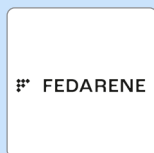
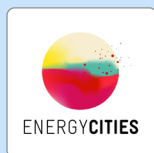


LOCAL ALLIANCE

LOCAL ALLIANCE POSITION PAPER ON THE NEXT
MULTIANNUAL FINANCIAL FRAMEWORK:

**A grounded EU budget: Investing in Europe,
our local communities and citizens for a
competitive, resilient and fair future**



EXECUTIVE SUMMARY

The EU, in recent years, established a comprehensive and robust legal framework aimed at decarbonising our economy while ensuring its growth and increasing resilience in the face of future and intertwined challenges. To remain future-proof in our rapidly changing world, the EU priorities are broadened to ensure competitiveness, sustainability, fairness and resilience for the economy, people and livelihoods.

To achieve these objectives, now is the time to think about our comprehensive implementation and investments, covering all sectors and all regions, planned and implemented with and for people. In this regard, the upcoming EU budget for 2028-2034 represents a key opportunity to serve as the EU's "future-proof investment and implementation" tool. A well-designed next EU budget for 2028-2034 must not only create local jobs and bolster start-ups, support European SMEs and industries but enhance the quality of life for every citizen to safeguard our democracy and to ensure that Europeans have the "right to stay" in their cities and regions, as highlighted in the Letta report. It is the only way that Europe becomes the first climate-neutral continent through fair, inclusive, and competitive policies and actions.

Our common objectives require a new way of thinking, planning, governance and investment: from local to regional and national, all levels of government have a responsibility towards Europeans to enable them to live in a democratic, competitive, fair and secure EU. Only joint and coordinated effort of all levels of governments, through a robust multilevel governance

approach, can ensure that capacities, funds, and partnerships are effectively mobilised for the right cause: advancing together. A step for this will be to recognise the role of local and regional governments as key implementation partners, strengthen the place-based approach of the next EU budget to support all territories in their diversity and provide equal opportunities for citizens across all Europe.

Building on these considerations, as the leading networks of European local and regional governments, [ACR+](#), [CEMR](#), [Climate Alliance](#), [Energy Cities](#), [Eurocities](#), [FEDARENE](#), [ICLEI Europe](#) and [POLIS](#), we jointly write this position paper to share our recommendations for the next Multiannual Financial Framework 2028- 2034.

These recommendations are built on the gaps of current financial flows for the local level, as well as our members' experiences in using EU funds to address increasing interconnected challenges and opportunities.

The logo for Local Alliance features the word "LOCAL" in a bold, black, sans-serif font. The letter "O" is replaced by a colorful, multi-faceted geometric shape composed of various colored triangles (blue, green, purple, orange, red, yellow). To the right of "LOCAL", the word "ALLIANCE" is written in a similar bold, black, sans-serif font, with a thin black line connecting the end of "LOCAL" to the start of "ALLIANCE".

LOCAL ALLIANCE



RECOMMENDATIONS FOR KEY GUIDING PRINCIPLES OF THE NEXT EU BUDGET:

- ✦ **The next EU Multiannual Financial Framework should act as a long-term investment signal that prioritises the place-based and structural transformation of our economy with all its sectors and all territories.**
- ✦ **Place-based integrated investment plans must become the backbone of the next EU budget.**
- ✦ **The next EU budget should strengthen competitiveness through public funding.** It must reflect the territorial nature of competitiveness and leverage national socio-economic development potential, ensuring that EU funds support the local infrastructure and public services that underpin clean industrial development and economic growth through creating markets, jobs and infrastructure for the European industry and people.
- ✦ **The definition of "reforms" should be broadened to enhance the preparedness of public administrations and infrastructure at all levels, and in that sense, they should include necessary structural reforms such as multilevel governance, strengthen the requirements on capacity building and technical support to local level as these are key enablers to implement the EU's strategic goals and increase the resilience for all levels of government.**
- ✦ **Performance of EU funds should be measured against their impact and contribution on the ground.**
- ✦ **The EU budget should be simplified and become more effective but it must not mean less conditionalities, less transparency or more centralised planning, governance and investments.** When sharing responsibilities over strategy design, and implementation at the different levels, it should ensure that the adequate means are provided to the adequate government level.

RECOMMENDATIONS FOR KEY GOVERNANCE PRINCIPLES OF THE NEXT EU BUDGET:

- ✦ **Strengthened multilevel governance is necessary for effective implementation and resilience of our public governance structures.** Effective alignment of responsibilities and resources across all levels of government, while respecting their roles and responsibilities is essential. This should be accompanied by a **stronger partnership principle, which should be necessary for all strategic investments and reforms. Partnership principle is the tool to mobilise the entire ecosystems of economic and social actors together with governments at every level.** Meaningful consultation processes and the involvement of local level stakeholders should be a non-negligible condition of the EU approval of any national plans on the use of EU funds.
- ✦ **Safeguards against non-compliance with the EU rule of law should be put in place.** The EU must introduce safeguards to ensure that if national authorities fail to deliver, such as under the rule of law conditionality, regional and local governments can still access EU funding, in respect to their roles and responsibilities, to maintain progress on the EU's long-term strategic priorities and goals.



