its place alongside electricity, gas, water and transport networks, but also in public administrations.²²⁵ Digital transformation is key for our future, as highlighted in previous editions of the Annual Report on the State of Regions and Cities.²²⁶ Excellent and secure connectivity for everyone, everywhere in the EU is becoming a prerequisite for delivering sustainable economic and social benefits based on modern online services and fast internet connections. A better and wider connectivity along with new technologies and skills to use these will help prevent digital divides and socially and economically cut off areas. How can the EU make sure that the digital transformation and digital resilience go hand in hand so that local and regional communities and businesses benefit from the digital transition and avoid risks of cyberthreats?

The digital maturity of the various regions and cities in the EU is progressing at different speeds. There is

a risk that digital divides will jeopardise achieving the targets of the EU's digital decade, which have been set for 2030.²²⁷ At the same time, over the past year cyberattacks against European private and public entities by third-state and non-state actors have posed additional challenges to the use of digital technologies.

Public authorities have found themselves facing distributed denial-of-service and ransomware attacks, which have had severe consequences on services delivered to citizens. Typical examples of affected services include registry, mobility/parking, rubbish collection, social security payments and health services, such as vaccination services. The complete shutdown of such services may have strong impacts on citizen's trust in the government and may affect voter behaviour. Any authority at risk is well-advised to ensure it is digitally resilient against new and increasing types of cyberattacks.



Accordingly, the European Union Agency for Cybersecurity (ENISA) has identified and ranked²²⁹ the top ten cybersecurity threats to emerge by 2030, including “targeted attacks enhanced by smart device data” and the “rise of advanced hybrid threats”. Today’s threats will not be addressed, as they will have shifted in character. Increased dependencies and the popularisation of new technologies are essential factors driving the changes.²³⁰

Digital resilience for regions and cities is defined as “their ability to resist, absorb and recover from the disruption caused by external digital threats or natural disasters through the enforcement of legislation on cybersecurity and cyber resilience, the availability of solid and reliable critical infrastructures and the use of appropriate digital and cybersecurity skills”²³¹

Digital resilience across European regions and cities varies widely.²³² Some public authorities have been actively pursuing and consolidating their digital resilience for years, some have been falling behind or have had difficulties in embarking on a path to digital resilience due to a lack of funds and/or capacities, while others are still unaware of the dangers and the need to become digitally resilient.

Having sufficient financial resources is the most important challenge when initiating any policy action to build digital resilience. But even in cases where there are enough resources, regions and cities lack the organisational capacity to use them efficiently. Additional efforts are needed to bridge the EU’s investment gap for the digital transition, which amounts to at least EUR 125 billion annually.²³³

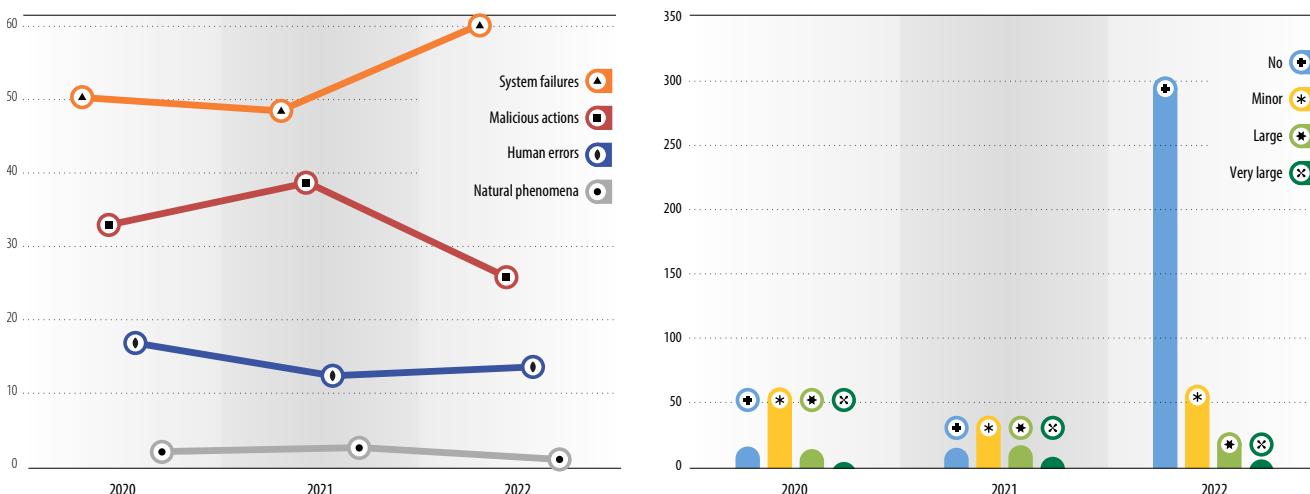


Figure 15 — Root causes of accidents and severity of impact per year
CoR compilation based on ENISA²³⁴

Regions and cities often need to address conflicting priorities with scarce resources, and decide not to prioritise investments in cybersecurity programmes even after upgraded their digital infrastructure. Moreover, the lack of digital and ICT skills in public administrations remains a key challenge to address.²³⁵

Regions and cities are confronted with difficulties in accessing EU funds to enhance digital resilience.

Accordingly, public authorities were asked in a study which EU funds they were accessing to finance investments in digital resilience.

The Recovery and Resilience Facility (RRF) stood out as the most important funding source, with 44% of participating authorities confirming its use with comparison to other EU funding sources.²³⁶

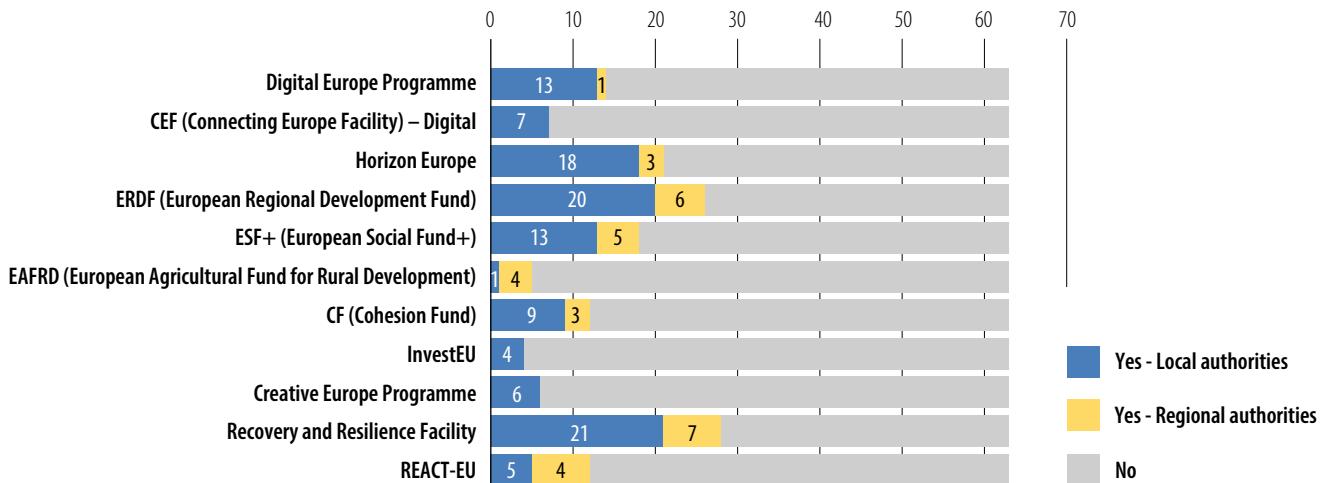


Figure 16 — Access to EU funds with the aim of enhancing digital resilience

CoR compilation based on Cavallini, S., Soldi, R., Casalini, G., Verdi, G., Grasso, A.²³⁷

The European Regional Development Fund and Horizon Europe were the second and third most used EU sources for investing in digital resilience. Overall, all the listed sources were selected to a certain extent, indicating that a variety of European funds are being used by regions and cities. Local and regional authorities access a wider range of funding sources than regional authorities to enhance their digital resilience, such as the Connecting Europe Facility – Digital, InvestEU and the Creative Europe Programme. **To face this diversity of funds, we should ensure a place-based approach and multi-level governance arrangements in EU funding programmes that are targeted towards digital resilience, which would enable regions to prioritise investments in digital according to their local needs.**

Almost all (97%) local and regional authorities were planning to invest in digital infrastructure, equipment and tools when asked whether they had plans to invest in areas related to digital resilience in 2023 and 2024. About 84% of regions and cities participating in the consultation were planning to invest in security/protection of access to data; followed by systems/tools guaranteeing the continuity of public services; personnel training/awareness; ICT services provided by third parties; in-house ICT specialist staff; and decision-making processes.²³⁸

The case studies from Vilnius (Lithuania) and the Region of Lazio (Italy) showcase the different paths that selected cities and regions had chosen to take towards digital resilience.

CROSS-CUTTING ACTIONS TO SUPPORT RESILIENCE

VILNIUS CITY'S COMPREHENSIVE SET OF MEASURES

Following a series of impactful cyberattacks ("brute force attacks") on the digital infrastructure of Vilnius (Lithuania), which disturbed important public services (such as the city's kindergarten registration) and risked damage to citizens' trust in municipal services, the city put in place an effective strategy to counter cyberattacks.²³⁹ The overall strategy consists of cross-cutting actions and political support at higher levels of management. Concretely, in 2021, the city adopted an ambitious ten-year strategic development plan. In addition, the city has developed a "responsible vulnerability detection policy", i.e. a set of rules encouraging ethical hackers to identify and submit information on security vulnerabilities to the responsible authorities without being prosecuted. Finally, the municipality has started to offer continuous upskilling for its ICT staff and implement a continuous cyber data exchange with its public enterprises and a number of private companies operating in the city. All activities are currently funded using the municipal budget, but the city plans to apply for EU funds, such as the Digital Europe Programme.

ADAPTIVE USE OF FUNDS

LAZIO REGION USES NRRP FUNDS TO BRIDGE ITS DIGITAL RESILIENCE GAP

A serious ransomware cyberattack in 2021 affected some of the Region of Lazio's (Italy) digital key infrastructures (e.g. its data centre) and the regional online booking system for COVID-19 vaccinations, rendering health data temporarily unavailable, interrupting COVID-19 vaccination bookings, and leading to the loss of internal documents. LazioCrea S.p.a., where the intrusion occurred, reported that no ransom was paid, but that the cost of recovery extended to millions of euros.²⁴⁰ A national law on "urgent provisions related to cybersecurity" had entered into force a few months earlier, in June 2021 (Decree-Law n. 82/2021²⁴¹). This was a follow-up to the country's commitments made in the national recovery and resilience plans (NRRP) establishing the National Agency for Cybersecurity²⁴² responsible for implementing the national cyber strategy. In May 2022, Lazio released its Regional Digital Agenda 2022-2026²⁴³ and, in October 2022, applied for around EUR 2 million under a call for proposals funded under the NRRP launched by the national government, which were funded with EUR 1.2 million.

Some public authorities are actively pursuing and consolidating their digital resilience; others evidently lag behind or have difficulties embarking on a path to digital resilience because of a lack of funds and/or capacities, and there are others that have low or no awareness of the need to become digitally resilient. Against this heterogeneous landscape across Europe, recommendations have been put forward that provide guidance along a theoretical path towards achieving "a reasonable level" of digital resilience in EU cities and regions.

As a first step, increased political awareness is needed to promote digital resilience. Public authorities need political will to achieve digital resilience. Therefore, Member States and EU institutions should consider running awareness-raising campaigns targeted towards the political representatives of cities and regions, showing, for example, the different impacts that a lack of digital resilience can have on public administrations.

The Committee of the Regions could play an important role in facilitating the exchange of experiences between municipalities, possibly in partnership with leaders of big and small cities who actively pursue digital resilience because of their political vision, or because their administration has already suffered cyberattacks.

ENISA, as the leading EU agency in cybersecurity and in collaboration with the European Commission and Member States, should define and suggest ad hoc methods to assess cyber risks, aiming to create reference guidelines similar to risk assessment practices used by insurance companies. Finally, in order to create a favourable legislative framework preventing cybercrime motivated by money, the institutions and the Member States could discuss a ban on public authorities paying these ransoms.

As a second step, local and regional authorities should be supported in defining their own governance models for digital resilience, based on their financial and/or personal capacities and on the size of their region or city.

As a third step, once suitable governance models have been identified, areas in which to invest (digital infrastructures and digital/cybersecurity skills) and funds to be used for such investments should be identified. When investments are made in digital infrastructure, it reinforces digital resilience through prevention. Innovative digital tools such as “digital sandboxes” (safe environments where suspicious files are carefully examined before accessing the main network and information system) offer a safe environment between cybercrime actors and staff. Preparedness and response capacity (i.e. reaction) are enforced through investments in digital/cybersecurity skills – the second key investment area for regions and cities. Improvements within regions and cities could relate to awareness-raising among staff, tests on the reaction capacities of ICT specialists, or proofing decisional readiness mechanisms.

The lack of available funds for investing in digital resilience is a significant obstacle for regions and cities. Their access to specific funds varies depending on different factors. To facilitate channelling resources to lower (and smaller) administrative levels, digital solutions could be purchased at a central level, and technologies and services could be introduced. In addition, Member States, supported by relevant European Digital Innovation Hubs, could identify and periodically update lists of funding opportunities available for regions and cities to enhance digital resilience.

As a final fourth step, regions and cities should be given the opportunity to create links with the surrounding environment, for example through the development of cybersecurity ecosystems in regions with a booming cybersecurity industry, innovative start-ups and research and academia centres, or by pooling resources across municipalities to cross-exchange knowledge on existing digital solutions.

The existing links between the green and the digital transitions highlight how they reinforce each other. In particular, it is evident that advanced digital technologies contribute to protecting critical infrastructure and critical entities. Digital technologies may also offer situational intelligence in warning and response systems and support recovery from disasters. The digital dimension is therefore associated with the functioning and continuity of systems which are vital for society. As such, the digital dimension and its resilience contribute to territorial safety and should be an integral part of emergency management.

C The value of cohesion

A strong and effective cohesion policy is a key concern for all regions and cities in the European Union. It is the main EU investment policy for implementing measures to achieve the Treaty objective to strengthen the economic, social and territorial cohesion of the EU, with a budget of EUR 392 billion²⁴⁴ for the 2021-2027 period. This long-term investment helps to reduce the disparities between the levels of development of the various regions. Despite its value, cohesion policy today faces many challenges that call into question its effectiveness. What does the EU need to do to ensure that it can deliver as a place-based policy and continue to help all places and people in the EU, regardless of their starting point?

With an increased focus on a just transition and a greener EU compared to the 2014-2020 period, achieving EU priorities in the 2021-2027 period will strongly rely on a successful cohesion policy.

Cohesion policy will contribute significantly to the European Green Deal. More than EUR 92 billion will be invested in all regions in energy, climate change adaptation and mitigation, the environment, and sustainable urban transportation under the “greener Europe” policy objective. Social and inclusive growth is also a priority, with an allocation of EUR 111 billion (EUR 167 billion with national co-financing). The promotion of place-based investments will be supported by 24 Member States with more than EUR 19 billion through more than 2 150 integrated territorial development strategies with increased ownership and engagement of local stakeholders and communities.²⁴⁵

The figure below shows a strong shift compared to the previous programming period, with cohesion funds contributing more to green and social objectives.²⁴⁶

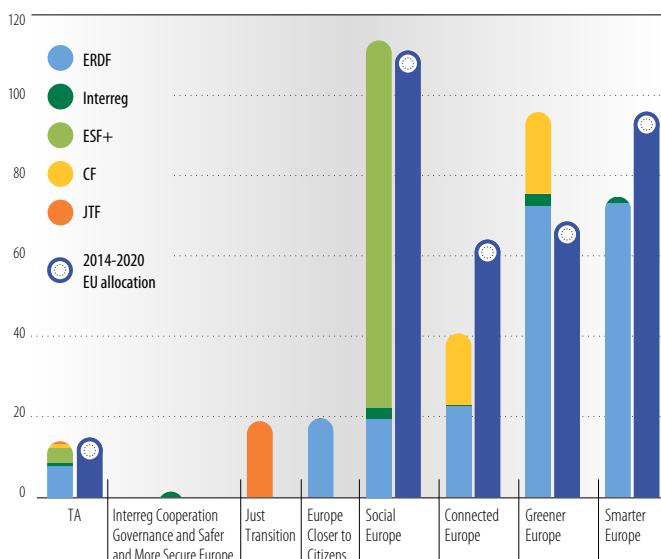
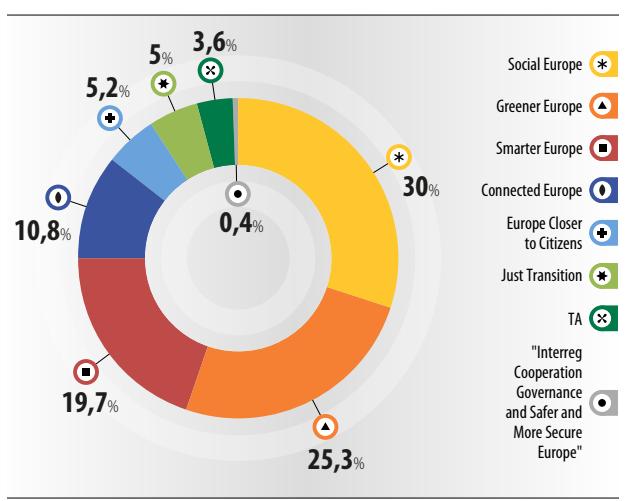


Figure 17 — Programmed EU financial allocations per policy objective in billions of euros for the 2021-2027 and 2014-2020 periods
CoR compilation based on European Commission²⁴⁷

Cohesion policy will also have a significant and long-lasting effect on the EU's economies: over 25 years, each euro spent on cohesion policy is expected to generate EUR 2.8 of additional gross domestic product (GDP) at EU level.²⁴⁸ This figure corresponds to an annual rate of return of around 3.4%. The policy interventions would enhance the EU's GDP by the end of the implementation period in 2029 (compared to a no-cohesion policy scenario), and would have a long-lasting impact until 2050. Cohesion policy will also benefit the labour market, creating the equivalent of around 1.3 million new jobs.²⁴⁹

The planning of the new cohesion policy programmes and the closure of the last funding period were strongly affected by the COVID-19 pandemic and the Russian war against Ukraine. Together with the introduction of new instruments such as the Recovery and Resilience Facility (RRF), this led to a significant delay in the negotiation and implementation of cohesion policy programmes. By the end of 2021, the first year of the 2021-2027 term, only one Partnership Agreement (Greece), but no programmes, had been adopted (compared to 56% and 95% of programmes at similar stages in the 2014-2020 and 2007-2013 periods respectively).²⁵⁰ Most Partnership Agreements and programmes were adopted in 2022, with the last ones adopted by early 2023 – almost two years after the start of the programming period.

At the same time, cohesion policy played a major role in the crisis response. In order to help Member States and regions respond to these crises, the European Union adopted a number of legislative measures that aimed to mobilise funds still available under the 2014-2020 cohesion policy (increasing the flexibility of the funds) and simplify administrative procedures.



Two concrete measures adopted include the Coronavirus Response Investment Initiative (CRII),²⁵¹ and later the Coronavirus Response Investment Initiative Plus (CRII+).²⁵² In addition, there was the Recovery Assistance for Cohesion and the Territories of Europe (REACT-EU),²⁵³ supporting recovery after the pandemic. For the Ukrainian refugee crisis, there was the Cohesion Action for Refugees in Europe (CARE),²⁵⁴ and later the Flexible Assistance for Territories (FAST-CARE).²⁵⁵

These mechanisms allowed cohesion policy funding to be channelled quickly to where it was needed most, and showed that cohesion policy can react swiftly to changing circumstances and rapidly provide resources for emergency measures. However, the CRII/CRII+ provisions, along with successive rounds of flexibility introduced under REACT-EU, CARE and FAST-CARE, have also raised questions regarding the extent to which cohesion policy should be used to tackle emergencies, and the impact this has on its core objectives and features. The repeated re-programming under very short deadlines put additional pressure on managing authorities and diverted resources from preparations for a timely closure of the 2014-2020 programmes. A recent survey²⁵⁶ showed that a majority of surveyed managing authorities did not use the flexibility mechanisms introduced by the CARE framework.

