

Functional Urban Regions in Portugal: a strategic challenge for territorial cohesion and competitiveness

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Executive Summary

In the Portuguese context, Functional Urban Regions (FUR) emerge as a key factor in understanding and responding to contemporary territorial dynamics, as they lie at the intersection of **cohesion** and **competitiveness** objectives. This policy brief emphasises the pivotal role of FURs in establishing a framework for more effective, territorially tailored, and multi-scalar public policies.

The analysis shows that Portugal's territory is becoming increasingly organised according to functional principles that transcend traditional administrative boundaries. These characteristics include urban centrality, commuting patterns, access to services, integration into labour markets, innovation networks, and institutional coordination. Failing to recognise these dynamics leads to fragmented policies with limited effectiveness in reducing territorial inequalities and promoting sustainable economic development. In contrast, recognising and integrating FURs as operational units enables sectoral policies, particularly those relating to services of general interest, mobility, housing, employment, innovation, education, and social cohesion, to be aligned with the territories in which they will have a tangible impact.

The report highlights the **territorial heterogeneity** between FURs in access to essential services and infrastructure, and the capacity to generate skilled employment, economic innovation, and resilience. While some FURs are highly competitive and integrated into networks, others reveal structural weaknesses linked to demographic ageing, low skill levels, weak economic diversification, and dependence on public-sector employment. This diversity calls for a range of policy approaches that reject one-size-fits-all solutions and reinforce the need for place-based strategies.

Recommendations

1. Recognise the FURs as strategic units in public policy planning and programming.
2. Promote collaborative, multi-level governance models tailored to the functional diversity of FURs.
3. Differentiate between cohesion and competitiveness policies according to the identified territorial profiles.
4. Strengthen the link between accessibility, services, the labour market, education, and innovation at a functional level.
5. Ensure territorial cohesiveness by integrating the FURs into national and European public policy instruments.

6. Target audience(s) of the policy brief

This policy brief is intended for national and regional policymakers, as well as bodies responsible for territorial planning. These include the CCDRs, metropolitan and inter-municipal authorities, and local authorities, along with public bodies responsible for cohesion and competitiveness.



1. Introduction and Background of the Problem

1.1. The mismatch between functional territories and public policies

One of the challenges of territorial policy is the **mismatch between how territories are organised in practice and the institutional and administrative framework that govern public action**. Despite decades of investment in planning and cohesion policies, most decisions are still based on rigid administrative boundaries (municipalities, districts, or NUTS regions), which rarely reflect the areas in which economic, social, and mobility dynamics occur.

FURs are particularly relevant for overcoming this mismatch. Encompassing the territories of residence, work, access to services, and daily economic interactions of populations, they enable the capture of the territorial interdependencies that shape regional development. The absence of explicit recognition of FURs in public policies results in the duplication of infrastructure, inefficient service provision, and an inability to address issues that affect more than one municipality.

Strategies that focus exclusively on metropolitan areas tend to exacerbate territorial disparities, create diseconomies of agglomeration, and weaken the resilience of the national urban system. However, territorial competitiveness is compatible with cohesion when underpinned by polycentric structures, balanced functional networks, and equitable access to services and opportunities.

Policy message 1: The FURs are an appropriate means of coordinating territorial policies in Portugal.

Policy message 2: Promoting competitiveness must be accompanied by cohesion policies to avoid excessive territorial polarisation.

Policy message 3: Policies designed outside of the functional scale tend to have a limited or contradictory impact.

1.2. The strategic relevance of FURs in the Portuguese context

In the Portuguese context, which is characterised by an imbalanced urban system, coastalisation and extensive low-density areas, the FURs have increased strategic relevance. There are many sub-regional FURs that could

strengthen territorial coordination if supported by appropriate public policies.

These FURs play a key role in providing and structuring services of general interest, as well as labour markets, and in promoting territorial cohesion. However, issues relating to institutional fragmentation, resource scarcity, and the absence of effective governance tools affect them.

Policy message 4: Strengthening intermediate FURs is essential for achieving a more balanced territorial development model.

1.3. Cohesion and competitiveness

Territories with weak functional cohesion, characterised by limited accessibility, low service diversity, and fragmented labour markets, face greater difficulties in attracting investment and talent, and in responding to economic shocks. In contrast, FURs with strong functional integration tend to demonstrate greater resilience, even if they are not the main metropolitan hub of the country.

