



European Committee  
of the Regions

## EU annual report on the state of regions and cities

Factsheet 2026

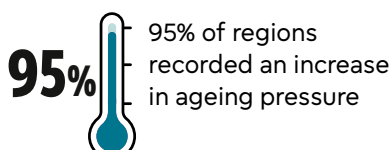
# Can Europe become stronger globally if it weakens its internal cohesion?

Europe's global strength begins in its territories and depends on cohesive, resilient and democratic regions and cities which, amid geopolitical instability and overlapping challenges, mobilise local potential, boost competitiveness, strengthen resilience and safeguard democratic life.

Yet the proposed Multiannual Financial Framework risks undermining the very foundations of the EU project by departing from the balance between competitiveness and cohesion that has long defined the Union. Its centralised architecture limits regional involvement, weakens cohesion policy, and deepens territorial disparities.

## Regional thermometer

Growth has not consistently translated into better employment or social outcomes, while population ageing remains the most widespread challenge.



## What regions and cities ask for

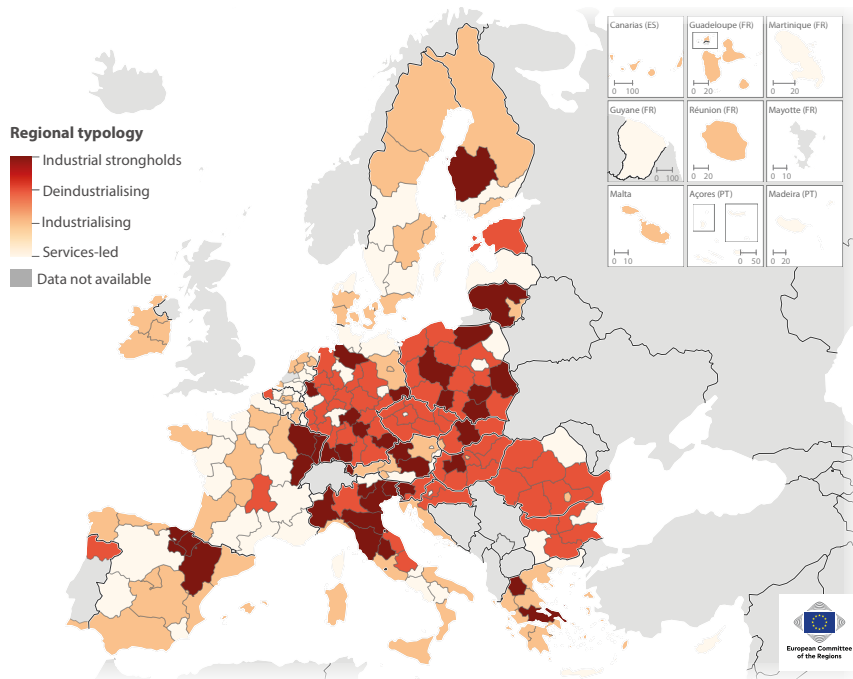
- ➔ Preserving cohesion policy for all regions
- ➔ Legally anchoring partnerships with regions (multilevel governance assessments, subsidiarity clause for NRPPs)
- ➔ Applying a "do no harm to cohesion" principle across EU programmes
- ➔ Applying territorial impact assessments and regional checks to the whole EU budget

Regions and cities call for the MFF 2028–34 to be set at 1.27% of EU GNI (excluding 150 billion euros in NextGenerationEU debt repayments), in line with the European Parliament's preliminary position.

## Competitiveness needs cohesion

Industry supports over 30 million European jobs across EU regions and is a cornerstone of the EU's strategic autonomy and social cohesion. However, disparities persist and are widening. Declining production and high energy costs are weakening regional competitiveness. Fragmented regulation, supply chain dependencies and uneven innovation capacity also hinder the commercialisation of research, increasing deindustrialisation and import risks.

Industrial transformation requires a place-based EU industrial policy that aligns investment with regional needs, prioritises decarbonisation, modernises energy infrastructure, streamlines permitting procedures and provides predictable support for the just transition, thereby strengthening both competitiveness and fairness.



**Figure 1 — Manufacturing employment dynamics in the EU 2019–2024, by NUTS 2 regions (2021 classification)**

Regional typology 1. Industrial Strongholds 2. Deindustrialising 3. Industrialising 4. Services-led

*Source: Data retrieved from the article Rodríguez-Pose A., Bartalucci F.*



### Local story Carinthia, Austria

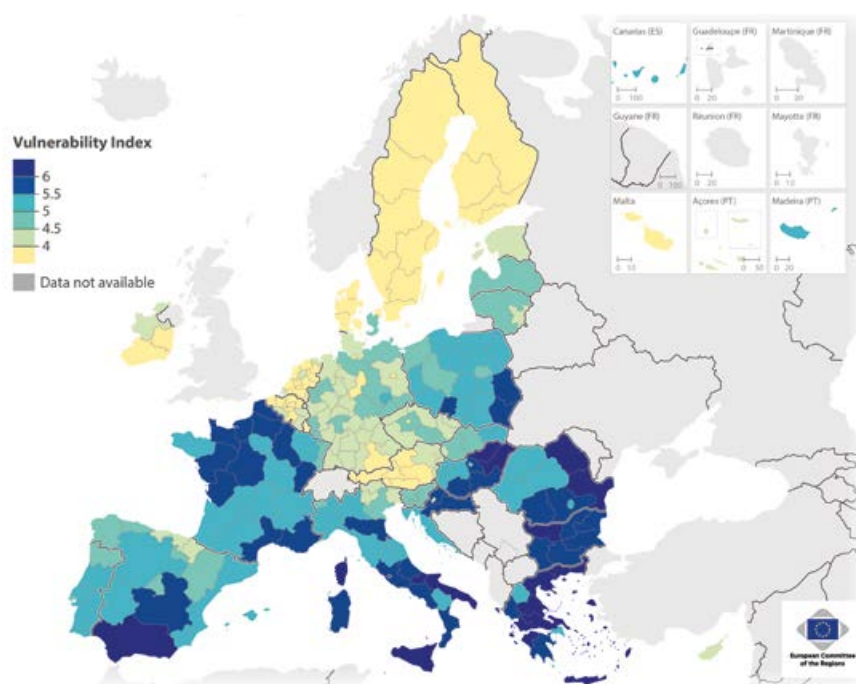
SMEs often lack time and resources needed to navigate complex EU funding applications. To address this challenge, the regional government of Carinthia created the SILICON ALPS Cluster, a successful regional innovation ecosystem bringing together more than 140 companies in the electronics industry and supporting them with structured audits, cascade funding and direct consultancy.