The parallel implementation of the RRF in the Member States also had a direct impact on the implementation and programming of the Structural Funds. The authorities responsible for the Structural and Investment Funds were also often asked to support programming and project identification for the RRF. The different eligibility periods laid down for cohesion policy and the RRF (which required much quicker action to identify projects and absorb the funding) meant that priority was given to programming and implementing

the RRF over the 2021-2027 cohesion policy in a number of Member States. While the RRF investments and reforms are due by the end of 2026 (having started in February 2021, when the RRF entered into force), the cohesion policy expenditures are eligible for contributions from the funds if incurred by a beneficiary and paid in implementing operations between the beginning of 2021 (and/or the date of submission of the programme to the Commission) and the end of 2029.

Furthermore, the advent of the RRF meant the emergence of a new major EU investment tool. As the European Court of Auditors pointed out,²⁵⁷ 10 Member States receive significantly more resources from the RRF than from cohesion policy. Furthermore, given that the Commission has painted the support provided by NextGenerationEU as support for new and reinforced priorities,²⁵⁸ questions have been raised regarding the apparent reduced relevance of cohesion policy for the EU budget.

At the same time, with its partnership principle and multi-level governance, cohesion policy is the only flagship EU policy that puts the local and regional levels at its centre. This is why the debate on the future of cohesion policy is also a discussion about the future of cities and regions in the further development of the European Union.

Cohesion in the European Union has improved over the last decade, in particular due to improvements that have seen less developed eastern EU regions catch up to the other regions. Significant progress has been made in improving employment and social inclusion, thanks in part to cohesion policy.²⁵⁹

Nevertheless, a number of trends are posing **ongoing challenges** to cohesion.

Regional disparities still remain high and are, in some cases, even growing.²⁶⁰ This concerns not only disparities in terms of GDP per capita, but also asymmetries in access to basic public services, employment and unemployment rates, competitiveness, and productivity.

The growing economic, social and territorial divides within the EU pose a growing threat to our living standards and our democracy. Places that feel left behind find their populations are often disengaged and discontent in the long term.

If the development trap goes unaddressed, disengagement and discontent make citizens less likely to support further European integration.²⁶¹

Advancing technological changes in the economy has created a concentration of high-paid jobs in large cities and metropolitan areas, and created a divide between high-paid managerial jobs and low-paid service jobs. Furthermore, a recent European Commission report²⁶² has identified a growing variety of trends throughout different regions. Some have a concentration of high-paid employment, others a concentration of low-

paid jobs, a third group with a more polarised pattern, and a fourth with a more middle-biased trend.

The technological output as measured by patents is concentrated in regions with a high share of manufacturing businesses and headquarters of large companies.²⁶³ The innovation divide between regions in western and northern Europe, those in central and eastern Europe, and those in the southern countries is still quite pronounced. Some of the least innovative regions in Portugal and Greece have increased their contributions to EU total patent applications over 2010-2018, but the regions that experienced the highest increases in their contributions to EU total patents remain in Austria, Belgium and Germany, which are already among the top innovative regions. Technology investments also tend to be geographically concentrated.

Accelerating demographic change saw 34% of the EU population living in shrinking regions in 2020. This is projected to reach 51% in 2040. All regions will have to adjust to a growing population aged 65 years and over, and a shrinking working age and younger population.²⁶⁴

The urban-rural divide is widening, with increasingly ageing and shrinking populations in rural regions. Eastern rural areas tend to have higher risks of poverty and social exclusion rates than cities, while the opposite is true in the north-western EU. Links between urban and rural areas are also key for implementing many Green Deal policies, including renewable energy production. In addition, the talent development trap is multidimensional and poses a significant risk to the long-term prosperity of regions.²⁶⁵

Managing the green and digital transitions will also pose considerable challenges for cities and regions. To accomplish the goals of the Green Deal and REPowerEU, the green transition will need extra expenditures of approximately EUR 620 billion per year (of which the vast majority will have to be funded privately), while bridging the EU's investment gap for the digital transition will cost at least EUR 125 billion annually.²⁶⁶

The transition towards a carbon-neutral economy will, in particular, affect regions with high per capita emissions and large employment shares in at least one of the industrial sectors that are especially vulnerable to the transition to climate-neutral manufacturing by 2050 (such as oil refining, chemicals, steel and aluminium, cement, paper and pulp and cars).²⁶⁷ **Municipalities have also become more apprehensive about the economic consequences of the low-carbon economy transition.** Only 17% of municipalities in 2022 saw the shift to a low-carbon economy as primarily delivering economic possibilities, down from 27% in 2020. In contrast, the proportion of municipalities that saw the green transition as largely comprising economic issues increased from 21% to 29%.²⁶⁸

Increased digitalisation is a challenge for many regions, since broadband connections are slower in

less developed regions and rural and remote areas.²⁶⁹

For example, while two in three city residents have access to very high-speed broadband, the same is true for only one in six rural residents. The digital gap becomes an additional problem, particularly for senior citizens, who have trouble accessing digital offers. Businesses in less developed Member States are less likely to use e-commerce and e-business technologies. Businesses in more developed countries are twice as likely to use cloud computing or have significant e-commerce sales compared to those in less developed Member States.

Regions with permanent geographic or demographic constraints (such as those referred to in Articles 174 and 349 of the Treaty on the Functioning of

the EU) face specific challenges which need to be taken into consideration. Most of these regions face permanent constraints linked to their remoteness, small size, vulnerability to climate change and insularity, which hinder their growth and development potential. As a consequence, and despite their potential in some specific sectors (such as agriculture, tourism, aerospace, etc.) all outermost regions have a GDP per capita below 75% of the EU average (except Martinique, at 76%). Mayotte has the EU's lowest GDP per capita (30%) and highest unemployment rate (27.8%). Moreover, some of the highest youth unemployment rates can be found in the outermost regions – Mayotte (55.4%), Guadeloupe (41.5%), and Martinique (38.3%).²⁷⁰

Cohesion Spirit

The most emphasised cohesion principles, objectives and governance arrangements in a policy document

The stars indicate the main emphasis of Cohesion Spirit in the wording of a policy, i.e. they reflect the main aspiration. In case a policy has stars for several cohesion principles, objectives or governance arrangements, no clear focus could be detected.

	Cohesion principles			Cohesion objectives			Governance arrangements					
	mutual interdependencies	equality	equity	justice	economic cohesion	social cohesion	territorial cohesion	interpersonal cohesion	multi-level governance	interdisciplinary	robustness	citizen involvement
Annual Sustainable Growth Strategy 2021	★★				★★	★★	★★	★★		★★		
Biodiversity strategy	★★				★★				★★			
CAP		★★			★★	★★	★★		★★			
Connecting Europe Facility	★★				★★	★★	★★	★★		★★	★★	
ERDF Regulation	★★				★★	★★	★★		★★	★★		
ESF+		★★	★★			★★	★★		★★			
EU Green Deal	★★						★★	★★	★★	★★	★★	★★
EU Single market programme	★★	★★			★★					★★		
Europe fit in a Digital Age	★★			★★		★★		★★			★★	
European Health Union	★★					★★	★★		★★			
HorizonEU	★★					★★		★★			★★	
Internal market and competition policy			★★			★★				★★		
Invest EU	★★				★★					★★		
NEXT Generation EU	★★				★★	★★	★★	★★		★★	★★	★★
Rights and values Programme				★★		★★					★★	★★

Figure 18 — Most emphasised cohesion principles, objectives and mechanisms by policy

Böhme, K., Toptsidou, M., Zillmer, S., Lüer, C., Valenza, A., Amichetti, C., Bettini C., Hrelja, D., Schuh, B., Gaugitsch, R., Gaupp-Berghausen, M., and Hat, K.²⁷¹

With regions and cities facing multiple challenges, territorial, social and economic cohesion remain essential for maintaining unity and solidarity across the EU. It is therefore important that all EU policies adopt the “**do no harm to cohesion**” principle. While “cohesion spirit”²⁷² can be widely found in EU policy objectives, it is

less embedded in policy governance arrangements, and each policy has its own understanding on cohesion.

The figure below shows where each policy places its main emphasis in terms of cohesion principles, objectives or governance arrangements. In cases where

policies hold several principles, objectives or governance arrangements, they are all equally emphasised, e.g. the Connecting Europe Facility, which puts equal emphasis on economic, social, territorial and interpersonal cohesion.

The figure also shows that the cohesion principle with the strongest emphasis in most policies is that to have mutual interdependencies. The European Agricultural Fund for Rural Development and the European Regional Development Fund (ERDF) are the only regional development policies that emphasise equality over the other principles. The internal market and competition policy are the only ones that emphasise equity over the other principles. The Citizens, Equality, Rights and Values Programme is the only one that emphasises justice over the other principles.

A strong cohesion policy as a place-based policy that can help all EU places and people, regardless of their starting point, is therefore needed now more than ever.

It is crucial to ensure synergies and complementarities between cohesion policy and other EU policies from the outset. It will therefore be important to establish clear objectives for cohesion policy post 2027. Synergies and complementarity are not a one-way-street, and the design and implementation of other EU policies must take cohesion properly into account, even if their own objectives are formulated at macro level (e.g. international, EU or national), or with a more short-term perspective (e.g. crisis response).

Cohesion policy should remain focussed on long-term investments with the aim of promoting structural change. This approach, however, needs to be accompanied with sufficient flexibility for the regions

to be able to use cohesion policy to address emerging needs without losing sight of the policy's long-term approach. The current practice of using cohesion policy as a funding source for all kinds of emergency requests should be stopped.

Closing the innovation divide remains a key objective for providing place-based solutions for the digital and green transitions, and for addressing demographic change. A joint approach to promote place-based innovation is therefore needed to create a bridge between smart specialisation and other EU policies to boost innovation-driven territorial transformation.

An optimal balance between timely and flexible implementation, successful delivery of policy objectives and compliance with legal and regulatory requirements is needed. However, the delivery system of cohesion policy has come under criticism, and each seven-year cohesion policy period has seen repeated attempts to simplify it, both at the beginning and during the programme implementation process. At the same time, other voices highlight that every change in the system – even with the intention of simplification – generates disruptions and administrative burdens.

The most regularly proposed adjustments for the future of cohesion policy appear to be simplification and increased visibility. According to the findings of the CoR survey on The future of cohesion policy,²⁷³ 41% and 36% of respondents, respectively, agreed with such recommendations. The CoR Regional and Local Barometer²⁷⁴ survey conducted by Ipsos European Public Affairs confirms this, revealing that many regional and local officials are unaware of cohesion policy funds. Indeed, 33% indicated that they were neither informed nor did they participate in their implementation.

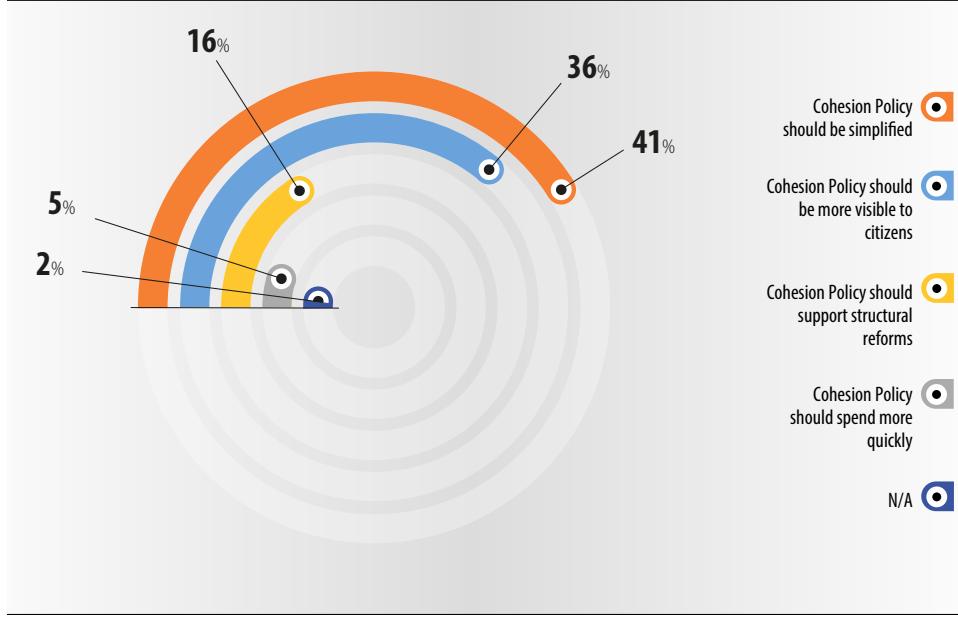


Figure 19 — What would be the most important reform to include in the future of cohesion policy?

CoR compilation²⁷⁵

Future delivery and lessons learnt from implementation must be at the heart of upcoming discussions. Such discussions should closely look at the co-implementation of cohesion policy and other EU funding instruments, upholding the key principles of partnership and multi-level governance.²⁷⁶

Achieving economic, social and territorial cohesion is a long-standing mission of the EU. It is time to put the mission into practice. The potential impact of the mission-oriented framework should be considered, not only in terms of revising the cohesion policy's thematic menu towards a "challenge-driven" configuration, implying a shift in strategic and intervention logic, but also as a way to address the current policy fragmentation across several funds.²⁷⁷

It is important to bear in mind that a possible accession of the current candidate countries to the EU will have a significant impact on cohesion policy and its GDP per capita benchmark. Given that these countries would increase the overall GDP of the EU much less than they would increase its population, there would be a certain statistical effect of future enlargement, depending on the number of countries to enter the EU and their economic performance in the years to come.

The upcoming Committee of the Regions (CoR) opinion on The future of cohesion policy will be a unique opportunity for the CoR to provide a first comprehensive proposal for making the policy fit for the future, and to place the policy at the centre of the EU's next strategic agenda.

D Recovery and Resilience Facility implementation

The transposition and implementation of the Recovery and Resilience Facility (RRF) has been largely blind to the needs of local and regional governments, putting at risk its relevance and efficiency. While regions and cities have been at the frontline fighting the COVID-19 pandemic – with large impacts on their resources and budgets – they are not the direct beneficiaries of the recovery plan. Why does this happen, and what are the consequences for regions and cities of not being directly involved in the implementation of RRF funds?

The RRF is by far the largest instrument of NextGenerationEU – Europe's unprecedented post-COVID-19 recovery plan, and for some, proof that the EU was able to put forward a bold and innovative crisis response.²⁷⁸ It was designed after the onset of the COVID-19 pandemic to mitigate its economic and social impacts. The RRF will disburse up to EUR 723.8 billion in grants and loans to EU Member States. These funds are allocated by country, not by region, on the basis of criteria different to those under cohesion policy, and the contribution of the RRF towards cohesion is ambiguous.²⁷⁹

The RRF also introduced a different delivery system, linking funding disbursements to targets and not to costs, which challenges the traditional way of delivering EU financing. Indeed, to benefit from RRF funds, Member States had to submit national recovery and resilience plans (NRRPs) outlining the reforms and investments to be financed, which should be implemented by the end of 2026, as well as the

milestones and targets to be fulfilled to unlock the funds. In nearly all Member States the preparation of these plans was centrally managed, often by the finance ministry, and with little involvement of regions and cities. All 27 NRRPs have now been submitted, assessed by the European Commission, and approved by the Council of the European Union,²⁸⁰ with disbursements ongoing.²⁸¹

In May 2022, a significant change to the RRF framework was brought by the "REPowerEU" plan – the EU's response to the global energy crisis. Through REPowerEU the aim is to make the RRF better able to support phasing-out dependencies on Russian fossil fuels and the move towards cleaner and more resilient power. The financial resources put forward were listed as close to EUR 270 billion, but only a small share of this total (EUR 20 billion) actually consisted of fresh grant financing, with the rest coming from other sources.

To benefit from these funds, the Member States were asked to submit revised NRRPs, including new REPowerEU chapters, which most have now done. **The Regulation establishing the RRF acknowledges that women have been comparatively more affected by the COVID-19 pandemic and ensuing crises, and therefore makes mitigating the social and economic impact of this crisis on women one of the instrument's central objectives.** Article 18(4) requires Member States to take gender equality into account when drafting the NRRPs. However, unlike the green and digital priorities, the Regulation does not set a minimum quota of spending related to equality.

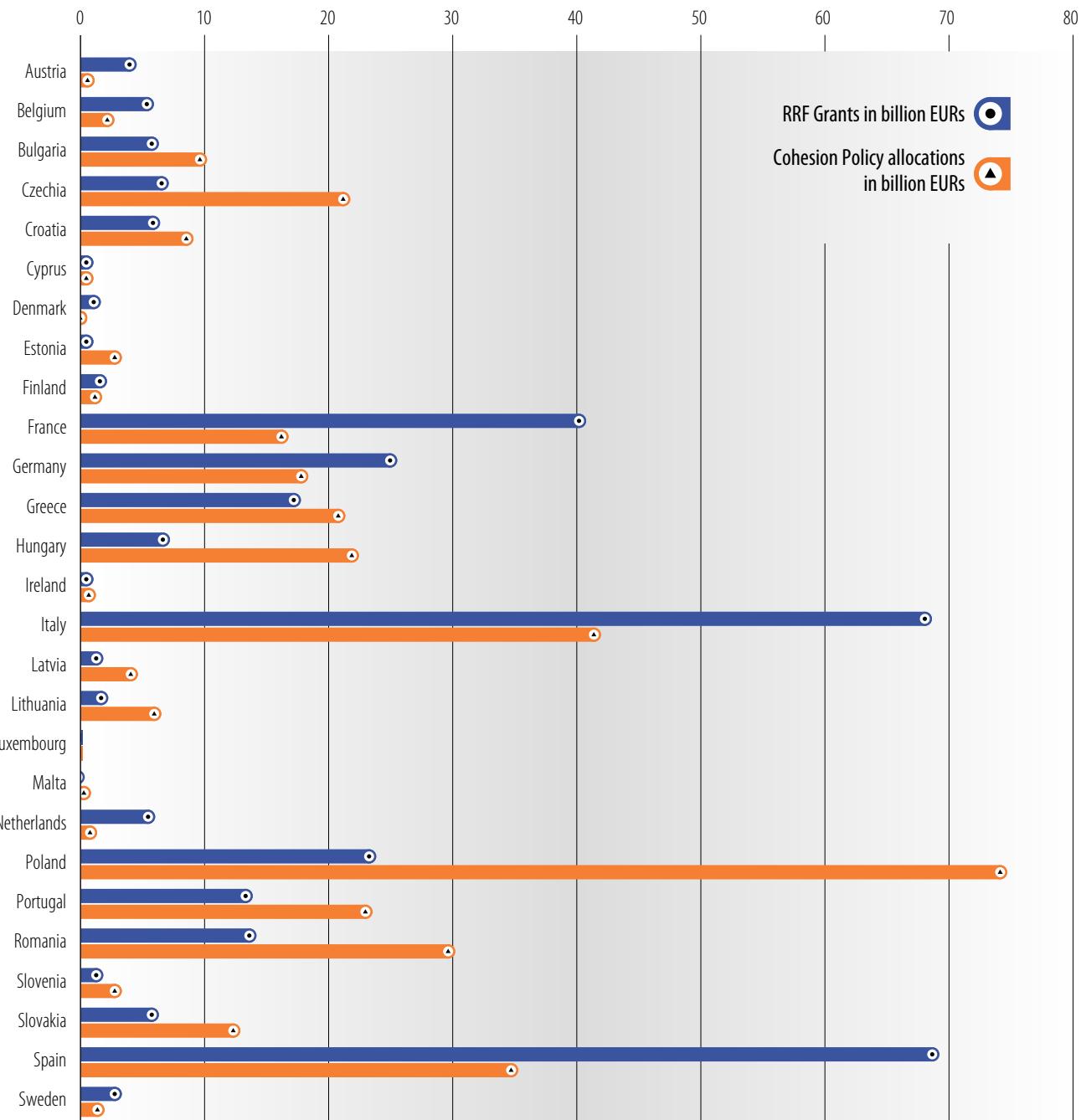


Figure 20 — RRF grants and cohesion policy allocations

CoR compilation based on EPRC²⁸²

Furthermore, impacts on gender equality are not explicitly included in the criteria for assessing the recovery plans. The European Commission identified 131 investments and reforms with a focus on gender equality.²⁸³ Notable examples of such measures include a pension reform including a “gender test” to help eliminate gender pension gaps (Belgium); investments in municipal childcare centres aiming to facilitate the participation of workers with caring responsibilities in the labour market (Cyprus); and a reform to strengthen government monitoring of gender pay gaps in the private sector (Poland).²⁸⁴

Although cities and regions have, from the beginning, been at the forefront of the pandemic response and recovery, their role has not been appropriately recognised in the design of the EU’s main recovery instrument. The RRF Regulation simply asks Member States to include details on any stakeholder consultation process, including with local and regional governments, and how this input was taken into account.²⁸⁵ This provision was included to encourage Member States to involve cities, regions and stakeholders in the preparation and implementation of the plans, but it does not actually require it. The actual involvement of stakeholders was effectively left to the discretion of the Member States.²⁸⁶

A very limited involvement of cities and regions in the recovery plans has been uncovered by consultations undertaken by the European Committee of the Regions (CoR) and the CEMR in 2021²⁸⁷ and 2022.²⁸⁸ Indeed, the involvement of local and regional authorities in preparing the NRRPs was low overall, though in different

ways depending on certain elements. The lowest level of involvement reported by respondents was in the governance of the process (coordination, timelines, etc.), with a multitude of surveyed organisations reporting being “not at all” involved. Subnational governments therefore had little opportunity to influence the NRRPs.

