European Committee of the Regions

The state of regions and cities

EU annual report 2026



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State of regions and cities 2026

Zooming in on local stories for competitiveness, resilience and democracy



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Foreword

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Europe is under pressure to become faster, stronger and more competitive. And rightly so. In a world of geopolitical rivalry, technological disruption and growing insecurity, Europe needs the capacity to act.

But if Europe wants to be stronger on the global stage, it must also become stronger from within.

This is one of the central messages of the 2026 State of Regions and Cities Report. Europe's strength does not come from making every place look the same, or from concentrating decisions, investments and opportunities in an ever-smaller number of centers. It comes from something much more European: our capacity to combine scale with diversity. Our cities and regions follow different paths of development. They have different economic structures, skills, institutions, demographic realities and vulnerabilities. This diversity is sometimes treated as a problem to be overcome. We believe it is an asset to be mobilised. That matters particularly as Europe searches for a new model of competitiveness.

Competitiveness happens in places: through companies and workers, universities and vocational schools, transport and energy networks, public administrations and local ecosystems. Europe certainly needs world-leading technologies and companies. But European competitiveness will ultimately depend on whether innovation, investment and productivity can spread across our territories rather than remain concentrated in a few already successful places. Otherwise, the strong become stronger while too many places struggle to catch up.

The great challenges facing Europe – housing shortages, demographic decline, industrial transition, climate vulnerability, water stress, energy security, disinformation and the freedom of people to build a future where they live may – appear on European agendas as separate policy questions. In our communities, they meet. This is why place matters. It is also why cohesion and competitiveness should not be presented as competing objectives. Cohesion is not simply about compensating places that have fallen behind. At its best, it connects territories to the circulation of investment, knowledge, skills and opportunity across the Single Market. It enables more places to contribute to Europe's prosperity and resilience.

The figures in this report tell that story. But behind them are political choices and real dilemmas faced every day by thousands of mayors, regional presidents and local councillors: whether to respond to today's emergency or invest in tomorrow; whether to support the frontier or spread opportunity; how to revitalise rural communities while managing the pressures of successful cities; and how to transform industries without leaving the communities built around them behind.

These choices also matter for democracy. At a moment when Europe understandably feels an urgent need for greater speed and capacity to act, citizens are simultaneously asking for greater control over the forces changing their lives. Decisions may become faster when they are centralised, but they do not automatically become better. Proximity brings knowledge: knowledge of places, of people, of what works and of what will command trust.

Europe therefore needs both direction and participation, scale and proximity, ambition and territorial intelligence. The purpose of this annual report is to bring that reality into European decision-making and to reinforce the importance of partnership and multilevel governance.

Before we redesign our policies, our investment instruments and our next long-term budget, we should look carefully at what is actually happening in Europe's cities and regions.

Because local and regional communities are where Europe's economic and societal transformations, resilience and democratic strength succeed or fail, where the consequences of our decisions become visible, and where citizens experience whether Europe is working for them. A Europe capable of competing in the world cannot be built by weakening the connections between its places. It will be built by enabling more of them to contribute. Europe will be stronger outside when it is stronger all over – and more connected – inside.

Kata TÜTTŐ,
President of the European Committee of the Regions

Juanma MORENO,
First Vice-President of the European Committee of the Regions

Highlights

1 **Europe cannot become stronger globally if it weakens its internal cohesion**. A strong Europe needs to be strongly anchored in its regions and cities to mobilise all local efforts, boost competitiveness, scale up resilience, and shield and nurture democratic life. The EU must therefore be equipped with an ambitious budget and cohesion policy for all regions, with partnership and multilevel governance at its core.

2 **For over three decades, the single market and cohesion policy have worked together to make the EU and its regions more prosperous**. While there is still potential for additional intra-EU trade gains by deepening the single market, only cohesion policy can ensure these gains benefit all territories in the EU.

3 **30 million Europeans depend on manufacturing jobs**, yet many industrial regions face decline, particularly in the automotive and energy-intensive sectors. Boosting competitiveness requires place-based investment, with regional industrial transformation elevating skills ecosystems, decarbonisation and smart specialisation.

4 **With up to 6.4 million farms at risk by 2040 and young farmers under 40 representing only 1 in 10 farmers**, generational renewal in agriculture has become a central challenge that requires targeted support in the future CAP budget.

5 **Europe and its regions face cumulative climate-related losses of EUR 2.4 trillion between 2031 and 2050**. Preventing and mitigating the impact of natural disasters would require EUR 69 billion in annual investments. Without those investments territories will become unliveable, uncompetitive or disconnected, which would weaken both cohesion and the single market.

6 **Housing affordability is a challenge for 1 in 10 EU citizens**, while 1.3 million people in the EU are homeless. At the same time, 75% of the EU's building stock is energy inefficient or poorly adapted to summer heatwaves. The EU Affordable Housing Plan needs adequate funding and a strong partnership with cities and regions.

7 **The EU's resilience, security and defence start in Europe's regions**. Civilian resilience is often first tested at the local level, whether in response to hybrid threats or attacks on critical infrastructure. In addition, the EU needs to work closely with regions as they host security and defence industry clusters that provide over 600 000 direct jobs.

8 **8 in 10 locally elected representatives report increasing pressure on local democracy**. 7 out of 10 have suffered verbal harassment and online abuse, while 4 out of 10 have experienced threats of physical violence. Regions and cities are essential to safeguarding European democracy and need stronger support to build democratic resilience from the ground up.

9 **51% of public investment in the EU is undertaken by cities and regions**. However, stagnating revenues, declining transfers and rising expenditure for energy, housing and ageing are putting increasing pressure on regional finances. In 2025, the fiscal gap weighing on regions and cities amounted to over EUR 78 billion.

10 **3 in 4 regions are expected to lose population by 2050**, especially in rural and peripheral areas. 135 million Europeans live in regions trapped in economic stagnation or decline. The next EU budget should reinforce cohesion policy investments in skills, jobs, public services, access to education and healthcare, housing, digital connectivity and transport. Without such investments, there is no 'right to stay'.

CHAPTER 1

STRONG REGIONS, STRONG CITIES, STRONG EUROPE



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Europe cannot become stronger globally if it weakens its internal cohesion. A strong Europe needs vibrant partnerships of regions and cities to mobilise all local efforts, regain competitiveness, scale up resilience, and shield and nurture democratic life. This is what is at stake when setting the direction for the next multiannual financial framework (MFF), which will determine the EU's long-term budget for the years 2028–34: the design of the geopolitics of European cohesion.

The global order is at a critical juncture. Today's geopolitical challenges require the European Union to reinforce the link between internal and external policies. Local and regional authorities are impacted in different ways but remain key actors in delivering the transformation needed to strengthen resilience, competitiveness and cohesion. Every region and city is an essential cornerstone of a stronger European house, helping to make the EU more resilient to threats and future challenges. Europe's security depends not only on its capacity to act globally, but also on the strengths of its regions and cities across multiple dimensions including energy, economy, technology, defence, climate resilience and social cohesion.

The European Union is at a crossroads. It must decide whether it continues to uphold the principle that successful European integration is only sustainable if all territories share the benefits of the EU through a multilevel governance approach, or whether to focus primarily on the relationship between the EU and the Member States, thereby excluding local and regional authorities from EU decision-making. Answering this question lies at the heart of the debate on the next MFF and will determine the EU's policies for the next seven years (2028–2034).

'The proposed MFF alters the operational DNA of the European project'[1]. The proposal unveiled by the Commission in 2025 marked a significant departure from the traditional balance between competitiveness and cohesion that has long underpinned the European project. The proposed architecture, characterised by stronger centralisation of expenditure decisions and a greater emphasis on sectoral competitiveness, raised concerns about the future role of cohesion policy and the territorial dimension of European integration. Critics warned that weakening the place-based approach and multilevel governance could ultimately undermine convergence and increase territorial disparities across the EU and endanger the future of the European project.

More than one year after the proposals were published, the debate has evolved. While Member States appear increasingly willing to work within the framework proposed by the Commission, the European Parliament has taken a more cautious position. It continues to call for the protection of key EU policies and for cities and regions to have a strong role in implementing them. This position also reflects the conviction that the EU's strategic objectives, as set out in the current Commission's long-term political guidelines, can only be achieved through place-based solutions. That means putting active subsidiarity into practice, ensuring that the EU budget supports local solutions through multi-level governance, and maintaining a strong commitment to effective better regulation.

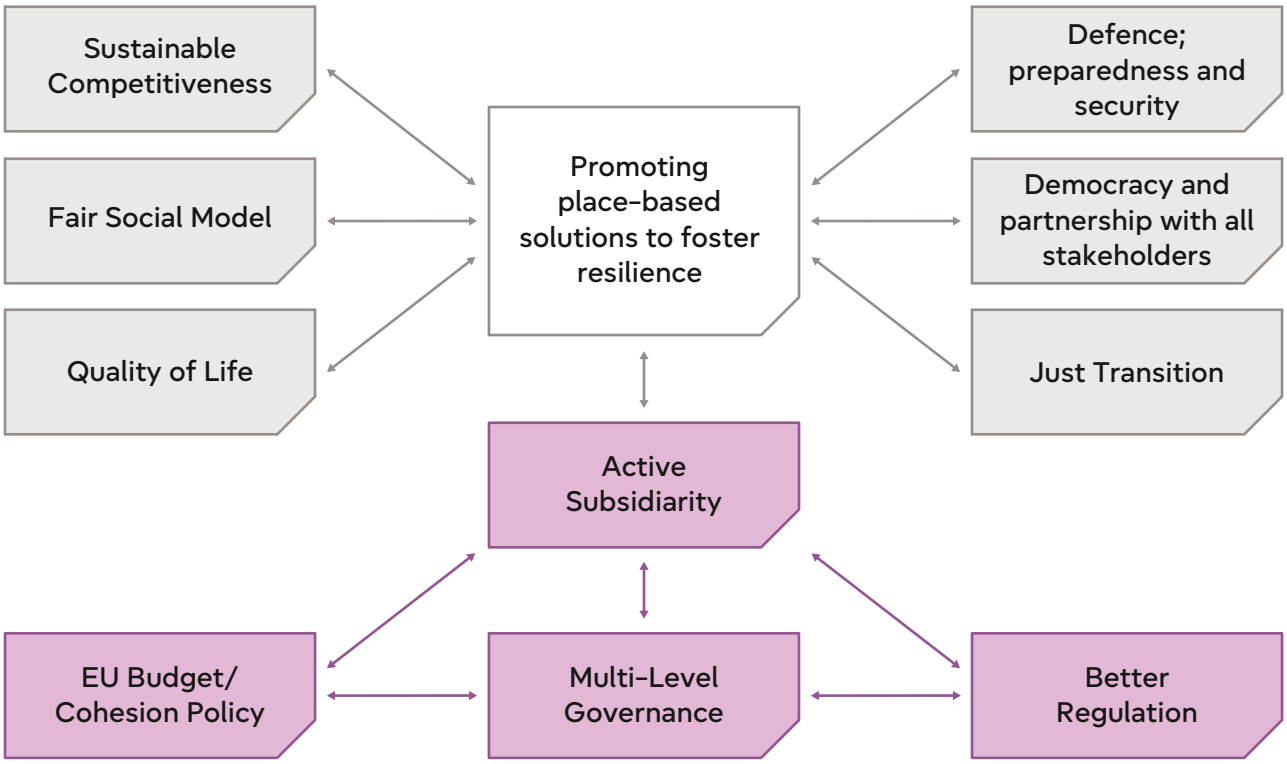


Figure 1 — Role of place-based solutions for the political agenda of the EU and its implications for active subsidiarity

As discussions on the overall size of the future EU budget are in full swing, the consequences of the new MFF philosophy are already becoming clear and highlight a different path:

The **preparation of national and regional partnership plans (NRPP)** at Member State level often takes place without structured involvement of local and regional authorities[2].

› The **local and regional level is confronted with competing interests in prioritising NRPP financial resources** within each Member State. National

governments will enjoy considerable discretion to allocate funding in line with their own political priorities[3]. There is no guarantee that these choices will reflect territorial needs or that local and regional authorities will have a formal role in managing or implementing parts of the NRPP in their country.

- The **national implementation of the NRPPs** makes it more difficult to preserve a clear European perspective and the engagement of all EU regions on policy priorities such as the just transition and smart specialisation strategies.

- Ensuring the **active involvement of local and regional authorities in other parts of the EU budget remains a challenge**, particularly in the European Competitiveness Funds and in Global Europe.

The CoR's position on the MFF puts forward a clear set of proposals to restore a balance in the future MFF. Through its 20 MFF-related opinions, the CoR has developed a coherent territorial reading of the package based on five key principles:

1. Preserving cohesion policy for all regions;
2. Legally anchoring partnership and multilevel governance;
3. Applying a 'do no harm to cohesion' principle across EU programmes;
4. Fostering place-based territorial instruments such as LEADER, community-led local development and integrated territorial instruments schemes); and
5. Ensuring that territorial impact assessments and regional checks become an integral part of the way the EU budget is designed, implemented and evaluated.

The European Committee of the Regions is broadly aligned with the European Parliament in considering that the Commission's proposal is not sufficiently equipped to deliver some of the EU's key strategic objectives. By weakening the territorial dimension of EU policies, the proposal risks undermining long-term competitiveness, widening territorial disparities across the EU, reducing regions' capacity to deliver the green transition and climate adaptation, eroding the right to stay in all regions and, ultimately, weakening democratic resilience across all levels of governance.

Indeed, if, building on existing evidence, mission-led funding delivers the larger GDP return (0.22% compared with 0.16% under the place-based approach), place-based funding generates more than twice the number of jobs produced by the mission-led allocation and it reduces regional equality where mission-led funding tends to increase it. Concentrating resources in Europe's strongest innovation centres may maximise aggregate returns, but it risks reinforcing the very territorial divides that weaken Europe economically, socially and politically[4]. Both cohesion and competitiveness have to be pursued as a condition for each other.

The challenges facing Europe's regions and cities have not disappeared; on the contrary, they have become more serious and acute. The 2026 edition of the European Semester country reports identify a wide range of territorial challenges that continue to hamper the EU's long-term objectives and require a targeted, place-based approach[5]:

› **Persistent territorial disparities and uneven convergence**

Many Member States show widening or persistent gaps between capital/metropolitan regions and lagging rural, peripheral, island or outermost regions. Growth is often concentrated in a few strong urban centres, while weaker regions remain below the EU average in GDP per head and productivity.

› **Low productivity, innovation diffusion and R&D outside leading regions**

Innovation, high-skilled jobs, R&D investment and knowledge-intensive services are highly concentrated in capitals or major urban/industrial hubs. Many lagging regions face low business R&D, limited university-business cooperation, lower tertiary attainment levels, skills shortages and difficulties in attracting investment and retaining talent.

› **Demographic decline, ageing, labour-market and housing pressure**

Many rural, inland, border and former industrial regions face population decline, ageing, youth outmigration and shrinking working-age populations. Certain regions continue to struggle with high unemployment rates and count many young people not in education or employment (NEET). At the same time, other regions lead the green and digital transition, but face labour and skills shortages and problems with availability and affordability of housing.

› **Infrastructure, access to services and connectivity gaps**

A recurring challenge is uneven access to mobility, connectivity, healthcare, education, childcare, water and wastewater infrastructure. Rural, island, sparsely populated and border regions are particularly affected, and many local and regional authorities lack the capacity or resources to close these gaps.

› **Green transition and climate risks**

While all regions face climate change, the transition challenges they face are very different. Coal, energy-intensive and automotive regions need just-transition support and faster renewable-energy permitting to accelerate the green transition; coastal, island and tourism regions face water scarcity, waste, environmental degradation and impact from climate change. Grid constraints, drought, floods, heatwaves, wildfires and water scarcity appear repeatedly across Member States.

These findings are also supported by the results of the **second edition of the Regional Thermometer,** which highlights progress made at regional level on a number of key indicators.

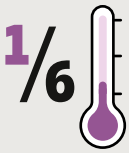
Regional Thermometer: more cohesion for a stronger Europe

With the second edition of the Regional Thermometer, the European Committee of the Regions offers a concise overview of key regional statistics linked to the European Semester. Focusing on the sub-national level, it reveals an uneven pattern of regional progress: though **most regions registered GDP growth (in current market prices per inhabitant),** only 12% of regions improved across six of the seven indicators, while most made progress in just three or four, highlighting **persistent disparities in overall performance.**

Overall, the results suggest mixed progress across regions. While economic growth and reductions in greenhouse gas emissions have been recorded in many regions, improvement in employment and social outcomes have been less consistent. Population ageing remains the clearest common challenge across European regions.



1 in 2 EU regions have suffered an increase of Poverty or social-exclusion risk



1 in 6 of EU regions **became more vulnerable**



1 in 3 EU regions **have not reduced GHG emissions**



More than half of region saw **employment and labour-market conditions deteriorate**



95% of EU regions recorded rising old-age pressure confirming **population ageing as a shared and growing issue**

Figure 2 — Regional Thermometer on Development: changes in recent years
Analysis based on the following indicators: Regional gross domestic product (PPS per inhabitant) (2024 vs 2023); Unemployment rate (2025 vs 2024); Persons at risk of poverty or social exclusion (2025 vs 2024); Inability to face unexpected expenses (2025 vs 2024); Emissions by sector (2024 vs 2023); and Vulnerability Index (2025 vs 2024). The comparison between indicators has been made based on the two latest available sets of data.
Source: *CoR compilation based on indicators listed above. A full set of data is appended to the report.*

A growing sense of anxiety is spreading across local communities in Europe's cities and regions, as dependency on manufacturing risks translating into strained labour markets and economic insecurity[6]. The same goes for regions where agriculture is challenged by climate change, new trade barriers or the uneven impact of trade agreements.

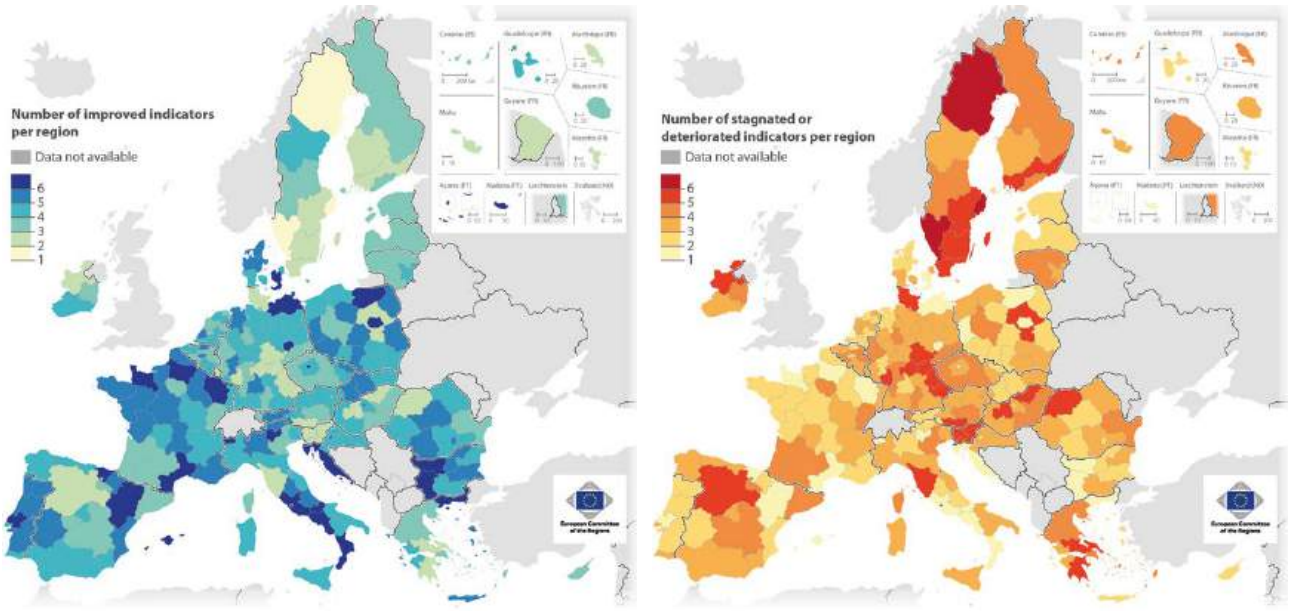


Figure 3 — Regional Thermometer: overall regional evolution in the selected indicators
Source: *Administrative boundaries: © EuroGeographies © OpenStreetMap*
Cartography: Eurostat – IMAGE, 08/2025

This anxiety does not follow the traditional geographical divides between east and west, north and south or between more and less developed regions. Rather, it cuts across many different types of territories, reflecting a broader sense of uncertainty about economic, social and technological transformation.

As a result, Europe's democratic resilience is increasingly at stake. When local and regional leaders lose confidence in the ability of the European project to improve the lives of their citizens and deliver tangible results, the EU risks weakening one of its most important sources of legitimacy. As the level of government closest to and trusted most by citizens, local and regional authorities play a vital role in fostering trust in European integration, managing the disruptive impacts of globalisation and transformation and maintaining social cohesion across the EU.

Identifying and addressing the aforementioned challenges is at the heart of this year's Annual Report on the State of Regions and Cities. The report showcases the ability and vital role of cities and regions as first movers and first responders in building competitiveness, strengthening resilience and safeguarding democracy.

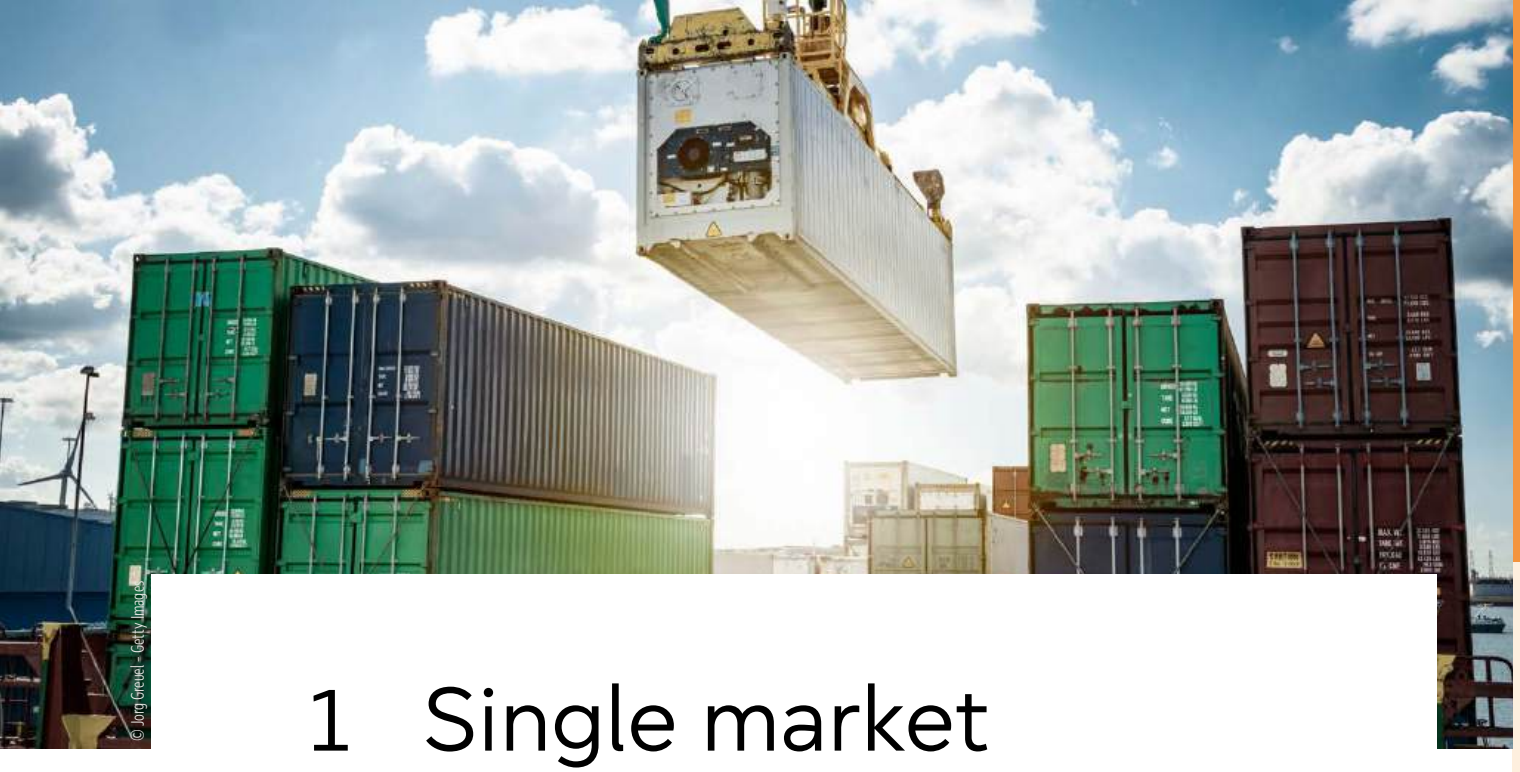
It also brings concrete local stories to the spotlight. These stories are a tribute to those who, day after day, help to improve their communities and, in doing so, help shape Europe's future and hope.

Above all, these stories remind us that places matter. They show that Europe's greatest asset lies in the creativity, commitment and resilience of its regions and cities.

Europe's future is built locally. A stronger Europe can only be achieved through stronger regions and cities.

CHAPTER 2

COMPETITIVENESS



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1 Single market and trade

61.4%
of trade in goods stays within the EU

5 times more
intra-EU trade could be unlocked by removing remaining border effects and barriers within the single market

95%
of public contracts are awarded nationally, revealing the untapped potential of cross-border public procurement

1.1 Current and future challenges

For over three decades, the single market has been making all EU regions and cities more prosperous. It represents one of the most tangible ways in which Europe affects its citizens' everyday lives – so much so that its benefits are often taken for granted. Without one European market there would be higher prices and less choice for consumers, fewer opportunities, reduced access to critical skills, goods and materials for businesses and workers.

The single market has been an engine for growth in regions and convergence between them, fuelled by goods and services seamlessly crossing EU borders. Cohesion policy has flanked the single market by compensating for market failures, balancing out the concentration of benefits in the most developed

core regions and providing less developed and peripheral regions with investment strategies for developing infrastructure, competitiveness and human capital. This interconnected economic space remains the backbone of European integration: in 2025, 61.4% of EU countries' trade in goods took place within the EU itself[7].