The FURs show that well-coordinated territorial systems are essential for cohesion and competitiveness. Such systems must provide access to services, efficient mobility, skilled populations, and integration into innovation networks.

Policy message 5: Functional cohesion is a pre-requisite for achieving long-term territorial competitiveness.

1.4. Why a policy-oriented approach is urgently needed

The need for a FUR-oriented approach is urgent, stemming from both long-term structural trends and emerging challenges, such as digital and climate transitions, demographic ageing, the reorganisation of labour markets, and greater exposure to external shocks. These challenges manifest differently in different regions, requiring tailored responses to their functional specifics.

The aim of this policy brief is to **translate a technical and scientific analysis into actionable, strategic guidelines for public policy**, with the intention of making action more effective, integrated, and sensitive to territorial issues.

2. Analysis / Key Findings

This section provides a systematic analysis of FURs in Portugal. The presented evidence is the result of an integrated territorial analysis exercise combining accessibility, services, the urban functions of the state, commuter flows,

social structures, the labour market, economic innovation and education and training. Taken together, these analyses allow FURs to be characterised as complex territorial systems that are marked by significant internal variations

and consistent functional patterns at a national level.

2.1. Urban functions and how the territory is organised

Analysing public and private urban functions provides an insightful view of how the Portuguese urban system is organised. A clear distinction is made between functions that promote territorial cohesion, such as basic education, local healthcare and social and administrative services, and functions that promote competitiveness, such as higher education, research, specialised justice, regulatory bodies, and central administration.

The territorial distribution of these functions reveals distinct patterns. Cohesion functions are more widely dispersed, ensuring relatively broad coverage of the territory, albeit with significant variations in density and specialisation. In contrast, competitiveness functions are more concentrated, thereby reinforcing functional hierarchies and extensive areas of influence.

The typology of urban centres, which is based on area of influence and functional specialisation, emphasises the significance of regional and sub-regional centres as nodes of functional coordination. These centres play a pivotal role in connecting central and peripheral territories.

The differentiation of urban centralities will contribute to the formation of FURs with distinct functional profiles. Some will play a crucial role in territorial cohesion by ensuring access to essential services for dispersed populations but will have a lesser capacity to attract advanced functions. Others will establish themselves as advanced, competitive platforms, integrating strategic functions, innovation, and skilled human capital.

Evidence: Urban centres will shape the FURs and influence their cohesion and competitiveness profiles.

2.2. Accessibility to urban centres

Analysing accessibility to urban centres will help to define the FURs. This is one of the fundamental pillars for understanding territorial cohesion and competitiveness.

Accessibility maps show that central territories, particularly those in metropolitan areas and along main urban corridors, have shorter travel times, which ensures greater access to services. Although peripheral territories may be functionally integrated, they face longer travel times and a more limited range of services. This situation is particularly critical when it comes to

accessing higher-level, specialised services. The fact that these services are concentrated in certain areas reinforces functional dependencies and vulnerabilities.

Evidence: The average level of access to urban centres does not eliminate territorial inequalities in terms of cohesion and competitiveness.

2.3. Functional communities

The delineation of communities involves analysing home-to-work and home-to-school commuting flows. This is supplemented by information on cross-border cooperation networks and different travel time intervals. This approach identifies communities that are coherent and reflect patterns of daily mobility and territorial interaction for cohesion and competitiveness.

The results confirm that:

- there are different communities that promote cohesion and competitiveness, and these do not usually coincide with administrative boundaries;
- labour markets tend to operate on a functional scale;
- the size of communities varies significantly depending on levels of centrality, the intensity of flows, and the degree of specialisation.

The analysis also highlights the presence of cross-border communities, particularly in the context of cooperation between northern Portugal and neighbouring regions. This cooperation is underpinned by institutional, scientific, and economic networks. These spatial interactions emphasise the importance of adopting flexible and open approaches when defining FURs, in recognition of the fact that real territorial systems often transcend national borders.

Evidence: Delineating communities based on flows reveals territories that are better suited to public action than those defined by traditional administrative boundaries.

2.4. Social structures and services of general interest (SGI) for cohesion

Analysing indicators of social structures and SGI provides a deeper understanding of territorial cohesion by integrating demographic, educational, economic and social factors. This reveals contrasting territorial profiles, showing distinct combinations of prosperity, vulnerability and social resilience.