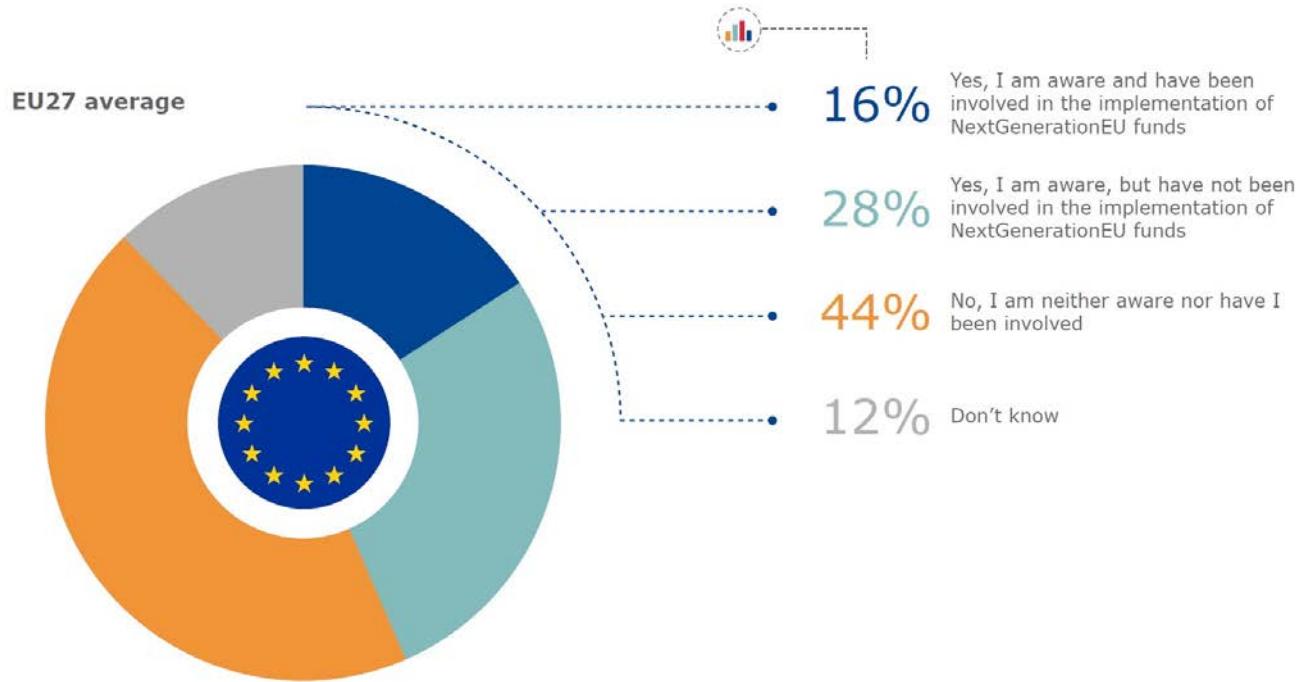


Figure 21 — Are you aware of, or have you been involved in, any EU funding from NextGenerationEU received by your city or region in the past two years?

Regional and Local Barometer²⁸⁹

This lack of involvement has consequences: some NRRPs are more or less space-blind, which might severely undermine their efficiency and their social and territorial cohesion, according to one study focused on the Italian, Portuguese and Spanish plans. Conditions allowing for an informed, open and broad consultation of social and territorial needs were lacking in those Member States.²⁹⁰

It seems highly likely that the low involvement of cities and regions (and other actors) in the preparation and in the implementation of recovery plans is closely related to the design and functioning of the instrument itself. The RRF and its performance-based approach rely on pre-defined milestones and targets with little flexibility for adjustments, which potentially reduces space for other policy-making actors and reinforces centralisation.²⁹¹

The lack of time and the considerable demands for effective coordination have created challenges for actively involving all levels of government, particularly where inter-institutional cooperation mechanisms did not already exist.²⁹²

The specific regional distribution of the RRF plays a crucial role in its impact on gross domestic product (GDP) and on regional disparities, making it all the more worrying. Research suggests that regional disparities could be reduced by applying regionalisation criteria to the RRF to help the less developed regions (as in cohesion policy) catch up. On the other hand, distributing funds according to population size would likely yield a stronger impact on GDP, but have a reduced positive impact on regional disparities.²⁹³

The “financing not linked to costs” approach at the heart of the RRF model is also facing criticism related to its effectiveness. As highlighted by the European Court of Auditors, milestones and targets included in the NRRPs are primarily input and output indicators, while impact and results indicators were actually discouraged by the Commission, as these are not controlled by the government.²⁹⁴ This may be understandable on pragmatic grounds, but could still seriously jeopardise the actual performance-based nature of the RRF.

The fact that not fulfilling agreed milestones and targets is the criterion to justify not disbursing an RRF tranche means Member States have an incentive to “game the system”, i.e. to strategically choose these

milestones and targets to ensure disbursement. In practice, this could involve committing to reforms or investments that have a very low likelihood of not being achieved, or that have already been planned for some time (or are already underway), thus focusing on “low-hanging fruit”.²⁹⁵

The French NRRP includes targets that were to be achieved before the plan was fully approved, in what may be one example of “gaming the system” in this regard. One study found a CO₂ emission reduction target in the French NRRP to be achieved by the second quarter of 2021, however, the plan was submitted in April 2021. Thus, the target was supposed to be achieved in that same quarter, before it was even endorsed by the European Commission (in June), or approved by the Council of the European Union (in July).²⁹⁶ And in Germany, no less than 80% of the social expenditure in the NRRP was targeted to cover projects that were already planned and budgeted at the time of the plan’s preparation.²⁹⁷

In Italy, some NRRP targets are much less ambitious than those already existing and defined at national level. For example, the national programme for employability guarantee, which aims for all jobseekers to receive tailored services such as retraining to facilitate their integration into the job market, was agreed with the European Commission in the NRRP (thus allowing funds to be disbursed) to target 300 000 beneficiaries by the end of 2022, which is only half the target of 600 000 beneficiaries that was set at national level.²⁹⁸

Consequently, the reality of the RRF’s impact on the ground may be much more difficult to accurately assess than the formal achievement of milestones and targets. This raises important questions about the true effectiveness of the RRF’s “financing not linked to costs” model.

Member States and the European Commission must take the necessary measures to change the current centralised narrative into a multi-level implementation approach by setting up multi-level platforms, information sessions and events on a structural basis and together with cities and regions.

In its upcoming mid-term review, the European Commission cannot only check the achievement of the targets and milestones agreed with the Member States. It must assess the RRF’s effective contribution to cohesion, its true added value, and examine local and regional involvement. In addition, a real reflection on the limits of the current performance-based system cannot be avoided.²⁹⁹

Future-oriented investments should be excluded from EU debt and deficit limits, especially since financial markets can absorb, and Member States can afford, the debt we need.³⁰⁰ The RRF can only provide a small share of the necessary public investments to provide local solutions for the green and digital transitions.

Any future EU tool aiming to promote territorial cohesion will need to address the criticism the RRF currently faces. Such criticism relates to the plan’s preparation process and its time constraints, the lack of meaningful involvement at local and regional level, and the instrument’s spatial blindness.

Traditional cost-based financing approaches may be more appropriate for instruments relying on input indicators, while true performance-based financing would require the use of output indicators. This would also allow for plans and outcomes across countries to be compared against each other, and an evaluation of the instrument’s value for EU money.³⁰¹

Finally, an open debate must take place regarding an extension of the RRF, which has evolved from a crisis response instrument to a financing tool to support the green and digital transitions. Though the RRF in its current form can only finance reforms and investments made until the end of 2026, the green and digital transitions will continue – and require vast financing – far beyond that date. Whether and how the RRF should be extended, and whether other investment policies such as cohesion should be strengthened instead, are questions which cannot be avoided.

MUNICIPALITIES IMPLEMENTING THE RRF IN ITALY

EUR 40 BILLION ASSIGNED TO MUNICIPALITIES

According to Antonio Decaro, Mayor of Bari (Italy) and President of the Associazione Nazionale Comuni Italiani, Italian municipalities are highly active in implementing the national recovery and resilience plans. In a speech on 7 July, he outlined that municipalities were assigned EUR 40 billion out of a total EUR 191.5 billion, and have already committed 90% of those funds – twice the average commitment rate for funds allocated to other entities. Out of 102 000 public procurements procedures, municipalities have already run 52 000 – more than half. According to Mr Decaro, the RRF is having a significant effect on cities and towns’ investments. Gross fixed investments for municipalities increased by 70% between 2017 and 2023, he explained. In south Italy, the expected increase is 63% for the same period, of which about 40% is estimated to derive from the NRRP.

E Single Market and industrial transformation

Strong and consistent policies are needed to make sure that the single market and European industry remain performant and benefit all regions. Local and regional governments are an essential part of this joint effort, and can also help turn the single market into a useful tool to achieve the industrial transformation. How can we secure our welfare? Which measures need to be taken so that Europe does not lose its industrial frontrunners, but also does not leave the smaller players behind and jeopardise cohesion?

The single market is the world's largest integrated market, and has led to lower prices and better products and services for consumers, while raising welfare in regions throughout the EU. Over the last 30 years, it has boosted trade in a most impressive way and exceeded expectations: the Union's gross domestic product (GDP) is 9% higher than it would have been without the single market; the level of trade between Member States has doubled compared to the size of the EU's economy; 56 million jobs depend on trade within the EU; and today, single market flows account for more than 25% of the added value of the EU's production of goods.³⁰²

Its procurement rules help spread the benefits of public investments throughout the EU, as they allow companies from all Member States to bid for public contracts financed with cohesion funds. Thus, both the Member States of contractors and those of contracting authorities gain from these funds.

However, the Union's peripheral regions have not been able to harvest as many fruits from the single market as the core regions. In fact, research shows this welfare is not evenly spread at all. On average, the single market has strongly increased EU citizens' welfare gains. However, this research also uncovers a strong regional variation of welfare gains from the single market, both across the EU and within individual Member States. Belgium, Luxemburg, the Netherlands, Ireland and Austria are clear frontrunners, while Romania, Bulgaria and Greece lag behind.³⁰³

Evidence collected after the 2008 financial crisis shows that less growth or recession leads to greater gaps between regions.³⁰⁴ The 2008 crisis put a hold on convergence, and it is likely that the COVID-19 pandemic and the impact of the war against Ukraine will have similar consequences. It is therefore more than likely that these economic shocks will make it even more challenging for peripheral regions or those regions stuck in a so called "development trap" to catch up with the rest of the EU.

The European Commission's Regional Competitiveness Index³⁰⁵ seems to confirm this hypothesis. Prior to the COVID-19 pandemic, regional competitiveness indicators

coincided to a certain extent with the regional welfare gains from the single market. Given that the most recent data shows regional competitiveness disparities persist after the COVID-19 pandemic, one could assume the same would be the case for single market welfare gains.

Recently, the European Commission has also outlined disparities in labour productivity between Member States and regions, which again indicates that there are differences in potential to gain from the single market. According to the European Commission, "labour productivity in Ireland is over nine times higher than in Bulgaria. In the Irish Southern Region, the productivity indicator is exceptionally high, likely related to local agglomeration of IT companies. In general, the regional variations are substantial, both within and across Member States".³⁰⁶

Closing the gap between regions will require an even better performing Single Market. The Committee of the Regions (CoR) has commissioned a study titled Cohesion Policy and the Single Market: the cost of non-cohesion,³⁰⁷ scheduled for publication before the end of this year, that will shed light on the interaction between cohesion policy and the Single Market. The economic, social and territorial cohesion supported by cohesion policy funding has positive repercussions across all EU Member States and regions beyond the investments alone, for example as regards trade relations and technological improvements. Net receivers increase their demands for products originating from net EU budget contributors which usually host very competitive and export oriented industrial players, as confirmed in recent studies,³⁰⁸ among other things.

While the single market is largely a success story, a lot of its potential has not yet been unleashed. Unjustified obstacles still impede many regions from grasping opportunities the single market has to offer. The free flow of both goods and services faces red tape, and for many of our entrepreneurs and citizens, the single market is more of a fiction than a reality.

When regions face such problems, they react. They look across the border and team up with partner regions to work on solutions to benefit their populations. The role of regions is absolutely crucial for overcoming single market obstacles: all relevant research indicates that we can only upgrade the single market if all levels of government are involved.³⁰⁹ This is why the EU would gain from having an efficient cross-border mechanism to support regions' efforts in this field.

Regions and cities step in to improve their conditions and become players on the single market.³¹⁰ Integrating goods and services into the single market is achieved

through trade and the cross-border establishment of companies and entrepreneurs. Regions and cities control quite a few of the levers that can help clear up red tape in this context: they can make their own procedures faster

and more efficient and they can provide information that is easy to find and tailored to the needs of consumers, workers and businesses.

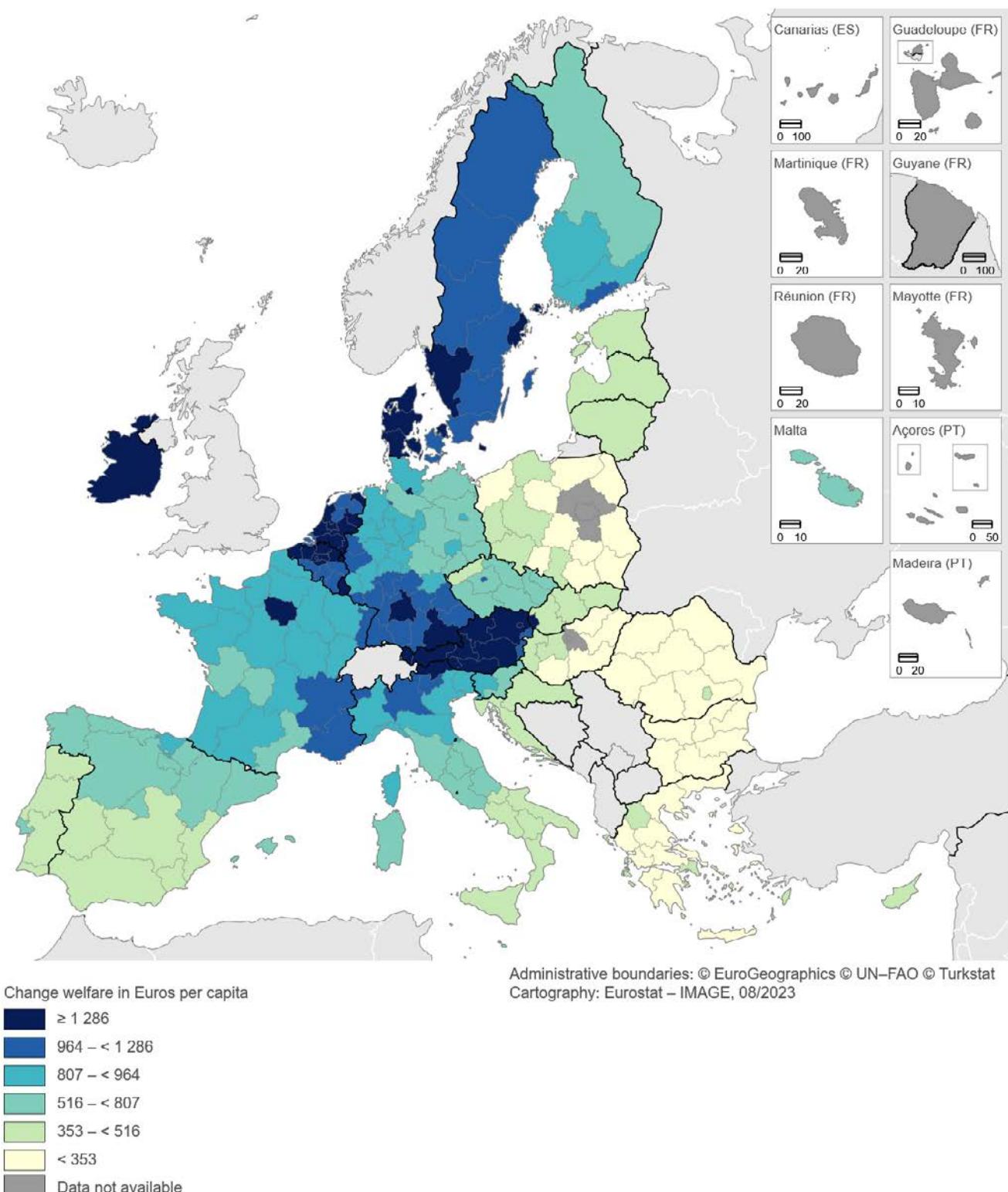


Figure 22 — Per capita welfare gains from the trade-boosting effect of the single market by NUTS2 regions (2016 code)

CoR compilation based on Bertelsmann Stiftung³¹¹

National data for Ireland and Lithuania / No data available from PL91 (Warszawski Stoleczny), PL92 (Mazowiecki regionalny), HU11 (Budapest) and HU12 (Pest)

To address the larger issues in the contemporary environment (e.g. teleworking conditions, broadband connections, access to public health and education, logistics networks, and products of environmental and cultural quality), a collection of subnational data is required. This information provides regional and territorial players with new chances to act

and differentiate themselves in globalisation, with governments supporting opportunities and favouring synergies over subnational rivalry. To this end, the Organisation for Economic Cooperation and Development (OECD) has devised a method for locating areas in their global context by differentiating four types of international “connections”³¹²