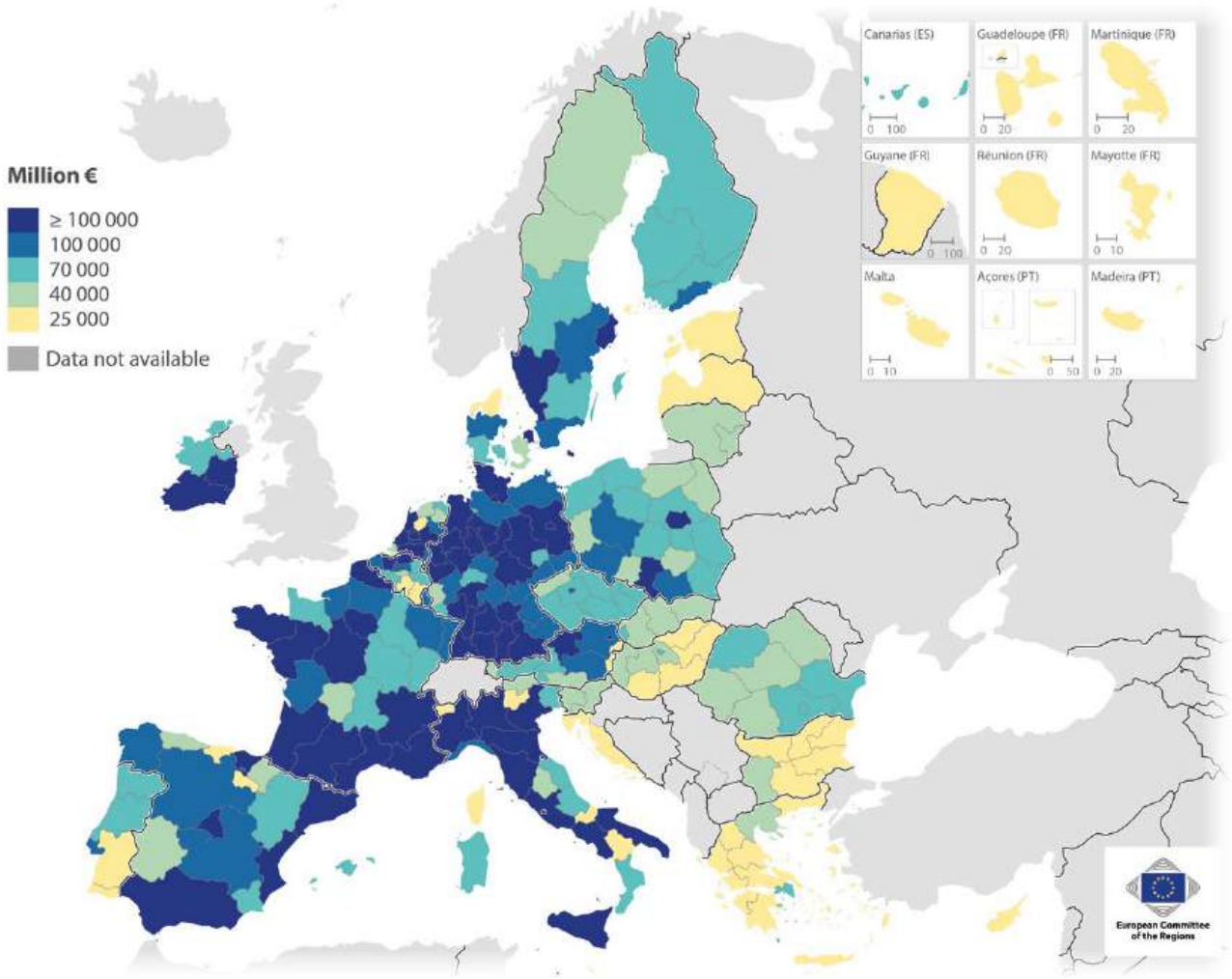

Figure 4 — Interregional exports, total exports to other NUTS 2 regions, all sectors (million EUR)
By NUTS 2 regions (2021 classification)
Source: *Data retrieved from JRC FIGARO_REG data, 2022*
Administrative boundaries @EuroGeographics @UN-FAO @Turkstat
Cartography: Eurostat- IMAGE, 07/2026

However, the single market is under external and internal pressure. Persistent barriers between Member States have the same effect as tariffs. There is still a significant border effect within the single market, and internal trade flows have been reduced by 5.71 times[8]. At the same time, regions caught in 'development traps' risk falling even further behind if they are deprived of an efficient cohesion policy, even more so if subsidies in wealthier EU Member States are increasingly used as the default quick fix for crises and thereby further distort markets and provide some regions with unfair comparative advantages.

While international trade has been a major driver of the EU's economic growth, the global trade environment is becoming increasingly challenging. European companies selling products and services abroad often face significant obstacles, including complex foreign standards, burdensome certification requirements, administrative barriers and mounting protectionism measures. At the same time, in a world marked by geopolitical uncertainty, repeated crises and growing disregard for international rules, doing business has become more difficult than ever. The EU struggles to preserve an open and rules-based trading system and the impact is not felt equally. Regions that are heavily dependent on international trade are often the first to feel the impact, with the risk of deepening existing disparities and leaving vulnerable territories further behind.

The rapid growth of low-value cross-border e-commerce from third countries is also reshaping Europe's territories. The billions of small parcels entering the EU each year intensify competitive pressure on local retailers and create additional demands on local waste and recycling systems, urban logistics and last-mile transport. The decline of physical retail can in turn affect employment, town-centre vitality and the social and economic resilience of communities. Ensuring a level playing field between global online platforms and local businesses is therefore not only a matter of consumer, customs or trade policy, but also of territorial cohesion and sustainable local development. The new EU customs framework responds to the huge volume of small parcels and the difficulty of ensuring compliance and product safety, but the environmental, infrastructure and social costs of new consumption and delivery models must not be disproportionately borne by cities and regions.

US tariffs on EU agri-food exports disproportionately affect highly specialised and export-dependent regions. This is the case for wine and spirits producing regions such as Veneto or Champagne-Ardenne or for olive oil producing regions such as Andalusia. Producing around 70-80% of Spain's olive oil, Andalusia relies heavily on the US market, which accounted for 19.1% of its olive oil exports in 2024 (EUR 806 million), representing the single most important destination market for both olive oil and olives. Tariffs are projected to reduce exports by 1.7% for olive oil and 4.2% for olives, resulting in lower output in these sectors[9]. This shows how tariffs and trade barriers can lead to reduced competitiveness as well as jobs and income losses being concentrated in specific territories rather than evenly across the EU.

The uneven regional impacts of trade on regions help explain why EU trade agreements remain both strategically important and politically sensitive. While they create new market opportunities and support economic growth, they also raise concerns among primary producers, consumers and regions that are particularly exposed to international competition. The ongoing 'Made in Europe' debate adds another layer of complexity, as its territorial impacts remain uncertain: well-designed 'Made in Europe' requirements have the potential to strengthen strategic autonomy, economic security and industrial resilience and create high-quality jobs for European regions. At the same time, some regions could become more vulnerable to third country retaliation, limiting their access to key export markets and thus weakening their competitive position. Striking the right balance between industrial resilience and trade openness will therefore be essential to ensure that all regions can remain competitive in an increasingly fragmented global economy.

1.2 Regions and cities at work

Regions and cities are not bystanders: they help ensure that the single market works across their territories. Greater Copenhagen is a successful example of cross-border single market integration. It benefits from the opening of the Öresund Bridge between Sweden and Denmark in 2000. 89 local and regional council chairs and mayors from Sweden and Denmark work together to transform their metropolitan region and help their businesses and citizens move freely across the border. In this way they aim to create the best conditions for their territory to attract investment, create innovation and ultimately become more competitive.

Too often, red tape stands in the way of single market objectives and fragments it even further. Regions and cities are at the forefront of much-needed simplification efforts on the ground. In 2025, the region of Madrid received half of all foreign direct investments in Spain. One of the region's flagship initiatives to create a business-friendly rulebook is its *hotline against overregulation*[10], which contributed to 540 measures being taken to remove administrative obstacles. Regions also contribute to these efforts in Brussels, notably through initiatives such as the *CoR's Regional Hubs network*[11], which will feed into the European Commission's new Simplification Platform.

Local and regional initiatives support businesses going abroad but also help attract investment and programmes from across Europe. Emilia-Romagna, for example, is Italy's leading export region. The region's economy is well integrated into international markets and has a GDP per capita above both the Italian and EU averages. Its well-known major sectors of excellence include manufacturing, machinery, automotive and food. Emilia-Romagna promotes simplification and transparency to ensure easy and fast procedures for businesses and citizens. It does so with regional investment laws, targeted contact points and initiatives such as *Invest in Emilia-Romagna*[12].

Public procurement is another good example of the single market's untapped potential where regions and cities will play their part. Despite the single market being in place for over 30 years, 95% of public contracts are still awarded to companies from the buying authority's Member State[13] (see Figure 5). Making a European market for public contracts a reality will be an objective of the new Public Procurement Act. As regions and local authorities oversee half of the public procurement in Europe, their role will be key in implementing the new act.

Regions and cities are indispensable partners in achieving the objectives of the EU's single market policies. The success of the Single Market Strategy, the Single Market and Customs Programme and the One Europe, One Market roadmap will depend on them. More than any other level of government, regions and cities understand what barriers and obstacles to the single market look like in practice.

Regions can help local producers move up the value chain by improving access to a skilled workforce, financing and innovation. They can support investments in product quality, processing capacity, traceability and market development, enabling businesses to retain a larger share of value locally and compete more effectively in an increasingly challenging trade environment.

Regions and cities can also encourage complementary activities such as agritourism and short supply chains, helping local communities diversify their income sources and strengthen their resilience to external shocks.

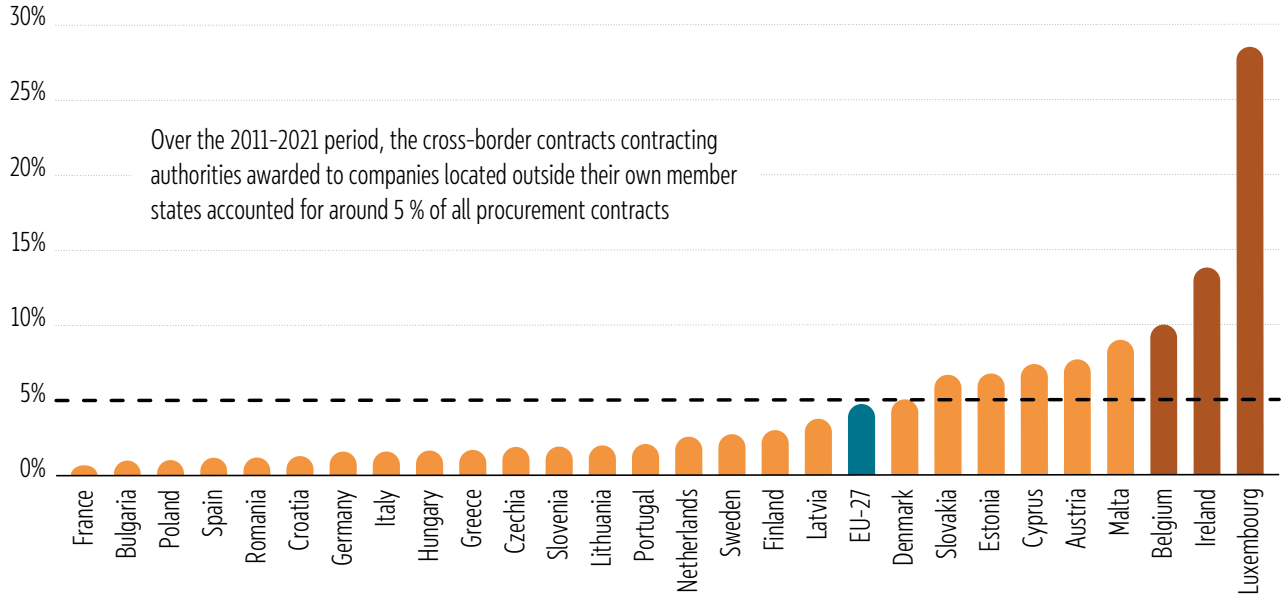

Figure 5 — Average direct cross-border exchanges, % of public contracts awarded outside own Member State, 2011-2021
Source: *ECA calculations based on TED database (2023)*[14]

Regions and cities are key to unlocking the potential of geographical indications. As highlighted in the recent CoR study, local and regional authorities can play a decisive role in supporting the recognition, development and promotion of geographical-indication-protected products[15]. Through technical assistance, coordination and targeted support, they help producers build on local know-how and territorial identity, creating new opportunities for rural development while showcasing Europe's rich regional diversity.

Regional cluster delivers European industrial and innovation policies

Carinthia, Austria

Carinthian SMEs often lacked time or resources to navigate complex EU funding applications for digital and sustainable transitions. The regional government created the SILICON ALPS Cluster, uniting over 140 companies in the electronics industry, and developed Peak Performer Carinthia: structured audits, tailored action plans, cascade funding and direct consultancy, without additional administrative burden. Financed through the European Regional Development Fund (ERDF) and the Just Transition Fund, the model represents a successful instrument for a regional innovation ecosystem, thus making the single market more competitive.

Businesses develop skills tailored to their needs through a regional support scheme

West Pomerania, Poland

SMEs across West Pomerania face growing skills gaps driven by the digital and green transitions. With ESF+ support, the West Pomeranian Voivodeship runs a demand-driven scheme allowing businesses to identify their own needs and select training, advisory or other services from the national Development Services Database (BUR). The Koszalin Regional Development Agency guides SMEs through the entire process, from application to reimbursement. The project, with a total value of EUR 9 million, of which EUR 7.6 million in EU funding, has so far supported 1,220 SMEs and 4,583 employees across the region, helping businesses invest in skills that respond to their needs and strengthening their adaptability and competitiveness.

1.3 What regions and cities ask for

- **Strengthening the territorial dimension of single market governance** by including local and regional authorities in the Single Market Enforcement Task Force, systematically involving the CoR in single market implementation dialogues, and carrying out ex-ante territorial impact assessments of single market legislation.
- **Integrating local and regional evidence into the Single Market and Customs Programme** to ensure that funded actions better reflect territorial needs, challenges and opportunities.
- **Developing and deploying territorial impact assessment tools** to help anticipate and respond to trade-related disruptions at regional level, including the effects of tariffs, foreign subsidies and supply chain shifts.
- **Adapting common agricultural policy (CAP) crisis instruments to territorial needs** by providing targeted support for regions and sectors disproportionately affected by trade tensions and market disruptions.
- **Integrating trade-risk analysis into regional development and smart specialisation strategies** to strengthen economic resilience and preparedness for external shocks.
- **Improving export readiness and competitiveness** through enhanced advisory services, market intelligence, capacity building and tailored support for SMEs and small producers.
- **Promoting market diversification and higher-value-added production** by supporting investments in quality, branding, traceability and processing, particularly in export-oriented agricultural sectors.



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2 Industry, innovation and energy

30 million
Europeans depend on manufacturing jobs

A EUR **4.6 billion**
decline in EU chemical exports in early 2026 compared to 2025 highlights industrial challenges

47.3 %
of electricity is produced from renewable sources, indicating the energy transition is happening

2.1 Current and future challenges

Industry is the cornerstone of Europe's economy. Key industrial sectors, such as manufacturing, automotive and pharmaceuticals, and energy-intensive sectors such as chemicals, steel and cement, anchor regional economies, sustain high-quality employment and underpin Europe's social cohesion. At the same time, they are critical to maintaining the EU's strategic autonomy, ensuring that Europe can produce essential goods, drive innovation and remain competitive on a global scale. In 2024, manufacturing employed just over 30 million people, with the highest numbers in Germany and France.

EU industrial regions are facing growing economic and geopolitical pressures. Since 2022, production has followed a downward trend[16], which is felt most strongly by 67 regions largely based in Germany, Slovakia and Estonia.

There is an increasing territorial divergence in EU manufacturing across industrial regions. Between 2019 and 2024, growth in manufacturing employment was concentrated primarily in Central and Eastern European regions, many of which combine a strong industrial base with continued expansion, reinforcing their position as emerging industrial hubs. In contrast, several traditional industrial regions in Western Europe are experiencing economic and industrial deterioration, accompanied by job losses, despite their long-standing industrial legacy. This trend underscores the need for targeted, placebased investments to support industrial transformation across regions (see Figure 6).

High energy prices are recognised as a serious concern for energy-intensive industries. For instance, in 2024, electricity prices for the most electricity-intensive industries in the EU were much lower than in 2022 and slightly lower than in 2023, but still 65% higher than in 2019. They were also twice as expensive as in the United States and 50% higher than in China, putting additional pressure on the competitiveness of European producers and highlighting the need for a more affordable, resilient and domestically produced energy system[17].

Local and regional authorities play a key role in safeguarding production, supporting the transformation of strategic industrial sites, enabling decarbonisation and helping turn the EU policy framework into industrial reality. Energy competitiveness and affordability can only be achieved if the current energy legislation is properly assessed and implemented in regions and cities.

The prosperity of Europe and its regions will depend on the ability to innovate. As highlighted by Mario Draghi[18], a key challenge for industries and SMEs lies in bringing innovative technologies from the research and development stage to market deployment. This is constrained by fragmented regulation, supply chain dependencies and significant disparities in innovation capacity across EU regions. Addressing these gaps requires greater alignment and coordination across local, national and EU levels.

Europe's innovation performance is strong but it is lagging behind its competitors with regard to investing and utilising innovative technologies[19]. Some leading regions such as North Rhine-Westphalia (Cologne) and Baden-Württemberg (Karlsruhe) in Germany illustrate Europe's potential, ranking among Europe's top regional performers in public R&D investment and employment in innovative enterprises. This highlights the need to better connect research strengths with industrial transformation[20].

High production costs and, sometimes, insufficient investment in innovative technologies undermine the competitiveness of several industrial regions. The slow and insufficient investment in sustainability and innovative technologies is hindering the transition towards more competitive and resilient regions. The chemicals sector illustrates the scale of this challenge. Between 2022 and 2025, the industry experienced widespread site closures and closure announcements, representing around 9% of European chemical production capacity, while investment capacity fell sharply from 2.7 million tonnes in 2022 to just 0.3 million tonnes in 2025. In early 2026, EU chemical exports fell by EUR 4.6bn (-12.4%) and imports declined by EUR 4.8bn (-15.7%) when compared with 2025, reflecting growing competitive pressures and a weakening EU position in global markets[21].

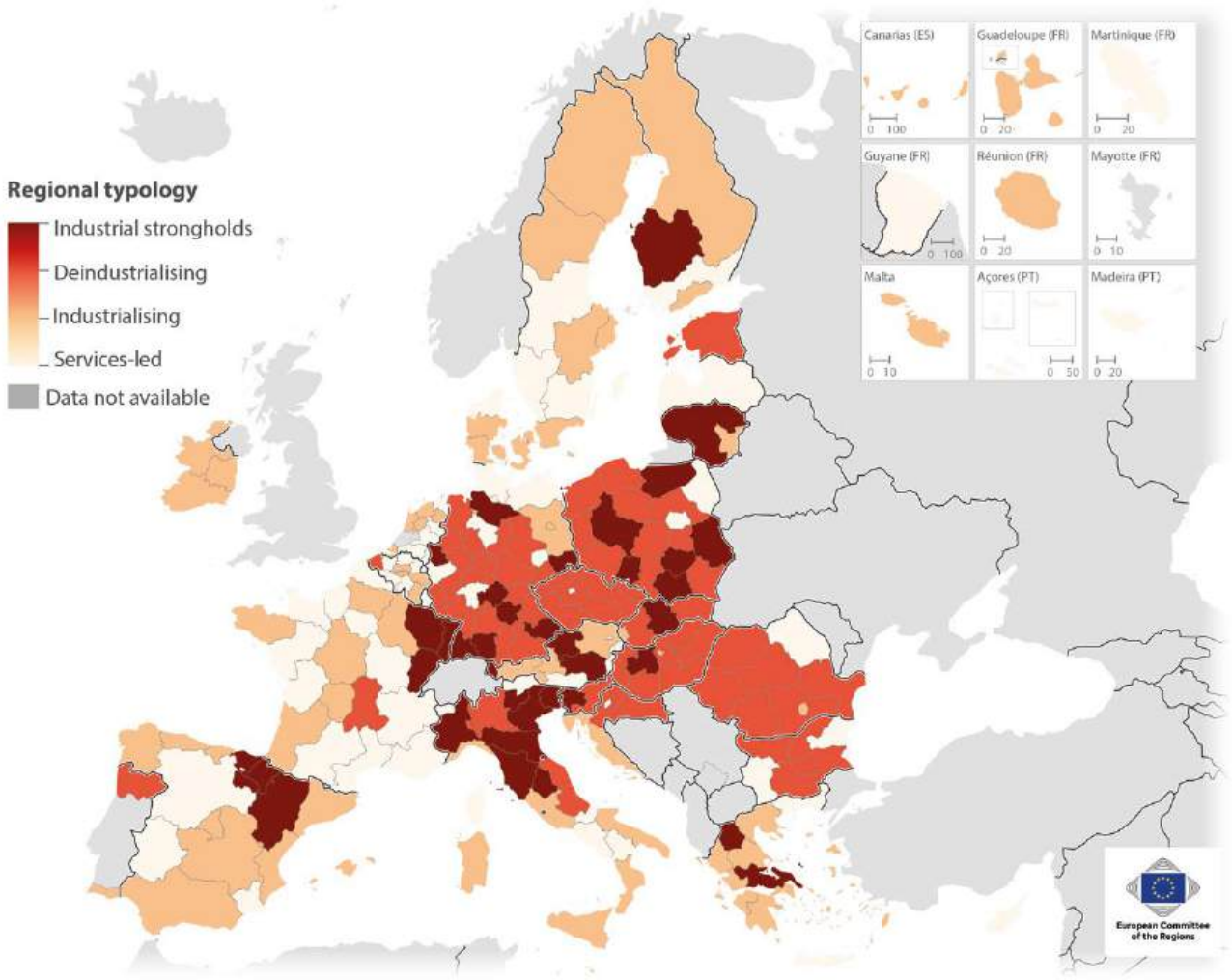

Figure 6 — Manufacturing employment dynamics in the EU 2019-2024
By NUTS 2 regions (2021 classification)

1. Industrial Strongholds: Above-average manufacturing employment share (≥17.4%) and manufacturing employment growth
2. Deindustrialising: Above-average manufacturing employment share (≥17.4%) and manufacturing employment decline
3. Industrialising: Below-average manufacturing employment share (<17.4%) and manufacturing employment growth
4. Services-led: Below-average manufacturing employment share (<17.4%) and manufacturing employment decline

Source: *Data retrieved from Eurostat (dataset code lfst_r_lfe2en2), based on Rodríguez-Pose and Bartalucci (2026)[22]. Administrative boundaries @EuroGeographics @UN-FAO @Turkstat*
Cartography: Eurostat- IMAGE, 07/2026

If these trends continue, there is a high risk of accelerating deindustrialisation, making regions less selfsufficient and increasing their reliance on imports. Local economies could weaken, disparities between regions could increase and many areas could lose valuable jobs. To address these challenges, local and regional authorities can play a key role, notably in supporting lead markets for sustainable products through public procurement. By incorporating non-price criteria, such as low-carbon content, circularity requirements and 'Made in EU' considerations, procurement frameworks can provide the long-term market certainty needed to stimulate investment.

2.2 Regions and cities at work

Cohesion policy has long supported the green and digital transition in Europe's industrial regions, with instruments such as the ERDF, European Social Fund (ESF) and the Just Transition Fund (JTF) aligning investment with local needs and strengthening industrial ecosystems. These programmes have driven innovation, supported workforce reskilling and modernised infrastructure, helping regions adopt cleaner technologies and more sustainable production. However, further investment is needed to scale up this transition and enhance Europe's competitiveness, including by strengthening public investment and creating a stable regulatory and market environment that encourages responsible long-term private investment.

At the same time, investment decisions often overlook regional attractiveness factors and their broader impact on regional development. A more cohesive, place-based approach, which goes beyond fiscal considerations and integrates labour market, land use, digitalisation, education and environmental objectives, is essential. This requires closer alignment between EU industrial and cohesion policies, ensuring that investments support regional strategy objectives while avoiding excessive centralisation[23].

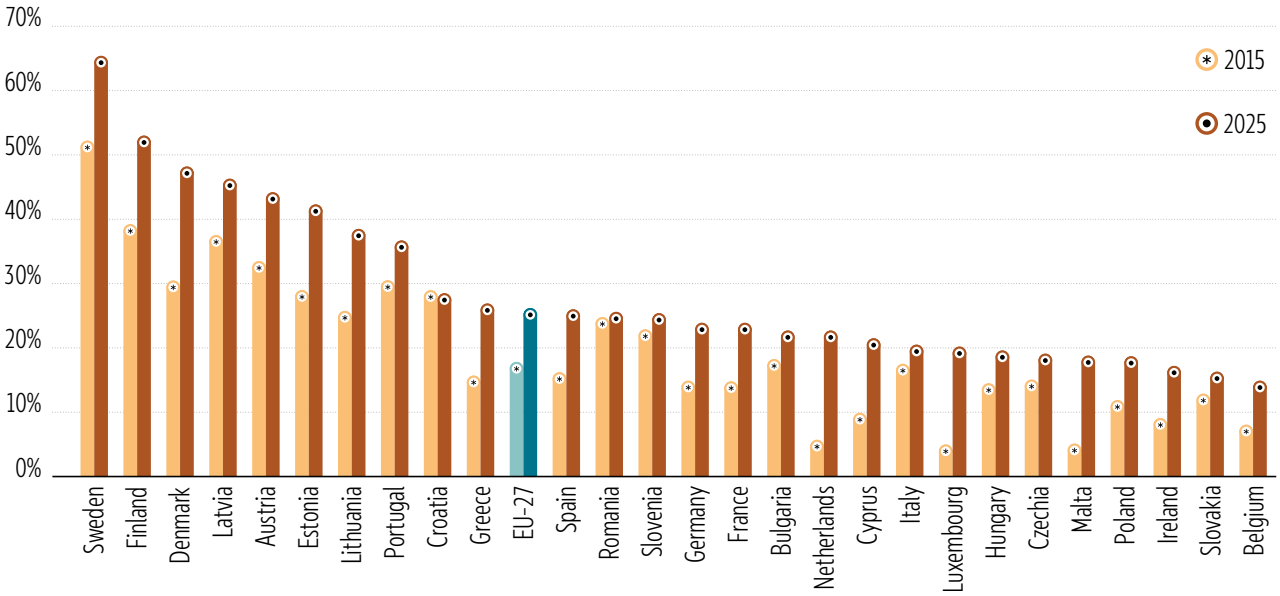

Figure 7 — Share of renewable energy in 2015 and 2025, % of gross final energy consumption
Source: *Data retrieved from Eurostat (dataset code nrg_ind_ren)*

Regions and cities are central to Europe's transition to renewable energy. Ensuring access to secure, stable and affordable energy through targeted investment in decarbonisation technologies is essential. In 2025, 47.3% of the electricity generated in the EU came from renewable sources[24]. However, despite progress over the past decade, some Member States remain heavily reliant on non-renewable sources of energy (see Figure 7).

Low-carbon hydrogen is becoming a key enabler of Europe's industrial decarbonisation and clean energy transition with hydrogen valleys emerging

as important drivers of regional industrial innovation. Through cooperation between regional authorities and industry, projects such as IMAGHyNE[25] in Auvergne-Rhône-Alpes, TRIĒRĒS[26] in the Peloponnese and TH2ICINO[27] in Lombardy, are linking hydrogen production, transport, storage and end-use applications. Supported by the EU Clean Hydrogen Partnership, these initiatives attract investment, accelerate the deployment of renewable energy and turn EU climate ambitions into concrete local action.

Shifting to renewable energy sources can yield substantial socio-economic advantages at the local and regional levels, such as job growth, increased GDP and enhanced community prosperity. Local and regional authorities manage key levers such as public procurement, permitting and infrastructure planning to facilitate this. The extent of local involvement and ownership in renewable projects plays a crucial role in realising these benefits, as regions that ensure that local actors and businesses have a stake in energy resources tend to see more direct economic gains.

Smart specialisation strategies are a key instrument of cohesion policy aimed at strengthening regional innovation ecosystems and allowing regions to build on their existing strengths. In practice, they have proven effective in aligning research and innovation capacities with the needs of industry to decarbonise. In Wallonia, Belgium, this approach has been implemented through the development of innovation clusters based on a multilevel governance model that brings together regional authorities, industry, SMEs and research institutions[28].

One of the challenges for the upcoming NRPPs will be to support the decarbonisation of industrial regions by aligning industrial, energy and innovation investments with place-based regional strengths and transition needs. They should help regions mobilise funding to develop innovative technologies and adopt clean industrial processes.