**30 million**  
Europeans  
depend on  
manufacturing  
jobs

## No security without resilience

Climate change threatens Europe's security, citizens' health, regional cohesion, competitiveness, infrastructure and public finance. Under a 3° C warming scenario, almost 100,000 people are projected to die each year as a result of heatwaves. Drought costs are estimated at EUR 9 billion per year, while coastal flooding could cause damage exceeding 1 trillion EUR by 2100. Wildfires have increased by 57% over the last 4 years.

EU regions are asymmetrically vulnerable and unevenly impacted. They need stronger EU solidarity funding to step up climate adaptation, preparedness and resilience. Effective action also requires multilevel governance and technical capacity assistance.



**Figure 2 — Territorial vulnerability in the EU in 2025, Vulnerability Index** by NUTS 2 regions (2024 classification)

Source: European Commission, Joint Research Centre



### Local story

Jelenia Góra, Poland,  
and Liberec Region, Czechia

The 2024 flood severely affected the Polish and Czech border. Since then, INTERREG funding has allowed 1,150 firefighters and medics to train together, share procedures and improve cross-border cooperation and response rate.

Every EUR  
**1 billion**

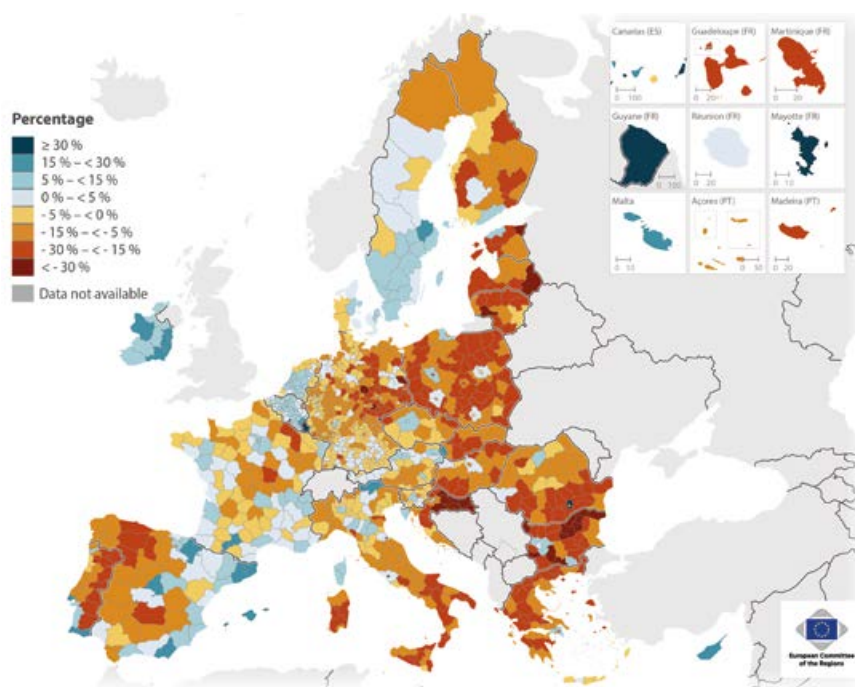
spent on water  
resilience could  
create 16,000  
EU jobs and  
generate EUR

**2.35** for every  
euro invested

## "Right to Stay" under pressure

Demographic change is deepening territorial inequalities across the EU: nearly three quarters of regions, particularly rural areas, are expected to lose population by 2050. Population decline reduces labour supply and tax revenues, while the loss of essential services drives further outmigration. Medical deserts, characterised by limited access to healthcare resulting from staff shortages and the concentration of doctors in metropolitan regions and those offering higher salaries, are a striking example. Meanwhile, regions experiencing population growth and most urban areas face mounting pressure on housing and infrastructure.

Ensuring the "right to stay" requires substantial investments in local jobs, housing, access to essential services, connectivity and quality of life everywhere. Cohesion policy must remain strong to foster integrated strategies for territorial revitalisation.



**Figure 3 — 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*)



### Local story Community of Madrid, Spain

Madrid's population is increasingly concentrated in the capital and its metropolitan area, deepening urban-rural inequalities. Through the Pueblos con Vida programme, the region invested EUR 155 million in housing, jobs and essential services. Its 15 targeted measures helped municipalities with fewer than 5,000 inhabitants achieve 14% population growth, demonstrating the impact of place-based policies.

**135 million**  
Europeans live in regions trapped in stagnation or decline, especially in rural and peripheral areas