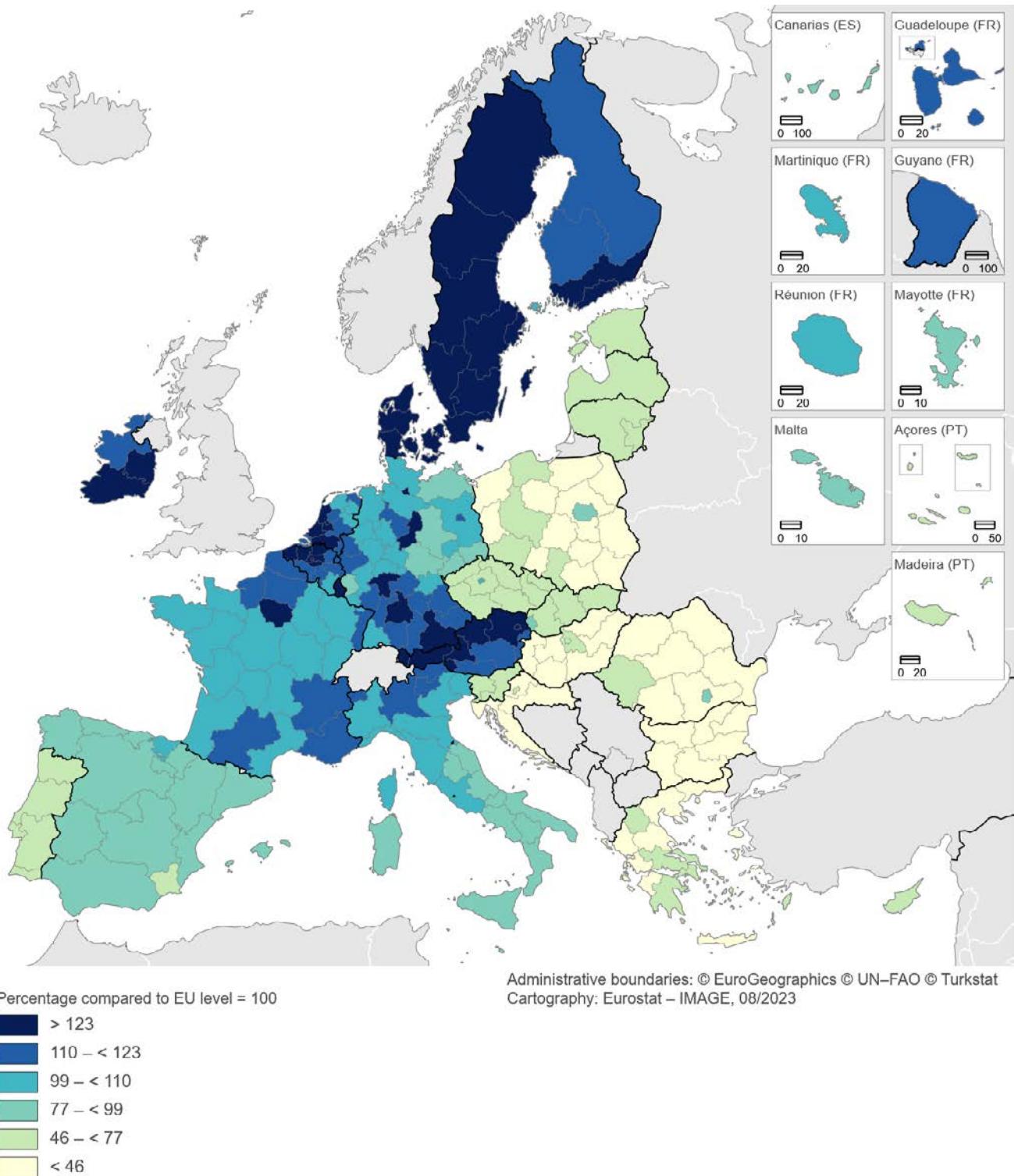


Figure 23 — Labour productivity by NUTS2 regions, 2021
CoR compilation based on the European Commission³¹³

NORDIC WOOD CONSTRUCTION

SWEDISH AND NORWEGIAN REGIONS TEAM UP

The Svinesund Committee³¹⁴ is a cross-border cooperation entity operating on behalf of several municipalities and regions on both sides of the border between Sweden and Norway. Entrepreneurs have shown great interest in developing a cross-border wood construction sector. The Svinesund Committee helps overcome obstacles that stem from differences in rules and requirements in Sweden and Norway. It puts forward proposals for unifying rules for planning and building, as well as targeted information tools for entrepreneurs. These aim to target the difficulties entrepreneurs face when they cross the border to develop their activities.

LOCAL FARMERS IN THE SINGLE MARKET

HOW CROATIAN AND HUNGARIAN REGIONS HELP THEM

The territory of the Pannon EGTC³¹⁵ (European Grouping of Territorial Cooperation) includes 60 municipalities along both sides of the border between Hungary and Croatia. It is a rural area where agriculture plays an important role in the regional economy and is a major source of employment. Farmers on both sides of the border face barriers when they want to sell their products on the other side of the border, such as fiscal differences, non-harmonised trading procedures, administrative burdens and the language barrier. After a thorough analysis of the situation, the Pannon EGTC came up with a set of measures to support the farmers: a targeted bilingual information package and a set of policy recommendations.

GREN[S/Z]LANDAGENDA

THE COLLABORATION PLATFORM OF NRW AND DUTCH REGIONS

Citizens and entrepreneurs who develop activities across the border between North Rhine-Westphalia (Germany) benefit from a long-standing collaboration platform. The Gren[s/z] landagenda³¹⁶ brings together regions and municipalities from both sides of the German/Dutch border. This has already led to very concrete results, such as the border information desks which advise citizens on the cross-border recognition of professional qualifications. In addition, the work of the Gren[s/z]landagenda also focuses on keeping borders open in times of crisis, which has proven useful in recent times.

The single market will be a key driver of the digital and green transitions, and should benefit all regions and cities. Regions and cities face multiple challenges that are exacerbated by the various crises they face. The single market will help them address strategic dependencies and build up their capacities.

Today we can already see how this works in practice. To develop the wind and solar energy sector, goods and materials that are produced or imported from outside the EU in one region easily find their way to other regions where they are being deployed.

With the support of regions and cities, our single market can become truly mission-oriented and help to achieve the industrial transformation Europe is aiming for. The more efficiently it works, the more we can ramp up flows of critical goods and services that are connected to them. In this ongoing process, regions and cities can, for instance, make permitting procedures for energy renewal projects less complex and make it easier for skilled professionals in the green energy sector to be posted in regions where their expertise is required.³¹⁷

There is also a growing challenge to combine the essence of the single market and its four freedoms with the need to attain open strategic autonomy, including economic security. The recent European Commission 2023 Strategic Foresight Report³¹⁸ underlines in particular how the EU and its Member States should expand on the existing process for screening present strategic dependencies to create instruments to analyse future dependencies across crucial sectors (e.g. health, food, digital technologies, energy, space, and water).

The EU should also make better and more strategic use of trade defence measures, foreign subsidy control, and procurement tools. The expansion of the single market will be critical for ensuring the EU's economic future. Adequate strategic knowledge and anticipatory

governance should lead the futureproofing of a growth-enhancing regulatory framework, particularly for the EU.

A renewed emphasis on removing obstacles and implementing current norms in ecosystems with the greatest potential for change is needed. This must be accompanied by tough and appropriate competition regulations. It will also be critical to incentivise sustainable business models and ensure enough support for the fast development and implementation of net-zero technology.

The EU should also continue to provide a fair playing field for all market participants by establishing strong links between market access and high environmental standards. Finally, assistance is required for the quick production of critical components for the energy transition, such as raw materials or net-zero technology equipment.³¹⁹

It is up to regions to establish how they fit into global value chains as they change. The effects of megatrends on global value chains are uneven and are dependent on local areas' incumbent strengths and weaknesses, including their conventional industries and endowments in terms of natural and cultural capital, transportation and IT infrastructure. Within Member States, differences can be large, influencing how well such areas can engage in globalisation, including attracting investment, talent and tourism, and expanding exports.³²⁰

European industry is one of the most advanced and competitive parts of the single market. To remain competitive, it has started a journey to reach net-zero emissions by 2050, joining the global net-zero technologies race and trying to secure a steady but environmentally friendly flow of critical raw materials.

In response, the European Commission presented the Green Deal Industrial Plan for the Net-Zero Age,³²¹ followed by several legislative proposals. The twin transition set-up in the European Green Deal requires an overhaul of European industry, as industry is responsible for around 30% of greenhouse gases emissions. This, as well as the recent crises (the COVID-19 pandemic and the impact of the war against Ukraine) have showed key vulnerabilities in European industry.

It is worrying and a matter of great concern that the EU proposals for the transition of European industry were made without carrying out thorough ex ante territorial impact assessments. So it is of no surprise that the impacts of these changes at local and regional level and the interaction between different policies will only become evident in the years to come. These regions will become test subjects to see whether and how the industrial transition will be successful.

Recent studies show that the energy price shock, along with the need to hasten the green transition, will almost certainly lead to large industry migration inside Europe. Some places in Europe where power is or will

be cheaper due to exceptionally favourable renewable circumstances (for example, Extremadura (Spain) or Sicily (Italy) for solar, and the North Sea for offshore wind) may witness the emergence of new industrial centres for energy-intensive industries. Production operations that require hydrogen may be located in European areas where power rates are near to or below zero at certain times of the day.³²²

It will also be important to monitor the effectiveness of place-based industrial policies in other parts of the world (such as the United States' Inflation Reduction Act (IRA), that will mobilise over USD 360 billion by 2032), and what the European Union can learn from it in view of a future EU place-based industrial policy.

The Green Deal Industrial Plan for the Net-Zero Age sets a new framework for industrial change as a response to the US's IRA. In March 2023, it was followed by two legislative proposals of high importance for European regions and cities: the Critical Raw Material Act³²³ and the Net-Zero Industry Act.³²⁴ Both proposals aim to streamline permitting processes for strategic projects in relevant areas and boost recycling and the longevity of clean tech products. It also aims to ensure the availability of a skilled workforce, while maintaining quality jobs and to create EU-level governing and monitoring bodies.

However, these proposals lack an important factor: financing. Although the European Commission announced that a sovereignty fund would be created, it was replaced by the Strategic Technologies for Europe Platform (STEP), which is gathering funds from several existing sources, including cohesion funds, and topping them with EUR 10 billion. The CoR has expressed concerns about the proposals, particularly about a possible concentration of funding under the programmes reinforced by STEP in some regions and Member States, and a possible concentration of the targeted critical technologies in the same areas.

Regions and cities in the European Union could greatly benefit from a reindustrialisation process while maintaining European standards of environmental protection and quality jobs. Europe has the highest environmental standards for mining and processing of raw materials. In 2022 in Kiruna, Sweden, the largest European deposits of rare earths were found alongside phosphorus used as fertilizer in agriculture. Usually, it would take 10 to 15 years to start delivering those raw materials to the market, but the streamlined permitting and incentive system laid down in the Critical Raw Material Act could significantly shorten that time and ensure a steady flow of critical raw materials to European industry, if the project is deemed strategic.

Local and regional authorities have an important role to play in ensuring society accepts strategic projects, performing spatial planning and aligning education and training with the requirements of clean technologies.

Therefore, the CoR should be invited as member of the governing and monitoring bodies set up by the above-mentioned acts. It is also important to mention that the CoR opinions on the two acts³²⁵ strongly support the increased recycling of materials and reuse of the components of clean tech products as a central factor for reducing dependencies to lower consumption. Recent reports have shown that regionalising reindustrialisation processes is of great importance in this regard. Different

regions will be affected by the process to different extents.

A 2023 study analysing the shift from carbon-intensive industries to a net-zero industry in Europe³²⁶ shows a lot of differences which are not only based on the relative importance of those industries to regional economies, but also on their adaptive capacity.

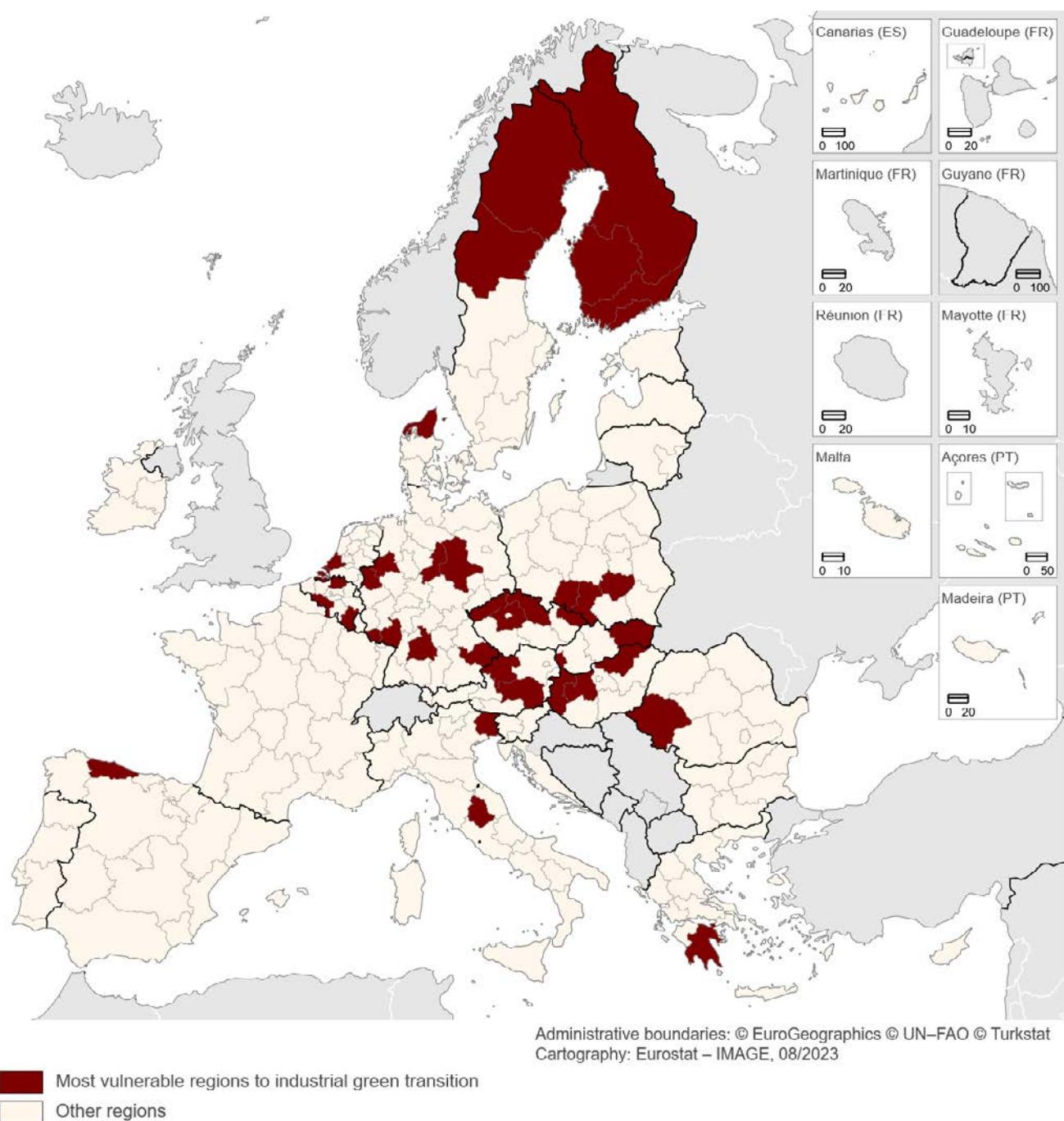


Figure 24 — 41 most vulnerable regions in the industrial green transition

CoR compilation based on the OECD³²⁷

No data available for outermost regions / For the sake of the 2023 EU Annual Report, the map does not show data for two NUTS 2 regions in the United Kingdom, however please note that the OECD report provides them

The change to net-zero industry increases the vulnerability of regions with a higher socio-economic burden and threatens to deepen economic inequalities. The OECD has presented a report³²⁸ identifying the 41 most vulnerable regions in Europe based on the 7 most relevant indices. Those vulnerable regions are weaker on several socio-economic grounds than the national average. This is especially true for GDP per capita and average regional wages, implying that these regions may have fewer economic resources to absorb shocks and take advantage of opportunities. Additionally, the download speeds in these regions are particularly low, hindering their ability to take advantage of digitalisation opportunities and circular economy innovations.

Most of the vulnerable regions identified are located in central and eastern Europe, including Czechia, Germany, Hungary, and Poland. Other regions that are particularly vulnerable, for example regarding the chemical and oil refining industry, are located in western Europe (Belgium, Germany, the Netherlands). Some northern European regions are vulnerable in paper and pulp; while Europe's south faces vulnerabilities in vehicle manufacturing (Romania), oil refining (Greece), non-metallic minerals (Italy) and basic metals production (Italy and Spain).

MOVING THE MINING CITY OF KIRUNA IN SWEDEN

CITY AND INDUSTRIAL GIANT MOVE WHOLE CITY 3 KM AWAY

The northernmost Swedish city of Kiruna is located above the largest underground iron ore mine in the world. The mine was founded together with the city of Kiruna in the late 1800s. Since then, the mine and the city have lived in close symbiosis.

GRANDE REGION HYDROGEN

AN INITIATIVE DEVELOPING A GREEN HYDROGEN ECOSYSTEM

Green hydrogen is perceived as the future fuel for industry. It is completely carbon-free and very efficient, but still requires a lot of energy to produce. The federal state of Saarland (Germany), the Grand-Est region in France and the Grand Duchy of Luxembourg are joining forces to promote a cross-border hydrogen economy along the entire value chain, taking advantage of the outstandingly suitable structural conditions of the area.

In the process, new technological processes and new business fields and models are being discussed, which will secure economic change and growth and create jobs.

Local and regional governments can facilitate the development of cross-border projects similar to those mentioned below, by interlinking industrial sites across Europe.

In 2004, measurements indicated that the city had started to deform and sink, and so together with the city of Kiruna, the mining company started on a plan to move the city centre 3 kilometres to the east. LKAB has invested around EUR 1.4 billion to relocate the city. It took over 15 years of planning and consultations – a process that guided the new urban design.

F Rural agenda – leaving no place behind

One out of four people in Europe (more than 110 million citizens) live in Europe's countryside, which itself accounts for around 75% of the EU's territory. However, the rural population decreases by around 1 million people every year.³²⁹ Despite their importance, rural areas are facing a multitude of challenges, which not only risk hampering their development, but also the EU's ambitions to deliver on climate neutrality, social well-being and democracy. Due to the lack of services available, rural areas lose

attractiveness and many young people end up leaving. How does this affect those regions? What solutions could be taken at local level to reverse this trend?

Both rural and urban areas have a key role to play in the transition to a green and sustainable Europe, but they will likely take on different roles. Climate change, the COVID-19 pandemic and the impact of the war against Ukraine have highlighted the importance of products and services from rural areas for the resilience

of cities and regions and the EU as a whole: sustainable food security cannot be achieved without productive soil and functional rural communities connected to the internal market through clean transport and digital

infrastructure. Carbon sequestration depends on well-managed forests and peatlands. Independence from fossil energy sources requires more space for renewable energy generation than cities can offer.