Although territories with more favourable social structures have high levels of skills, employability and income, they also face

challenges related to housing shortages and household debt. Areas with ageing and socially vulnerable populations face persistent difficulties in attracting and retaining the working-age population, developing skills, and achieving economic and social diversification.

Regions with greater economic dynamism and better access to services tend to experience more difficulty accessing housing due to high prices and pressure in the property market. Regions with less housing pressure tend to have structural problems regarding the quality of the built environment and the suitability of housing. This duality poses a cross-cutting challenge to cohesion policies.

These profiles are not distributed randomly across the territory. They follow consistent patterns that reinforce the idea that social cohesion and territorial functionality are inseparable.

Evidence: The degree of territorial cohesion depends on the interplay between social structures, access to housing, and access to public services.

2.5. Economic innovation and labour market structures for competitiveness

In terms of territorial competitiveness, there is a polarisation of economic assets and human capital. The most dynamic, innovative, and resilient labour markets are found in the most densely populated and diverse communities, where economies of agglomeration, sectoral diversity, and access to higher education and research institutions come together.

Economic innovation is distributed unevenly across the territory, with a few areas concentrating most R&D activities, innovative firms, and high-value projects. Many areas are excluded from these dynamics, highlighting the challenges involved in converting knowledge into economic value.

Education and training are key to achieving both cohesion and competitiveness. Communities with robust education systems closely linked to the labour market are better able to adapt to economic and technological transitions. Conversely, communities with low levels of skills face increased risks of exclusion and functional decline.

Evidence: A functional level of coordination between the labour market, innovation and education is essential for territorial competitiveness.

2.6. Integrated interpretation of the evidence

The FURs confirm that territories are heterogeneous, combining different dynamics of territorial cohesion and competitiveness.

There is no single type of 'successful' community; rather, there are distinct combinations of functions, structures, and capacities.

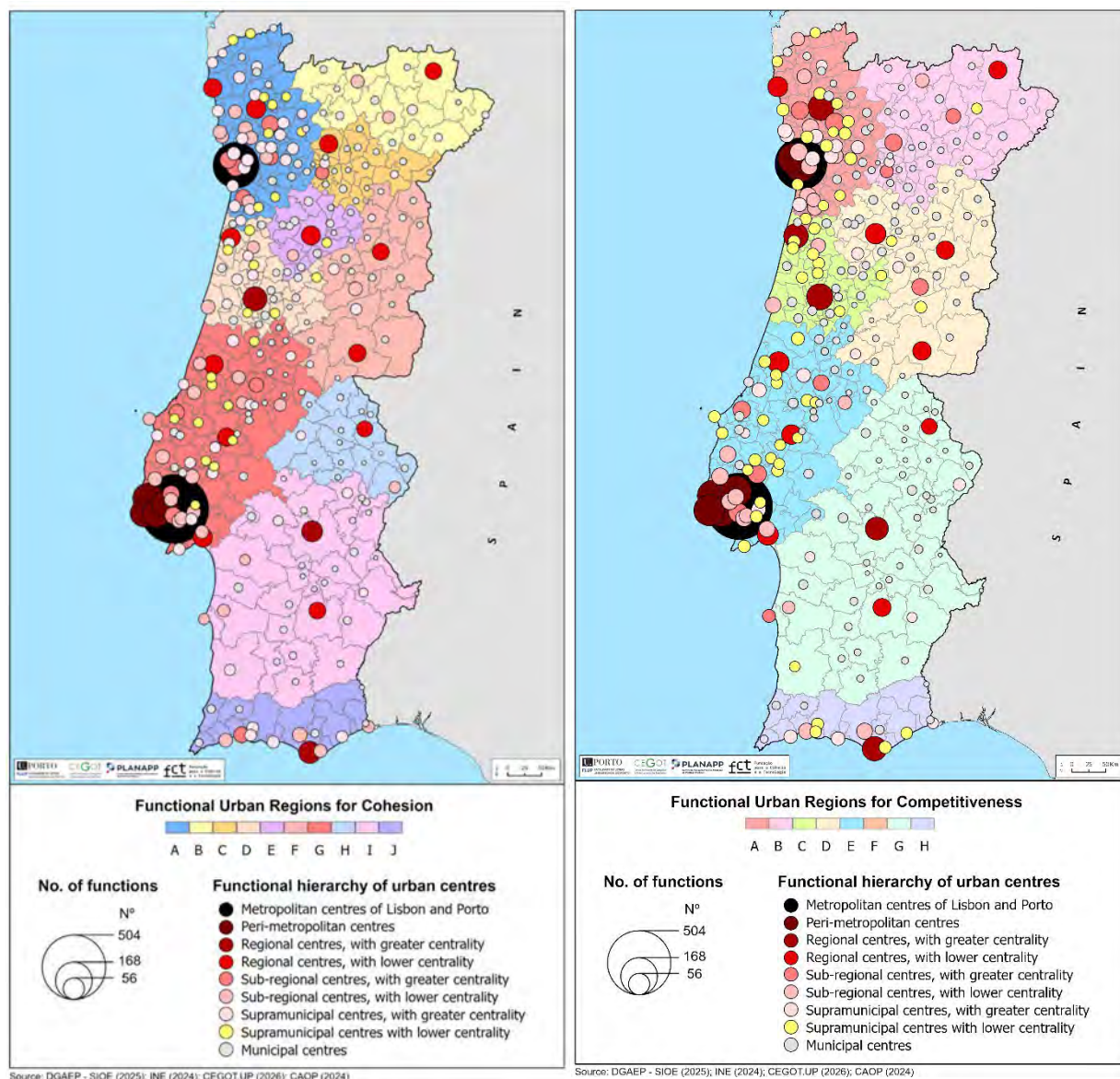
This diversity presents a dual challenge and opportunity for public policy. It is a challenge because it precludes uniform approaches, but it is also an opportunity because it allows for the design of more effective, sustainable, and tailored territorial strategies that are anchored in the actual functional dynamics of cohesion and competitiveness. This analysis yields two proposals for FURs: one for cohesion and the other for competitiveness. These should both be explored in greater depth and be the subject of future discussions involving local and regional stakeholders, with a view to refining them.