Industrial regions often face similar challenges, making dialogue across sectors essential. Alliances and clusters, such as those in the automotive, steel and chemicals sectors, bring together regional stakeholders to develop coordinated solutions tailored to local and regional needs. Take Catalonia, for example, whose automotive sector in 2023 employed over 31 000 people and generated EUR 20.1 billion in turnover, equivalent to 7.1% of the region's GDP. Supported by the Catalan Automotive Industry Cluster, which comprises 365 companies and organisations, this alliance brings together industry, academia and public authorities that cooperate to promote innovation, strengthen local supply chains and support the sector's transition towards cleaner and more digital forms of mobility[29].

Industrial transformation requires strong regional skills ecosystems and training capacity, particularly in transitioning regions. Therefore, industrial policy must support regional skills plans and training programmes linked to emerging industrial needs, which are essential to ensure that workers in declining sectors can access new employment opportunities and new companies can find the workforce they are looking for.

A just transition perspective is essential to ensure that industrial transformation does not exacerbate territorial inequalities. The transition to decarbonised sources of energy has uneven effects across regions, depending on their industrial structure, workforce composition and skills

base, and the capacity of governments and local and regional authorities. Therefore, a place-based approach is required to support economic diversification to create alternative employment opportunities, while developing programmes to allow workers to up- and reskill in green sectors, particularly in regions facing industrial decline.

Regions are best placed to reinforce Europe's longterm strategic autonomy and competitiveness goals. They understand local industrial ecosystems and value chains, and manage critical enablers such as land use, energy infrastructure and permitting. An effective European industrial policy is therefore not possible without placing local and regional authorities at the heart of its governance and implementation.

Ten municipalities turn trash into shared clean energy

Matosinhos, Portugal

Rising energy costs and volatile markets pushed municipalities in Northern Portugal to seek greater energy autonomy, while non-recyclable urban waste sat as an underused resource. Matosinhos, together with 9 other municipalities and 19 founding entities, launched ENNO, Portugal's largest Renewable Energy Community, converting waste-to-energy output into shared electricity across the territory. The result: around 160 GWh distributed annually, equivalent to the electricity consumption of Matosinhos, cutting emissions and combating energy poverty while turning local authorities from passive consumers into active energy producers.

From brain drain to innovation valley

Košice self-governing region, Slovak Republic

Eastern Slovakia was losing its young talent, with no infrastructure to turn ideas into businesses. The Košice region, city and three universities joined forces to build a regional innovation ecosystem, with school programmes, accelerators and a coworking campus to boost innovation and entrepreneurial capacity. Nearly EUR 12 million in funding followed, alongside EU recognition as a regional innovation valley. Košice turned an outflow crisis in a post-industrial region into a European innovation success story.

2.3 What regions and cities ask for

- **Applying a place-based approach to guide the prioritisation of EU industrial investment and the implementation of the Made in EU regulation**, including funding under the Industrial Acceleration Act, the European Competitiveness Fund and the future MFF.
- **Adopting a stronger territorial dimension to the NRPPs, aligning these plans with existing and upcoming financial initiatives to further support regional industrial decarbonisation**. Particular attention should be given to industrial regions that are lagging behind or not covered by existing initiatives, ensuring they receive support to maintain and enhance their competitiveness.
- **Mobilising public and private investment to support the decarbonisation of industry in industrial regions**, supported by updated public procurement rules and the flexible use of State aid and leveraging funding from the EIB and Industrial Decarbonisation Bank to unlock large-scale sustainable energy solutions.
- **Strengthening digitalisation and technical skills in local and regional administration** to ensure that authorities can effectively manage permit processes and contribute to integrated and decentralised energy planning.
- **Investing in the modernisation of grids, electrification and the expansion of energy storage infrastructure** to accelerate renewable energy integration and strengthen EU cohesion. Targeted investments in decentralised and flexible energy infrastructure can reduce bottlenecks, while simplifying and accelerating permitting procedures for renewable energy projects.
- **Ensuring a strengthened and more inclusive just transition framework as part of the next MFF**, fully embedded within cohesion policy with an expanded scope covering a broader range of sectors and regions, and ensuring adequate, predictable and long-term funding for EU industries.



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3 Rural development

Nearly **30%** of the EU population lives in rural areas, which together cover around 80% of the EU's territory

Only **10.7%** of EU farmers are under **40** years of age

Up to **6.4 million** farms could be lost across the EU by 2040

3.1 Current and future challenges

Rural regions – accounting for 30% of the EU's population and 80% of its territory – are at the heart of Europe's future, providing food security, driving the transition to renewable energy, safeguarding biodiversity and natural resources, and preserving much of Europe's cultural heritage. Yet their specific challenges and structural weaknesses, from demographic change, climate-related pressures and ecosystem degradation to limited-service provision, connectivity gaps and labour shortages are not sufficiently considered when designing policies, and risk further deepening disparities.

A widening rural-urban divide, driven by decades of underinvestment across key sectors, is increasingly threatening the EU's economic, social and territorial cohesion. This challenge is particularly concerning in the context of negotiations on the 2028–2034 MFF, as the proposed funding architecture risks weakening the territorial focus of EU investment and increasing competition between rural development and other policy priorities.

An innovation gap further illustrates differential trends in urban and rural regions. Except for some rural frontrunners, investment in research and development is largely concentrated in urban regions. They spend on average around 2.4% of their GDP on research and innovation, compared to the 1.6% spent by rural regions (see Figure 8)[30].

Depopulation of rural areas both reflects and reinforces economic decline and the withdrawal of essential services. While demographic change will affect all regions, rural areas will face the sharpest impact: 84.5% of predominantly rural regions are projected to lose population by 2050, with an average decline of more than 9%.[31] Growing medical and education deserts, coupled with limited access to transport, connectivity and care services, are placing increasing pressure on social cohesion and territorial justice. As opportunities diminish, many young people leave in search of better prospects, raising concerns about intergenerational fairness, as younger and future generations face increasingly unequal access to opportunities and essential services across territories, the 'right to stay', and the long-term viability of rural communities (see section 'Demography and the right to stay').

The EU could lose up to 6.4 million farms by 2040 as the 'right to stay' crisis becomes more acute and insufficient generational renewal undermines the economic future of key sectors such as agriculture and fisheries, and climate and environmental pressures further weaken the viability of farms[32]. The figures are stark: between 2010 and 2020, the EU lost 1.1 million young farmers. In 2023, only 10.7% of farmers were under the age of 40, while the average farmer was 57 years old[33]. Women accounted for just 2.5% of young farm managers, showing a persistent structural gender gap[34]. This trend is compounded by a steady decline in the overall number of farms and farmers.

The loss of farmers and farms impacts levels of agricultural production, rural employment, quality of land management and environmental stewardship. It affects all Member States, but to different degrees. Austria, Finland and Luxembourg are in a relatively more favourable position. By contrast, Spain, Malta, Italy, Portugal, Greece, Romania and Cyprus face sharper declines, both in the number of farms and in the share of young farmers. Austria has the highest proportion of young farmers in the EU. More than 20% of its farmers are under 40, around twice the EU average. This is largely due to the country's dense network of agricultural schools, sustained investment in skills development, and a pension system that encourages farm succession. Yet even Austria reflects the broader EU trend, with a declining number of farms and a persistent high share of older farmers[35].

Regional differences show that policy choices matter. In some regions, such as Oberösterreich in Austria and Franche-Comté in France, young farmers manage more than one in four farms. In many southern and western regions, however, they account for fewer than one in ten. This underlines the importance of sustained EU, national and regional measures that are adapted to local conditions.

A lack of diversification keeps many rural areas economically vulnerable. **Certain territories are highly specialised and dependent on a narrow range of sectors or export markets.** Recent geopolitical developments, rising energy and input costs, climate-related pressures and trade disruptions affecting

EU agrifood exports have highlighted their exposure to external shocks[36]. Small producers and cooperatives are especially affected due to razor-thin margins and weaker bargaining power.

At the same time, economic diversification opportunities remain under-exploited. Sectors such as bioeconomy, rural tourism, blue economy, renewable energy production and circular activities show strong potential, but development remains uneven due to skills shortages, limited access to finance and fragmented policy support.

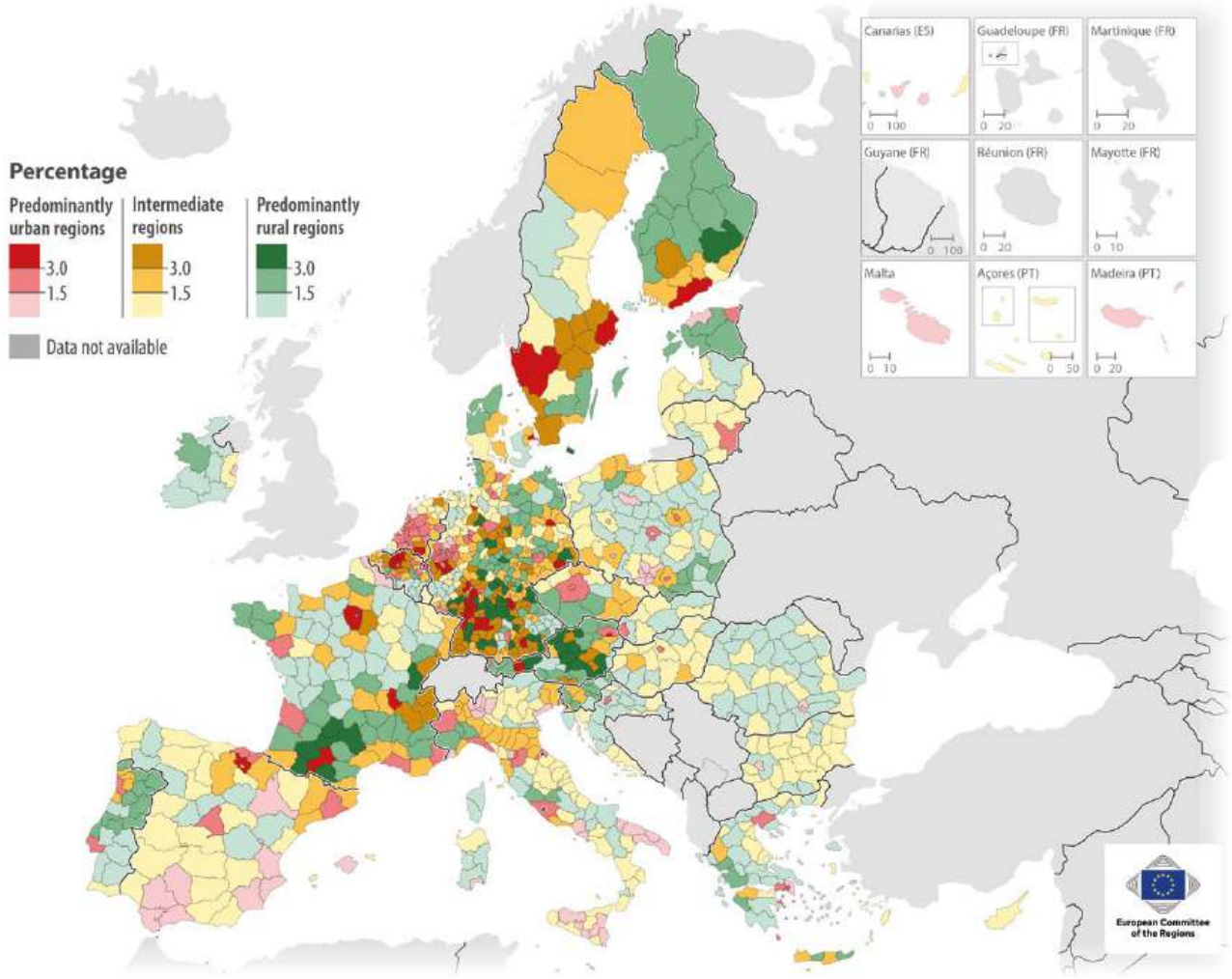

Figure 8 — R&D expenditure, % of GDP
By NUTS 3 regions and urban rural typology (2021 classification)
Source: *CoR compilation based on European Commission, Joint Research Centre (2026)*[37]

Governance, funding and data challenges further hamper rural development. As a matter of fact, rural development has increasingly been absorbed into sectoral or centralised frameworks, reducing its visibility as a distinct territorial objective. In cohesion policy, the absence of systematic territorial tagging makes it difficult to assess how much funding reaches rural areas.

3.2 Regions and cities at work

Local and regional authorities are essential partners in turning Europe's policy ambitions into tangible results on the ground. Whether through the long-term vision for rural areas, the Rural Pact or the recently adopted EU Strategy for Generational Renewal in Agriculture, success depends on a bottom-up, well-resourced partnership that mobilises local stakeholders and empowers communities to drive change.

Rural local energy communities illustrate how innovation can emerge from territorial partnerships. The lighthouse initiative in the 'smart rural village' at Stanz im Mürztal, in the Austrian region of Styria, established a local energy community fed by a 100% local energy supply, integrated with a smart mobility solution. A municipal e-taxi service operates at affordable rates thanks to the support of 18 volunteer drivers. A local energy token system that serves as a local currency, built on blockchain technology, has also been examined. Civil society initiatives and sustainable tourism complete the palette of initiatives, providing the municipality with renewed dynamism at environmental, economic and social levels.

Local and regional authorities are urgently needed as planners of rural development. They are best placed to design territorial strategies that reflect the specific needs and assets of rural areas. Place-based and integrated approaches, such as community-led local development (CLLD) and smart villages, rely on local knowledge and stakeholder engagement. At the same time, regions also contribute to regional and national programming frameworks, including CAP strategic plans, ensuring that regional disparities and territorial specificities are adequately reflected.

It is always at regional level that local action groups take shape through LEADER funding. In regions such as Andalusia, for example, 48 Grupos de Desarrollo Rural deploy key interventions to counter depopulation and job losses by supporting small businesses, skilling workers and supporting networks among rural entrepreneurs. They plant the seed for a 'neo-endogenous development tackling rural depopulation'[38].

Regions also play a vital role in facilitating generational renewal and farm start-ups. In Normandy, a young dairy farmer from Bois-Héroult was able to take over and expand a family farm with the support of an installation aid for young farmers, co-financed by the EU's Common Agricultural Policy (CAP), the French State and the Normandy region. The scheme played a key role in reassuring banks and facilitating access to credit, enabling the young farmer to build a sustainable future in farming[39].

Regions and local authorities play another essential role as implementers and enforcers. They help ensure compliance with environmental, climate and social standards. This includes enforcing CAP requirements related to sustainable farming practices, biodiversity and climate adaptation, as well as implementing EU rules on public services and infrastructure provision. Their role also extends to ensuring that the green and digital transitions are anchored in rural territories, supporting sectors with untapped potential, such as the bioeconomy and sustainable tourism. Through this role, they ensure that EU objectives are translated into tangible outcomes at local level[40].

A key contribution of regions and local authorities also lies in enhancing societal resilience. They enable rural territories to guarantee EU food security through sustainable land management, resilient local food systems and circular economy initiatives. At the same time, they address major service gaps, such as in healthcare, transport, education and culture, by promoting innovative solutions, where possible. These include telemedicine, mobile services and integrated service hubs connecting health, social care and transport.

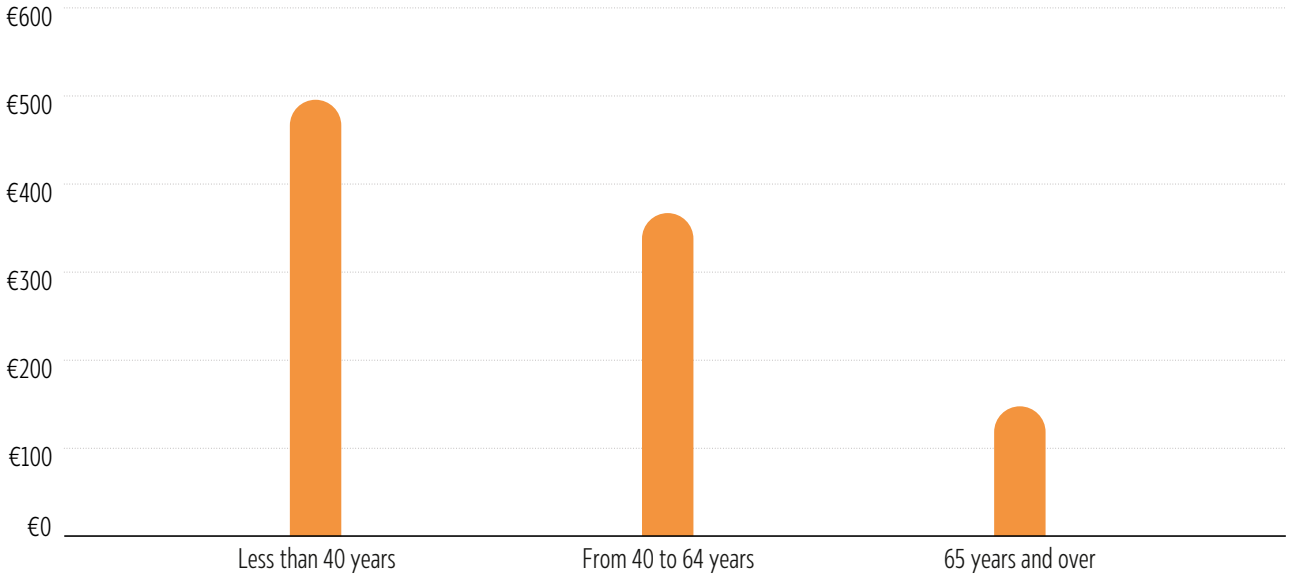

Figure 9 — Gross investment (EUR) in fixed assets per hectare, by age group of farm manager in the EU, data average 2021–2023
Source: *European Commission (2025)*[41]

Despite this central role, regions and local authorities face significant challenges in implementing EU and national policies. The next MFF risks exacerbating some of the challenges. For example, centralisation and administrative complexity can preclude the flexibility necessary to adapt interventions to local needs. Insufficient funding, fragmentation of financial instruments and lack of clear rural definitions further complicate territorial planning and policy delivery. In addition, structural challenges such as demographic change, ageing populations and the outmigration of young people require holistic policies and multilevel governance, but are often left out of the scope of local and regional authorities.

Regional and local authorities can make a positive difference to EU policies and objectives under a few conditions: adequate funding, stronger policy coherence, simplification and genuine empowerment. Meeting these conditions is essential to keep rural areas vibrant, resilient and attractive places to live and work.

Young people show farming has a future

Castilla-La Mancha, Spain

Farmers across this rural region were ageing out, threatening the continuity of the sector and depopulation. The regional government responded with five funding rounds worth EUR 225 million over a decade, backed by fast payments and free digital-skills training. Over 5 300 young farmers decided to make agriculture and livestock farming their future, representing half of all young people taking up farming in Spain. Castilla-La Mancha now proves farming has a next generation.

Rural cooperative doubles production with cohesion funds

Nouvelle-Aquitaine, France

In Oradour-sur-Vayres, a rural town of 1 500 inhabitants, SCOPEMA, a leading European motorhome-seat manufacturer, could not meet demand because of strong market competition requiring modernisation, and saturation of production capacity requiring larger surfaces. Its survival was at risk. With EUR 1.86 million in ERDF funding, the cooperative quadrupled its workshop space to produce larger quantities and develop research and innovation. Production doubled, 80% of which is for export, and 160 jobs will follow within five years.

3.3 What regions and cities ask for

- **Ensuring economic diversification to create quality jobs in rural areas**, retaining value locally and avoiding extractive models that bypass local communities.
- **Promoting rural development with adequate, identifiable and stable EU resources beyond 2027**, proportionate to rural areas' demographic needs, territorial extent and strategic contribution.
- **Securing a specific minimum budget for young farmers at around 10% of the overall CAP budget**, with a focus on new entrants.
- **Safeguarding and developing instruments such as LEADER / Community-Led Local Development schemes**, which foster strong involvement of local and regional authorities and multilevel governance at all stages: design, implementation and monitoring. 20% of the NRPPs' envelopes should be dedicated to these instruments.
- **Strengthening rural proofing across EU policies**, including a clearer and common definition of rural areas and improved data on the impact of EU policies on rural territories.

CHAPTER 3

SECURITY AND RESILIENCE



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4 Crisis preparedness

EUR **69 billion** is the EU's estimated annual investment need for natural disaster prevention

EUR **2.4 trillion** in cumulative climate-related losses are projected between 2031 and 2050 under a high-warming scenario

Only **30%** of citizens in the Baltic Sea region feel adequately prepared for emergencies or crisis situations

4.1 Current and future challenges

The resilience of Europe depends on the preparedness and resilience of each of its regions. In recent years and months, disasters have affected Europe, causing thousands of casualties and tens of billions of euros in damages. Disaster losses are already greater than prevention spending, while a single large-scale natural disaster can absorb most of the annual financial capacity of the EU Solidarity Fund and exhaust the annual EU emergency capacity[42].

The EU's annual investment needs for natural disaster prevention alone are estimated at EUR 69 billion. Furthermore, there is a substantial funding gap ranging from EUR 13 to 50 billion to address the two costliest natural hazards – earthquakes and floods[43]. Be it climate-related disasters, geopolitical instability, hybrid attacks or even armed aggression, crises are becoming more frequent, complex and interconnected, leaving us increasingly exposed and vulnerable.

Europe invests billions in resilience but faces hundreds of billions in future risks. While the current estimated adaptation commitments in agriculture, energy and transport – among the sectors most vulnerable to climate change – are about EUR 15–16 billion a year, the estimated future needs could amount to EUR 53–137 billion a year by 2050[44]. Without scaling up preparedness, future damages will far exceed current investment levels.

Preparedness starts on the ground. The impacts of disasters and crises are first felt in European homes, cities and regions. Disaster losses are growing faster than public budgets, putting increasing pressure on finances at every level. While climate damage amounts to EUR 45 billion a year today, the 2031–2050 projection shows a staggering EUR 2.4 trillion in cumulative losses in a high-warming scenario[45]. The evidence shows that investment in resilience significantly reduces future disaster losses[46], yet still too often response is chosen over prevention and preparedness.

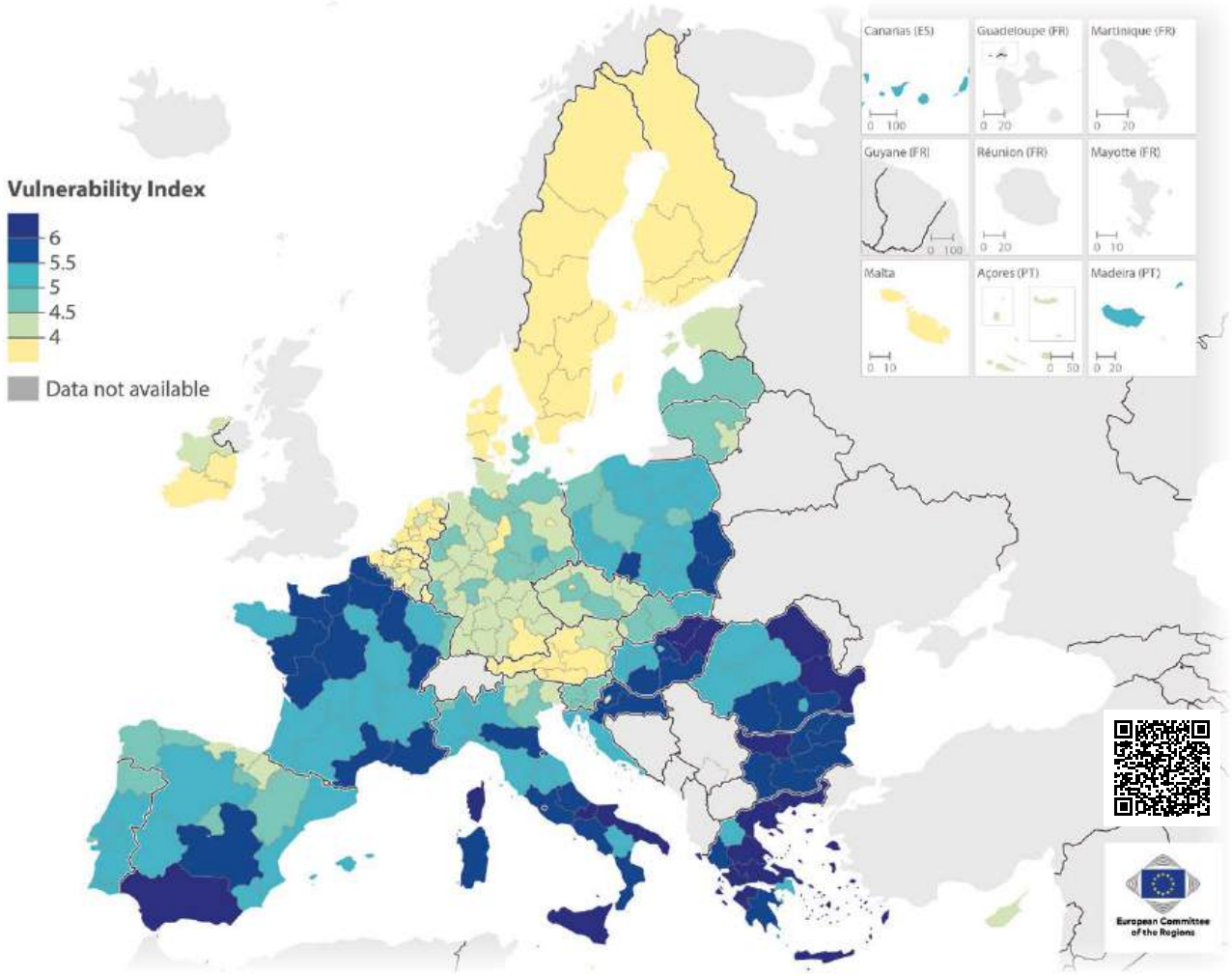

Figure 10 — Territorial vulnerability to disasters in the EU in 2025, Vulnerability Index
By NUTS 2 regions (2024 classification)
Scan the QR code to visit the Vulnerability Dashboard
Source: *European Commission, Joint Research Centre, Disaster Risk Management Knowledge Centre (2026)*[47]

Vulnerability to hazards and crises is difficult to measure. When a disaster strikes, not everyone is equally at risk. Its impact on a country, region, community or individual depends on their vulnerability to harm and disruption, and on their capacity to cope and recover. This in turn is linked with available economic resources, governance structures and social demographics[48].

The evidence is clear: crises hit hardest where vulnerabilities are already high – where the economies are weaker, social conditions are fragile and governance capacity is limited[49]. In other words, preparedness starts with strong local and regional systems and reducing vulnerabilities translates into stronger preparedness. While wealthier regions are often more advanced in terms of measures and actions taken, the less developed areas can struggle with limited financial and technical capacity[50].

The Joint Research Centre of the European Commission has developed a territorial Vulnerability Dashboard, in cooperation with the European Committee of the Regions[51]. It provides European regions with useful tools to understand, assess and visualise their risks, vulnerabilities and capabilities, guiding policymakers and helping translate this data into action, investment and practical solutions for institutions, territories and citizens.

Crisis preparedness is a necessity. It is a question of the stability and resilience of Europe as a whole. The devastating wildfires of 2025 and 2026 are a case in point, manifesting Europe's increasing vulnerability to wildfires surpassing firefighting capacity and testing the limits of response systems. Without stronger investment in disaster prevention and preparedness – especially locally and regionally – EU disaster costs will continue to rise faster than available budgets. 9 in 10 Europeans agree that coordinated EU action should be increased to deal more effectively with disasters and crises in the future[52].