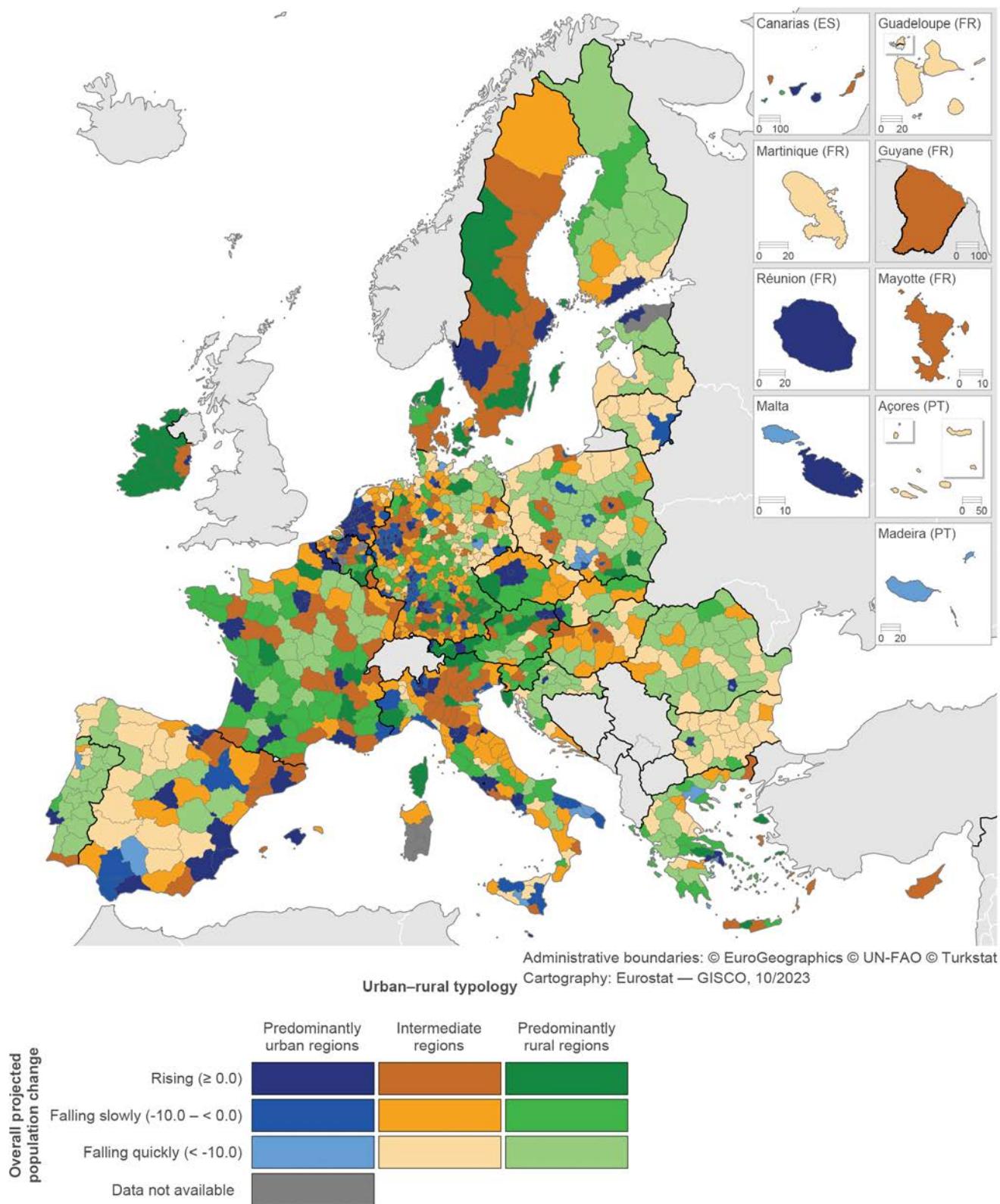


Figure 25 — Overall projected population change by urban-rural typology, 1 January 2021 to 1 January 2050 (%)
CoR compilation based on Eurostat³³⁰

Rural areas' contribution to the EU's ambitious and vital goals is put at risk for two main reasons: climate change and depopulation. Climate change is threatening the productive potential of agriculture and natural resources, from soils to waterpower. Depopulation reduces the capacity of local communities to maintain these resources, to make them productive and to find innovative solutions adapted to local circumstances.

Each year, the EU loses a surface larger than the area of the city of Madrid to land take. Agricultural areas are the most likely to be converted to artificial surfaces. Land take reduces the power of rural areas to successfully contribute to the green transition, food security and disaster prevention. According to data from the European Environment Agency, net land take in the EU amounted to 11 845 km² between 2000 and 2018, equalling an average annual net land take of 658 km². Substantial efforts are needed to meet the "no net land take" policy target for 2050.³³¹

In June 2023, 40% of the EU's territory was in drought warning, severely affecting regional harvests. Climate change and conversions to artificial surfaces is thus reducing the amount of land available for food and feed production. Furthermore, artificial areas lead to increased flood risks and cannot store either carbon or water.³³²

The EU-wide loss of biodiversity and ecosystem services due to land-use change, fragmentation and degradation could result in annual economic costs of up to EUR 50 billion. At the same time, investment in nature restoration could generate between EUR 8 and EUR 38 in economic value for every euro spent on ecosystem services, food security, climate resilience and mitigation, and human health.³³³

30 million people will be estimated to have disappeared from Europe's rural areas between 1993 and 2033. This is the combined size of the population of Romania, Bulgaria and Lithuania.³³⁴ While the EU is likely to continue facing depopulation in coming years throughout its territory, this is particularly true for predominantly rural regions. Some dynamic regions are thriving due to an inflow of younger people. Others are lagging, with progressively smaller and at the same time ageing populations. Many predominantly rural regions – often in the far north, south and east of the EU – have experienced an exodus of people moving to cities (or further afield, to other EU Member States).

Between 2015 and 2021, the population in rural regions decreased by 0.1% on average each year. The number of people aged 65+ increased by 1.6% and the number of people aged 20-64 decreased by 0.6%. The share of people aged 65+ increased by 5% in rural areas, twice as much as in urban areas.³³⁵

Eurostat projections show that by 2050, 83.5% of predominantly rural regions will lose up to or even more than 10.0% of their population. At the same time, the population of predominantly urban regions in the

EU is projected to continue growing (although the rate of change will slow and is projected to fall from 2047 onwards).³³⁶

Depopulation and an ageing rural population are leading to a vicious cycle of fewer investments in public services (e.g. childcare, health and long-term care, education and public transport) and economic stagnation or decline. Rural areas where these services are no longer available or are difficult to reach become less and less attractive, especially for young people and families. The regular outflow of younger people from rural areas, as well as the ageing of the rural population, naturally leads to a decrease in the labour force. A shrinking labour force constitutes a significant barrier to regions' attractiveness for businesses. This trend could constitute a risk for the future attractiveness of rural labour markets. Between 2015 and 2021, the increase (5%) in the share of people aged over 65 years in rural areas was twice the figure observed in urban areas.³³⁷

Access to healthcare facilities is lower in rural areas than in urban regions. In 2020, 129 regions at NUTS 3 level had their population estimated to be living within 15 minutes driving time of a hospital – which equates to slightly more than 1 in 10 regions in the EU. Most of these were capital or urban regions with relatively high population densities. At the other end of the scale, 89 regions had less than half of their population living within 15 minutes driving time of a hospital. Most of these were sparsely populated regions often around the periphery of the EU, for example, in southern and eastern EU Member States, particularly the interiors of Spain and Portugal and rural regions of Croatia, Hungary, Poland, Romania and Slovenia. There were also several regions in Sweden where less than half of the population was living within 15 minutes driving time of a hospital.³³⁸

Greater access to educational services in urban areas is one of the reasons for out-migration of young people from rural areas. While 37% of people in cities have a tertiary level of education, in rural areas this share stands at 21% as of 2021.³³⁹ Schools in rural areas often face problems that are uncommon in urbanised centres, such as difficulties recruiting qualified teachers and a lack of adequate infrastructure. The high fixed cost of maintaining schools due to the smaller sizes of rural populations limits the choice of schools, educational programmes, after-school activities and societal support. Limited educational opportunities can be a critical driver behind the mobility of people from rural to more developed and densely populated areas.

Within Member States, participation in adult learning varies considerably, with much higher rates in urban areas than in rural areas. In 2021, the EU rate of adults' participation in training (as measured by the four-week indicator) was, on average, 13.6% in cities, 9.8% in towns and 7.8% in rural areas. This may be related to educational attainments, as those who are more qualified are more likely to live in urban areas. It may also reflect a lower availability of learning opportunities in less densely

populated areas: fewer people in rural regions live within a 45-minute drive from the nearest university compared to other regions.³⁴⁰

The group of regions in a talent development trap accounts for 16% of the EU's population. This group of regions is more rural than the rest of the EU, with 31%

of its population living in rural areas, compared to the EU average of 21%. Adult participation in learning is significantly lower in regions facing a talent development trap (with a rate of 5.6%, compared to the EU average of 10%).³⁴¹

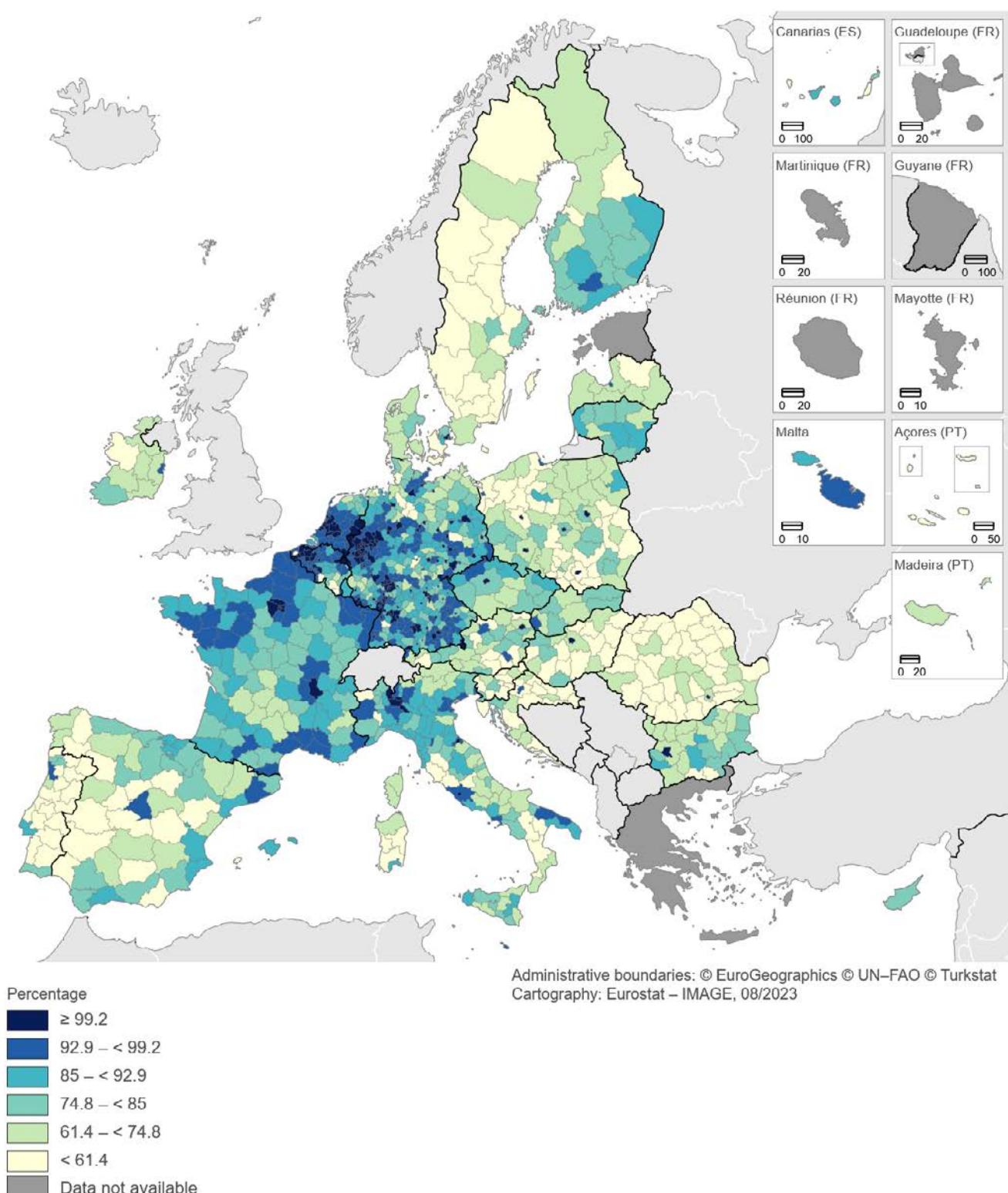


Figure 26 — Population living within 15 minutes driving time of a hospital (2020) by NUTS 3 regions

CoR compilation based on Eurostat³⁴²

The lack of accessibility to high-speed broadband reinforces the impacts of distance, isolation and high transport costs. On top of this infrastructure issue, digital skills are required to access digital services. However, the level of digital skills is lowest among people living in rural areas (48% had basic or above-basic digital skills), whereas the comparable number is 55% for towns and suburbs and 62% for cities. People living in rural areas are therefore one of the priority groups for digital upskilling/reskilling actions in the EU. Other priority groups are young people with low levels of education and NEETs (not in education, employment, or training); 55 to 64-year-olds; people with lower levels of educational attainment; those who are inactive and

unemployed; and those employed in low-skilled and semi-skilled occupations.³⁴³

Together with reskilling and upskilling, access to public employment services can improve participation in the labour market. There are strong urban-rural differences in the geographical accessibility of public employment service (PES) offices. One way to improve skills-matching at regional level could be to ensure that PES centres are geographically accessible to most people. While this is usually the case in city regions, it is less so in non-metropolitan regions, likely reflecting a combination of lower population density and fewer road networks in rural areas.

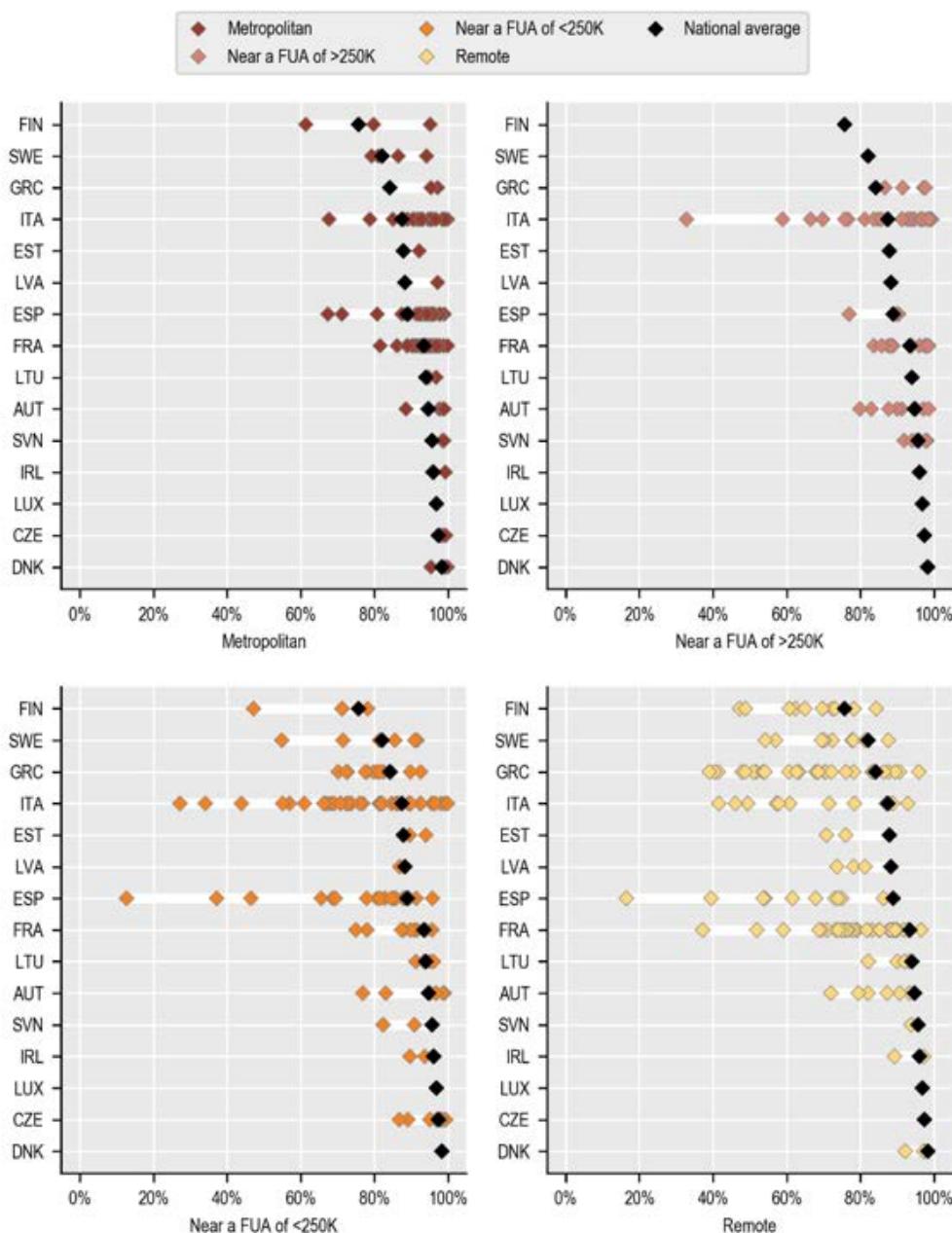


Figure 27 — Accessibility of PES centres

European Commission³⁴⁴

Across metropolitan regions, a very large majority (96%) of the population live in regions with highly accessible PES centres – within a 30-minute drive (top-left panel). In non-metropolitan regions, the share of people within driving distance of a PES centre is generally lower. These differences may reflect a combination of lower numbers of centres per capita, lower population density, and less developed transport infrastructure. More specifically, only 69% of people in non-metropolitan regions with access to a small functional urban area and 46% of people in non-metropolitan remote regions live in regions with high accessibility.³⁴⁵

Women in rural areas are more likely to be unemployed than men, and are more likely than women in urban areas to work in informal employment. Limited access to public services related to childcare worsens their situation even more. At the EU level in 2021, the labour market activity rate was 78.5%. The difference between cities and rural areas was 1.3%, which is relatively modest overall. However, in rural areas, women are generally less economically active than men, leading to a larger gender labour market activity gap in these areas in comparison to others. This range is 13 to 20 percentage points between women and men.³⁴⁶

Rural areas do not benefit from new green jobs despite their enormous potential for renewable energy generation. Although the green transition is a global effort, its labour market impact is local. Rural areas have enormous potential for renewable energy investments, for example in solar energy, wind energy or hydropower. However, the jobs created in these industries are not necessarily local. Engineers, lawyers and consultancy firms work remotely on these projects from big cities, and construction workers are on site for only a short time and quickly move on.

Meanwhile, polluting jobs are even more spatially concentrated than green jobs, with a high share in regions with a lower gross domestic product per capita. This leaves them vulnerable to greater job losses and the disappearance of important economic activity that could hold back their communities for years to come. For example, the coal mining region of West Macedonia in Greece had the highest national unemployment rate in 2021 at nearly 20%, and the lowest national share of green jobs at 7%.³⁴⁷

Rural and urban areas on islands are faced with additional costs that hamper the development and competitiveness of these territories, while particularly exposing them to biodiversity loss and climate change. This is particularly true for costs related to transport, energy, waste management, public services and necessity goods and services. They have less flexibility when it comes to adapting rapidly to the ambitious EU move towards climate neutrality and investment in alternative energy sources on islands. Digital connection is a key tool for overcoming the physical isolation of islands, for ensuring that citizens and entrepreneurs can operate on

EU markets while based on an island, and for tackling islands' demographic challenges.

Depopulation and long-term stagnation influence European democracy. Those who remain in rural areas feel left behind – a feeling that often results in less support for the EU in surveys and elections.³⁴⁸ The Spring 2023 Eurobarometer also shows that people in rural areas are, to a certain extent, less actively involved in national and European politics than those in urban areas.³⁴⁹

The complexity of the challenges in rural areas calls for solutions involving multiple levels of government, stakeholders and policy domains. These solutions must support territorial cohesion and create opportunities for economic growth and well-being in rural communities. Such actions include attracting innovative businesses, ensuring access to quality jobs, promoting new and better skills, ensuring better infrastructure and services and strengthening the role of sustainable agriculture and diversified economic activities.

Regions, cities and municipalities are therefore actively involved in developing and implementing integrated strategies for rural development. The aim is to use all possible EU funds and policies to promote the attractiveness of rural areas and to protect the rural population and their quality of life by ensuring equal access to basic services and opportunities.

LAW TO COMBAT DEPOPULATION

CASTILE-LA MANCHA, SPAIN

In June 2021, the region of Castile-La Mancha approved a pioneering law to combat rural depopulation. As a result of social consensus and in order to ensure continuity and long-term work, the main objective of the law is to tackle depopulation, guarantee equal opportunities and services for all, and to achieve territorial and social cohesion in the region. The law provides economic, social and fiscal measures, articulated in comprehensive, multi-sectoral and integrated regional laws and strategies.³⁵⁰

A SUSTAINABLE RURAL AGENDA

SEGOVIA, SPAIN

The Province of Segovia's sustainable rural agenda is a strategic document that adapts the methodology used for the Spanish Urban Agenda to the region's rural context. It sets out an action plan that is in line with the 2030 Agenda and its Sustainable Development Goals, the European Urban Agenda and the Spanish Urban Agenda. The objectives of this agenda are also in line with those set out in the Cork 2.0 Declaration, with an emphasis on promoting rural areas, improving rural governance and investing in the viability and vitality of the rural environment.³⁵¹

BOOSTING GREEN ENTREPRENEURSHIP

GREENWORAL PROJECT

Rural areas also seek to boost participation in green entrepreneurship. The EU-backed Greenworal project provides green entrepreneurship skills to adult women in the rural areas of Cyprus, Spain, Ireland and Lithuania. The goal is to strike a balance between natural resource use and profitability in rural areas. The project is meant to drive inclusivity, empowering women entrepreneurs who have traditionally faced barriers in starting businesses and in the green transition.³⁵²

COMBINING EU FUNDS FOR SOCIAL INNOVATION

DOLNÍ STUDÉNKY, CZECHIA

The Municipality of Dolní Studénky has combined several EU funds in a social innovation project applying the bottom-up approach of community-led local development (CLLD). The project has turned the derelict Castle Třemešek into a multi-functional hub combining social housing, social counselling, adult learning facilities, a community centre, and a café offering local delicacies.