The following units are identified in the FURs for cohesion:

- A – Noroeste Atlântico
- B – Trás-os-Montes
- C – Douro
- D – Centro Atlântico
- E – Dão-Lafões
- F – Beira e Estrela
- G – Arco Atlântico
- H – Alentejo Norte
- I – Alentejo
- J – Algarve

The following units are identified in the FURs for competitiveness:

- A – Noroeste Atlântico
- B – Nordeste em Transição
- C – Centro Atlântico
- D – Centro em Transição
- E – Arco Atlântico
- F – Lisboa Central
- G – Alentejo
- H – Algarve



3. Trends and implications: what this evidence means for public action

Empirical evidence on FURs has implications for the design, implementation, and evaluation of public policies. The findings call into question territorial approaches based solely on fixed administrative units, and reinforce the need for policies that are **functionally informed, territorially differentiated, and institutionally coordinated**.

3.1. Implications for territorial governance and scales of intervention

The most fundamental implication of the presented evidence is the need to review the territorial scales of reference for public action. The FURs emerge as the scale at which

problems and opportunities relating to commuter mobility, access to services, the functioning of labour and housing market, and innovation network organisation manifest themselves. The persistence of policies anchored in rigid administrative boundaries tends to generate fragmentation of public policy and administration, overlaps or gaps in services, difficulties in inter-municipal cooperation, and reduced effectiveness of public investment. Many key challenges must be addressed at the functional level.

Policy implications: Public policies must explicitly recognise FURs as an important scale

for diagnosis, planning, and intervention, to complement existing administrative scales.

3.2 Implications for territorial cohesion policies

In the field of territorial cohesion, empirical evidence shows that functional integration alone does not guarantee equal access to services, housing, and opportunities. FURs frequently demonstrate substantial internal disparities, with well-served central regions coexisting with functionally integrated yet structurally vulnerable peripheral areas. This finding has direct implications for cohesion policies: territorial cohesion must be considered within FURs, not just between regions; Eligibility criteria and investment prioritisation must address intra-functional inequalities; functional proximity must be accompanied by accessibility policies, particularly for vulnerable populations.

Analysis of the provision and access to services and housing shows that prosperous territories face housing pressures affecting social inclusion, while fragile territories have persistent shortcomings in service quality and diversity.

Policy implications: cohesion policies should adopt a place-based approach at the functional scale, tailoring their responses to the territorial profiles identified in the FURs.