There is some good news: research shows that over the past 20 years, the overall vulnerability of European regions and cities has decreased. While this trend is projected to continue in some regions, albeit at a much more moderate pace, it is likely to flatten in others. Regional disparities still exist and recognising these differences matters. Because policies do not have the same impact everywhere, protecting these gains requires place-based responses that target specific regional weaknesses while fostering stronger cooperation between neighbouring regions with shared challenges and opportunities[53].

4.2 Regions and cities at work

Every action taken locally contributes to stronger resilience at national and, ultimately, European level, and regions and cities are pulling their weight. Local and regional authorities mobilise local knowledge and leverage their direct engagement with citizens to create awareness and run educational campaigns and hands-on programmes on risks and preparedness. Crisis preparedness and resilience can only be fostered through actions that reflect the local socio-economic, environmental and infrastructural context.

A strong, place-based and forward-looking cohesion policy is the backbone of Europe's preparedness and resilience, and regions and cities are strategic investors of EU funding that shape territorial resilience. They channel these resources into targeted context-specific projects aligning EU funding with local priorities, vulnerabilities and needs, supporting multilevel governance and cross-border solidarity, and reducing territorial disparities. Regions and cities invest in nature-based solutions, digital tools, resilient infrastructure and community preparedness. Strategic investments in disaster risk reduction and preparedness not only safeguard communities but also lead to long-term economic and social benefits[54].

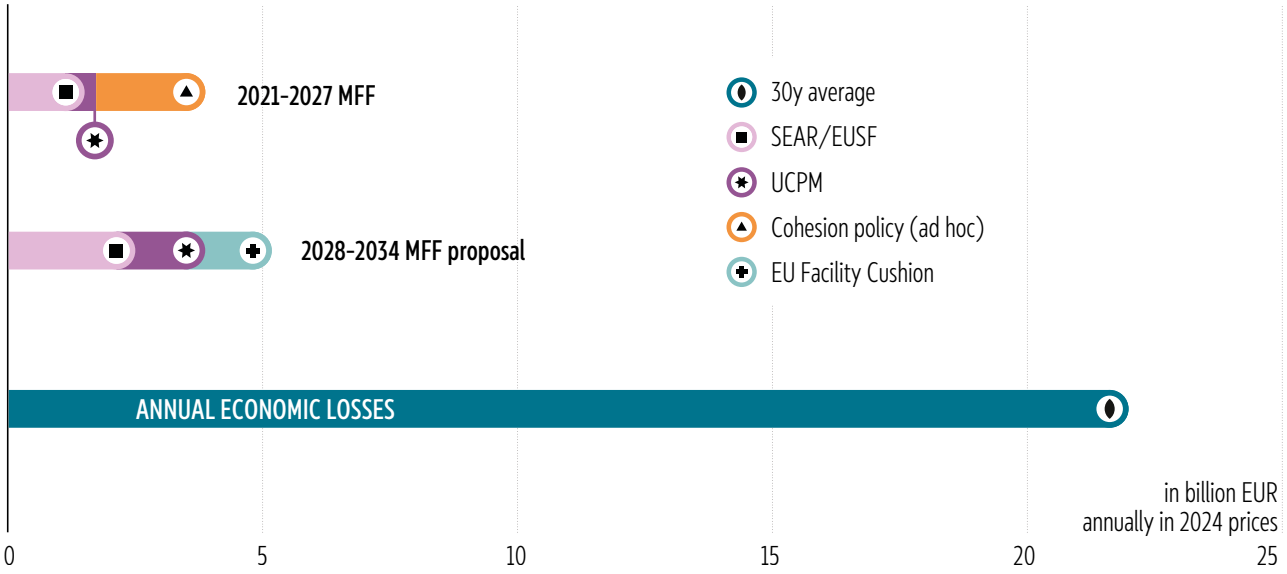

Figure 11 — EU budget capacity for disaster response
Note: All values are expressed in 2024 prices, annual economic losses refer to physical damages based on EEA data. MFF = multiannual financial framework, SEAR = Solidarity and Emergency Aid Reserve, EUSF = European Union Solidarity Fund, UCPM = EU Civil Protection Mechanism. The EUSF underpins SEAR, which combines the fund with the emergency aid reserve. As part of the 2021-2027 budget mid-term review, the allocation to SEAR has been raised to EUR 1.5 billion, which is assumed to be allocated fully to the EUSF in an extreme case.
Source: *CoR compilation based on Bruegel*[55]

Preparedness depends on the resilience of vital societal functions and continuity of essential services and supplies. Be it healthcare, food security, drinking water, energy supply, transport, waste management, digital connectivity, financial systems or civil protection measures, they are delivered locally, managed or comanaged by regions and cities. Regions and local authorities are best equipped to implement context-specific territorial risk assessments, emergency response, early warning systems and resilient infrastructure projects that address the specific challenges their communities face. After the 2024 and 2025 cyclones, Réunion invested EUR 1.567 million from the RESTORE mechanism and ERDF to rebuild disaster-resilient public infrastructure. By 2029, it should provide 10 000 annual users with new or modernised healthcare facilities, connect around 220 000 people to improved public water supply, and give 320 000 inhabitants

access to new or improved green infrastructure[56]. Integrating local and regional perspectives into the EU's preparedness strategy from the ground up is critical for achieving a fully cohesive and effective approach.

There is no community preparedness without individual preparedness. Raising awareness of risks and threats and empowering all stakeholders, including citizens, to take care of their individual and collective preparedness is critical. In the Baltic Sea region, only 30% of citizens feel adequately prepared for emergencies or crisis situations, while only 17% of citizens in bigger German cities know where the closest emergency shelter is located[57]. Preparedness means not only sharing knowledge and information, but also getting everyone involved. It is essential to enable citizens to be prepared for a crisis before, during and after an emergency. This is not possible without decisive structural actions and measures implemented at local and regional level.

Local and regional authorities are close to citizens and well placed to build trust and inclusive preparedness. For the preparedness strategies and plans to be truly inclusive, they need to bear in mind not only local geographical, societal and cultural specificities but also the vulnerable groups in the communities, such as people with disabilities and the elderly, but also minority groups or tourists with minimal knowledge of the local language or environmental and social specificities. A cross-border consortium from Spain, France and Sweden developed a harmonised operational toolkit with local authorities, civil protection services, fire brigades and tourism stakeholders to help reduce wildfire risks to tourist infrastructure in southern Europe's wildland-urban interface[58]. Only regions and cities are able to ensure that the tools, signage and information they provide are universally accessible, use inclusive language and take into account local traditions, cultural specificities and approaches.

Cities and regions are the amplifiers of information and knowledge. They are actively involved in preparing people and communities for crises and emergencies by raising awareness, engaging citizens and communities in crisis preparedness activities, funding community-led actions and running information campaigns, educating, building trust and providing guidance, such as info booklets, survival kits, 72-hour household self-sufficiency information and training, and integrating preparedness into school programmes. They also engage citizens, civil society organisations and volunteers in preparedness planning to better understand societal expectations and ensure that preparedness measures address the actual needs and concerns of local communities. The city of Bucharest engaged individuals with disabilities and integrated their experiences with real-world challenges to embed inclusive practices into disaster risk management at all levels. After this exercise, 80% of participants reported increased awareness of disability-related vulnerabilities[59].

Training firefighters across borders

Jelenia Góra, Karkonosze county, Poland and Liberec Region, Czechia

A 2018 fire burning 10 hectares and 2024's cross-border flood exposed gaps in Polish–Czech emergency cooperation. Jelenia Góra, Karkonosze county, and Czechia's Liberec region launched *We protect you together* with Interreg funding, training roughly 1 150 firefighters and medics in joint forest-fire and flood response and medical interventions. Shared procedures and effective cooperation now cut response times and overcome language barriers, increasing resilience for both areas and showing how crisis preparedness can work across borders.

Underground tunnels to tame floods

Lisbon, Portugal

Lisbon's hills repeatedly channelled extreme rainfall into destructive flash floods, disrupting mobility, commerce, public infrastructure and housing. The city responded with the Lisbon Drainage Master Plan: two underground drainage tunnels, anti-pollution basins and pumping stations, built through a EUR 250 million sustainable tender. The system will cut flood risk by up to 80%, employing 450 workers and demonstrating how local authorities can combine climate adaptation, sustainable procurement and digital innovation to deliver long-term urban resilience.

4.3 What regions and cities ask for

- **Implementing the whole-of-government approach structurally**, involving local and regional authorities in prevention, preparedness, response and recovery strategies. Centralised preparedness that overlooks territorial realities leads to blind spots and implementation gaps.
- **Integrating cohesion policy's multidimensional vulnerability indicators in the future**, in support of crisis preparedness at EU level, providing clear guidance, investing systematically in administrative capacity and governance and empowering local and regional authorities as first-line actors, including predictable funding to enable both Member States and regions to participate fully in EU preparedness initiatives, including training, digital monitoring, stress tests and joint exercises.
- **Establishing an EU map of people with disabilities by region** to facilitate social and healthcare coordination to locate people with specific care needs in the event of emergencies to provide them with both early rescue and individualised care.
- **Launching a European Preparedness Day to raise awareness and increase trust** and actively engage citizens, from children to the elderly, in crisis awareness and developing their emergency preparedness skills.
- **Ensuring stronger formal recognition and structural integration of volunteers, citizen organisations and NGOs** in preparedness and response mechanisms to ensure that societal participation becomes an essential and permanent part of prevention, preparedness and response processes.



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5 Climate, environment and water

It is estimated that **96 000** Europeans **per year** will lose their lives to heatwaves by 2100 under a 3°C warming scenario

EUR 1 trillion is the projected annual cost of coastal flooding in the EU by 2100

Every **EUR 1 billion** spent on water resilience could create 16,000 EU jobs and generate **EUR 2.35** for every euro invested

5.1 Current and future challenges

Climate change, pollution, water stress and environmental degradation are no longer isolated environmental concerns. They are systemic risks to social and economic cohesion and stability, security, competitiveness, public finances and public health across the European Union.

The summer of 2026 shows that impacts are only expected to grow. The extreme heatwaves and droughts that struck Europe have placed unprecedented pressure on health systems, energy and water infrastructure, agriculture and ecosystems, underscoring the increasing frequency and severity of climate-related shocks facing the EU.

The wildfires in most of Europe burnt an unprecedented area of more than 650 000 hectares since the start of the year, an area which is among the highest in the past two decades[60]. Wildfires in Europe are up 57% since 2022, while Europe is on track for the worst year on record as the burnt area is approaching the size of the Irish region of Midlands[61]. Looking ahead, the World Meteorological Organization warns that the El Niño weather phenomenon, which supercharges the effects of human-made climate change, could make 2027 the hottest year ever[62].

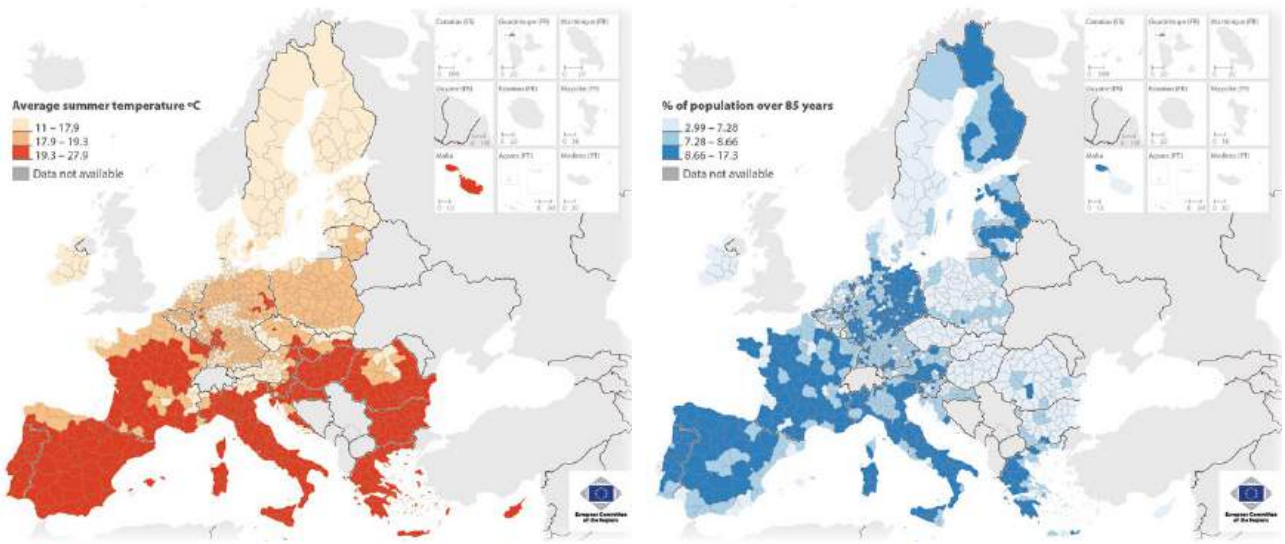

Figure 12 — Determinants of heat-related mortality in Europe by 2050: heat hazard exposure and population vulnerability
By NUTS 3 regions (2021 classification)
The two maps illustrate population ageing and global warming as key determining factors of projected heat-related mortality by 2050 (corresponding to a +2°C warming scenario). They depict projected average summer temperatures alongside the projected share of people aged 85 and over, the population group most vulnerable to heat-related mortality.
Source: *García-León, D. et al. (JRC study), 2024[63]*

The cost of inaction is significantly higher than the investments required to support climate action. The costs of climate extremes in Europe are already estimated at tens of billions of euros in 2026, even before all their long-term and indirect effects are fully captured. The cumulative additional reduction in EU GDP could reach EUR 2.4 trillion between 2031 and 2050 if global warming goes beyond 1.5°C, the goal set in the Paris Agreement[64]. In the summer of 2025 alone, heatwaves, droughts and floods hit around a quarter of EU regions, with projected cumulative losses reaching EUR 126 billion by 2029[65]. Drought costs are estimated at EUR 9 billion per year, and annual coastal flooding damages could exceed EUR 1 trillion by 2100[66].

Climate change is also having an increasingly clear impact on public health. Europe, which is warming faster than any other continent, is particularly vulnerable. From 2022 to 2024, more than 180 000 people in Europe died from heat-related causes. With 3°C global warming by 2100, more than 90 000 Europeans could die from extreme heat annually, while with 1.5°C global warming this is reduced to 30 000 deaths annually. This shows that rising temperatures are becoming a major threat to health[67].

Water is at the centre of these challenges. Water stress now affects 20% of Europe's territory and 30% of its population every year, and both figures are expected to rise with climate change[68]. Each year, around 30% of the EU's land area experiences seasonal water scarcity[69]. Water losses in EU distribution systems average around 25%, with some regions of Southern and Eastern Europe exceeding 40% due to ageing infrastructure[70]. In summer 2026, Europe experienced above-average temperatures with extensive and prolonged heatwaves, which caused drought conditions to remain critical in most of Europe, worsening in central-western Europe by mid-July[71].

Water challenges cut across every sector: agriculture, energy production, industry and public health are all affected. In the current context of energy insecurity, energy production is increasingly constrained due to water stress, particularly in systems dependent on hydropower or water-intensive cooling processes. Industrial activity and supply chains face rising disruption risks, while regional development is undermined in water-stressed areas. This is not a hypothetical risk. During the 2026 summer heatwaves and draughts, Hungary, France and Romania curtailed output at several nuclear reactors as river temperatures and water levels approached regulatory limits, while soaring demand for cooling placed additional strain on power grids. In July 2026, waterways such as the Rhine and the Danube have fallen to exceptionally low levels, in some places breaking records. This made cargo transport significantly more difficult, impacting also industrial cooling systems and energy supplies. At the same time, declining water quality, pollution and biodiversity loss further weaken ecosystem resilience and the services they provide, while environmental risks are estimated to cause over 18% of cardiovascular disease-related deaths in Europe[72].

These impacts are territorially uneven. Regions already facing structural vulnerabilities due to climate exposure, economic structure or socio-demographic pressures bear the greatest burden. This exacerbates territorial inequalities and threatens social, economic and territorial cohesion within the EU. The CoR's territorial impact assessment of the European Water Resilience Strategy confirms that the strategy's implications are substantial but highly uneven, shaped by regional climatic and bio-geo-hydrological conditions, infrastructure maturity, economic structures and each region's starting point[73].

5.2 Regions and cities at work

Regions and cities are central to implementing climate, environmental and water policies. Through their responsibilities for planning, infrastructure, water, waste and energy systems, they translate EU and national objectives into tangible local action that strengthens resilience, protects ecosystems and delivers benefits for citizens.

Cohesion policy plays a vital role in supporting these place-based investments and helping territories address their specific challenges and opportunities. Across Europe, cities and regions are already advancing integrated climate and environmental strategies. 91% of local climate plans include nature-based solutions, such as urban greening, reforestation and

natural water-retention measures[74]. Local and regional authorities also serve as innovation hubs. Through initiatives such as the EU Missions on Climate-Neutral and Smart Cities and on Adaptation, the Covenant of Mayors and water living labs, they test and scale new technologies, governance models and financing approaches, while enabling peer learning.

Cohesion policy is also incentivising nature-based solutions and transfer of best practices across multiple urban areas. In the Barcelona Metropolitan Area, the European Urban Initiative is funding the TopSec project. By turning rooftops into self-sustaining green roofs made with biochar from municipal organic waste, the project reduces water use, boosts biodiversity and helps cool cities without irrigation. Through 24 pilot rooftop plots and 1 494 m² of naturalised roof space, TopSec is creating a truly replicable model for climate resilience. From 2026, TopSec is entering a transfer phase with partner cities Rome (Municipio IX), Toulouse Métropole and Petroupoli to test how the model can be adapted and scaled elsewhere in Europe[75].

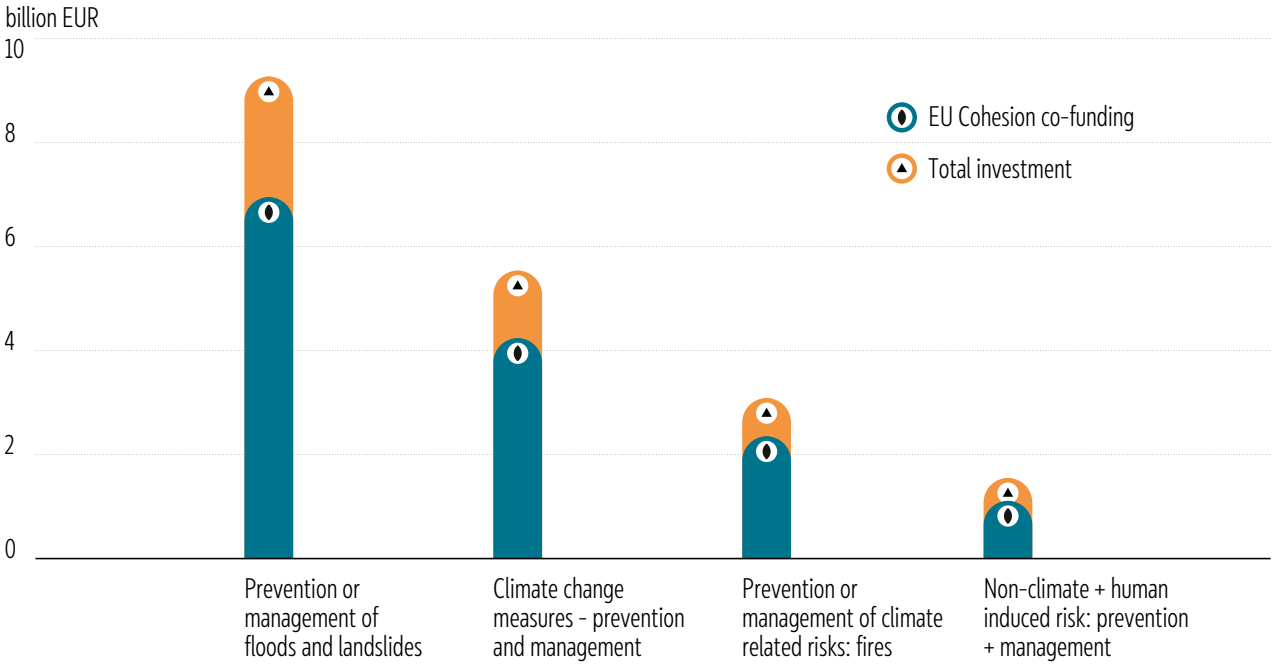

Figure 13 — Cohesion Policy 2021-2027 Adaptation and risk management intervention fields
Source: *Cohesion Open Data (2026)*[76]

Regions and cities are also key in restoring and protecting healthy soils and ecosystems as resilience infrastructures for their communities. Wetlands and floodplains retain excess water and reduce flood risks, forests and restored landscapes strengthen resilience to draught and wildfires, while urban green infrastructure alleviates heat and manages stormwater. Investing in these nature-based solutions allows regions and cities to reduce disaster risks while also supporting biodiversity, climate adaptation and quality of life.

Local action is also becoming essential to safeguard public health in a warming Europe. During recent heatwaves, local and regional authorities deployed emergency measures ranging from cooling shelters and public water points to shaded public spaces, targeted support for vulnerable groups and restrictions on outdoor work during peak heat. In several EU cities, innovative tools such as heat-monitoring devices for outdoor workers complemented traditional measures such as adjusted working hours, hydration requirements and early warning systems.

With extreme weather events expected to grow, investing in adaptation makes economic sense. Every euro spent can generate up to 10 euros in benefits[77], yet adaptation remains fragmented and underfunded across Europe, despite growing climate risks. Water investment is equally impactful, generating an estimated EUR 2.35 in economic output for every euro invested while creating approximately 16 000 jobs[78].

In this context, local and regional authorities are major public investors. Across OECD countries, subnational governments account for about one third of total public expenditure and half of total public investment, making them key actors in financing infrastructure, water management, climate adaptation and environmental protection[79]. They mobilise local resources and bring together public authorities, businesses, financial institutions and citizens to unlock public-private partnerships. These investments are essential to deploy clean technologies, modernise infrastructure and create local green jobs.

Europe's economic resilience also has local roots through circular economy. In Åland, Finland, the Waste to Value project is proving that construction waste can become a valuable resource rather than ending up in landfill. By establishing two reuse facilities, the initiative makes it easy for citizens and businesses to donate and purchase second-hand building materials, supporting a more circular construction sector. Over its lifetime, the project aims to reuse 108 000 kg of building materials, reducing demand for virgin resources, cutting transport needs and lowering emissions. In Brzeg Dolny, Poland, the Multicentrum Zero Waste initiative also shows how the circular economy can start with practical local action. Established under the Interreg Central Europe NiCE project, the centre has organised around 200 workshops and educational activities, engaging more than 1 700 residents in repairing, reusing and repurposing materials.

From climate adaptation to circular economy, the ability of regions and cities to invest and deliver is increasingly constrained by rising costs, limited fiscal space, complex funding procedures and administrative burdens. While cohesion policy remains a vital source of support, many local and regional authorities face difficulties accessing finance, data and technical expertise, compounded by fragmented governance arrangements and short funding cycles that limit long-term planning[80]. According to the European Investment Bank, nearly two thirds of EU municipalities report difficulties accessing finance for infrastructure investments, while almost half identify lengthy regulatory procedures as a major barrier to project delivery[81].

Beyond implementation and investment, local and regional authorities also play a crucial role in building trust and ensuring a fair transition. They

are best placed to engage communities, address concerns and counter misinformation. Public support for climate action remains strong: 85% of Europeans consider climate change a serious problem, 85% see climate action as beneficial for health, and 83% believe better preparedness for climate impacts will improve daily life. At the same time, 49% report difficulty distinguishing reliable information from climate-related disinformation online, underscoring the importance of trusted local communication[82]. The CoR study *Disinformation and Public Engagement in the Green Transition* also highlights the ability of local and regional authorities to identify local vulnerabilities and tackle disinformation at an early stage. Adapting communication to territorial realities is essential to strengthen public trust and reduce the impact of climate disinformation[83].

Cooling a sweltering school playground to beat rising heatwaves

Saint-Omer, France

Montaigne nursery school's playground was fully paved, trapping heat as climate change intensified urban heat islands, putting young children at risk. Saint-Omer joined the European Cool Towns project, depaving 350 m² to replace asphalt with grass pavers, adding 30 m² of permeable ground, preserving existing trees and planting six new local species, plus shade and rainwater management. The pilot now guides plans to cool other schools across the city and region, with a strong participatory dimension.

Transforming a harbourfront into a climate-resilient park

Ebeltoft, Denmark

Ebeltoft's harbourfront sat underused, offering no protection as rising sea levels threatened the historic coastal town. The municipality's Climate-Resilient Coastal Culture strategy responded with Folkeparken, an EU-co-financed park blending coastal-meadow planting, a harbour bath and event spaces into one climate-adaptive design. Built around three strategic interventions, the park now delivers recreational and cultural use, turning flood defence into a thriving, biodiverse gathering place, boosting tourism and innovation.

5.3 What regions and cities ask for

- **Delivering a robust EU climate and environmental policy framework, based on multilevel governance and mandatory local and regional involvement**. This will be developed throughout the revision of the Governance Regulation, the implementation of the European Water Resilience Strategy and the EU Nature Restoration Regulation, and the launch of the new European Framework for Climate Resilience and Risk Management.

- **Financing the transition through accessible, predictable and increased funding for climate action in the next MFF, including reinstating LIFE as a stand-alone programme**. This must build upon the new 'climate resilience by design' principle and the continuation of the 'do no significant harm' principle. Centralising funding would undermine the effectiveness, territorial targeting and ownership of EU action, ultimately leading to higher long-term costs given the inherently place-based nature of climate, environmental and water challenges.

- **Accelerating investments in ecosystem restoration and nature-based solutions** through the full implementation of the Nature Restoration Regulation to restore and protect wetlands, forests, floodplains, coastal ecosystems and rivers as well as to deploy urban green infrastructure. Such measures can reduce disaster risks while delivering benefits for biodiversity, climate adaptation and quality of life.

- **Protecting and restoring water resources and ecosystems through the full application of the polluter pays principle**, stronger action to restrict PFAS and other hazardous substances, to safeguard groundwater and the water cycle.

- **Strengthening administrative capacity, technical assistance and green skills development through dedicated initiatives for smaller municipalities and rural areas**. Simplifying EU legislation must focus on implementation, coherence and reducing administrative burdens for local and regional authorities, without lowering environmental standards.

- **Improving coordination, integrated planning and interoperable data systems** through harmonised indicators, real-time monitoring and digital solutions to support evidence-based decision-making.



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6 Housing

1.3 million
people in the EU are homeless

48 million
Europeans are unable to keep their homes warm

EUR 10 billion
in cohesion policy funding is spent on housing energy efficiency under the current MFF

6.1 Current and future challenges

Housing is no longer only a social issue: it is also a territorial and economic challenge, affecting labour mobility, access to opportunities, and the long-term attractiveness of regions and cities across the EU. The liveability of Europe's urban areas and rural and peripheral territories is increasingly at stake, with urban saturation and widening territorial imbalances draining EU competitiveness. Depopulation of rural and peripheral regions continues, while many people relocating to urban areas for employment face prohibitive housing costs and cramped or substandard accommodation. These factors act as brakes on the internal market and compromise both freedom of movement and the right to stay.

The number of homeless people has increased over the period 2019–2025, making the fight against homelessness a crucial element for the success of the EU Anti-Poverty Strategy. In 2025, some 1.3 million people were experiencing homelessness in the EU, with up to one third of people staying in homeless shelters in many EU countries estimated to be children[84].