ENERGY VILLAGES

COCHEM-ZELL, GERMANY

The Rhineland-Palatinate Region is supporting the Cochem-Zeller Energiedorf (energy village) project. The project is a perfect example of change brought on by an impetus from civil society. It develops sustainable heating supply networks in several villages. The heat is obtained from wood that comes from the local forests (wood chips from residual forest wood) and from solar thermal systems. This strengthens the added value in the region. At the same time, direct optical fibre connection is provided to residents.³⁵³

COST-EFFECTIVE LOCAL SCHOOLING

MORNESE, ITALY

The municipality of Mornese in the region of Piedmont has ensured the provision of schooling in this rural area by improving the energy efficiency of its school building. The building is of vital importance to the survival of the town. Reducing the energy bill through a number of measures reduces the school's carbon footprint and improves learning and working conditions for pupils and staff. Being able to finance the school helps the town to combat depopulation.³⁵⁴

PHARMACIES FOR RURAL REVITALISATION

FRANCE

In France, the opening of new pharmacies is regulated through authorisation procedures. New pharmacies can be opened in deprived territories (revitalisation of rural areas and priority urban districts) or based on demographic criteria (population increase). This policy aims to ensure equitable access to pharmacies throughout all territories, and notably in those facing social and economic difficulties.³⁵⁵

LOCAL RENEWABLE ENERGY AND E-MOBILITY

SPRAKEBÜLL, GERMANY

Sprakebüll, a small village with 250 inhabitants on the very edge of Germany in a very rural, primarily agricultural region, has established community wind farms, solar farms with public participation, a non-profit community foundation, its own local heating network owned by the municipality, and the highest concentration of electric cars in Germany since 1998. The village's shared electric car, or Dörpsmobil, has enabled many inhabitants to get rid of their second cars. The project is also organised by the community, through an association set up for this purpose: e-Mobiles Dorf Sprakebüll e.V. Local volunteers repair, clean and charge the car. Sprakebüll now also has a rapid charging station. The project shows that e-mobility and carsharing are attractive solutions for rural services of general interest.³⁵⁶

The Committee of the Regions (CoR) is encouraging all public authorities to make sure that new laws and policies take into account the impact they have on rural areas and the potential of rural areas to contribute to reaching policy objectives (rural proofing). The CoR is actively involved in the Rural Pact,³⁵⁷ which provides a platform for all levels of government and civil society to exchange and generate knowledge and good practices, and to raise awareness of the needs of rural areas and highlight their potential.

HIGH-END DIGITAL SKILLS FOR AGRICULTURE AND FORESTRY

ANDALUSIA, SPAIN

In order to develop the economic opportunities in the agri-food industry in Andalusia, one of the promising areas of development for the regional smart specialisation strategy (S3), the University of Córdoba has created and launched a master's degree in the digital transformation of the agricultural and forestry sector. This responds to the identified bottlenecks in encouraging innovation and digitalisation in the agri-food value chain, following evidence concerning the lack of adequate professional agri-tech profiles. This degree has trained a large number of professionals who are now able to facilitate, support and promote the digital transformation in rural areas, and encourage the use of technologies such as sensors, the internet of things, big data, cloud computing, the food industry 4.0, artificial intelligence and precision agriculture. After the successful implementation of this degree, the model was copied by the University of Seville.³⁵⁸

Improving urban-rural links can also help to improve connectivity and access to services for rural citizens. More synergies should be created between development tools such as LEADER, CLLD, the smart village initiative, start-up villages and local action groups. **Targets and indicators are needed to guide and monitor the implementation of the European Commission's long-term vision for rural areas.**

G People's skills – leaving no one behind

People's skills play a key role in securing high employment and in promoting societal well-being, specifically in the face of the green and digital transitions. Insufficient and outdated skills may have a negative impact of people's participation in society and the labour market, thus increasing the risk of unemployment, poverty and social exclusion for a significant segment of the European population. In return, it may hinder inclusive and sustainable growth, as well as competitiveness and innovation capabilities. How can the different levels of government work hand in hand to create the necessary opportunities for upgrading

education and skills, and finally become enablers for Europe's sustainable growth strategy?

Regional and local administrations often actively engage in skills development processes since they recognise that a lack of skills or gaps in skills are an impediment to the economic development of their region and the creation of an enabling environment.³⁵⁹ Addressing human capital development at national, regional and local levels increases the effectiveness of well-functioning employment policies, also by ensuring that the demands of employers align more effectively with the requirements of potential employees.

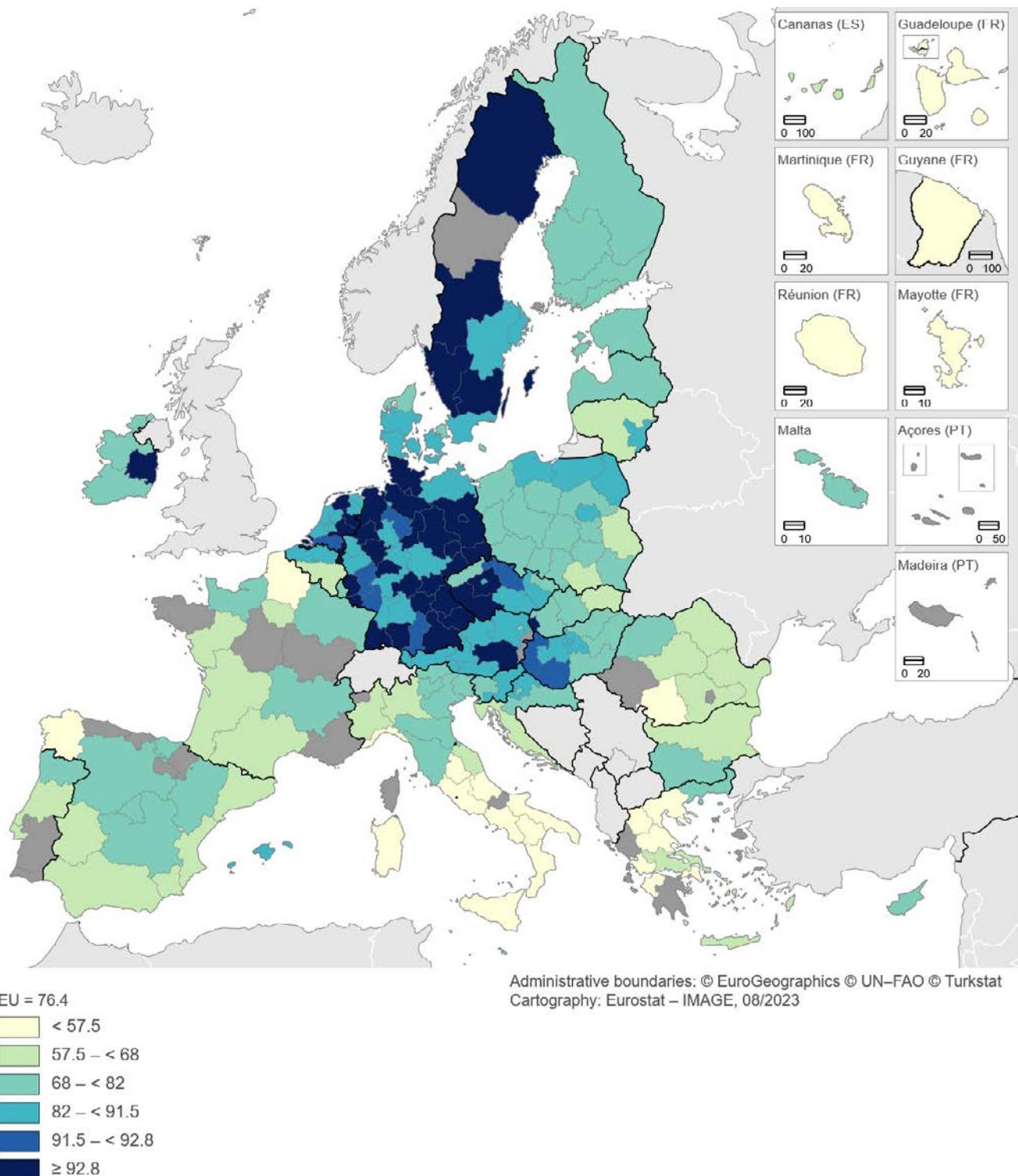


Figure 28 — Employment rate of recent vocational programme graduates, 2021, by NUTS 2 regions
(% of graduates aged 20-34 with an upper secondary or post-secondary non-tertiary level of vocational educational attainment having left education and training 1-3 years earlier)

CoR compilation based on Eurostat³⁶⁰

As covered by ISCED levels 3 and 4. Belgium, Bulgaria and France: NUTS 1. Includes earlier reference years for several other regions (too many to document)

New technologies, education, research and development, and support for flourishing entrepreneurial ecosystems are the ideal ingredients for a forward-looking regional innovation strategy. Skills development must therefore be part of the strategy, particularly in vocational education and training (VET). After all, innovation is not just about

high technology, it is also about well-trained professionals who can develop and apply new technologies in a solution-oriented manner. In the context of innovation, the focus is traditionally on higher education, however, vocational education in secondary education and adult education or training courses within the sectors also play a role.³⁶¹

A target was set to see 82% of people aged 20-34 years graduating 1-3 years earlier with an upper secondary or post-secondary non-tertiary vocational education by 2025.³⁶² The map below shows that the target was already reached in 2021 in every region of Germany, the Netherlands and Sweden, and in all but one region in Austria (the exception being the Region of Vienna) where

data is available, and all but two regions in Czechia and Denmark. Employment rates for this subpopulation were particularly high in a cluster of regions in Germany and Sweden, as well as in the capital city region of Slovakia (Bratislava Region), Central Bohemia in Czechia, and Overijssel and Gelderland in the Netherlands.

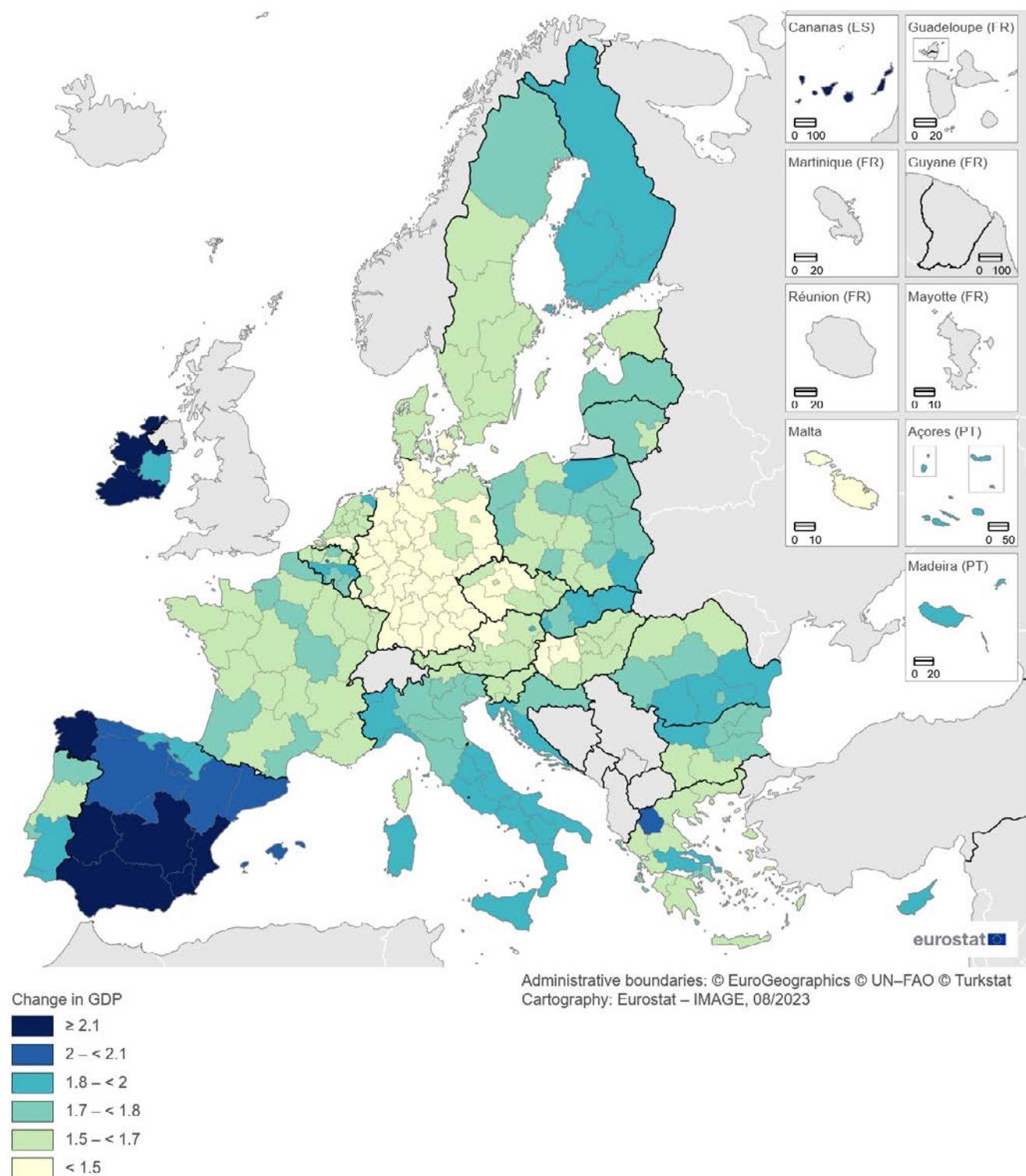


Figure 29 — Long-term impact of 1 pp improvement in skills-matching on GDP (%), by NUTS 2 region

CoR compilation based on European Commission³⁶³.

The methodology used to produce these results with the RHOMOLO model is explained in Christou, T., Crucitti, F., Garcia Rodriguez, A., Katay, G., Lazarou, N., and Salotti, S., *Improving regional macroeconomic skills matching: A RHOMOLO analysis*, Joint Research Centre, (JRC133942), 2023

Subnational governments are responsible for a key share of the overall expenditure in education and skills with an average of around 20% of all public investment in the field.³⁶⁴ Based on the Key Data on Local and Regional Governments in the European Union report,³⁶⁵ the subnational public investment for education ranges from 40% in Estonia and Slovakia to below 5% in Cyprus, Ireland and Malta. In 12 of the 27 Member States, the share of public investment in education is higher than 20% of all public investment in this policy field.

Several challenges can be identified and addressed to ensure that the impact of skills policies is improved and better oriented. These challenges include the disruption caused by the COVID-19 pandemic and conditions of regions that are often already disadvantaged. These regions suffer a double blow when their most talented individuals leave in search of better opportunities elsewhere, leading to brain drain. Consequently, these regions struggle to attract a skilled workforce and the necessary economic investments that could improve their conditions and enhance their competitiveness and development prospects, making them less appealing for external investment. If left neglected, this process will result in new and expanding territorial imbalances as areas age and fall behind in terms of workforce size and capabilities. The changing demographic picture in Europe will undermine the EU's overall resilience and competitiveness, as well as its cohesion.³⁶⁶

Some largely rural and less developed EU areas are experiencing a rapid decline in the working-age population. When combined with challenges in attracting and/or maintaining people, this may limit these areas' ability to establish sustainable, competitive, and knowledge-based economies, putting them at greater danger of falling behind more advanced countries.³⁶⁷

Skills mismatches vary considerably across European regions. Economic links show that reducing skills mismatches in a subset of regions will also have a positive effect in other regions. The regional distribution of the indicator of mismatch between individuals available for work (unemployed people) and the available jobs (vacancies) in 2017, the base year for this analysis, is presented in the chart below.³⁶⁸ The macroeconomic skills mismatch indicators are relative dispersion measures of employment and unemployment rates across skills groups.

If there is a high discrepancy between the employment and unemployment rates across skills groups in a given region, the indicator has a high value, suggesting a significant skills mismatch between labour supply and demand in that region. The medium value for the skills mismatch indicator for the NUTS 2 regions of the EU was 9.63, with a maximum of 21.93 (Východné Slovensko – Slovakia) and a minimum of 1.99 (Åland – Finland). Mismatches in skills are more common in central and eastern European countries and less common in southern Europe.³⁶⁹

While the decrease of the working-age population is widespread, with more than half of the EU's population living in regions where it is shrinking, this decline is combined in some regions with further structural challenges. Compared to the EU average, some regions have a significantly lower share of tertiary-level educated people, with young adults (aged 20-24) comparatively less likely to be enrolled in tertiary education.³⁷⁰ In some regions (for example, the capital city regions of Denmark, Lithuania, and Poland) around 70% of the population have reached tertiary levels of education. For others (for example, Sud-Est in Romania or Sicily in Italy), that number drops to fewer than 20%.

Furthermore, while the proportion of people with a postsecondary education in the 25-64 age group is increasing at EU level due to younger age cohorts being more educated than older ones, this share has expanded more slowly in these areas, with this trend expected to continue. As stated in the European Commission Communication on Harnessing talent in Europe's regions,³⁷¹ these areas will be unable to compensate for a diminishing labour force with highly skilled people if their percentage of tertiary-level educated workers declines or stagnates. If ignored, this will widen the talent and economic gap.

The communication also underlines that in regions that are in or at danger of sliding into a development trap, the unemployment rate for young people (aged 15-34) is 14.6%, which is much higher than the EU's average of 11.1%. Additionally, while the departure of young people opens up new opportunities for individuals, it may also lead to increased labour market tensions and worsening job shortages in particular industries.

The map below highlights 46 regions (in dark red) that are in a talent development trap. These regions face an accelerating decline of their working-age population, and a low and stagnant number of people with tertiary education between 2015 and 2020. This group of regions accounts for 16% of the EU's population. Most of these regions are less developed, with an average GDP per capita of 64% of the EU average. This group of regions is more rural than the rest of the EU, with 31% of its population living in rural areas, compared to the EU average of 21%.