3.3. Implications for territorial competitiveness policies

Evidence from the fields of innovation and labour markets shows that territorial competitiveness essentially operates at a functional scale. Labour markets are not confined to municipal boundaries, innovation depends on dense territorial networks and population skills require coordination between education systems and economic structures. The main implications for competitiveness policy include the promotion of competitiveness should not focus exclusively on the main metropolitan centres; intermediate FURs play a strategic role in territorial coordination and in disseminating the growth benefits; sustainable competitiveness requires continued investment in education, training, and innovation at the functional level.

The evidence also shows that competitiveness strategies that are not aligned with social cohesion can have counterproductive effects, such as exclusion, precariousness, and pressure on housing.

Policy implications: the promotion of territorial competitiveness should be an integrated process, linking the labour market, innovation, and education at FUR level.

3.4. Implications for the coordination and integration of sectoral policies

One of the most robust conclusions is the need to overcome the fragmentation of public policies across different sectors. Mobility, services of general interest, housing, education, employment, and innovation are highly interdependent areas whose effects are integrated within the FURs. A lack of sectoral coordination can lead to investments that are disconnected from actual functional dynamics, partial solutions to complex problems, and reduced efficiency and impact of public policies.

The functional approach provides a solid basis for integrating sectoral policies around common territorial objectives tailored to the specific characteristics of each FUR.

Policy implications: the FURs provide a framework for the integration of sectoral policies within a territorial context, thereby enhancing the coherence and effectiveness of public action.

3.5. Summary of policy implications

The empirical evidence presented suggests a paradigm shift in Portugal's territorial policy. This shift is grounded in four fundamental principles:

1. Recognition of the functional scale as a strategic reference for public action;
2. The territorial differentiation of policies based on functional and structural profiles;
3. Sectoral integration, overcoming fragmented approaches;
4. Strengthening of multi-level and inter-municipal governance, tailored to the FURs.

Policy implications: integrating the FURs into public policy is essential for improving the effectiveness, equity, and sustainability of territorial development.

4. Policy Options and Recommendations: possible avenues for intervention

Empirical evidence shows that the degree of ambition and institutionalisation of the functional approach in public policy can vary. Rather than a single path for intervention, there is a set of strategic options, each with their own distinct impacts, risks, and requirements. Three main policy options are presented as

progressive pathways that can be combined or implemented in phases.

Option 1 – The FURs as a strategic framework for territorial planning

This involves adopting the FURs as a strategic reference framework for territorial analysis, strategic planning, and the programming of

public policies, without formally changing the existing administrative structure. The FURs function as an analytical layer that cuts across different levels of governance, informing public policy decisions. This approach is based on systematically incorporating the FURs into territorial assessments, defining strategic priorities, and territorialising public policy instruments.

Benefits:

- It adapts policies to the territory by aligning decisions with actual functional dynamics;
- It identifies intra-functional inequalities that are often invisible in administrative approaches;
- It strengthens coherence between sectoral policies.

It is a low-cost institutional option with high political acceptability and a rapid implementation timeframe.

Disadvantages/Limitations:

- It depends on the political will and technical capacity of the entities involved;
- It does not, on its own, resolve problems of institutional fragmentation;
- It has limited impact if not accompanied by effective coordination mechanisms.

Conditions for success:

- regular production of up-to-date, functional information;
- Technical capacity-building for public bodies;
- Integration of FURs into national and regional strategic instruments.

Policy trajectory: this option provides a robust starting point for introducing the functional approach to public policy without the need for significant institutional changes.

Option 2 – The FURs as a level for inter-municipal coordination and sectoral policy

It deepens the functional approach by positioning the FURs as an operational level for inter-municipal coordination and the articulation of sectoral policies. FURs thus cease to be merely an analytical framework, instead playing an active role in territorial governance. This option involves strengthening mechanisms for inter-municipal cooperation, aligning sectoral policies at the functional level, and allocating responsibilities and resources between municipalities and CIMS that are part of the same FUR.

Benefits:

- It increases the effectiveness of policies relating to mobility, services, housing, the labour market, and innovation;
- It promotes economies of scale and network effects;

- It reduces redundancies and gaps in the provision of public services;
- It strengthens the internal cohesion of FURs. This is particularly relevant for FURs where institutional fragmentation is an obstacle to development.