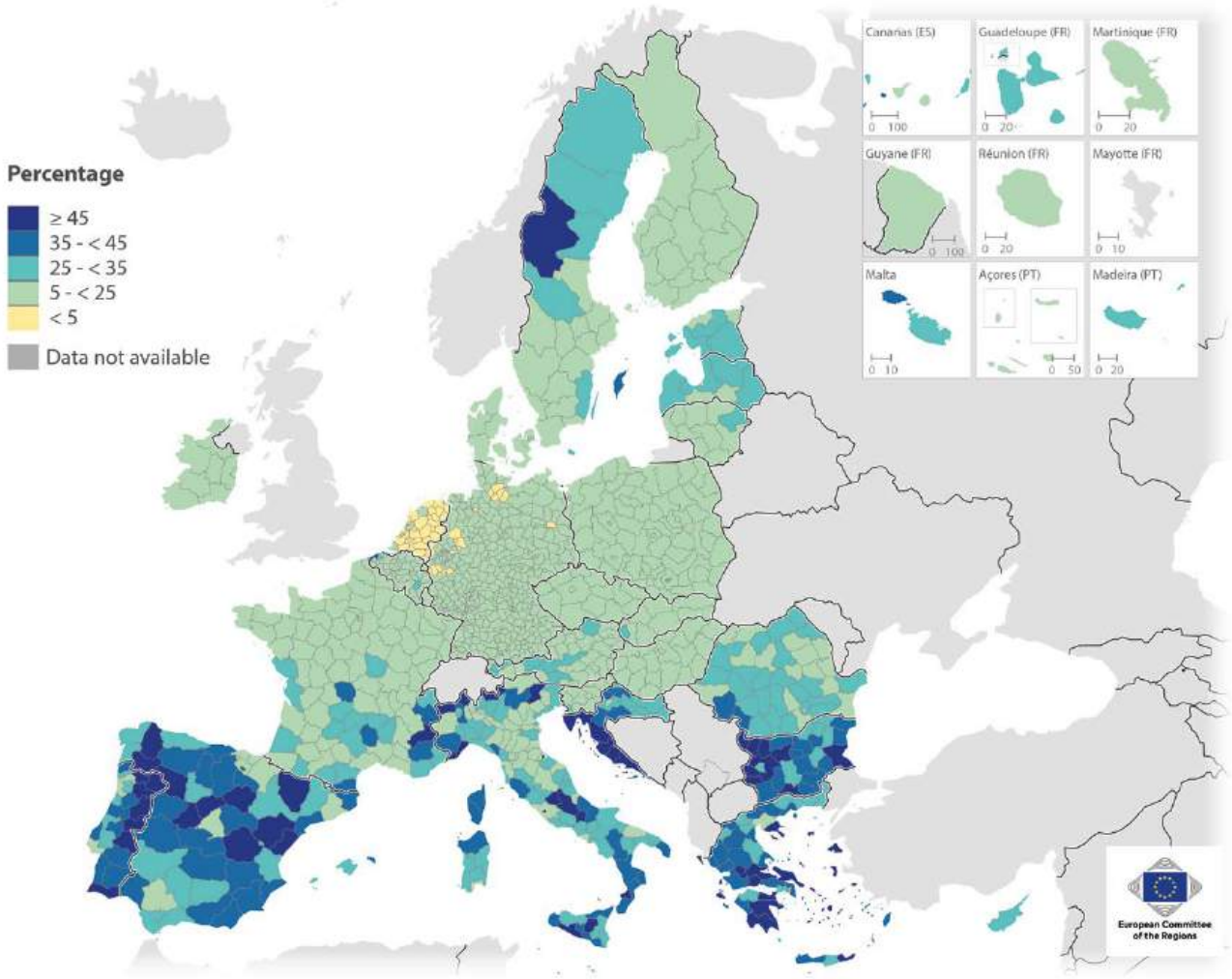

Figure 14 — Unoccupied conventional dwellings, % of total conventional dwellings
By NUTS 3 regions (2021 classification)
Source: *Data retrieved from Eurostat (dataset code cens_21dwop_r3)*
Administrative boundaries @EuroGeographics @UN-FAO @Turkstat
Cartography: Eurostat- IMAGE, 07/2026

A shortage of social, municipal and not-for-profit housing is fuelling both the homelessness crisis and the housing affordability crisis as a whole. After a peak in 2009, public investment in housing (the vast majority of which is undertaken by local and regional authorities) fell precipitously and remained subdued for over a decade across the EU 27.

Prolonged underinvestment has left many territories without the public or limited-profit housing stock needed to respond to rising demand, demographic pressures and changing household structures. Although investment has notably increased since 2022, it remains well below pre-financial crisis levels as a share of GDP[85]. As a result, underinvestment has weakened the capacity of local and regional authorities to stabilise housing markets and ensure access to decent housing for lower- and middle-income groups. In parallel, a significant proportion of existing homes as well as disused buildings which could provide potential future homes remain vacant across the EU, including in some of the most densely populated cities (see Figure 14).

Low energy-efficiency levels, combined with soaring energy prices linked to the EU's dependence on critical fossil fuels continue to weigh heavily on the budgets of some of the most vulnerable households. Some 48 million Europeans are unable to keep their homes warm, with rural households dedicating around 7% of their spending to energy[86].

Nearly 75% of the EU building stock is estimated to be inefficient[87] and most homes were not built with summer thermal performance in mind, making summer energy poverty an equally urgent issue due to climate change and regular heatwaves. The housing challenge is therefore an integral part of the cost-of-living crisis and is directly linked to the quality and performance of the existing housing stock. Local and regional authorities are striving to provide affordable housing solutions while meeting sustainability and social inclusion objectives.

Territorial effects of short-term rentals and external investment continue to drive up housing prices in some regions, often pushing rents and mortgages beyond the reach of local workers and service-providers, while in other, less densely populated, territories they may provide an economic lifeline by opening up new revenue streams and development opportunities. This asymmetric impact goes to the heart of the challenge for the EU as it seeks to lend its support in addressing the factors driving the housing crisis: the need for measures, tools and guidance developed at the EU level to ensure a place-based approach enabling full integration into the development model of each territory.

6.2 Regions and cities at work

Local and regional authorities play a key role in addressing housing challenges as the imbalance between housing demand and supply often emerges at highly localised levels and is not fully captured by aggregate national indicators alone[88].

These dynamics are affected by a combination of demographic factors, including ageing, migration patterns and household formation, alongside the responsiveness of housing supply and affordability, which manifest differently depending on local constraints such as land availability, regulatory frameworks and market conditions, making place-based approaches indispensable to ensure that policy reflects territorial specificities.

The potential of integrated, place-based approaches is well illustrated by the *Sustainable Energy Plus Neighbourhoods*[89] project supported by Horizon Europe, where municipalities from four European climate zones (Uden in the Netherlands, Santa Coloma de Gramenet in Spain, Salzburg in Austria and Fredrikstad in Norway) combine cost-effective housing solutions with positive-energy buildings, drawing on locally available renewable energy sources to respond to the specific needs of their communities. The resulting housing delivers energy autonomy for residents, reduces monthly bills, and can generate surplus energy for on-site facilities such as charging points, childcare or medical services.

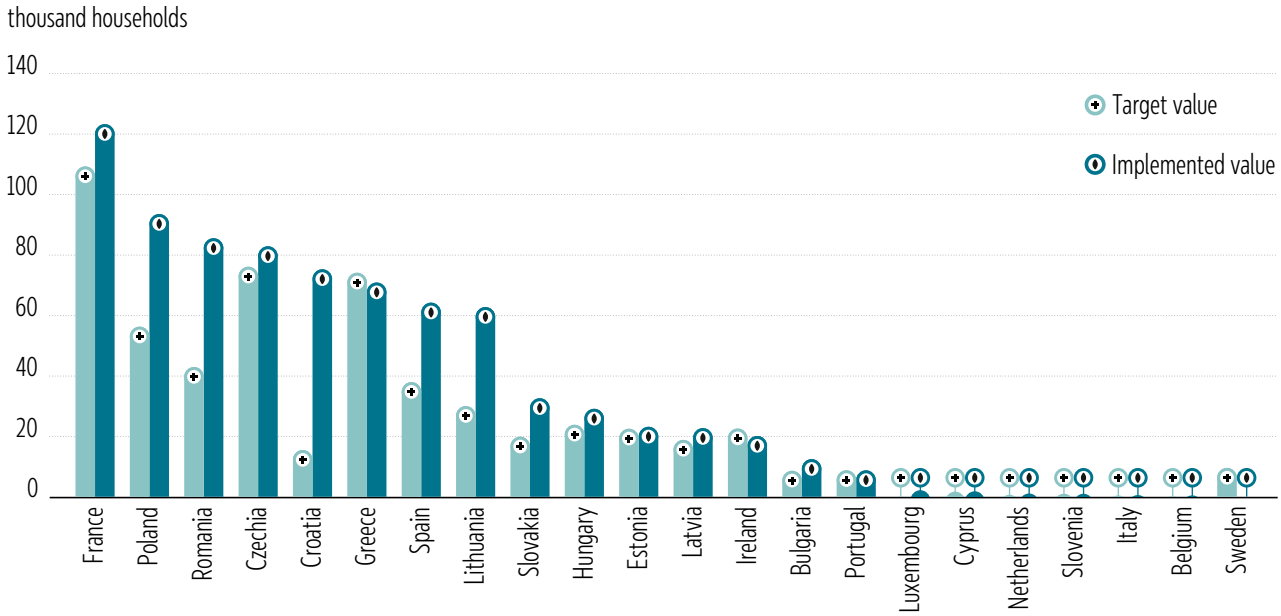

Figure 15 — Number of households with improved energy consumption classification under the 2014-2020 cohesion policy programmes (by the end of 2023)
Source: *Cohesion Open Data*[90]

Across the EU, cities and regions are developing and deploying innovative solutions to address the specific housing challenges in their territories. While energy-efficiency upgrades and the renovation and repurposing of existing buildings are central to infrastructure investments, accompanying policy measures are required to ensure access to decent, sustainable housing for the most vulnerable. In Ireland, the Northwest region has used ERDF resources to develop a *Social Housing Scheme*[91] to support the reconversion of derelict or vacant local-authority-owned buildings back into the social housing market. The scheme helps address the housing shortage and access to decent housing for the most vulnerable while promoting compact growth in urban areas and town centre renewal, and mitigating depopulation in small and medium-sized towns.

A similar scheme in Budapest, Hungary, applies New European Bauhaus principles to transform vacant properties into affordable housing[92]. It offers low-cost, sustainable and replicable solutions for renovating and furnishing existing housing. The project Affordable Housing through Adaptive Reuse[93] demonstrates that combining affordability, environmental sustainability and quality design can expand supply, improve living conditions and reduce the environmental footprint of the built environment.

Local authorities like Tampere, Finland, are implementing Housing First as an approach to tackling homelessness by providing immediate access to permanent housing alongside tailored support services[94]. By facilitating a sustainable transition to supported living and encouraging reskilling, the model promotes labour market participation and helps address local workforce shortages while relying on the availability of quality social and limited-profit housing as key pillars of a sustainable and affordable housing ecosystem.

Many local and regional authorities use cohesion policy funds for retrofitting heating and cooling systems and improving the energy efficiency of new builds, with EUR 10 billion programmed under the current MFF. The 2025 mid-term review introduced wider eligibility for investment in affordable and sustainable housing and integrated territorial development resulting in around EUR 3 billion reprogrammed in these areas. However, these amounts were diverted from other planned cohesion policy investments and do not constitute new resources for local and regional authorities[95].

NextGenerationEU, notably the Recovery and Resilience Facility (RRF), has also supported housing, mobilising around EUR 19.6 billion[96] and 21 housing-related reforms across 20 Member States[97]. Portugal, Sweden and the Netherlands allocate the highest share of their RRF financing to housing, at approximately 10%. Housing is therefore among the policy areas where the end of NextGenerationEU funds in December 2026 will be most strongly felt, raising local and regional authorities' questions on how this EU-level leverage gap will be covered [98].

Local and regional authorities across the EU are developing one-stop shops to facilitate access to information and support for energy-efficiency renovations and contribute to Member States' National Building Renovation Plans (under the Energy Performance of Buildings Directive). Horizon Europe supports innovative energy-efficiency and integrated approaches and the New European Bauhaus, but scaling up such approaches requires sufficient investment, technical capacity and support for local implementation.

Renovating thousands of homes to cut energy poverty

Barcelona, Spain

Barcelona's ageing housing stock left residents facing high energy bills, poor comfort and health risks due to inefficient buildings. To fight inequalities and improve quality of life, the city combined municipal, Housing Consortium and NextGenerationEU funding into renovation grants covering insulation, renewable energy systems and neighbourhood-wide projects. With EUR 170 million invested, 11 600 homes were renovated, cutting energy demand by 50% on average. Work is underway on a long-term renovation plan to build trust and ensure predictability.

Building a community-driven framework to fund urban regeneration

Cork, Ireland

Shandon's historic neighbourhood was decaying under vacancy and dereliction. Past regeneration attempts were fragmented, putting the city's heritage at risk. Cork City Council built a New European Bauhaus-inspired strategy through 190 heritage surveys and over 140 citizens participating in workshops and youth and disability forums. The community identified top priority areas for regeneration, informing the Cork Council's award of EUR 7 million in ERDF THRIVE funding. The plan's heritage- and climate-proofed actions delivered cutting-edge housing, workplaces and community facilities.

6.3 What regions and cities ask for

- **Establishing a stronger EU framework for place-based housing measures** enabling regions and cities to address the housing crisis. Safeguarding the multilevel governance within cohesion policy, ensuring partnership across EU, national, local and regional levels, and accelerating energy-efficiency renovations to reduce energy poverty, improve standards of living and build resilience to future price shocks.

- **Ensuring equitable access to funding, financing and capacity-building support for all LRAs** under the Pan-European Investment Platform. Ensuring grant-based support where loans are unrealistic due to limited administrative capacity or balance sheet constraints, while encouraging integrated and affordable long-term solutions, including NEB-inspired housing and neighbourhood regeneration.

- **Providing legal clarity and transparent rules, in full respect of subsidiarity, to enable regions and cities to regulate short-term rentals (STR),** including by safely imposing restrictions on access to and provision of STR services or purchase of land or property other than for primary use.

- **Reinforcing territorial instruments under cohesion policy**, including integrated territorial investments and Community-Led Local Development schemes, to help smaller local and regional authorities mobilise resources when access to private financing is more complex. Strengthening technical assistance and capacity building to support energy-efficient homes, improve living conditions and reduce energy poverty, especially among the most vulnerable groups.

- **Strengthening complementary cohesion policy tools**, such as smart specialisation strategies and the Talent Booster Mechanism, which can support the economic potential and competitiveness of less densely populated territories, in turn making them more liveable destinations, encouraging rehabilitation of vacant housing, etc.

- **Incentivising tailored, place-based adjustments to housing supply by expanding affordable, limited-profit, non-profit and social housing systems,** in line with the 2026 European Semester spring package. Ensuring strong multilevel governance through the EU Housing Alliance and future NRPPs, while linking Housing First to training, reskilling and labour-market integration, which should be central to the EU Anti-Poverty Strategy.



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7 Security and defence

EUR 481 billion invested in defence by EU Member States in 2025 making up **2.2%** of the bloc's GDP

633 000 direct jobs supported by Europe's defence industry in 2024, reflecting steady growth across the sector

EUR 11.9 billion reprogrammed for defence spending under the mid-term review of cohesion policy

7.1 Current and future challenges

Europe and its regions and cities have entered a prolonged period of heightened and multidimensional insecurity. Russia's full-scale invasion of Ukraine has fundamentally altered the European security landscape and exposed vulnerabilities, including at regional and local level, that extend far beyond conventional defence[99].

Europe's true resilience is being tested at the local level. Energy grids, transport corridors, supply chains, digital and health infrastructure, public institutions and democratic societies are the systems that determine whether Europe stands or falters.

For local and regional authorities, especially in the European Union's eastern border regions, the security environment has changed profoundly in recent years. Cyberattacks, disinformation, foreign interference, espionage, sabotage and the instrumentalisation of migration by hostile actors are no longer hypothetical threats. They have become part of the regular operational reality faced by municipalities, regions and border communities[100].

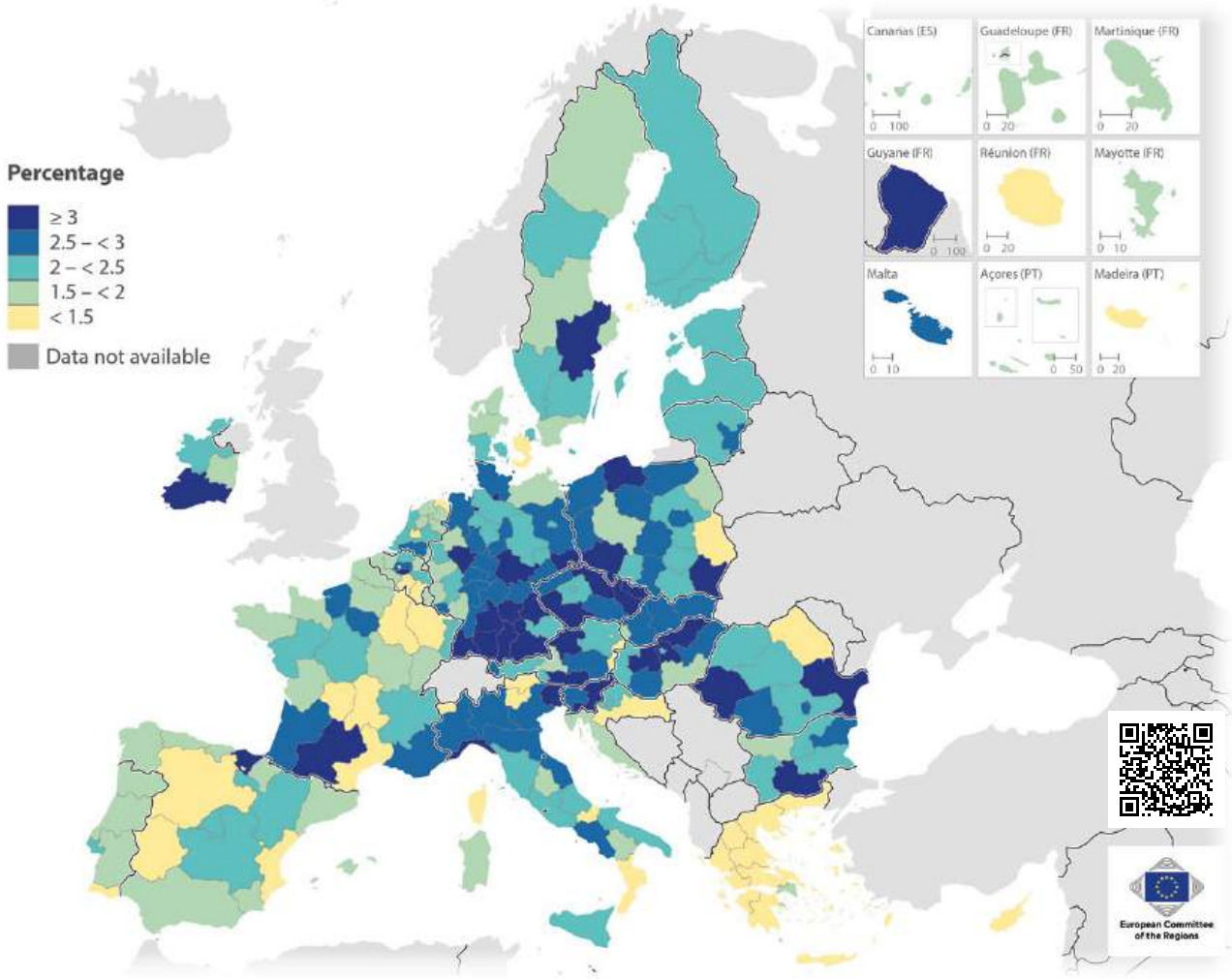

Figure 16 — Share of GVA produced by the defence ecosystem, estimated contribution to regional output, 2023
By NUTS 2 regions (2021 classification)
Scan the QR code for more information
Source: *Territorial Economic Data Viewer 2026, Joint Research Centre[101] and Kostarakos and Marques Santos (2025)[102]*

European security today relates much more to civilian territory, local governance and everyday public safety than before. Drone-related incidents in the Baltic States, Finland, Romania and Poland illustrate the proximity of military risk, the growing instability and the urgent need to strengthen preparedness, surveillance and rapid response capacities at local and regional level.

Europe has responded by spending more on defence, and the increase has been sharp. In 2025, Member States' defence expenditure reached

EUR 481 billion, equivalent to 2.2% of the EU's GDP, with a projection of EUR 454 billion in 2026[103].

This trend shows that Member States are responding to the deterioration of Europe's security context. At the same time, it raises a key question about how rising defence expenditure can strengthen national defence capabilities, notably through dual-use planning, but also contribute to European resilience more broadly.

One of the main challenges is the fragmentation of defence procurement and industrial production across Europe. Despite growing European and national investment in defence, these efforts do not automatically benefit EU-based industrial ecosystems or the regions that host relevant capabilities. Market fragmentation, persistent intra-EU barriers and uneven cross-border cooperation continue to limit the emergence of resilient European defence supply chains[104].

If defence investment is designed without a territorial lens, Europe risks missing opportunities to strengthen both its strategic autonomy and its regional economies. Regions play a vital role in defence readiness through their industrial expertise, innovation ecosystems, dual-use technologies, skilled workforce and SME networks. Harnessing these territorial assets is essential to generate local value, quality jobs and long-term industrial diversification[105].

The territorial impact of defence spending represents another major issue. Although increased investment can create economic opportunities, there is a risk that the benefits will remain concentrated in a limited number of industrial hubs if territorial cohesion is not properly taken into account. Defence-related investment should therefore support balanced regional development, innovation and quality employment across the EU, rather than deepening existing disparities.

Stronger coordination between defence, preparedness, civil protection, transport, public services and cohesion policies, together with more flexible funding tools, is therefore essential if Europe wants to spend on defence in a way that is effective, strategic and territorially balanced. Without such coordination, local and regional authorities risk bearing an increased financial burden as they strengthen preparedness, protect critical infrastructure and support dual-use transport systems. In vulnerable and border regions, this can place significant pressure on local budgets and divert resources away from social services, cohesion objectives and long-term development priorities.

7.2 Regions and cities at work

Increased investment in defence represents both a strategic and territorial issue. Defence expenditure is, in fact, often more spatially concentrated than many other forms of public spending, which makes its territorial implications particularly important for regions and cities[106]. In 2024, employment in the defence industry reached approximately 633 000 direct jobs, reflecting

sustained growth across the entire European defence ecosystem[107]. The presence of defence-related activities can also attract complementary firms, research centres and innovation capacity. Regions therefore play a crucial role in structuring these ecosystems for long-term growth and territorial stability[108].

Increased defence spending is increasingly necessary for security, but it is not, in itself, a guaranteed strategy for economic growth and sustainable development. Short-term gains are likely to remain moderate, fiscal pressures may increase, and long-term benefits will depend heavily on innovation, skills, procurement efficiency and international cooperation, especially in Europe. As investment in security and defence increases, the role of regions is not only to host this effort, but to ensure that it contributes both to EU defence objectives and to balanced territorial development.

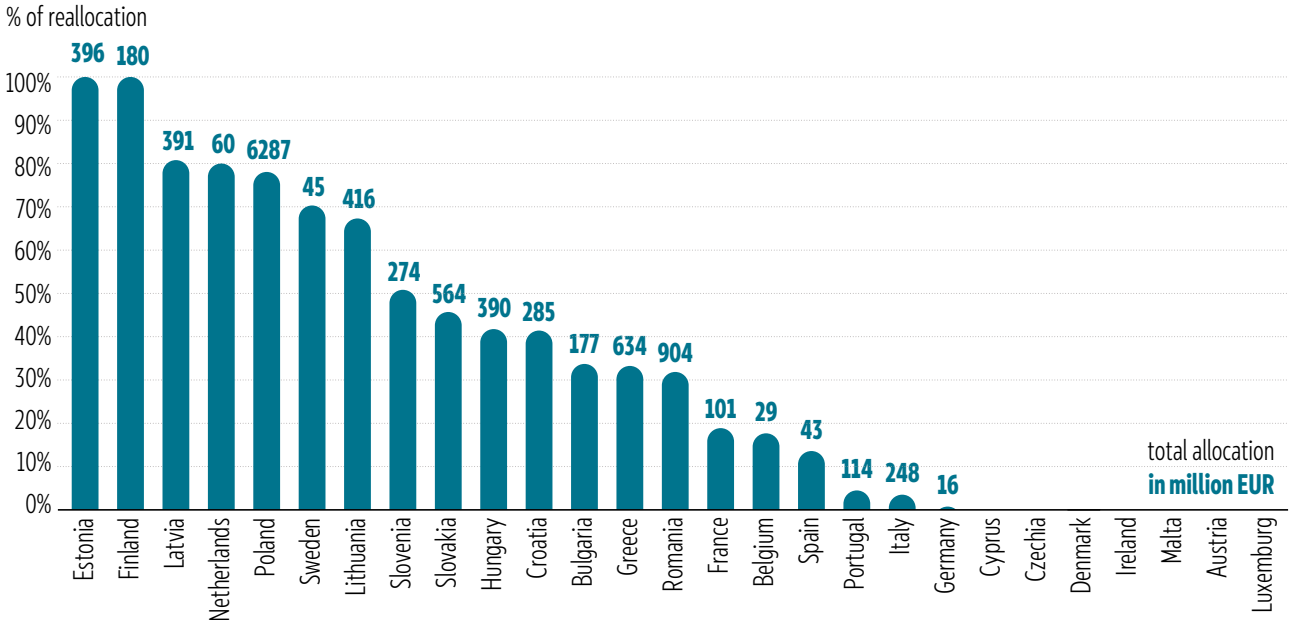

Figure 17 — Funds reallocated during mid-term review, total reallocation and % reallocated to defence
Note: Austria and Luxembourg did not reallocate financial resources to new priorities during the mid-term review of cohesion policy funding. Cyprus, Czechia, Denmark, Ireland and Malta did not reallocate financial resources to defence.
Source: *European Commission (2026)*[109]

Without a strategic regional and place-based approach, the economic and industrial benefits of rising defence expenditure may remain unevenly distributed. Cohesion policy has already proven to be a key instrument for supporting dual-use production and strengthening industrial resilience in line with local development needs[110]. However, cohesion policy cannot be seen as a substitute for a defence budget and must remain a strong pillar of EU prosperity promoting territorial cohesion.

Across Europe, regions identified defence as a strategic priority and made use of the new opportunities introduced through the mid-term review of cohesion policy reprogramming a total of EUR 11.9 billion. Through a revised

ERDF action plan, Brittany redirected unused funds towards defence-related purposes to invest in companies already active in the defence sector that are developing innovative projects. It will also launch a regional defence industry network and mechanism to support industrial performance to scale up production and address skills needs. This approach is fully aligned with EU defence readiness objectives and illustrates the strong potential for synergies for regions.

Regions also have a strong interest in working hand in hand with the EU and national governments to adapt traditional industrial sectors for dual-use production. This has the potential to revitalise a range of EU industrial sectors and to contribute further to the EU's strategic autonomy. In Galicia, Spain, regional authorities are strengthening the industrial base through the Galicia Strategic Initiative for Security, Defence and Aerospace, launched in 2025, while continuing to support naval, land and aerospace industries. EU and national support should complement and align with this existing regional strategy.

Integrating civilian industries into European defence supply chains would also bring important benefits to defence-related regions by increasing diversification, innovation, and long-term economic stability. This concerns highly innovative SMEs working in areas such as robotics and autonomous systems, drones, artificial intelligence, quantum technologies, and semiconductors. Ensuring that these investments also deliver wider civilian and social benefits can help make regional economies more resilient and inclusive. Regional authorities can strengthen surveillance capacities, emergency response, infrastructure protection and crisis management, while simultaneously reinforcing Europe's technological sovereignty and its capacity to respond effectively to hybrid and security threats.