The map also identifies a second group of 36 regions (in orange) that are at risk of falling into a talent development trap in the future because they are sharply affected by the departure of their population aged 15-39 years (a reduction of more than -2 per thousand per year, compared to 5.3 per thousand on average in the EU). This group accounts for 13% of the EU's population. Together, the two categories of regions represent almost 30% of the EU population.³⁷²

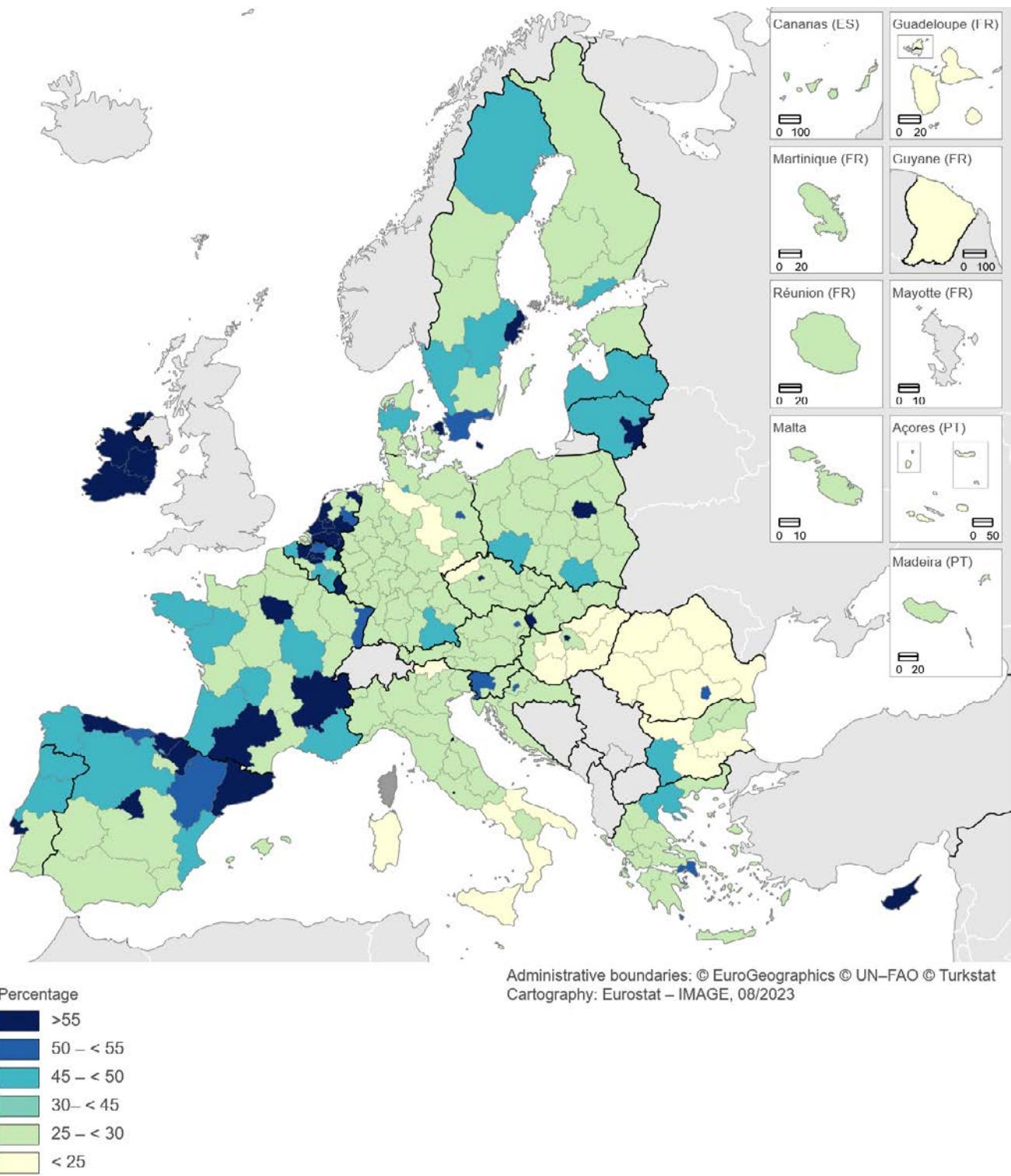


Figure 30 — Share of tertiary-level educated people, by NUTS 2 regions (% of people aged 25-34)
CoR compilation based on Eurostat³⁷³

To avoid the risk of growing talent development traps, it is imperative to boost both the demand for talent, notably by stimulating more dynamic and diverse economic opportunities, and the talent supply. This requires a set of investments and reforms,

supported inter alia by the new generation of cohesion policy programmes and the recovery and resilience plans.

Regions and cities have a key role to play in developing skills-related policies. Many local and regional authorities

have shown best practices in upskilling and reskilling throughout the COVID-19 pandemic, which could inspire both national and European policies. By supporting upskilling and reskilling and equipping people with the skills that they need, local and regional authorities could

foster social recoveries that create new jobs, raise public awareness on EU policies, facilitate citizen involvement in addressing the societal challenges (such as digitalisation and climate change), and boost local and regional development.

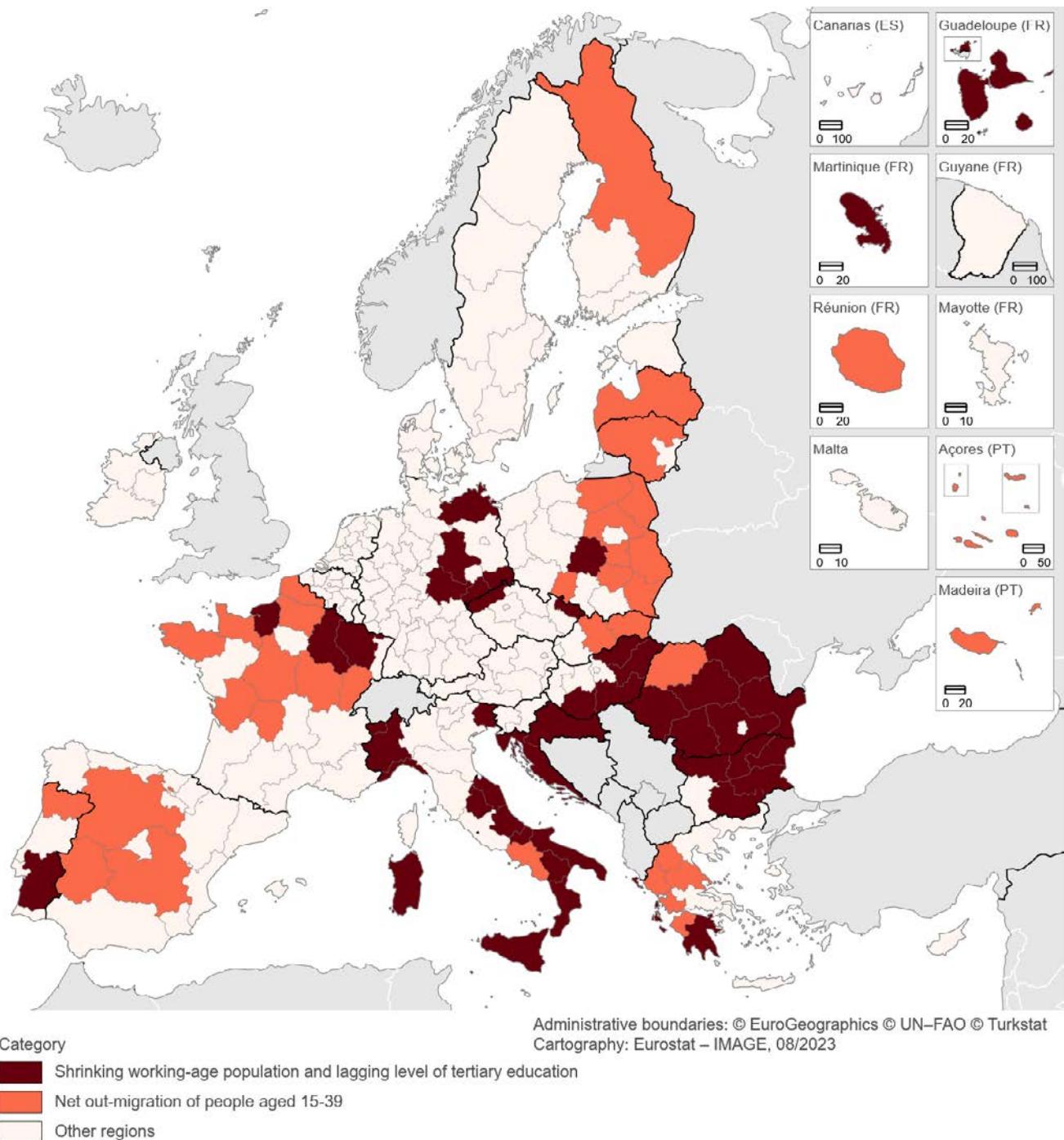


Figure 31 — Regions in a talent development trap and regions at risk of falling in a talent development trap
CoR compilation based on the European Commission³⁷⁴

It is therefore essential to promote and link the local perspective on skills. Working at the local level can maximise the involvement of local partners, such as small and medium-sized enterprises, while better

understanding local labour market needs and exploring synergies with other local and regional strategies. Furthermore, the local and regional perspective could help create qualitative foresights and quantitative

skills forecasts, which in turn can develop into a skills anticipation model or method that can be used for future planning or designing policies. Local and regional authorities can promote a culture of lifelong learning by providing accessible and affordable opportunities for skills development and upskilling.

The European Year of Skills is an opportunity to align future actions to promote education and skills with the principles of the European Pillar of Social Rights. It is also an opportunity to make headway on the main target related to skills to be achieved by the end of the decade, which is that at least 60% of all adults should participate in training every year, and an employment rate of at least 78% should be achieved by 2030.³⁷⁵

The new approach on skills will rely on cooperation with companies to tackle skills mismatches and take into account people's aspirations, but will also aim to attract skilled workers from abroad in a targeted manner.³⁷⁶ This also contributes to the Sustainable Development Goal number 4, which aims to ensure inclusive and equitable quality education and promote lifelong learning opportunities for all by 2030.

Ensuring that everyone can successfully contribute to the sustainability transition is a key message from the recent European Commission 2023 Strategic Foresight Report.³⁷⁷

The report highlights that consistent efforts are required to expand labour market participation across all demographic categories, especially among women, people with disabilities, older people, young people, and other groups that are underrepresented in both employment and education and training. Additionally, to reduce inequality, early, high-quality education spending should be encouraged. Digital, civic, resilience and entrepreneurship skills, as well as skills in the field of sustainability, should receive the same focus as technical skills.

The report goes on to underline the importance of encouraging lifelong learning via greater on-the-job and/or vocational training. The flexibility of learning would expand with creative teaching methods. Additionally, adapting workplaces and working conditions to new job kinds, generational expectations and worker demands must go hand in hand with this.

Furthermore, through established structures (such as Pacts for Skills or Skills Academies), cooperation between governmental, business, and civil society players should be reinforced, and digital technologies applied to enhance, modify, and expand learning opportunities for everyone in education and training.

When it comes to managing demographic change, the 2023 Strategic Foresight Report³⁷⁸ underlines how the EU needs reliable technologies for precisely forecasting labour and skill requirements in important industries, and that talent development traps need to be addressed at regional level by boosting the demand and supply

for talent with tailored initiatives, in collaboration with companies and educational institutions.

Environmental rules must keep up and be well-aligned with skills and labour market policies. Until now, labour market and skill-related policies have largely been created independently of environmental policies, which drive the supply and demand of green talent. This has to change in order to prevent green skills shortages that can hinder achieving climate goals and to guarantee that employees who are badly impacted by the green transition are not left behind. The appropriate public administrations at all levels must work closely together to align these policy areas.

As stated in Job Creation and Local Economic Development 2023: Bridging the Great Green Divide,³⁷⁹ it is clear that **to assist employees in acquiring the skills needed in a green economy, local and regional governments must create a comprehensive adult learning plan that is both forward-thinking and up-to-date.** This entails a thorough evaluation of school curricula to reflect the change in skill requirements brought on by the green transition.

Additionally, in the industries and areas most impacted by the green transition – both those facing the potential displacement of a sizeable portion of their workforce and those leading the charge toward it – tailored training programs may be necessary. Given that a significant portion of adult learning occurs at work, policy-makers should encourage and assist firms and organisations that retrain and upskill their workforce.³⁸⁰

As explained in Rethinking Regional Attractiveness in the New Global Environment,³⁸¹ to increase the labour force and effectively address the skills and labour shortages, two important approaches must be combined: first, (re-)engaging and training those who are on the labour market's periphery, such as women, retirees, and others; and second, increasing the labour force through immigration.

Focusing on attracting and keeping talent from overseas is crucial due to the fact that the requirements of the expanding labour market cannot be met in the long run by mobilising the local workforce alone.³⁸²

REGALE: REGIONAL CAPACITY FOR ADULT LEARNING AND EDUCATION

REINFORCING NETWORKS OF ADULT EDUCATION ORGANISATIONS AND CREATING SYNERGIES WITH REGIONAL AND LOCAL AUTHORITIES

The RegALE project aims to set up or reinforce networks of adult education organisations and create synergies with regional and local authorities in order to increase their impact and sustainability. This will be achieved by increasing the partners' capacity to respond to their challenges, build cooperation structures, and promote an adult education culture in communities, cities and regions.

The Municipality of Larisa, Greece, has prioritised the promotion of lifelong learning as a philosophy of living in the local community. The main aim is to place citizens at the centre of their community by providing them with opportunities to foster their critical thinking skills, learn, and participate in everyday activities. The municipality encourages cooperation and dialogue among city stakeholders and organises projects that support vulnerable social groups, but also motivates local society to be part of the process of lifelong learning and personal development.

DAMAS

DIGITAL APPRENTICES MOBILITY IN THE AUTOMOTIVE SECTOR

The DAMAS (Digital Apprentices Mobility in the Automotive Sector) project, carried out by the Department of Education in the Region of Catalonia (Spain), the Department of Adult Education in the Borås Municipality (Sweden), and others aims to test virtual mobility in the automotive sector. In the context of the COVID-19 pandemic, developing virtual mobility has proven to be a key need in the VET sector. The DAMAS project has found an innovative solution for the future, mostly by using digital tools. Human capital management in the automotive industry is currently under extreme pressure to innovate, especially regarding e-mobility, internationalisation and connection to the local ecosystems. DAMAS has linked key regional actors to boost the provision and acquisition of skills in the sector, and to foster international digital mobility. In this scenario, DAMAS was presented as "a project that is based to a large extent on the diversity of the regions participating in the project and on the experience of each partner". During the final conference, project outputs were outlined, such as the state-of-the-art digital mobility survey, guidelines on blended or fully virtual tools and mobility, the online moodle and the curriculum.



Chapter III

Regions and cities shaping the future of Europe

Both the short-term response to developing crises such as the Russian war on Ukraine or severe climate disasters as well as the longer-term efforts to put sustainable development into practice require strong regions and cities and the commitment of their citizens. All solutions discussed earlier in this report are part of a broader debate on the future of Europe, in which a renewed democratic contract and an enlarged European Union are two central questions.

How can the various crises affect democracy at all levels of government – from local and regional to national and European, but also beyond EU borders – in the context of future enlargement. Trust and participation are invaluable ingredients for stable democracies, but to thrive they are required at all levels. How do we prepare for a new age of enlargement, bringing new Member States into the European Union?

Here again, regions and cities can be key players and use their proximity to the people in their territories to build bridges between the EU and its citizens, enhance trust and improve policy-making, while supporting cities and regions in candidate countries to prepare for EU accession.

A European democracy

In the European Union, 1.2 million citizens hold an electoral mandate at local or regional level. They are the grassroots of European democracy. Their fellow citizens trust them the most. However, whereas this trust can help overcome Europe's crises and support its transitions, those transitions may also threaten to exacerbate discontent. How do we reinforce this fundamental bond of trust between Europe and its citizens? How do we engage our citizens even better and more in future European projects at all levels of government?

Trust in institutions reflects citizens' support for a system of government and its institutional arrangements. As the Organisation for Economic Cooperation and Development (OECD) points out,

trust is a multidimensional concept and "it provides a measure of how people perceive the quality of, and their association with, government institutions in democratic countries"³⁸³

Citizens' trust in democracy is negatively related to rising socioeconomic inequalities. This means that the more inequalities, the lower the trust in political institutions and their representatives.³⁸⁴ In this context, the European Commission's 2023 Strategic Foresight Report³⁸⁵ identifies "threats to democracy and the existing social contract" as one of the key challenges on the EU's pathway towards social and economic sustainability. According to the report, "the existing social contract is not fully fit for the new socioeconomic reality".

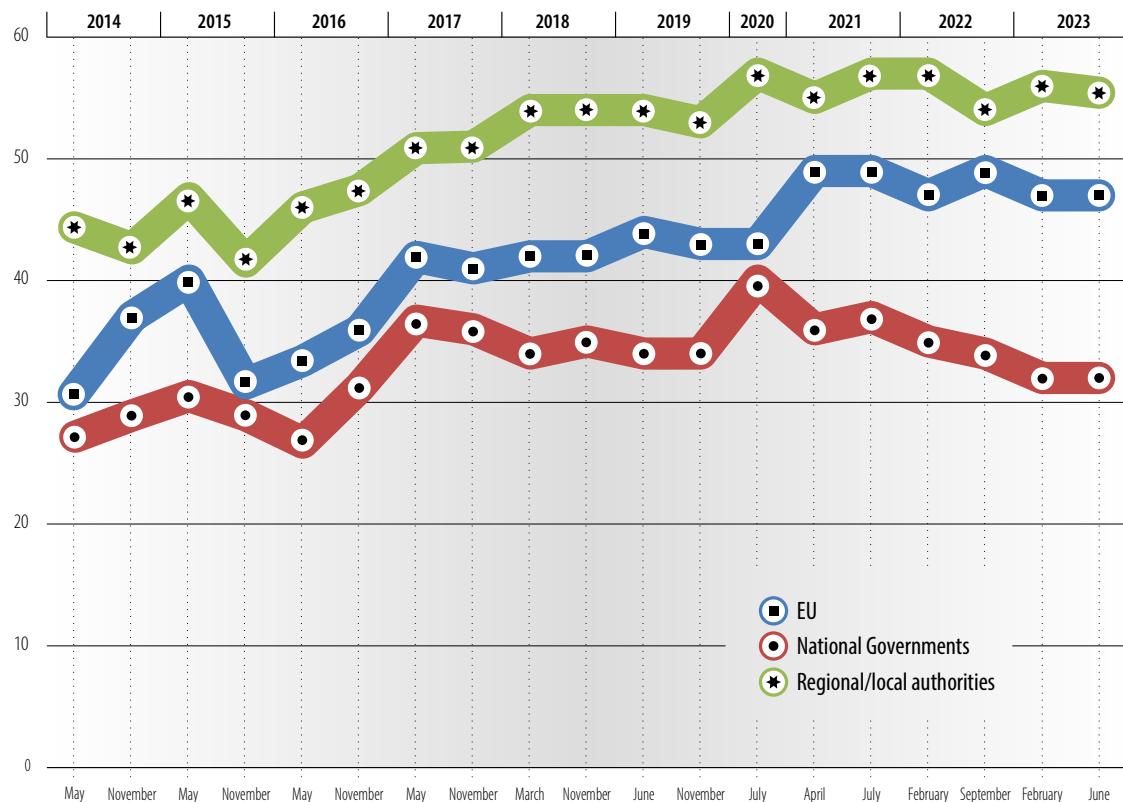


Figure 32 — Trust in different levels of government

CoR compilation based on European Commission³⁸⁶

Increasing diversity in democratic processes – starting at the local level – improves their legitimacy and can increase citizens' trust and sense of democratic ownership. There is an important relation between the state of democracy and the inclusiveness of democracy

– referring to its openness towards all social groups. This means, for example, that the gender gap in political representation entails the need to improve women's participation in politics and in public life.³⁸⁷ Likewise, the involvement of young people and of vulnerable groups

that are more susceptible to experiencing discrimination or harm due to various personal or socioeconomic conditions needs to be ensured.

Research shows that we are experiencing a decade-long global trend of weakening democratic standards.³⁸⁸ At the beginning of 2022, all democracy indices showed that the world's democratic recession was continuing, with pressing challenges exacerbated by the consequences of the COVID-19 pandemic, the Russian war against Ukraine, the increasing cost of living, the rise of populist movements and the threats brought by disinformation. A recent study also explores the ever-growing polarisation of opinions, world views and political positions in European democracies, which – given the increasing animosity towards those who hold a differing view – poses a serious threat to democratic stability.³⁸⁹

Democratic backsliding and authoritarian influence are present threats throughout Europe and sometimes lead to a reactive rather than strategic framing of policies. This concerns both external relations – we see for instance a framing of the war in Ukraine as part of an ideological struggle between democracy and autocracy worldwide – and initiatives related to reinforcing democracy in Europe. The latter represented the more dynamic area of EU policy development in 2022, according to Carnegie Europe.³⁹⁰

The multiple crises we face threaten the strength of our democratic fabric. This carries a significant risk that a possibly slow or inadequate reaction to those crises could undermine citizens' trust in public institutions.

Citizens' trust in the EU is at 47% (July 2023) – two percentage points lower than in summer 2022, according to the Standard Eurobarometer Spring 2023 report. It still remains higher than in the period between autumn 2009 and winter 2020-2021, following the financial crisis and COVID-19 pandemic, respectively. It is also interesting to note that the proportion of respondents who believe their voice counts in the EU (42%) has declined by three percentage points since summer 2022, representing the first decline of this index since 2020 and the lowest level since summer 2021.³⁹¹

Trust in local and regional government levels is growing while trust in national governments and national parliaments has continued to decline, according to recent surveys.