Disadvantages/Limitations

- It requires institutional and technical capacity;
- Political resistance to the sharing of powers may be encountered;
- It also requires clear governance and funding mechanisms.

Conditions for success:

- Clear definition of powers and responsibilities;
- Financial instruments tailored to the operational scale;
- Political and technical leadership at the FUR level.

Political trajectory: this option enables the functional logic to be translated into governance practice, thereby maximising gains in terms of cohesion and competitiveness.

Option 3 – Using FURs as a basis for public investment and fund programming

This is the most in-depth level of integration of the functional approach. It uses the FURs as the basis for planning, prioritising, and evaluating public investment, including national and European funds. The FURs then become operational units that define investment priorities, coordinate structural projects and assess territorial impacts.

Benefits:

- It directs investment to where it has the greatest functional impact;
- It favours integrated and structural projects;
- It strengthens the coherence between territorial cohesion and economic competitiveness;
- It enhances the effectiveness of public funds.

Disadvantages/Limitations

- It involves significant changes to scheduling systems;
- It requires robust monitoring systems;
- It requires a high degree of multi-level coordination.

Conditions for success:

- Integration of FURs into national strategic frameworks;
- Advanced spatial information systems;
- Institutional and technical capacity building.

Political trajectory: although this option allows for the consolidation of FURs as a central instrument of territorial policy, it requires institutional maturity.



Comparative summary of policy options

The three options presented are not mutually exclusive and can be implemented either progressively or in combination. An effective strategy should:

- Begin with an analytical assessment of the FURs;

- Evolve towards the functional coordination of policies;
- Culminate in the integration of the functional approach into public investment planning.

Policy message: the integration of FURs into public policy should be progressive, adaptive, and sensitive, taking into account existing institutional capacities.

5. Strategic and operational recommendations

The recommendations presented here are based directly on empirical. They aim to support the transition from an administrative territorial approach to a **functional, integrated and results-oriented approach** that can strengthen territorial cohesion and economic competitiveness in Portugal.

The recommendations are organised into two complementary categories: **strategic recommendations**, which are structural and medium- to long-term in nature, and **operational recommendations**, which focus on the practical implementation of public policies.

5.1. Strategic recommendations

1. Recognise the FURs formally as the strategic scale for territorial policy

Evidence shows that FURs are an appropriate scale for understanding and addressing the main contemporary territorial challenges. FURs should be recognised as a cross-cutting strategic framework in territorial development, planning and cohesion policies, alongside existing administrative structures. This recognition should result in FURs being incorporated into territorial assessments, national and regional strategies, and strategic planning instruments.

Strategic recommendation: FURs should be adopted as part of the territorial policy framework, alongside other approaches.

2. Linking cohesion and competitiveness

The lack of alignment between cohesion and competitiveness policies undermines the effectiveness of public action. There is a recognised need for an integrated approach that promotes interdependence between access to services, the labour market, innovation, education and quality of life at the functional level. Territorial strategies should avoid over-concentrating resources in a few hubs or dispersing investment indiscriminately, instead promoting a functional polycentric model.

Strategic recommendation: functional cohesion is a prerequisite for achieving long-term territorial competitiveness.

3. Enhancing the role of intermediate FURs

Intermediate FURs play a crucial role in territorial coordination, service provision, and stabilising the demographics of vast surrounding areas. However, they face institutional and financial constraints. To strengthen their strategic role, it is recommended that targeted investments and cooperation mechanisms are promoted to enhance their pivotal functions within the national urban system.

Strategic recommendation: strengthening intermediate FURs is essential to reduce territorial disparities and promote more balanced development.

5.2. Operational recommendations

4. Integrate FURs into the design and implementation of sectoral policies

Sectoral policies with a strong territorial impact (e.g. mobility, services of general interest, housing, education, employment, innovation) should be designed and implemented with explicit reference to the FURs. This requires objectives, instruments and investments to be aligned with the actual functional dynamics of the territories. The FURs should be used to coordinate policies, promote integrated solutions and avoid fragmented interventions.

Operational recommendation: sectoral policies should be implemented at a functional scale to strengthen the coherence and effectiveness of public action.