The growing integration of drone technologies into civilian and defence activities further illustrates the important contribution of regions to resilience and preparedness. The Podkarpackie region, on Poland's southeastern border with Ukraine, hosts a concentration of 95% of the country's aerospace industry, and provides jobs for over 34 000 people, despite being one of the less economically developed areas in the country[111]. The region has become a leader in unmanned aerial system innovation, thanks to its integrated local innovation ecosystem, fostering collaboration among public authorities, businesses and research institutions.

Cooperation between regions is also expanding. Initiatives such as the European Network of Defence-related Regions facilitate exchanges on EU funding opportunities and support the development of regional defence ecosystems[112]. Other initiatives, including the Vanguard Initiative and the Enterprise Europe Network, further encourage cooperation between regions, SMEs and industrial clusters across Europe[113].

Interregional cooperation remains essential to overcoming fragmentation and building stronger European value chains. Through cooperation networks and cross-border partnerships, regions can match complementary specialisations, pool expertise and develop integrated industrial ecosystems across Europe. In the current geopolitical context, such cooperation should also extend increasingly to candidate countries, including Ukraine, to strengthen operational capacity, share experience and respond collectively to common security challenges.

Turning naval heritage into a European defence innovation hub

Murcia region, Spain

Murcia's naval hub in Cartagena, a region home to army, navy and air and space forces, generated a unique industrial ecosystem, but SMEs struggled with defence certification, procurement and EU-funding barriers. The regional government launched CAETRA, offering R&D support, technology transfer and access to European defence value chains. By 2025, 130 companies had joined, 77 SMEs gained certification readiness and 35 open-innovation CAETRA Challenges were launched, turning regional strength into European technological resilience and dual-use innovation.

Engineers' drone startup for civilian use strengthening European security

Occitanie region, France

In 2011, four engineers founded Delair in Toulouse to inspect power lines and railways with drones, an emerging technology nobody had backed yet. Occitanie region saw the potential early, launching a dedicated robotics and drones strategy in 2013 and has invested over EUR 8 million in ecosystem building since 2016, alongside 174 companies. Fifteen years on, Delair employs 200 people, exports 75% of its output, has deployed 3 000 drones worldwide, and now bolsters Ukraine's defence and European sovereignty.

7.3 What regions and cities ask for

- **Recognising and involving local and regional authorities as essential partners in European security and defence** by systematically involving them in the design, governance and implementation of EU policies with territorial implications, while strengthening multilevel governance across security, defence, preparedness, transport, civil protection and cohesion policies.

- **Providing targeted, predictable and long-term support for the territories most exposed to security risks**, particularly the EU's eastern border regions and other border, coastal and transit territories exposed to hybrid pressure, instrumentalised migration and cross-border organised crime, while ensuring that investments in preparedness, resilience and critical infrastructure reinforce cohesion policy and balanced territorial development.

- **Developing dedicated funding for dual-use infrastructure and military mobility** that delivers clear civilian benefits, strengthens cross-border connectivity, and is planned through close coordination between transport, defence and cohesion policies, with local and regional authorities fully involved in programme governance and corridor planning.

- **Strengthening Europe's defence supply chains by building a regional ecosystem** by mapping regional defence capabilities, integrating regions into EU defence governance, supporting SMEs, clusters, research and skills, fostering interregional cooperation, and advancing an effective European defence single market that creates resilient supply chains, innovation, jobs and territorial value.

- **Supporting democratic resilience and better territorial evidence** by countering disinformation, safeguarding vulnerable communities, and improving territorial data, foresight and impact assessment tools to ensure evidence-based, place-based security and defence policies.

CHAPTER 4

LOCAL DEMOCRACY, FINANCE AND DEMOGRAPHY



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8 Threats to local democracy

8 in 10 locally elected representatives see early warning signs of democratic pressure or erosion

4 in 10 locally elected representatives have experienced threats of physical violence

63 % of citizens trust local and regional authorities – more than any other level of government

8.1 Current and future challenges

Local democracy is increasingly exposed to pressures that often emerge gradually but can have profound consequences if left unaddressed. The erosion of democratic space at local level can take many forms: shrinking civic space, weakening local media ecosystems, declining citizen participation, and the growing normalisation of undue influence on local institutions. In a Committee of the Regions survey on safety in local politics, more than three quarters of locally elected representatives said they had observed early warning signs of democratic pressure or erosion at local or regional level in the past three years[114].

In global terms, the ratio of democracies to autocracies has been inverted over two decades[115]. Whereas 55% of all countries surveyed in 2006 were democracies, 56% are now ruled autocratically. Two thirds of those countries are less democratic today than they were 20 years ago. A recent survey

found that European mayors rank democratic backsliding and the erosion of the rule of law as the main existential threats over the next decade[116].

The overall health of local democracy across Europe remains critical. However, while there is growing evidence of threats affecting local institutions and representatives, the data available is fragmented and often anecdotal, making it harder to identify broader patterns early enough and respond in a timely way.

Threats against local elected representatives and officials are a particularly serious warning sign. Abuse, threats and intimidation – both online and offline – have become part of EU politicians' everyday life, and local politicians are the most severely affected[117]. The murder of Paweł Adamowicz, Mayor of Gdańsk, Poland, in whose memory the CoR established an award, and other attacks against elected representatives have underscored that hostility towards politicians is not limited to verbal abuse or online harassment, but can escalate to serious violence[118]. These trends have a chilling effect on democracy: they deter candidates from standing for office and weaken representative diversity, with women and minority candidates often particularly exposed[119].

High and rising levels of harassment, intimidation and violence directed at local and regional politicians are reported across several Member States. In Germany, a monitoring project conducted between 2021 and 2024 found that between one third and nearly half of municipal officeholders had experienced hatred, agitation or violence, with over 80% reporting psychological or physical consequences[120]. Between 7% and 10% considered resigning from their position or not standing for re-election. Women are disproportionately targeted, as the project found that female mayors and district chairs faced threats and attacks at notably higher rates than their male counterparts (38% vs. 28%). Women were also far more likely to encounter disinformation or deepfakes about themselves (29% vs. 18%).

It has been confirmed that local and regional politicians are the most affected of all elected representatives across other countries as well. In France, over 7 500 offences against elected representatives were recorded between 2022 and 2024[121]. Mayors accounted for 64% of all victims in 2024, while deputy mayors and municipal councillors represented a further 18%.

At the same time, disinformation and hybrid interference are increasingly targeting public debates, elections and institutions in moments of crisis. Foreign Information Manipulation and Interference (FIMI) remains a widespread threat. The European External Action Service detected 540 FIMI incidents globally in 2025, involving around 10 500 channels and websites, with elections remaining a primary target and 27% of incidents involving AI-generated or AI-enhanced techniques such as synthetic audio, manipulated video or generated text[122].

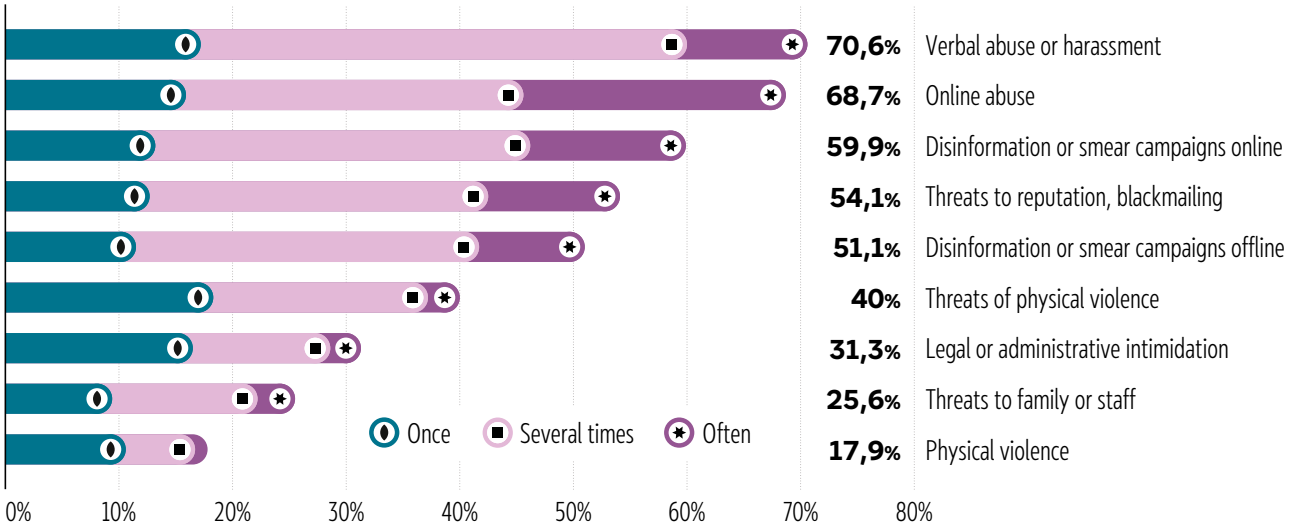

Figure 18 — Self-reported threats to local and regional representatives
Responses by local and regional representatives to a CoR survey, received between June and July 2026
Scan the QR code to access the full results of the survey
Source: *European Committee of the Regions (2026)*[123]

These dynamics are not an abstract threat to local democracy. There are some clear indications that AI tools can distort local political debate directly. In the Netherlands, the Dutch data protection authority found that major AI chatbots mentioned a specific local party in fewer than 1% of their voting recommendations when users asked for voting guidance, despite local parties traditionally winning around 30% of the vote in municipal elections[124]. This illustrates the emerging risk that opaque digital tools may skew local political visibility and influence voter perceptions.

Citizens are also increasingly concerned about such developments. 79% of Europeans are worried about disinformation influencing voters, and 70% fear foreign interference in elections[125].

8.2 Regions and cities at work

Understanding threats at local level can help turn observation into prevention, otherwise delayed responses risk making localised problems systemic. When early warning signs at local level are overlooked, democratic erosion can become embedded before national or European institutions react.

This matters even more because local and regional authorities remain the most trusted level of government in the EU. 63% of citizens say they tend to trust local and regional authorities, the highest level recorded so far (20% higher than 10 years ago), and a higher share than for national governments

in all Member States and close to or above trust in the EU in most countries. The trend is similar across OECD countries[126]. Local government is trusted more than national government in most cases, with an average trust gap of 6%. In some countries the difference is far more pronounced: in France, for example, trust in local government is around 30% higher than trust in the national government.

Protecting local democracy is therefore not only about defending local institutions; it is essential for democratic resilience in Europe as a whole. Better monitoring, stronger protection of local democratic actors, and more systematic use of local evidence, risk assessments and early warning information are needed if emerging threats are to be addressed before they become entrenched.

Cities and regions play a central role in strengthening representative and participatory democracy and rebuilding trust at community level. More than one million elected local and regional representatives across Europe contribute to sustained engagement with citizens. Beyond formal participation processes, cities and regions can foster a culture of engagement through civic education, youth participation, deliberative forums and community initiatives that encourage dialogue across social and political divides. Such efforts can help strengthen social cohesion, increase trust in public institutions and create stronger resistance to polarisation and anti-democratic narratives.

Local and regional authorities can also actively harness new technologies, including AI-based tools, to strengthen democratic life at community level. By deploying digital platforms for participatory processes, improving transparency through open data and accessible communication, and enhancing accountability via responsive public services, they can make governance more inclusive and citizen-centred. When used responsibly and with appropriate safeguards, these tools allow cities and regions to reach a wider range of citizens, facilitate continuous engagement and better reflect local needs. In doing so, they can help rebuild trust, stimulate civic participation and ultimately contribute to higher turnout in local elections.

In parallel, local and regional authorities can protect democratic ecosystems by supporting local media, promoting media literacy, and developing local resilience strategies against disinformation and manipulation. Vienna's first Democracy Strategy, adopted in 2025 through a broad participatory process, illustrates this approach: it embeds democracy education directly into civic life, from countering extremism through youth work to building citizens' resilience against disinformation.

Digital tools can also play a role in reinforcing local democratic resilience. The MOVES-IT project in Matosinhos, Portugal, combines an urban intelligence centre with digital tools for citizen involvement in city planning and decision-making. Strengthening cooperation across levels of governance and between territories, including through peer exchange and transnational networks, can further help scale up effective approaches and ensure that local experiences contribute to shaping broader European responses to democratic challenges.

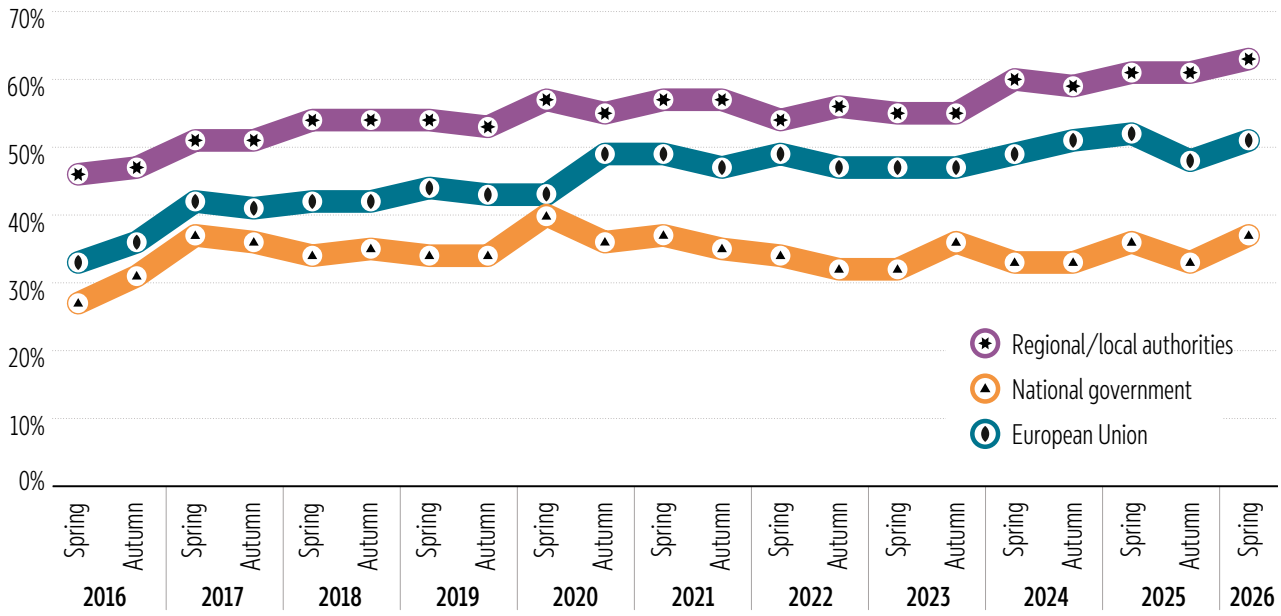

Figure 19 — **Trust in different levels of government**
Source: *Standard Eurobarometer 105, Spring, 2026*[127]

The European Committee of the Regions can play an important role in facilitating this exchange. By connecting local and regional authorities across borders and political contexts, including through its networks of Young Elected Politicians and Local Councillors, it can help identify successful approaches, disseminate good practices and ensure that lessons learned at local level inform wider European efforts to strengthen democracy. In this way, cities and regions become not only beneficiaries of democratic resilience policies, but active contributors to shaping them.

Creating a permanent civic table for European dialogue

Bologna, Italy

European policies felt distant to Bologna's citizens, while local organisations worked on EU themes separately, without structured collaboration or shared networks. The municipality launched Tavolo Europa, a permanent participatory platform co-designed with over 50 applicant organisations, to bring the EU closer to local communities, strengthen active citizenship and support youth empowerment. Supported by the Emilia-Romagna region, the experiment is successfully turning local efforts into connected civic infrastructure for European citizenship and democratic dialogue.

Fighting media deserts with a weekly civic broadcast

Harghita county, Romania

Harghita county lost its county-level TV broadcaster, leaving this rural, minority-language mountainous region with almost no independent local media and a growing vacuum for disinformation. Since the COVID-19 pandemic, the county has hosted *Weekly Review – Straight Talk*, a live social media broadcast now past 276 consecutive episodes, discussing local, national and European issues, with experts and community voices. By offering direct, regular dialogue with citizens, it shows how local authorities can become democracy's last line of defence.

8.3 What regions and cities ask for

- **Recognising local and regional authorities as operational partners in the European Democracy Shield**. This should include clear channels for involvement in relevant initiatives, including the European Centre for Democratic Resilience, ensuring that local insights systematically inform EU-level situational awareness and policy responses.
- **Ensuring targeted protection and support for local and regional political actors.** Strengthened EU-backed measures should include practical guidance, dedicated funding and structured peer exchange on safety in public office. Particular attention should be given to the specific risks faced by women in politics and to the limited capacities of smaller municipalities.
- **Funding local democracy**, by providing predictable, simplified and dedicated EU funding streams, future MFF 2028-2034 programmes should support independent local media, media literacy, civic participation and resilience planning through accessible, transparent and politically neutral instruments and ring-fenced resources, while reducing administrative burdens and improving accessibility to ensure that smaller local and regional authorities can effectively benefit from these instruments.
- **Developing practical operational tools to address emerging threats**, by providing local and regional authorities with concrete, user-friendly guidance and methodologies, including tailored capacity building for local election contexts and public debates, to help anticipate, identify and counter evolving risks such as AI-enabled manipulation, deepfakes and coordinated disinformation campaigns more effectively.



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9 Local and regional finances under pressure

1 in 3 euros of EU public spending is managed by local and regional authorities

51% of public investment in the EU is undertaken by cities and regions

EUR **78+ billion** is the fiscal gap faced by subnational governments in 2025

9.1 Current and future challenges

One out of every three euros of public spending in the EU is, on average, spent by local and regional authorities[128]. Cities and regions use these financial resources to fulfil the wide-ranging responsibilities illustrated throughout this report. With regard to public investment, their role is even more important: cities and regions undertake more than half of public investment in the EU (51% in 2025), though with strong differences between countries (see Figure 20).

After a peak in 2009 at around 4% of GDP, public investment by both central and subnational governments fell precipitously during and after the eurozone crisis in the context of broader fiscal consolidation efforts. It then rebounded

from around 2017, as financing conditions improved and governments tried to make up for past shortfalls and invest in the twin transitions.

This rebound could have been derailed by the COVID-19 crisis: in 2020, at the height of the pandemic, the CoR sounded the alarm about the risk of a 'scissors effect', with cities and regions facing falling revenues and rising expenditures as part of the emergency response[129]. Thankfully, this was followed by exceptional emergency and recovery support. At European level, NextGenerationEU effectively doubled the size of the EU budget over its duration (2021–2026) and focused on rapid disbursement in order to immediately counteract the negative economic impact of the pandemic – an effort that was broadly successful.

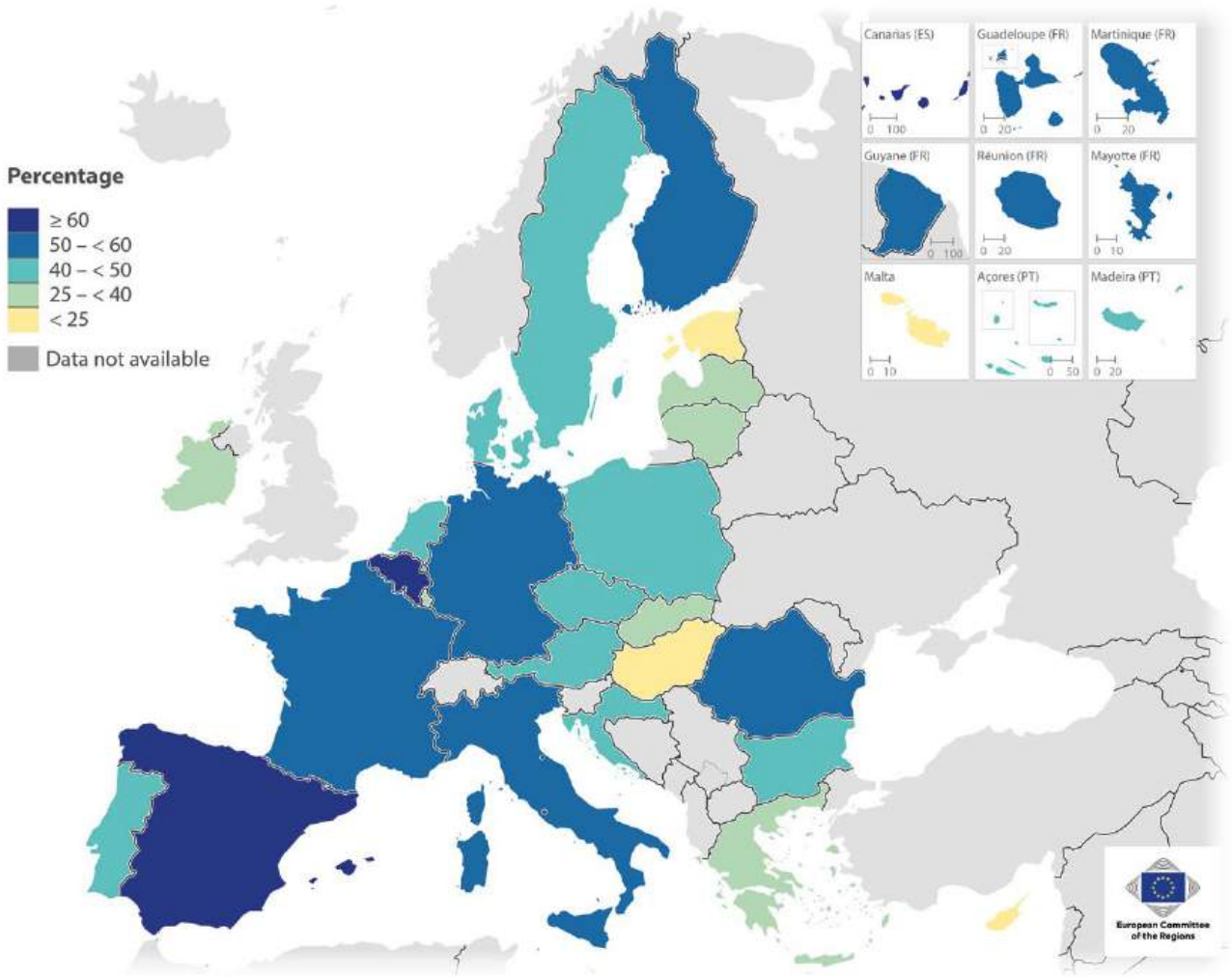

Figure 20 — **Subnational government share of public investment 2025, by Member State**
Source: *Data retrieved from Eurostat (dataset code gov_10a_main)*
Administrative boundaries: @EuroGeographics @OpenStreetMap
Cartography: Eurostat – IMAGE, 07/2026

However, local and regional finances have now entered more uncertain times due to rising expenditure needs and weakening revenue sources. In a recent consultation of local and regional authorities by the CoR and OECD, more

than three quarters of respondents said that mobilising grants and subsidies for investments is a challenge at this time[130].

In addition to long-established expenditure in fields like transport, more recent priorities such as the climate transition, the digital transition and demographic change – all areas where local and regional authorities play major roles – are demanding greater public investments. Moreover, the housing crisis affecting many EU territories (see Section 6) is similarly squeezing subnational budgets as residents demand support and solutions from their local authorities.

Coupled with stagnating revenues, this results in a fiscal gap for subnational governments, representing more than EUR 78 billion in 2025 (see Figure 21). According to the OECD, the deteriorating fiscal balance of subnational governments is largely due to a decline in intergovernmental transfers[131], which constitute the largest source of revenue for local and regional governments in the EU.

The outlook for the coming years is also hardly reassuring as a conjunction of factors is likely to further negatively impact public budgets. First, the twin transitions, housing, ageing and other key priorities will continue to demand massive expenditure by cities and regions for the foreseeable future. At the same time, 31 December 2026 will mark the end of payments from NextGenerationEU, which will translate into a substantial reduction in available public funds, including at local level, in particular in Member States where such funding represents a large share of GDP (e.g. Greece, Croatia, Italy, Portugal, Spain).

In parallel, while local and regional authorities do not themselves have substantial defence expenditure, the massive increase in such spending by national governments will diminish their ability to financially support cities and regions[132]. In addition, while the effects of the 2026 oil shock are very difficult to predict, it is also likely to have a multifaceted, negative effect on public finances, notably by increasing inflation, decreasing economic activity[133] and leading to calls for more public spending to support both struggling consumers and the deployment of renewables.

9.2 Regions and cities at work

The pressure on local and regional finances is therefore unlikely to subside soon. This underlines the urgency of the CoR's fight for an ambitious EU post-2027 budget, recognising cities and regions' role. In parallel, this section first looks at concrete solutions to make the most of limited budgets, before turning to a deeper rethinking of local finances.

To circumvent budget constraints, European cities and regions are moving away from traditional budgeting towards optimised financial strategies, deploying integrated, collaborative and market-oriented approaches. One such practice is for municipalities and regions to draw in outside capital, through blending mechanisms, combining public money (often EU grants) with private finance or loans from institutions such as the European

Investment Bank (EIB). Such blending mechanisms can expand the overall volume of investment mobilised through a limited public contribution as demonstrated in Marche's (Italy) support programme for SMEs and mid-caps, financed by EUR 4.5 million of regional funds blended with a EUR 60 million loan from the EIB[134].

Integrated territorial investments are another solution, moving away from traditional reliance on fragmented grants. They allow local authorities to bundle funding from different EU streams, such as the European Regional Development Fund and the European Social Fund, to finance multiple priorities in a given territory under a single cohesive strategy, including, for instance, urban regeneration and public transport networks. These approaches reduce bureaucratic silos, improve synergies and can boost project impact for a given cost.

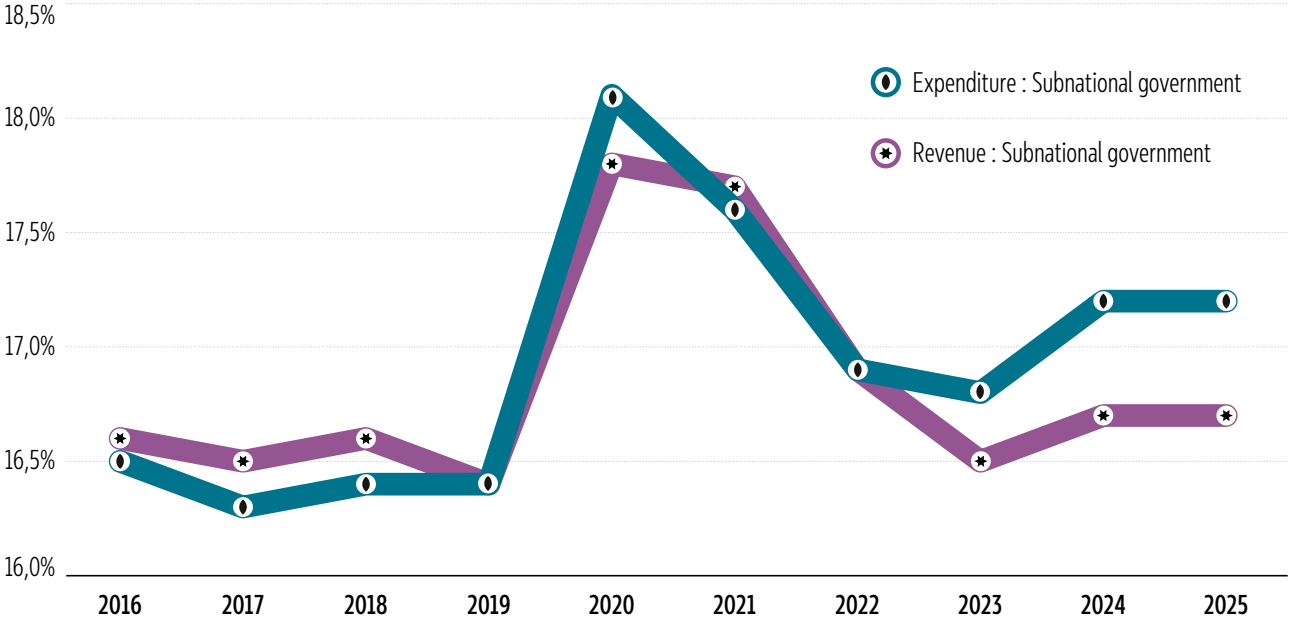

Figure 21 — **Subnational government expenditure and revenue, % of GDP, EU (2016-2025)**
Source: *Data retrieved from Eurostat (dataset code gov_10a_main)*

Efficiency is also being driven by the strategic use of public procurement, which is the most common good practice implemented or considered by local and regional respondents to the CoR-OECD consultation, together with transparency[135]. One avenue includes pooling the procurement needs of several authorities. In the traditional model, each city or region publishes its own tender in isolation, leading to fragmented bidding by companies, at higher prices. The small size of each contract also often fails to incentivise the emergence of innovative solutions. By contrast, shared procurement can drive down costs and provide the scale needed to boost innovation. A prime example is the European Commission's *Big Buyers Working Together programme*[136], bringing together different public authorities to align strategic and sustainable procurement approaches.