The positive trend concerning trust in local and regional government is confirmed by the OECD 2023 Government at a Glance report: in the majority of countries, the percentage of respondents that have "high and moderately high trust in local government" is higher than the percentage of those who have the same level of trust in national government. However, both figures are on average below 50%.³⁹²

Regions and cities are best placed to create trust and a sense of ownership regarding democracy. The reason for this is manifold: local and regional representatives

and administrations are the closest link to citizens – they determine the way people experience political action in their daily lives. They also play a key role in promoting EU values and principles. The Committee of the Regions' (CoR) database on Promoting EU values through education and culture provides over 120 examples of projects with best practices at local and regional level which strengthen active European citizenship through education. Through such projects, local and regional authorities inspire belonging and ownership based on diversity, keeping the local, national and European dimensions of democracy together.³⁹³

Local and regional elected representatives are also the most exposed to growing discontent and the consequences of rising inequalities and other threats to democracy as they are the direct link between citizens and public institutions. The past years have witnessed increasing rates of violence – both psychological and physical in nature – against mayors, councillors and civil servants. A tragic phenomenon, to which hate speech in a digitalised world contributes even further, with sometimes dire consequences for the holders of a public mandate.

Regional and local representatives thus seem to be the most trusted, but also the most threatened representatives of democracy. This observation leaves us with a number of imperatives for action – actions that strengthen local democracy and participation, while ensuring the safety of office holders, and stabilise democracy and the rule of law as our European fundamental values. Given the high relevance and impact of EU policies "on the ground" – in regions and cities and on people's lives – those actions must take into account the European dimension. On the other hand, actions to strengthen European democracy cannot have substance without the involvement of local and regional authorities and the people living within their communities.

The voice of regions and cities must be heard in EU policy-making and decision-making. This is strongly confirmed by the results of the CoR's survey Local and regional barometer³⁹⁴ conducted by Ipsos European Public Affairs. A vast majority of respondents (91%) either totally agree or tend to agree that regions and cities should have more influence in EU policy-making and in the debate on the future of the European Union.

When asked in which areas regions and cities should have a greater say in EU policy-making, about half of respondents selected "a stronger economy, social justice and jobs" (52%), "education, culture, youth and sport" (51%) and "climate crisis and the environment" (51%), which are, indeed, areas with the most tangible impact on citizens' daily lives and more likely to provoke the strongest divides and inequalities.

Around 70% of EU policies are implemented by local and regional authorities. This is why they need to be involved in EU decision-making throughout the whole policy cycle. Ensuring effective policies based

on the involvement of government at all levels is a precondition for maintaining higher levels of satisfaction. Therefore, better regulation and ensuring the respect of the principle of subsidiarity are key ingredients to maintaining trust. Better regulation ensures a more participatory and multi-level form of democratic governance.

BETTER REGULATION AND ACTIVE SUBSIDIARITY

THE COMMITTEE OF THE REGIONS' STEERING GROUP

The European Committee of the Regions has been an active player in the EU's better regulation agenda and is stepping up its contribution via its Better Regulation and Active Subsidiarity Steering Group (BRASS-G). Since 2022, the BRASS-G coordinates the activities of the CoR's various better regulation tools, i.e., subsidiarity and proportionality monitoring, the work of the Network of Regional Hubs (RegHub), the CoR's contribution to the Fit for Future Platform, territorial impact assessments, rural proofing and – the latest addition – strategic foresight.³⁹⁵

To support democratic resilience, the OECD suggests possible lines of action,³⁹⁶ which include building on democratic strengths, including by using more advanced participation and representation tools, reinforcing key competences to handle crises and protecting against threats to democratic values, including action against mis- and disinformation.³⁹⁷ **Regions and cities – and the CoR as their institutional representative – are well placed to help strengthen European democracy.**

Democratic innovations should build on the results of the Conference on the Future of Europe (CoFoE).³⁹⁸ There are two main reasons for this: First, CoFoE proposals provide a good starting point to address the many challenges and threats that affect European democracy. Second, they are the result of a meaningful dialogue between citizens and the representatives of EU institutions, but also national, regional and local policy-makers. They also acknowledge the multilevel dimension of European democracy and governance, the concept of "active subsidiarity" and the CoR's long-standing request for a permanent mechanism of dialogue between citizens and institutions.

A STRONGER INVOLVEMENT OF REGIONS AND CITIES

THE RESULTS OF THE CONFERENCE ON THE FUTURE OF EUROPE

The European Committee of the Regions (CoR), and the regions and cities it represents, are leading on many initiatives in all policy areas, which deliver on the objectives of the Conference on the Future of Europe (CoFoE) proposals, as the report shows (grouped under the CoFoE's nine topics). This shows the relevant territorial dimension of most of the proposals, whose implementation needs to be anchored at the local and regional level. It is also another element that confirms that regional and local authorities are the pillars of governance closest to the citizens, acting as intermediaries between the EU institutions and the people they serve.

CoFoE proposals largely call for improving communication and engagement with the citizens, with a view to stronger democratic legitimacy of the EU governance and decision-making processes. Some of these proposals show the possible link between a functioning European democracy and a stronger involvement of cities and regions, and of the CoR, in the EU decision-making process.³⁹⁹

On the occasion of the CoFoE feedback event with citizens which took place on 2 December 2022 in Brussels, the CoR published a report outlining its strategies, initiatives and activities aiming to follow up on the CoFoE proposals.⁴⁰⁰

Before the CoFoE, the CoR had already launched several initiatives to strengthen citizens' participation and youth involvement in the European legislative process, while at the same time forging the link between citizens and their elected representatives at all levels, such as the European Network of Local and Regional Councillors or the Young Elected Politicians Programme.

Youth policy and youth participation have always been high on the agenda of the CoR. This is also exemplified by such things as the Charter on Youth and Democracy endorsed in November 2022, whose drafting directly involved young people and youth organisations, and was supported by the CoR and the European Youth Forum.

Considering the trust citizens place in them and their role in implementing EU policies, regions and cities have a key role to play in view of the next European

elections, which will take place in June. Given that the impact of EU policies and programmes is often felt by citizens at local and regional level, it is crucial that regions and cities are an integral part of shaping and delivering these policies.

BRINGING EUROPE TO LOCAL COMMUNITIES

THE EUROPEAN NETWORK OF LOCAL AND REGIONAL COUNCILLORS

This initiative⁴⁰¹ launched by the European Committee of the Regions (CoR) is addressed to local or regional representatives who have a political mandate in one of the EU Member States. Since its launch in 2021, the network has already assembled over 2600 elected representatives in regional or municipal assemblies in all EU Member States. It aims to:

1. ·Bring Europe closer to local communities through the work of the 1.2 million local and regional representatives across the EU;
2. ·Act as a platform for local and regional councillors to meet, discuss and network with other councillors and CoR members;
3. ·Encourage local and regional councillors to take part in different events and communication activities ahead of the next European Parliament elections.

The project is developed in close cooperation with other EU institutions, in particular with the European Commission (the Building Europe with Local Councillors network),⁴⁰² the European Parliament and partners at national and EU level (European Parliament Liaison Offices, European Commission Representations, National associations of local and regional authorities, regional offices based in Brussels, EU associations).

The next European elections will also be a moment for regions and cities to voice their vision ahead of the next legislative term of office. Only if local and regional representatives are seen as stakeholders in this process can they play a key role in explaining and defending the rationale behind these policies.

In this regard, the findings of the European Parliament's Spring 2023 Eurobarometer⁴⁰³ show that the percentage of citizens interested in the European elections is increasing: in 2023, a clear majority of respondents (56%, compared to 50% in 2018) say that they are interested

in the next European elections (including 15% who say they are "very interested"), while 43% say they are not interested (48% in 2018). Moreover, two-thirds of citizens (67%) say they are likely to vote, compared to 58% in 2018. This momentum will need to be used to reinforce the democratic legitimacy of the EU.

YOUNG ELECTED POLITICIANS

OPPORTUNITIES TO NETWORK, EXCHANGE AND INFLUENCE EU LEGISLATION

To support young holders of public mandates, the Committee of the Regions (CoR) has brought to life the Young Elected Politicians Programme (YEPs). It was created at the eighth CoR Summit of Regions and Cities⁴⁰⁴ in 2019. YEPs is a network of representatives who are no older than 40 and hold a mandate at regional or local level in the EU or in candidate countries for EU accession.⁴⁰⁵ To date, more than 500 young representatives have participated in this programme to exchange best practices, engage with CoR members and actively participate in the core work of the CoR through consultations and meetings.

By involving YEPs, the CoR puts into practice the call for youth participation. As announced in the Resolution on the outcome and follow-up of the Conference on the Future of Europe,⁴⁰⁶ the YEPs programme directly supported the CoR's work during the CoFoE and in the follow-up to this endeavour. The YEPs were directly involved in the drafting of the European Charter for Youth and Democracy and they took part in a number of events, conferences and information sessions.

After the elections, as the new leadership of the EU institutions is installed, the voice of regions and cities will need to further be heard and their vision considered. This also goes for more long-term institutional reform questions. The CoR supports the call made by the European Parliament to hold a convention and reform the treaties, as also recommended in the CoFoE's final proposals. In line with this, the CoR has identified the Treaty changes necessary for the implementation of the proposals relevant to the institution and to local and regional authorities. It supports holding a Convention.⁴⁰⁷ Any prospects for EU reform clearly need to take into account the possible future enlargements.⁴⁰⁸

B Future enlargement and neighbourhood partnerships

Since the full-scale Russian military aggression against Ukraine, EU enlargement policy has been back in focus. Ensuring stability and sustainable prosperity in the EU neighbourhood, both at eastern and southern borders, has never been so important.

2022 was a momentous year as Ukraine, the Republic of Moldova and Bosnia and Herzegovina are now candidate countries for EU accession, accession negotiations started with Albania and North Macedonia, while Georgia's EU perspective was recognised and Kosovo* applied for EU membership. How can the EU involve and prepare local communities in enlargement countries? What role does cooperation with partner municipalities and regions in the EU play?

In the final proposals of the Conference on the Future of Europe, EU bodies and institutions were called on to act as ambassadors of our democratic model and values in third countries, most important among them being the candidate countries and potential candidates, which aspire to become part of our European family.⁴⁰⁹

The Committee of the Regions' (CoR) work on EU enlargement⁴¹⁰ encompasses the double priorities of facilitating the political dialogue with, and capacity-building of, our local and regional partners. This involves both updates on the partner countries' progress as well as exchange of best practices in a number of areas, such as functional and fiscal decentralisation, local democracy and the rule of law (with an emphasis on dialogue with opposition, civil society, media and citizens; transparency in the work of local and regional directly elected bodies and executives, and public procurement); local economic development, including the encouragement of young innovators and entrepreneurs; spatial planning and local infrastructure development; local transport; valuation of natural and cultural heritage in connection with tourism; waste and waste water management.

The CoR has a special role to play in supporting local and regional governments in the enlargement countries to prepare for the implementation of the EU acquis, the obligations of EU membership and to build up their capacities. The CoR has put in place a number of increased capacity-building measures, notably the enlargement of the Young Elected Politicians Programme to all candidate countries, the inclusion of Capacity Labs in EU Enlargement Days, and further cooperation with the Technical Assistance and Information Exchange⁴¹¹ (TAIEX).

In response to a request from the CoR, the European Commission opened up a possibility for the local and regional governments in the Western Balkans to take part in its TAIEX programme and is also activating its support to regions and cities in Ukraine, Moldova and Georgia.

TAIEX is a European Commission instrument offering short-term peer-to-peer technical assistance between public experts in EU Member States and in partner countries' administrations predominantly in the EU's neighbourhood. The CoR contributes to promoting TAIEX through the Joint Consultative Committees (JCCs) and Working Groups (WGs), and the first steps towards the concrete involvement of the JCCs, WGs and their members in the framework of this programme have already been taken, notably as concerns North Macedonia, Montenegro and Albania.

Moreover, all cross-border cooperation programmes with neighbouring countries (in particular via Interreg IPA CBC programmes) have been crucial to build trust and develop expertise in neighbouring local and regional authorities while they prepare to join the EU.

Regions and cities in these countries have a key role to play in engaging their citizens in the democratic process, consolidating European values and fostering an idea of European belonging.

The CoR fulfils its important institutional role – facilitating contacts between subnational levels both in the EU and in (potential) candidate countries – through its JCCs with Montenegro, North Macedonia and Serbia and its WGs for cooperation with the countries with which JCCs have not yet been established: Albania, Bosnia and Herzegovina, Kosovo, Türkiye and Ukraine.

The CoR works with many partners in the enlargement countries, with national associations of local authorities having a special place among them. This has enabled it to identify some particularly successful responses to the need to involve the local and regional level in the enlargement process. In many cases, the work of our JCCs and WGs – through their formal sessions and networking among their members – led to the inception of successful cross-border cooperation projects that involved local and regional governments from EU Member States and their counterparts in (potential) candidate countries.

JCCs and WGs also offer a cooperation framework which can provide support in specific situations, as was the case of the devastating earthquakes which took place

* This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

in Türkiye and Syria in February 2023. In particular, the channels opened through the Working Group Türkiye and the Euro-Mediterranean Regional and Local Assembly⁴¹² (ARLEM) enabled CoR members to offer political support and exchange experiences and/or expectations in peer-to-peer cooperation with Turkish partners.

Civil protection and how cities and regions can cooperate and be supported in this endeavour are being explored within ARLEM, a joint political assembly bringing together local and regional representatives from the EU and from its Mediterranean partner countries. With its award – Young local entrepreneurship in the Mediterranean⁴¹³ – ARLEM, with its partners, concretely fosters local economic development through entrepreneurship and highlights the positive impact that a supportive ecosystem at the local and regional level can have.

The Conference of Regional and Local Authorities for the Eastern Partnership⁴¹⁴ (CORLEAP) is a unique forum for multilateral cooperation in the framework of the Eastern Partnership (EaP) of local and regional governments from the EU Member States and the partner countries from the Eastern Neighbourhood.

FLAT: FLOOD AND LANDSLIDE ASSISTANCE AND TRAINING

CROSS-BORDER COOPERATION BETWEEN MUNICIPALITIES IN ITALY, ALBANIA AND MONTENEGRO

Very pertinent in the current situation, marked by natural disasters caused by climate change, the FLAT project⁴¹⁵ included the municipalities of Danilovgrad, Montenegro, Brindisi, Italy, and Nikšić, Montenegro, as well as the national mountain rescue services of Albania and Montenegro as partners. Worth 0.96 million EUR, with 85% EU financing, the project improved the cross-border structures for responding in case of floods and landslides, strengthened the capacity of rescue services, and created integrated plans and tools for improving protection and risk management in areas prone to flooding and landslides. A regional resource training centre has been set up, and a joint web platform created to share pertinent information.

The project (2018-2020) was a direct consequence of cooperation between the members of JCC CoR – Montenegro, then mayors of Brindisi, Mauro d'Attiso, and of Danilovgrad, Brano Đuranović. Furthermore, as one of the most successful interregional projects between Italy, Albania and Montenegro, additional resources were recently allocated to continue the activities started by the project.

CORLEAP is pursuing, and will continue to do so in the near future, the dual objectives of continuing to provide a format for the multilateral cooperation at local and regional level in the EaP framework and helping the new EU candidate countries on their path towards the EU. Guided by the conclusions of the EaP Ministerial meeting in December 2022, and the CoR opinion on The Future of the Eastern Partnership from a local and regional perspective, adopted at the CoR plenary session in March 2023, CORLEAP now strives to put more emphasis on tailor-made project cooperation, which will fully take into account different circumstances, aspirations and needs of participating Eastern Neighbourhood countries and their local and regional authorities.

INCLUSIVE PLAY

CROSS-BORDER COOPERATION BETWEEN CROATIA AND BOSNIA AND HERZEGOVINA

As a part of an INTERREG-IPA programme,⁴¹⁶ which also includes Montenegro, the Inclusive Play project⁴¹⁷ (March 2021-January 2023) had the City of Zadar, Croatia (the leading partner), and the City of Mostar, Bosnia and Herzegovina, as partners. The project, worth 0.95 million EUR, with 85% EU financing, promotes social inclusion of children and young people with developmental disabilities and creation of inclusive communities. In addition to other activities, such as education of parents of children with special needs and organisation of panel discussions and study visits, the main part of the project was the construction of two sensory parks – one in each of the two participating cities. Such sensory parks (specially designed playgrounds) contribute to the rehabilitation, recreation and inclusion of children and young people with developmental disabilities.

Annexes

List of abbreviations

AMIF	Asylum, Migration and Integration Fund
ARLEM	Euro-Mediterranean Regional and Local Assembly
CARE	Cohesion's Action for Refugees in Europe
CoFoE	Conference on the Future of Europe
COR	Committee of the Regions
CORLEAP	Conference of Regional and Local Authorities for the Eastern Partnership
EaP	Eastern Partnership
EGTC	European Grouping of Territorial Cooperation
ENISA	European Union Agency for Cybersecurity
EPOCH	European Platform on Combatting Homelessness
EPRS	European Pillar of Social Rights
ERDF	European Regional Development Fund
ESF+	European Social Fund Plus
EUACI	European Union Anti Corruption Initiative
FAST-CARE	Flexible Assistance for Territories
GDP	Gross Domestic Product
GGA	Global Goal on Adaptation
IRA	Inflation Reduction Act
JCC	Joint Consultative Committee
MFF	Multiannual Financial Framework
NEET	Not in Education, Employment, or Training
NRRP	National Recovery and Resilience Plans
NUTS	Nomenclature of territorial units for statistics
OECD	Organisation for Economic Co-operation and Development
PES	Public Employment Service
REACT-EU	Recovery Assistance for Cohesion and the Territories of Europe
REGHUB	Regional Hubs Network
RRF	Recovery and Resilience Fund
SDG	Sustainable Development Goal
STEP	Strategic Technologies for Europe Platform
TAIEX	Technical Assistance and Information Exchange
TPD	Temporary Protection Directive
VET	Vocational Education and Training
VLR	Voluntary Local Review
WG	Working Group
YEP	Young Elected Politicians

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Endnotes

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- 8 Committee of the Regions, Organisation for Economic Co-operation and Development, Eurochambres survey findings presented at the [CIVEX commission meeting on 18.04.2023](#) and at the [EU Regions Week workshop](#).
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- 13 Compared with the population of each EU member, the highest numbers of total temporary protection beneficiaries per thousand people were observed in Czechia (31.6 per 1000 people), Poland and Estonia (both 26.4), Lithuania (24.5), Bulgaria (22.7) and Latvia (21.2); see <https://ec.europa.eu/eurostat/web/products-eurostat-news/w/ddn-20230609-1>.
- 14 Data sources: according to the data available (and with varying dates of validity) at the time of writing at <https://data2.unhcr.org/en/situations/ukraine>, <https://mediendienst-integration.de/migration/flucht-asyl/ukrainische-fluechtlinge.html>; <https://dofi.ibz.be/fr/news/accueil-en-belgique-des-personnes-en-provenance-du-ukraine-bilan-apres-un-de-conflit>; <https://www.minv.sk/?docsne-utocisko>; https://www.lamondecloa.gob.es/lang/en/gobierno/news/Paginas/2023/20230310_ukrainian-refugees.aspx; <https://www.integrationsfonds.at/>.
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- 35 <https://ec.europa.eu/info/funding-tenders/opportunities/portal/screen/opportunities/topic-details/horizon-miss-2023-cit-02-01>
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- 56 <https://cor.europa.eu/en/news/Pages/Local-and-regional-authorities-will-be-key-to-Ukraine's-reconstruction.aspx>.
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- 71 European Commission, [Report on the State of the Energy Union](#), October 2022.
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- 73 <https://www.europarl.europa.eu/news/en/headlines/society/20230224STO76403/international-women-s-day-the-gender-aspects-of-energy-poverty>.
- 74 The [CoR Regional Hubs Network \(RegHub\)](#) is formed by a group of local and regional stakeholders who monitor the implementation of EU policies on the ground and make sure that local and regional voices are taken into account when these policies are evaluated at European level. It includes 46 members, 10 observers and one associated body. RegHub is also an established subgroup of the European Commission's Fit for Future Platform.
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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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