5. Strengthen multi-level governance and inter-municipal cooperation at the functional level

Implementing FUR-oriented policies requires governance mechanisms that can overcome institutional fragmentation. It is recommended that inter-municipal cooperation structures at the functional level are strengthened, with clearly defined responsibilities and the capacity to coordinate effectively. These structures must also be linked to regional and national levels to ensure strategic coherence and alignment of resources.

Operational recommendation: the governance of FURs should be based on stable

mechanisms that facilitate inter-municipal cooperation and multi-level coordination.

6. Using territorial profiles as a basis for differentiating public policies

Identifying differentiated territorial profiles in terms of cohesion and competitiveness suggests using these profiles as an operational tool to prioritise investments and adapt policies to the specific characteristics of each territory. This differentiation is crucial to avoid uniform approaches and maximise the impact of public policies.

Operational recommendation: policies should be tailored to the functional and structural profiles of the FURs, promoting tailor-made solutions.

7. Develop information and monitoring systems for FURs

The operationalisation of the functional approach requires up-to-date, comparable and

decision-oriented territorial information. Information systems should be developed to monitor the evolution of FURs, assess functional coherence, and measure the territorial impact of public policies. These systems should facilitate ongoing learning and adjustment of public action.

Operational recommendation: functional monitoring is essential for the development of effective and adaptive territorial policies.

5.3. Summary of recommendations

These recommendations point towards a gradual but fundamental shift in territorial policy in Portugal. Integrating the FURs as a strategic and operational reference enables the alignment of cohesion and competitiveness objectives with actual territorial dynamics, thereby strengthening the effectiveness, equity and sustainability of public action.

6. Conclusion

This policy brief demonstrates that FURs are an indispensable framework for rethinking territorial policy in Portugal in a context of profound economic, social, demographic, and spatial transformation. The analysis confirms that the main territorial development challenges manifest at a functional scale, transcending traditional administrative boundaries.

FURs are not just analytical constructs; they are **real territories in which people live, work and interact**. They are structured by commuter flows, service networks, state functions, integrated labour markets, and distinct innovation ecosystems. These territories exhibit diverse configurations that combine potentialities and vulnerabilities in different ways. This requires context-sensitive public policy approaches that reject uniform solutions.

One of the key contributions is demonstrating that **cohesion and competitiveness are not conflicting dimensions** of the same territorial development process, rather than conflicting objectives. The most resilient FURs combine equitable access to services and a high quality of life with a skilled population and the capacity for economic innovation. Conversely, strategies that focus exclusively on the concentration of resources or the isolated promotion of competitiveness tend to exacerbate territorial inequalities and undermine social cohesion.

Integrating FURs into public policy provides a **strategic opportunity** to align planning, sectoral policies, and public investment with

real territorial dynamics. This integration is not merely a technical exercise. It requires clear policy choices, institutional capacity, multi-level coordination, and an adaptive, progressive approach tailored to different territorial capacities and contexts.

The presented options and recommendations point to a gradual yet transformative path. This begins with the analytical recognition of FURs and moves towards the functional coordination of sectoral policies. It then progresses to the integration of the functional approach into the programming and evaluation of public investment. This approach enables the maximisation of the benefits of the functional approach, the minimisation of institutional risks, and the assurance of continuous learning.

In conclusion, the FURs provide a **robust, coherent, and operational framework** for modernising territorial policy in Portugal. Adopting them as a strategic scale of intervention could contribute to a more balanced, inclusive, and competitive development model capable of responding to the current and future challenges facing Portuguese territory. The challenge now is to **translate this evidence into consistent, integrated and territorially informed public action**.

References and Credits

Based on: *Relatório Final “Regiões Urbanas Funcionais: um desafio para a coesão e para a competitividade territorial”* (CEGOT-FLUP, 2025).

HOW TO CITE THIS DOCUMENT

Marques, T. S. et al. (2026). *Functional Urban Regions in Portugal: a strategic challenge for territorial cohesion and competitiveness*. S4P-24 Policy Brief 6625/2024. PLANAPP – Centre for Planning and Evaluation of Public Policies.

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This policy brief was developed under the Science4Policy 2024 (S4P-24): annual science for policy project calls, an initiative by the Centre for Planning and Evaluation of Public Policies (PLANAPP) in partnership with the Foundation for Science and Technology (FCT), financed by Portugal's Recovery and Resilience Plan. Thematic line S4P-24/31: Competitiveness and cohesion / Spatial planning – functional urban regions (FURs).

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