While these innovative solutions deserve wider recognition and deployment, they can only offer relatively marginal improvements. Broader, structural

changes like municipal mergers can help but they are far from being one-size-fits-all solutions[137]. A deeper rethinking of local finances is proposed by the 2026 Joint Research Centre (JRC) report *Local taxes and economic growth*[138].

EU cities and regions shoulder much of the burden of developing and maintaining the business-friendly environment that is a precondition for a thriving economy. At the local level, building new homes, factories or roads often has a high cost, whether in financial, political or environmental terms. If, as is often the case, much of the reward, in tax revenue, flows elsewhere, cities and regions are not appropriately incentivised to take on those costs, rationalising 'NIMBYism' and public resistance, while depressing economic activity overall.

To address this imbalance, the report highlights the importance of retaining local tax revenues, particularly a share of corporate or personal income tax, as a powerful incentive. When local authorities retain a significant share of locally generated tax revenue, they are incentivised to deliver the public goods and services to foster it, from quality infrastructure to intangible assets such as good governance. This alignment of interests also facilitates consensus building in the local community and ultimately boosts economic activity and quality local public services in a mutually reinforcing loop.

Building on evidence that Member States in which municipalities retain more of the taxes on local economic activities tend to grow faster[139], this report presents several case studies showing how local incentives catalyse growth, for instance with the developers of offshore windfarms contributing to Vordingborg's (Denmark) *Green Fund*[140], from which local environmental, recreational and community projects benefit. Furthermore, the retention of tax revenues in the territory appears to be linked to higher voluntary tax compliance, potentially boosting government revenues at all levels.

Increasing such 'locally rooted' revenue therefore deserves further exploration. It must, however, respect individual countries' regulatory structure and be paired with strong and agile redistribution frameworks, so as not to jeopardise solidarity and cohesion.

Uniting municipalities behind one shared (and financed) vision

Warsaw, Poland

Warsaw's metropolitan area had no formal governance tier, leaving 79 local governments to tackle transport, climate and public services challenges alone, with diverse interests and lack of funding. Through the Warsaw Metropolis Association, they co-drafted a joint strategy via public consultations, backed by more than EUR 31 million in integrated territorial investment funding for 2021-2027 together with association and city funds. The result is a unified 2040 vision for improving public services for nearly 3.3 million residents.

Using small loans to reshape regional cohesion delivery

Lazio region, Italy

Small entrepreneurs and young professionals across Lazio couldn't access financing, since small-scale loans were too unattractive for banks to service. The region innovated within cohesion policy delivery itself, creating a small credit fund offering interest-free loans from EUR 10 000 to EUR 50 000 to finance investment, innovation and the development of economic and professional activities. An OECD–Bank of Italy counterfactual evaluation confirmed real growth impact. The success pushed Lazio to develop new programmes for entrepreneurs under 40.

9.3 What regions and cities ask for

- **Preserving cohesion policy in an ambitious EU post-2027 budget.** With local and regional finances already squeezed, cutting this lifeline for cities and regions would come at a particularly difficult moment and have enormous negative repercussions.
- **Monitoring local and regional finances**, as the deteriorating fiscal balance of cities and regions is worrying, and Member States must not reduce transfers to them without compensation. The European Semester could be useful to monitor the 'unfunded mandates' that can emerge after reforms, particularly territorial or fiscal reorganisations.
- **Receiving more technical support from the Commission, EIB and other partners.** Innovative solutions to make the most of limited budgets can help – from tapping outside capital to more strategic use of procurement – but they require advanced expertise that at the moment only a minority of cities and regions can easily mobilise.
- **Sharing locally generated tax revenue with local and regional authorities.** Stronger incentives through the retention of a share of locally rooted taxes could bring large benefits in terms of economic growth and therefore help provide revenue and quality public services at all levels. Paired with redistribution, this would preserve solidarity and cohesion.



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10 Demography and the right to stay

3 in 4 regions are expected to lose population by 2050, notably in rural areas

135 million Europeans live in regions trapped in economic stagnation or decline

More than **1.2 million** health professionals are missing across Europe

10.1 Current and future challenges

Demographic change is emerging as one of the most powerful drivers of territorial disparities across the EU. Nearly three quarters of all NUTS 3 regions, representing 57% of the EU population, are projected to lose population between 2025 and 2050[141]. While demographic decline is expected to become a widespread phenomenon, its impacts will be highly uneven (see Figure 22). Rural and peripheral regions, particularly those already caught in development traps, face growing difficulties in retaining their populations. Young and highly educated people in particular, who are increasingly attracted by the employment opportunities, services and quality of life offered by urban centres and economically dynamic regions, will leave.

Demographic decline also challenges the provision of public services. As populations shrink and age, the cost of maintaining healthcare, education and transport services increases, while local tax bases and labour supply

decline. This can create a self-reinforcing cycle in which diminishing services reduce territorial attractiveness, leading to further population loss. Conversely, regions attracting population may face growing pressure on housing, infrastructure and public services.

Demographic decline interacts with two other major trends: labour and skills shortages and the increasing territorial concentration of economic opportunity. Labour and skills shortages are becoming ever more entrenched across Europe: In 2025, 97% of occupations experienced shortages in at least one country, while over half of reported shortages were classified as medium or high severity, reflecting growing difficulties in replacing an ageing workforce and sustaining local economic activity[142]. The High-Level Group on the Future of Cohesion Policy estimated that around 135 million Europeans live in regions that have stagnated or declined economically over the past two decades[143].

These three trends together – demographic decline, labour and skills shortages, territorial concentration of economic opportunity – affect not only cohesion, but also the long-term sustainability of the single market and citizens' confidence that European integration improves life chances in all territories.

A cohesive single market should therefore ensure that people can live, work and thrive in the place of their choice – be that in a city, town or rural area. In this context, the Letta report introduced the concepts of the 'freedom to move' and the 'freedom to stay', complementing the four freedoms of the single market, stipulating that access to public services, employment opportunities and the benefits of the single market should not depend on where people are born or live[144].

The European Commission's forthcoming *Right to Stay Strategy: Your Region, Your Future*[145] seeks to build on this, with the objective of aligning existing EU policies, investments and reforms in view of enabling people to stay in their region. Current policy discussions distinguish between the 'right to stay' as a political concept, the 'freedom to stay' as an enabling condition and the practical 'reasons to stay' created by access to opportunities, services and quality of life.

Eurofound's *Freedom to Stay Index* provides an empirical framework for assessing the conditions that enable people to remain in their regions. It measures six interdependent dimensions: economic conditions and job opportunities, access to essential services, digital skills and infrastructure, housing affordability, environmental quality and institutional quality[146].

The territorial pattern seems clear. Higher performance is concentrated in Northern and Western Europe, while weaker conditions persist in parts of Southern and Eastern Europe. At the same time, disparities are not only between Member States. In many countries, capital and metropolitan regions outperform surrounding or more peripheral areas.

These patterns also reflect a widening rural-urban divide. Economic activity, services, higher education, innovation capacity and employment opportunities are increasingly concentrated in metropolitan areas, while many rural, intermediate and peripheral regions face cumulative structural disadvantages.

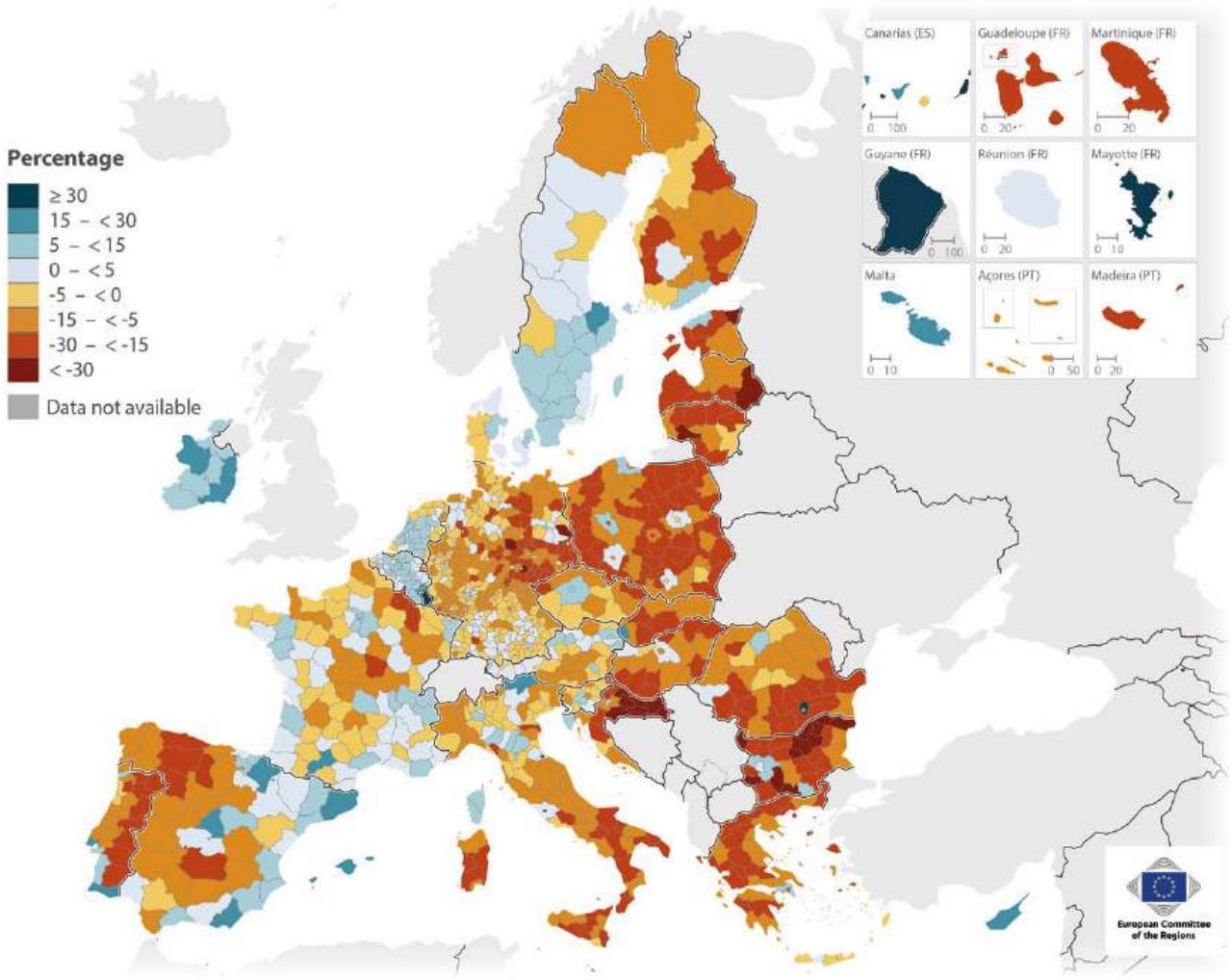

Figure 22 — **Projected relative population change between 2025 and 2050**
By NUTS 3 regions (2024 classification)
Source: *Data retrieved from Eurostat (dataset codes proj_25rp5 and proj_25np)*

The index further shows that territorial attractiveness is systemic: a region may perform relatively well economically but will still lose population if services are weak, housing is unaffordable or connectivity is poor. Conversely, strong service provision alone cannot compensate for a lack of employment opportunities or weak economic prospects, which remain the main reason people leave their regions[147]. A striking example of this is an exodus of doctors and medical professionals: young doctors trained in metropolitan university hospitals often settle where they were trained, while doctors from the EU periphery move to Central Europe, where working conditions are better and salaries are higher, contributing to the spreading of medical deserts in Europe and adding to the shortfall of 1.2 million health professionals[148].

Beyond measurable indicators, perception also matters. In regions facing long-term decline, the freedom to stay may no longer be perceived as a realistic option, even when some conditions improve. Territorial decline is experienced not only through data, but also through expectations about the future. Governance and citizen participation is therefore key.

10.2 Regions and cities at work

Regions and cities are at the centre of enabling people to exercise their right to stay. Effective and integrated action to address the dimensions of economic conditions and job opportunities, access to essential services, digital skills and infrastructure, housing affordability, environmental quality and institutional quality requires evidence-based strategies designed and delivered at the appropriate territorial level and involving all relevant stakeholders.

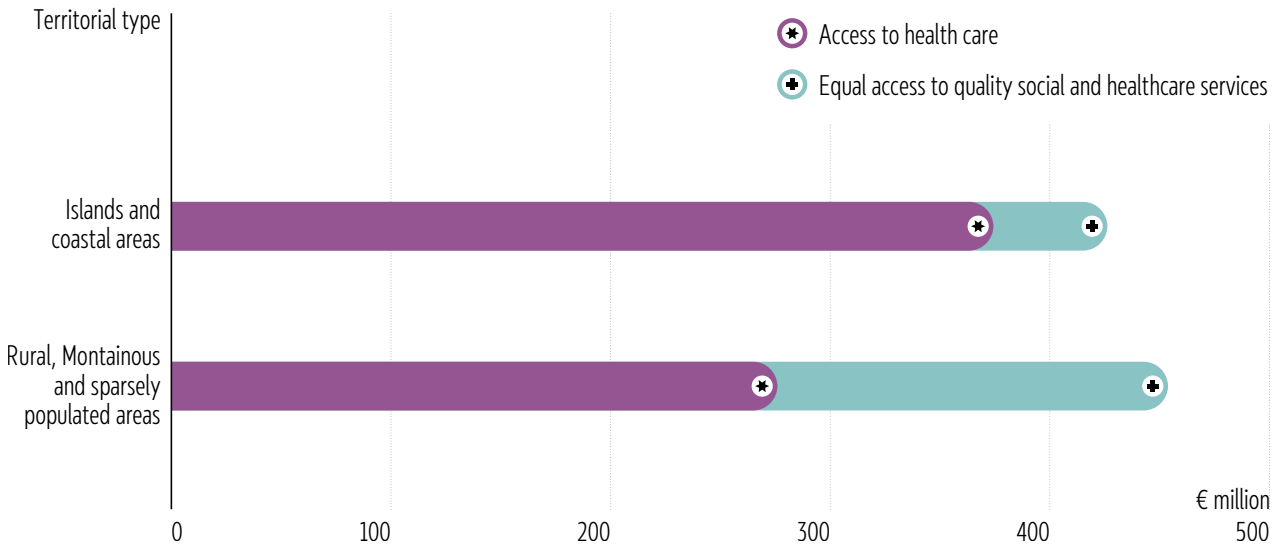

Figure 23 — **Cohesion Policy - Use of territorial tools (CLLD, ITI and other) to support social and healthcare services (EU amount, € million)' by 'Territorial type' – 2021-2027**
Access to health care (RSO4.5)
Equal access to quality social and healthcare services (ESO4.11)
Source: *Data retrieved from Cohesion Open data*[149]

The 2021-2027 cohesion policy programmes are designed and implemented on this basis. Prepared in partnership with regional and local stakeholders on the basis of analysis of national and subnational needs and ensuring complementarity with EU and national priorities and funding instruments, these programmes set out integrated strategies, policy objectives and specific goals in view of supporting regional development, job creation, innovation, environmental sustainability and social inclusion across the EU.

The precise policy and funding mix varies both within and between Member States and regions. In Veneto (Italy), a more developed region, investments focus on innovation, digitalisation and skills.

In Saxony-Anhalt (Germany), a transition region, cohesion policy supports economic adaptation, innovation and workforce development in a context of demographic change. In Vest Region (Romania), a less developed region, the interventions support investments across the full range of policy areas,

funding contributes to improving access to services, infrastructure and opportunities. In Śląskie (Poland), Just Transition Fund resources support economic diversification, reskilling and the transition towards a climate-neutral economy.

Europe's cities and regions are also at the forefront of many projects specifically addressing various facets of the right to stay.

Measures to address medical deserts through digital innovation, by expanding telemedicine, e-health services and remote patient monitoring improve access to healthcare. For example, in Finland's Lapland region, a telemedicine network links local health centres with specialist hospitals in Rovaniemi and Oulu, enabling residents of remote and sparsely populated areas to access specialist care without travelling long distances.

Measures specifically aimed at the silver economy enable a growing number of older people to remain active and exercise their right to stay in their communities as the European population ages. The Veneto region, Italy, has instituted the *Think Care project*[150], which raises awareness around age diversity management and provides tools, methodologies and models to guide organisations through the complexities of demographic change and digital transformation. It offers diverse training programmes, including courses on enhancing older workers' digital skills, managing diversity and fostering intergenerational communication[151]. In Wallonia, Belgium, a network of 24 Skill Centres[152] offers specialised training aligned with the needs of local businesses, targeting workers over 50. In Hradec Králové, Czechia, the *55+ Friendly Employer competition*[153] recognises organisations actively supporting the employment and well-being of workers aged 55 and older.

Bringing new life to small villages

Community of Madrid, Spain

Madrid's population kept concentrating in the capital and metropolitan belt, hollowing out villages under 20 000 inhabitants and widening urban-rural imbalances. The region launched *Pueblos con Vida*, 15 cross-cutting measures to retain residents, attract young people, support affordable housing, boost local economies and guarantee basic services like ATMs, pharmacies and taxis. Backed by EUR 155 million invested since 2024, municipalities under 5 000 people grew 14% in population, showing place-based policies work.

Building the right to stay is more than just words

Prachatice, Czechia

Local government risked losing touch with residents unless every generation had a genuine say in shaping the city's future. Since 1998, Prachatice has built student, senior citizens' and disability advisory councils, backed by participatory budgets, to respond to residents' needs and strengthen local democracy and quality of life. Citizen suggestions turned into real projects, such as a barrier-free map and an open-air cinema. Multiple national awards confirm that active participation and trust can serve as a retention factor.

10.3 What regions and cities ask for

- **Maintaining a strong cohesion policy** to support regional development, job creation, innovation, environmental sustainability and social inclusion across the EU, deliver competitiveness and support regions in development traps, leaving no region behind.
- **Engaging LRAs in the formulation, implementation and monitoring of policies** – both under the future NRPPs and programmes under Headings 2 and 3 of the MFF – that will make regions and cities more attractive, investing in capacity building and multilevel governance mechanisms, enabling them to design and implement integrated, place-based policies and promoting local democracy and community participation.
- **Embracing the 'right to stay' concept** by supporting villages, towns and cities to develop and implement integrated long-term development strategies, encompassing quality public services (education, healthcare, social services, family support, childcare) improved connectivity (digital, transport), improved local labour markets (including female and youth employment) and environmental quality, as conditions enabling young people to build their future locally.
- **Strengthening the territorial dimension of EU policymaking** through territorial proofing, impact assessments and place-based approaches, ensuring that major EU policies contribute to territorial cohesion and do not unintentionally deepen disparities between regions.

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Regional thermometer

The Regional Thermometer offers a concise, comparable view of how EU regions are evolving across selected socio-economic, demographic and environmental dimensions. It complements the European Semester's country-specific analysis by highlighting regional patterns and changes over time.

The analysis draws mainly on the European Semester Spring Package 2026 and country reports, in particular Annex 18 on regional socio-economic development. As the indicators vary by country, it focuses on those most frequently used and their evolution over time, enabling comparison across EU regions on common metrics.

Indicators are selected based on their use in the European Semester country reports and the availability of comparable, relevant regional datasets.

The analysis uses seven indicators: five from Annex 18 of the European Semester country reports — **Regional gross domestic product (PPS per inhabitant); Unemployment rate; Persons at risk of poverty or social exclusion; Inability to face unexpected financial expenses; Old age dependency** — and two complementary indicators from other sources: the **Vulnerability Index** developed by the Joint Research Centre and **Emissions by sectors** from the EDGAR (Emissions Database for Global Atmospheric Research) database.

GDP per capita (PPS) is primarily designed to compare living standards across territories. Changes between years should be interpreted with caution, as they may reflect not only changes in economic output and population but also revisions in purchasing power parities (PPPs), which are periodically updated; therefore, while year-on-year changes can be analysed, they should be understood as changes in relative economic prosperity rather than as direct measures of economic growth.

The latest Regional Competitiveness Index data are kept in the table for reference, as the index will only be updated after this report has been published and it is not used for the 2026 Thermometer. Both the RCI and the Vulnerability Index are composite indicators.

For each indicator, the two latest available years are compared, and regions are marked as showing progress in green, stagnation in yellow, or deterioration in red.

The analysis covers 244 EU regions using the NUTS 2 classification. Although the 2026 European Semester country reports were published in June 2026, the relevant NUTS 2 classification remains NUTS 2024, in force since 1 January 2024. Code changes have been considered to ensure consistency and are summarised below.

Country	Region name	2024 NUTS2 Code	Corresponds to 2021 NUTS2 Code(s)
Netherlands	Utrecht	NL35	Ex-NL31
Netherlands	Zuid-Holland	NL36	Ex-NL33
Portugal	Área Metropolitana de Lisboa	PT1A	Part of ex-PT17
Portugal	Peninsula de Setubal	PT1B	Part of ex-PT17
Portugal	Alentejo	PT1C	Remaining part of ex-PT18
Portugal	Oeste e Vale de Tejo	PT1D	Parts of ex-PT16 and ex-PT18
Portugal	Centro	PT19	Remaining part of ex-PT16

Where data is unavailable, fields are left blank and excluded from progress-rate calculations. Percentages are therefore based only on available indicators, ensuring transparency and avoiding estimates that could distort the analysis.

Progress is assessed from two perspectives: by region, showing how many indicators improved in each region; and by indicator, showing how many regions improved each indicator. These results appear respectively in the right-hand column and bottom row of the dataset.

Totals are calculated according to data availability. For example, if an indicator is available for 222 of 244 regions, those 222 regions are treated as the full sample. Similarly, if FI20 (Åland) has data for 4 of 7 indicators and improves in 3, the result is 3 out of 4, or 75%.

Figure 24 — Analysis of European regions based on 7 specific indicators
(Methodological notes includes information about NUTS classification changes and indicators)

Name of the region	NUTS 2 code classification (2024)	Gross domestic product (purchasing power standard per inhabitant) 2024 vs. 2023	Unemployment rate 2025 vs 2024	Persons at risk of poverty or social exclusion 2025 vs 2024	Inability to face unexpected financial expenses 2025 vs. 2024	Emissions by sectors 2024 vs 2023	Old age dependency 2025 vs. 2024	Vulnerability Index 2025 vs. 2024	Positive indicators per region	RCI 2.0 2022 vs 2019 (no updated data available)
Région de Bruxelles-Capitale/ Brussels Hoofdstedelijk Gewest	BE10	103,97	105,08	90,08	106,27	98,99	100,49	99,10	**4**	100,8
Prov, Antwerpen	BE21	100,93	97,56	89,31	104,40	99,78	101,98	98,16	**5**	100,6
Prov, Limburg (BE)	BE22	102,18	114,29	87,18	129,70	100,04	102,84	98,83	**3**	99,9
Prov, Oost-Vlaanderen	BE23	103,04	133,33	92,37	78,47	102,45	101,40	98,66	**4**	103,8
Prov, Vlaams-Brabant	BE24	102,83	132,50	86,27	110,64	100,19	101,69	97,90	**3**	100,8
Prov, West-Vlaanderen	BE25	102,41	114,29	87,50	119,39	99,67	101,81	98,65	**4**	101,3
Prov, Brabant Wallon	BE31	102,15	98,48	82,25	77,78	100,73	102,49	97,99	**5**	100,8
Prov, Hainaut	BE32	103,60	101,18	92,88	100,49	100,48	101,75	98,70	**3**	101,3
Prov, Liège	BE33	102,70	101,47	95,61	121,90	100,67	102,04	98,65	**3**	102,6
Prov, Luxembourg (BE)	BE34	102,85	117,65	87,01	80,24	100,65	102,29	98,33	**4**	100,1
Prov, Namur	BE35	103,24	119,35	88,20	78,69	100,38	102,03	98,39	**4**	103,1
Северозападен	BG31	103,09	74,23	93,58	99,55	99,51	101,56	98,92	**6**	98,4
Северен централен	BG32	103,59	75,47	92,35	106,09	94,81	101,83	99,65	**5**	106,8
Североизточен	BG33	106,32	100,00	105,32	79,73	97,94	101,46	98,86	**4**	94,1

Name of the region	NUTS 2 code classification (2024)	Gross domestic product (purchasing power standard per inhabitant) 2024 vs. 2023	Unemployment rate 2025 vs 2024	Persons at risk of poverty or social exclusion 2025 vs 2024	Inability to face unexpected financial expenses 2025 vs. 2024	Emissions by sectors 2024 vs 2023	Old age dependency 2025 vs. 2024	Vulnerability Index 2025 vs. 2024	Positive indicators per region	RCI 2.0 2022 vs 2019 (no updated data available)
Югоизточен	BG34	109,18	95,74	100,00	99,42	85,56	101,88	98,92	**5**	96,9
Югозападен	BG41	109,79	67,86	98,51	88,13	97,95	100,85	99,01	**6**	103,1
Южен централен	BG42	110,19	110,34	89,82	94,25	101,22	102,35	98,50	**4**	101,0
Praha	CZ01	101,19	105,88	77,78	93,10	95,27	98,70	99,66	**6**	97,6
Střední Čechy	CZ02	106,03	116,67	101,82	94,15	93,94	100,31	99,95	**4**	97,6
Jihozápad	CZ03	102,38	95,45	155,68	103,26	97,91	101,10	101,29	**3**	96,3
Severozápad	CZ04	102,52	115,79	108,00	91,51	86,79	100,56	101,27	**3**	96,7
Severovýchod	CZ05	105,28	110,71	127,37	97,78	91,96	101,07	100,21	**3**	96,3
Jihovýchod	CZ06	102,13	108,70	88,00	101,89	98,26	101,12	100,21	**3**	95,6
Střední Morava	CZ07	104,59	100,00	94,87	104,61	97,25	101,57	99,63	**4**	97,6
Moravskoslezsko	CZ08	105,19	105,13	88,96	98,33	88,50	101,64	99,66	**5**	98,6
Hovedstaden	DK01	107,35	105,08	110,53	95,21	97,45	100,70	98,91	**4**	99,5
Sjælland	DK02	104,96	95,92	95,36	96,89	99,94	101,15	99,56	**6**	96,5
Syddanmark	DK03	102,39	103,85	95,68	100,90	98,86	101,22	98,87	**4**	99,0
Midtjylland	DK04	102,86	107,41	98,48	89,04	97,83	101,13	99,09	**5**	99,3
Nordjylland	DK05	103,38	112,96	81,77	95,89	96,97	101,46	98,31	**5**	101,3
Stuttgart	DE11	102,34	109,38	85,93	99,06	95,56	102,31	96,77	**5**	94,4
Karlsruhe	DE12	102,90	106,45	105,67	100,31	95,62	102,25	96,65	**3**	96,0
Freiburg	DE13	102,44	125,00	105,75	99,12	98,04	102,44	97,09	**4**	93,0
Tübingen	DE14	102,31	107,41	97,08	97,64	100,18	102,79	96,79	**4**	92,5
Oberbayern	DE21	101,65	107,41	102,00	98,95	99,94	101,23	95,37	**4**	94,9
Niederbayern	DE22	101,12	145,00	101,31	100,00	101,70	102,99	96,60	**2**	95,3
Oberpfalz	DE23	101,24	112,50	121,54	100,00	100,71	102,51	96,65	**2**	93,1
Oberfranken	DE24	102,11	115,38	114,57	100,00	101,08	102,99	96,40	**2**	95,4
Mittelfranken	DE25	101,82	134,62	95,88	98,51	101,47	101,96	96,61	**4**	96,4
Unterfranken	DE26	101,99	103,45	112,24	100,90	101,16	102,78	96,17	**2**	96,1
Schwaben	DE27	101,40	104,00	105,84	98,82	101,03	102,22	96,28	**3**	93,9

Name of the region	NUTS 2 code classification (2024)	Gross domestic product (purchasing power standard per inhabitant) 2024 vs. 2023	Unemployment rate 2025 vs 2024	Persons at risk of poverty or social exclusion 2025 vs 2024	Inability to face unexpected financial expenses 2025 vs. 2024	Emissions by sectors 2024 vs 2023	Old age dependency 2025 vs. 2024	Vulnerability Index 2025 vs. 2024	Positive indicators per region	RCI 2.0 2022 vs 2019 (no updated data available)
Berlin	DE30	103,90	118,18	113,49	98,76	99,38	100,33	96,15	**4**	97,2
Brandenburg	DE40	102,69	119,35	101,55	98,44	96,07	103,03	97,65	**4**	97,2
Bremen	DE50	101,93	104,08	101,43	100,99	95,82	100,58	97,51	**3**	91,6
Hamburg	DE60	104,40	108,33	97,14	100,00	100,90	100,35	95,92	**3**	96,5
Darmstadt	DE71	103,68	106,06	101,44	100,66	98,99	101,47	97,32	**3**	94,2
Gießen	DE72	102,84	71,43	95,35	100,57	100,19	102,68	96,71	**4**	93,8
Kassel	DE73	103,36	161,90	94,49	99,71	100,74	101,94	96,47	**4**	91,8
Mecklenburg-Vorpommern	DE80	104,79	97,22	95,98	96,88	99,90	103,24	97,08	**6**	95,6
Braunschweig	DE91	103,41	105,56	101,86	99,20	96,42	101,98	96,75	**4**	93,4
Hannover	DE92	103,71	130,00	93,59	98,28	100,27	101,53	96,42	**4**	94,0
Lüneburg	DE93	103,69	123,08	96,63	99,44	100,62	102,18	97,01	**4**	94,6
Weser-Ems	DE94	103,44	90,32	100,38	98,46	99,26	102,43	96,44	**5**	93,6
Düsseldorf	DEA1	102,43	111,63	104,89	100,00	95,90	101,34	97,37	**3**	95,6
Köln	DEA2	102,83	105,41	103,04	100,89	96,12	101,72	97,01	**3**	94,3
Münster	DEA3	102,43	100,00	88,13	100,54	97,93	102,47	96,85	**4**	95,3
Detmold	DEA4	102,17	109,09	102,12	100,00	97,86	102,41	97,54	**3**	95,3
Arnsberg	DEA5	102,62	117,95	98,01	100,75	97,92	101,84	97,10	**4**	94,7
Koblenz	DEB1	101,87	90,32	94,12	99,13	101,30	102,44	97,23	**5**	95,9
Trier	DEB2	102,03	N/A	118,35	99,16	101,47	102,65	97,17	**3**	92,6
Rheinhessen-Pfalz	DEB3	101,42	121,88	100,00	102,85	102,85	102,36	97,10	**2**	96,6
Saarland	DEC0	101,34	113,89	101,37	96,73	93,33	103,02	97,85	**4**	94,0
Dresden	DED2	103,10	125,00	100,57	106,07	94,57	101,85	97,41	**3**	95,3
Chemnitz	DED4	103,48	141,94	109,09	101,07	98,39	102,12	97,63	**3**	95,3
Leipzig	DED5	103,18	94,44	88,41	85,47	94,48	100,77	97,27	**6**	95,9
Sachsen-Anhalt	DEE0	102,46	117,50	93,05	97,52	100,39	102,17	97,77	**4**	93,9
Schleswig-Holstein	DEF0	104,32	105,88	105,56	110,39	100,91	101,47	96,46	**2**	92,6
Thüringen	DEG0	102,47	105,71	105,41	102,09	100,79	103,02	97,32	**2**	95,9
Eesti	EE00	103,27	95,95	N/A	N/A	94,29	102,55	100,64	**3**	108,7

Name of the region	NUTS 2 code classification (2024)	Gross domestic product (purchasing power standard per inhabitant) 2024 vs. 2023	Unemployment rate 2025 vs 2024	Persons at risk of poverty or social exclusion 2025 vs 2024	Inability to face unexpected financial expenses 2025 vs. 2024	Emissions by sectors 2024 vs 2023	Old age dependency 2025 vs. 2024	Vulnerability Index 2025 vs. 2024	Positive indicators per region	RCI 2.0 2022 vs 2019 (no updated data available)
Northern and Western	IE04	100,00	110,26	111,26	112,27	99,32	100,65	99,07	**2**	100,1
Southern	IE05	98,41	97,44	109,64	95,06	95,91	101,04	97,99	**4**	96,6
Eastern and Midland	IE06	111,32	110,00	109,62	93,55	102,69	101,74	98,54	**3**	104,0
Αττική	EL30	104,09	88,89	103,96	114,03	102,09	102,20	99,74	**3**	105,8
Βόρειο Αιγαίο	EL41	103,70	88,41	84,04	126,89	101,26	96,93	99,32	**5**	99,3
Νότιο Αιγαίο	EL42	104,89	76,84	135,47	130,46	101,61	102,60	99,71	**3**	93,9
Κρήτη	EL43	105,31	60,47	87,92	91,51	100,92	102,23	99,53	**5**	101,9
Ανατολική Μακεδονία, Θράκη	EL51	104,09	90,68	93,49	93,79	125,34	99,76	98,44	**6**	102,6
Κεντρική Μακεδονία	EL52	104,78	92,06	106,45	128,67	101,25	101,75	99,68	**3**	106,7
Δυτική Μακεδονία	EL53	100,00	122,40	81,27	121,85	83,28	103,24	98,29	**3**	106,8
Ήπειρος	EL54	104,71	93,52	129,08	127,43	100,80	100,77	99,41	**3**	103,0
Θεσσαλία	EL61	104,48	63,00	118,22	117,27	101,06	101,96	99,25	**3**	111,9
Ιόνια Νησιά	EL62	105,42	55,28	86,23	97,01	101,99	103,75	97,69	**5**	97,1
Δυτική Ελλάδα	EL63	103,72	91,26	79,26	120,77	100,66	102,37	99,07	**4**	106,3
Στερεά Ελλάδα	EL64	104,82	101,19	106,61	112,61	103,69	101,29	98,68	**2**	92,5
Πελοπόννησος	EL65	103,18	107,79	117,96	115,93	102,81	102,08	99,63	**2**	106,2
Galicia	ES11	104,66	88,17	117,55	110,45	99,41	101,31	99,38	**4**	109,1
Principado de Asturias	ES12	104,75	88,66	107,18	104,20	96,22	101,86	99,89	**4**	109,0
Cantabria	ES13	104,70	94,81	86,49	104,21	100,82	102,46	99,06	**4**	104,7
País Vasco	ES21	104,57	90,00	99,32	98,22	97,98	101,72	99,76	**6**	104,2
Comunidad Foral de Navarra	ES22	105,06	101,35	90,16	91,22	97,72	101,43	99,41	**5**	103,7
La Rioja	ES23	104,67	81,91	100,88	109,60	97,37	101,87	100,58	**3**	104,6
Aragón	ES24	104,87	98,72	90,95	95,99	99,26	101,06	99,65	**6**	101,0
Comunidad de Madrid	ES30	104,18	88,64	92,82	94,55	100,85	101,34	100,28	**4**	103,6
Castilla y León	ES41	104,86	92,31	100,42	108,99	102,30	101,92	101,23	**2**	102,3
Castilla-La Mancha	ES42	103,90	95,38	99,42	110,08	101,71	101,85	100,05	**3**	102,2
Extremadura	ES43	104,85	94,74	93,83	98,42	102,28	103,22	99,77	**5**	101,3

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Cataluña	ES51	104,50	97,59	103,90	100,57	99,39	100,63	100,26	**3**	108,0
Comunitat Valenciana	ES52	103,36	91,06	102,68	95,62	99,19	100,90	99,83	**5**	110,7
Illes Balears	ES53	105,50	96,63	93,83	95,47	97,18	101,16	99,78	**6**	109,6
Andalucía	ES61	105,38	93,17	97,47	104,49	98,45	102,63	100,17	**4**	104,5
Región de Murcia	ES62	104,88	95,93	100,31	113,78	97,26	102,58	99,22	**4**	110,2
Ciudad de Ceuta	ES63	101,98	89,18	96,68	116,40	98,41	102,80	100,01	**4**	91,0
Ciudad de Melilla	ES64	102,61	91,91	98,20	133,98	99,16	103,98	99,80	**5**	109,4
Canarias	ES70	106,25	98,52	100,00	102,04	99,05	102,21	100,15	**3**	108,6
Ile-de-France	FR10	104,07	110,39	105,03	106,39	95,76	101,47	96,14	**3**	98,8
Centre — Val de Loire	FRB0	101,88	116,00	94,38	92,91	98,13	101,55	96,28	**5**	97,2
Bourgogne	FRC1	103,13	96,88	107,37	101,05	98,29	101,42	96,79	**4**	98,6
Franche-Comté	FRC2	102,08	156,86	107,78	100,00	97,74	101,66	97,18	**3**	96,3
Basse-Normandie	FRD1	102,24	91,43	95,48	94,96	98,61	101,86	96,55	**6**	98,7
Haute-Normandie	FRD2	102,48	107,25	90,77	89,07	96,48	102,02	96,14	**5**	97,7
Nord-Pas de Calais	FRE1	102,67	96,51	101,13	98,89	91,75	102,00	96,03	**5**	100,0
Picardie	FRE2	103,55	97,14	80,93	87,76	97,78	101,87	96,24	**6**	100,0
Alsace	FRF1	102,29	85,71	100,00	101,97	97,11	101,91	96,86	**4**	98,5
Champagne-Ardenne	FRF2	102,35	95,52	105,05	97,61	98,40	102,11	97,24	**5**	98,9
Lorraine	FRF3	102,49	86,25	88,14	91,74	94,87	101,99	96,08	**6**	95,3
Pays de la Loire	FRG0	102,37	110,71	91,81	90,75	97,14	101,46	95,89	**5**	98,6
Bretagne	FRH0	103,37	96,23	101,37	95,40	98,39	101,79	95,82	**5**	95,7
Aquitaine	FRI1	102,36	112,12	106,52	100,36	97,83	101,36	96,32	**3**	98,5
Limousin	FRI2	101,72	113,21	105,77	99,65	98,53	101,67	97,01	**4**	98,5
Poitou-Charentes	FRI3	101,26	114,00	94,12	93,73	98,31	101,74	96,53	**5**	96,5
Languedoc-Roussillon	FRJ1	102,01	97,62	94,76	96,84	98,15	101,71	96,85	**6**	101,2
Midi-Pyrénées	FRJ2	102,89	107,02	110,95	105,24	98,26	101,20	96,88	**3**	98,0
Auvergne	FRK1	102,59	80,00	115,46	98,03	96,88	101,85	96,20	**5**	94,7
Rhône-Alpes	FRK2	102,56	106,35	101,69	96,97	97,67	101,38	96,28	**4**	97,8

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Provence-Alpes-Côte d'Azur	FRL0	103,22	101,52	94,95	97,97	93,89	101,77	96,45	**5**	101,5
Corse	FRM0	104,23	131,91	114,86	107,69	97,36	102,18	97,12	**3**	81,3
Guadeloupe	FRY1	105,93	95,91	97,46	92,26	105,32	104,51	N/A	**4**	98,6
Martinique	FRY2	104,96	106,56	103,99	96,67	103,24	104,60	N/A	**2**	103,0
Guyane	FRY3	100,00	103,73	92,10	96,65	101,66	105,00	N/A	**2**	107,2
La Réunion	FRY4	103,25	94,55	107,36	96,41	101,62	104,49	N/A	**3**	96,3
Mayotte	FRY5	109,09	92,88	N/A	N/A	102,52	100,00	N/A	**2**	98,2
Panonska Hrvatska	HR02	104,46	102,99	96,77	90,65	103,50	102,61	98,33	**4**	N/A
Jadranska Hrvatska	HR03	104,66	88,14	89,96	92,50	98,67	100,93	97,37	**6**	105,2
Grad Zagreb	HR05	104,58	107,69	111,71	76,72	92,84	99,71	97,30	**5**	N/A
Sjeverna Hrvatska	HR06	101,19	100,00	96,17	90,33	100,48	101,36	98,09	**4**	N/A
Piemonte	ITC1	104,12	115,38	125,19	62,40	98,19	101,29	99,71	**4**	99,9
Valle d'Aosta/ Vallée d'Aoste	ITC2	102,04	97,44	52,34	73,23	98,95	102,05	98,84	**6**	103,4
Liguria	ITC3	101,74	88,46	142,75	99,10	97,60	100,77	100,55	**4**	96,2
Lombardia	ITC4	103,54	77,78	88,65	110,06	98,54	101,50	99,41	**5**	102,1
Abruzzo	ITF1	104,02	94,12	98,41	61,95	98,43	102,04	100,29	**5**	97,6
Molise	ITF2	102,84	80,77	82,91	53,59	98,95	102,39	99,97	**6**	94,8
Campania	ITF3	104,47	90,32	94,71	93,33	98,55	102,29	99,90	**6**	95,5
Puglia	ITF4	104,08	110,00	92,84	82,96	97,47	102,66	100,16	**4**	97,8
Basilicata	ITF5	103,13	79,41	98,82	105,39	98,71	102,78	100,14	**4**	97,1
Calabria	ITF6	103,64	76,52	92,83	68,32	97,13	102,43	98,96	**6**	94,1
Sicilia	ITG1	106,06	93,13	107,58	86,79	98,05	102,26	100,69	**4**	94,6
Sardegna	ITG2	105,07	113,25	100,34	51,92	98,44	103,07	99,81	**4**	97,8
Provincia Autonoma di Bolzano/Bozen	ITH1	100,63	89,47	106,06	83,09	99,74	102,29	99,36	**5**	98,7
Provincia Autonoma di Trento	ITH2	102,89	84,62	98,18	37,50	99,32	102,21	99,61	**6**	97,5
Veneto	ITH3	102,84	117,24	117,74	91,90	94,04	102,15	101,23	**3**	99,9

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Friuli-Venezia Giulia	ITH4	104,35	104,55	93,55	97,27	98,43	101,68	100,11	**4**	99,1
Emilia-Romagna	ITH5	102,64	95,24	81,19	127,20	98,08	100,95	100,16	**4**	99,6
Toscana	ITI1	103,80	107,50	119,08	121,53	98,30	101,30	100,76	**2**	99,7
Umbria	ITI2	104,29	95,74	96,43	87,17	98,86	101,47	100,41	**5**	99,4
Marche	ITI3	103,48	104,00	117,80	45,52	98,67	101,75	99,90	**4**	102,0
Lazio	ITI4	102,97	90,32	80,23	83,91	99,90	101,78	99,92	**6**	97,2
Κύπρος	CY00	105,61	87,50	N/A	N/A	102,59	103,50	98,61	**3**	98,3
Latvija	LV00	102,25	100,00	N/A	N/A	99,52	102,70	97,03	**3**	106,4
Sostinės regionas	LT01	105,79	83,61	105,13	96,12	100,34	102,46	98,20	**4**	121,1
Vidurio ir vakarų Lietuvos regionas	LT02	105,86	102,60	101,99	100,67	99,71	103,61	98,50	**3**	106,0
Luxembourg	LU00	102,73	105,17	N/A	N/A	102,56	101,70	99,09	**2**	91,7
Budapest	HU11	106,67	129,17	96,40	97,18	99,94	98,82	101,73	**5**	107,3
Pest	HU12	103,23	96,55	80,00	102,61	99,79	100,33	101,65	**4**	107,3
Közép-Dunántúl	HU21	103,15	111,54	105,88	107,10	99,05	101,72	102,08	**2**	102,6
Nyugat-Dunántúl	HU22	103,13	96,77	103,45	99,53	99,95	102,26	102,44	**4**	104,7
Dél-Dunántúl	HU23	104,71	89,71	107,17	92,24	99,64	102,28	102,01	**4**	105,1
Észak-Magyarország	HU31	103,28	104,55	105,90	105,05	96,20	101,69	101,34	**2**	99,1
Észak-Alföld	HU32	105,29	85,51	101,43	123,80	99,87	101,51	100,90	**3**	104,1
Dél-Alföld	HU33	101,94	97,83	114,09	112,81	99,81	101,31	101,81	**3**	103,5
Malta	MT00	104,78	100,00	N/A	N/A	100,96	100,36	96,55	**2**	97,5
Groningen	NL11	101,52	108,33	106,67	N/A	97,89	101,71	98,36	**3**	98,0
Friesland (NL)	NL12	105,96	105,88	93,13	N/A	97,13	101,69	97,59	**4**	100,7
Drenthe	NL13	107,58	124,00	84,71	N/A	97,25	101,77	97,33	**4**	100,5
Overijssel	NL21	107,91	110,34	108,22	N/A	97,82	101,67	97,86	**3**	101,5
Gelderland	NL22	108,29	96,67	108,53	N/A	98,68	102,12	97,48	**4**	101,1
Flevoland	NL23	104,29	100,00	106,92	N/A	96,72	102,32	97,82	**3**	100,2
Noord-Holland	NL32	105,75	100,00	106,96	N/A	98,53	101,94	98,16	**3**	100,2

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Zeeland	NL34	105,13	94,44	100,73	N/A	96,73	101,32	97,78	**4**	98,2
Utrecht	NL35 (31 in NUTS2 2021)	107,63	103,33	122,48	N/A	97,17	101,97	97,69	**3**	98,7
Zuid-Holland	NL36 (33 in NUTS2 2021)	106,85	94,44	97,18	N/A	96,90	101,57	97,83	**5**	100,8
Noord-Brabant	NL41	106,95	114,81	93,75	N/A	92,05	101,92	97,65	**4**	102,2
Limburg (NL)	NL42	105,25	93,10	106,17	N/A	98,91	102,24	98,12	**4**	100,2
Burgenland	AT11	103,61	97,92	110,00	123,68	98,72	103,90	99,08	**4**	93,3
Niederösterreich	AT12	102,61	107,50	108,87	92,02	99,15	102,51	99,25	**4**	94,5
Wien	AT13	102,25	105,49	105,67	104,75	98,74	100,78	98,26	**3**	94,5
Kärnten	AT21	99,55	112,20	135,03	93,52	98,83	103,23	100,40	**2**	95,7
Steiermark	AT22	103,74	114,63	131,25	112,03	99,29	103,07	98,54	**3**	95,9
Oberösterreich	AT31	100,64	125,71	90,67	100,60	99,54	103,06	98,66	**4**	99,0
Salzburg	AT32	103,38	109,68	131,53	71,03	98,88	102,72	98,98	**4**	99,3
Tirol	AT33	103,88	120,69	99,25	82,59	98,72	102,86	98,81	**5**	97,2
Vorarlberg	AT34	102,89	105,13	120,67	139,51	98,65	102,61	98,69	**3**	98,0
Małopolskie	PL21	106,84	104,00	87,65	105,85	99,57	102,88	98,79	**4**	109,5
Śląskie	PL22	103,29	113,04	97,09	91,71	94,30	103,55	99,61	**5**	111,4
Wielkopolskie	PL41	106,47	128,57	115,65	110,05	99,15	103,16	99,56	**3**	105,5
Zachodniopomorskie	PL42	106,20	107,69	85,00	98,11	112,03	103,78	98,48	**4**	107,9
Lubuskie	PL43	105,93	N/A	96,38	96,00	93,55	103,99	98,65	**5**	111,9
Dolnośląskie	PL51	105,71	100,00	63,25	98,62	99,67	103,07	97,47	**5**	107,0
Opolskie	PL52	106,75	N/A	100,00	96,81	98,02	103,86	98,30	**4**	104,1
Kujawsko-pomorskie	PL61	106,75	92,86	104,39	96,43	97,02	103,70	98,92	**5**	108,2
Warmińsko-mazurskie	PL62	106,73	85,71	83,05	97,63	99,81	104,97	98,35	**6**	105,3
Pomorskie	PL63	106,03	113,64	99,41	102,16	99,91	102,83	99,44	**4**	106,7
Łódzkie	PL71	105,71	100,00	83,17	88,93	98,21	103,10	98,85	**5**	109,8
Świętokrzyskie	PL72	108,60	116,22	118,79	94,35	94,43	104,00	99,47	**4**	105,8
Lubelskie	PL81	108,87	162,50	97,83	85,38	97,73	103,77	98,37	**5**	106,9

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Podkarpackie	PL82	108,53	94,44	114,29	112,66	93,72	104,18	99,00	**4**	110,1
Podlaskie	PL84	106,58	86,21	89,02	77,31	100,05	104,29	98,94	**5**	104,2
Warszawski stołeczny	PL91	105,90	83,33	79,78	73,25	95,09	100,98	98,77	**6**	112,5
Mazowiecki regionalny	PL92	106,34	125,00	103,14	111,34	100,41	103,79	99,27	**2**	98,3
Norte	PT11	106,39	95,38	89,05	100,00	96,36	102,24	99,24	**5**	118,1
Algarve	PT15	106,59	101,89	91,44	107,64	98,02	100,00	99,30	**4**	112,8
Centro (PT)	PT19 (PT16 in NUTS2 2021)	104,83	87,72	105,29	102,33	96,48	99,80	99,00	**5**	110,8
Área Metropolitana de Lisboa	PT1A (PT17 in NUTS2 2021)	105,53	100,00	96,97	106,07	96,37	100,27	99,23	**4**	109,8
Peninsula de Setubal	PT1B	105,74	101,30	86,70	107,67	95,02	99,75	99,72	**5**	N/A
Alentejo	PT1C (PT18 in NUTS 2021)	104,05	94,74	105,35	95,51	99,87	100,00	99,26	**5**	109,7
Oeste e Vale de Tejo	PT1D	104,88	77,27	106,81	98,66	94,52	99,56	98,96	**6**	N/A
Região Autónoma dos Açores	PT20	106,62	83,64	76,06	93,95	97,93	102,51	98,59	**6**	101,5
Região Autónoma da Madeira	PT30	106,33	96,36	89,52	95,00	96,63	102,06	98,84	**6**	119,5
Nord-Vest	RO11	106,79	132,50	107,42	98,10	102,74	101,27	100,02	**2**	98,1
Centru	RO12	105,97	97,37	97,57	90,16	104,80	101,14	98,94	**5**	94,9
Nord-Est	RO21	107,82	117,78	89,64	95,93	101,95	101,20	99,78	**4**	97,3
Sud-Est	RO22	106,79	117,58	95,72	101,31	101,23	101,34	99,93	**3**	93,1
Sud-Muntenia	RO31	105,83	117,19	95,49	95,83	100,85	100,81	99,72	**4**	95,2
Bucureşti-Ilfov	RO32	108,07	81,82	113,33	82,29	96,13	100,00	99,47	**5**	54,7
Sud-Vest Oltenia	RO41	106,19	90,41	102,56	92,96	95,80	101,91	99,29	**5**	96,7
Vest	RO42	106,46	160,00	94,84	83,33	101,13	101,13	99,59	**4**	82,7
Vzhodna Slovenija	SI03	102,86	108,57	103,51	100,35	105,06	102,61	98,23	**2**	53,7
Zahodna Slovenija	SI04	102,80	113,79	112,93	106,36	101,88	101,67	97,88	**2**	48,6
Bratislavský kraj	SK01	105,17	100,00	33,72	103,56	98,18	101,96	98,14	**4**	44,9
Západné Slovensko	SK02	105,26	103,13	88,61	93,99	96,92	103,41	98,67	**5**	59,5
Stredné Slovensko	SK03	104,66	110,20	91,16	95,06	99,78	103,31	98,82	**5**	63,5

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Východné Slovensko	SK04	102,39	102,20	102,33	84,19	94,57	103,25	97,94	**4**	67,3
Länsi-Suomi	FI19	102,78	114,86	N/A	N/A	100,13	100,67	98,64	**2**	98,6
Helsinki-Uusimaa	FI1B	101,19	120,73	103,33	101,77	90,42	100,66	98,92	**3**	99,6
Etelä-Suomi	FI1C	104,08	108,43	102,99	111,03	100,50	101,02	99,27	**2**	96,6
Pohjois- ja Itä-Suomi	FI1D	105,04	114,08	108,48	104,87	98,23	101,63	99,04	**3**	97,5
Åland	FI20	101,83	N/A	N/A	N/A	101,52	101,80	98,88	**2**	98,1
Stockholm	SE11	105,71	113,04	114,94	102,70	102,42	101,44	103,64	**1**	36,8
Östra Mellansverige	SE12	105,18	97,59	117,61	106,75	102,02	101,05	102,47	**2**	42,3
Småland med öarna	SE21	102,48	103,51	103,05	96,31	101,94	101,40	101,47	**2**	47,2
Sydsverige	SE22	106,69	105,95	99,07	104,31	101,95	100,83	101,81	**2**	41,4
Västsverige	SE23	100,95	101,39	102,42	100,49	102,10	101,38	101,44	**1**	42,6
Norra Mellansverige	SE31	103,99	114,75	96,02	96,36	102,64	101,26	101,08	**3**	46,6
Mellersta Norrland	SE32	109,07	89,39	95,65	105,83	105,18	100,86	99,91	**4**	47,4
Övre Norrland	SE33	102,86	140,00	116,54	119,85	102,16	100,48	100,89	**1**	44,7
Total number of regions with progress in specific indicator		**242**	**111**	**122**	**133**	**166**	**12**	**199**		**145**

Number of stagnated/ deteriorated indicators	Number of regions
7	0
6	3
5	23
4	48
3	81
2	61
1	28
0	0

Number of improved indicators	Number of regions at NUTS level 2026
7	0
6	26
5	50
4	79
3	56
2	30
1	3
0	0

References

1 Full citation: 'The proposed MFF alters the operational DNA of the European project. By centralising expenditure and subordinating regional cohesion to aggregate, sector-driven competitiveness, the Commission has embraced a spatially regressive turn; one that buys short-term flexibility at the risk of long-term economic fragmentation', from Rodríguez-Pose, A., Bartalucci, F., A Union under siege, or a Union besieging itself? The EU's new budget and the future of European integration, 2026.

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Credits

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This year's report also features a selection of **local stories** provided by **CoR members** through an open call.

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