RECOMMENDATIONS IN REGARDS TO PROGRAMMES OF THE NEXT EU BUDGET:

✧ **Cohesion Policy is the only instrument that can reach different territories to ensure balanced and harmonious territorial development and address territorial inequalities, thus it must remain the cornerstone of EU democracy and our next EU budget cycle for 2028-2034.**

This does not mean that the Cohesion Policy should not be modernised. Its partnership principle should be strengthened to enable more bottom-up strategies. Key instruments, tools or methodologies such as ITI, CLLD, RiS3 and RiS4 should be further deployed and similar integrated territorial development methodologies should be at the heart of the next EU funds.

✧ **Cross-border and regional cooperation tools, such as Interreg, should be strengthened and expanded**

because no challenge can be solved by one municipality or one region alone. Learning in cohorts of territories, as EU exchange and research programmes have done for decades has proven successful to share innovation and to contribute to democratic stability and EU integration.

✧ **Any future "competitiveness fund", as well as research and development funds that will follow Horizon Europe should remain accessible to cities and regions.**

Large scale city decarbonisation and climate resilience efforts in Europe constitute a significant demand-driver for new materials and innovative solutions and therefore a major driver for Europe's green industrial transformation and industrial strategy in current increasingly competitive geo-political context. In the EU's competitiveness policies, this demand created by local and regional governments should be considered together with the material, technological and industrial supply side.

The EU budget, regardless of its size, will give a clear direction and signal to orient public and private investment and be used as a massive lever to transform Europe into a resilient, competitive, just and secure place to stay. Local and regional governments are anchored partners to deliver this vision. They stand ready to do their part in transforming the European economy.



OUR VILLAGES, TOWNS, CITIES AND REGIONS ARE WHERE THE EUROPEAN PROJECT BECOMES TANGIBLE FOR PEOPLE

Europe's cities and regions are where the European project truly comes to life for citizens. Local and regional governments play a crucial role in providing the social, economic, environmental, and physical infrastructure that supports people, markets, jobs, businesses, farmers, and SMEs. As the governance level closest to citizens, the local level holds the highest democratic potential. **Citizens' trust in local and regional governments has reached 60% in 2024, the highest among all levels of governments.** Through continuous engagement with peri-urban areas, they also foster social and economic cohesion within rural communities. And thanks to their different geographic contexts, economic structures, historical backgrounds, and population composition, they also safeguard the diversity and values of Europe.

Local governments are at the forefront of addressing today's most pressing challenges, from their competitiveness in the global economy to the impacts of climate change and pollution to social issues like the housing crisis. To tackle these, local governments across Europe have made significant strides in enhancing quality of life, leveraging EU funding, and remaining committed partners in advancing the European project. Many local and regional governments have equipped themselves with energy and climate agencies providing them the expertise and technical assistance to plan their transition and develop large-scale investment programmes. Where they exist, these energy agencies support local authorities in accessing EU funding programmes and implementing EU policies. To address the interconnected challenges and in alignment with EU and national goals, thousands of local and regional governments have developed integrated plans for climate and energy, biodiversity protection, sustainable urban mobility, circular

economy, Sustainable Energy and Climate Plans, Local Green Deals or Climate City Contracts.

The local level also mobilised their budgets, national contributions and EU funds to make this transition happen and contribute to the EU's objectives. **According to OECD numbers, European subnational governments mobilise around 69% of climate-significant public expenditures, going far beyond their central governments.** In the 2014-2020 period, the Cohesion Policy allocated around €17 billion to urban areas, exceeding the 5% ERDF earmarking. This investment supported close to 1000 urban strategies, mainly through Integrated Territorial Investment Programmes and delivered key interventions like sustainable public transport, energy efficiency, cultural heritage protection and social infrastructure.

Ahead of the European elections, European cities and regions, through their [networks' joint letter](#), sent a clear message that they remain committed to the implementation of the European Green Deal, addressing social inequalities and territorial disparities. They emphasised that to unlock the full democratic and inclusive potential of this transformation, the EU must better support locally developed, integrated, and holistic actions based on local resources, skills, and opportunities. They called for stronger multilevel governance and partnerships across all levels of government to foster a competitive, resilient, climate-neutral, and just EU.

It is heartening to see these reflections included in the Mission letter of the Executive Vice-President on cohesion and reforms as a need for strengthening economic, social and territorial cohesion in the EU to support quality jobs, drive up our productivity,



innovation and competitiveness and to deliver the European Green Deal. **However, an ambitious cohesion, regional development and cities agenda will need to be matched with an ambitious funding stream, as well as structural reforms to better use these funds to implement the Green Deal on the ground.** For instance, Eurocities Pulse Mayors Survey highlights that currently climate action and the energy transition are top priorities of European mayors but only 6.5% of Mayors expect to have enough resources to meet needs in the coming five years.

Additionally, as both the Letta and Draghi reports highlight, the EU can be competitive only if its demand side and supply side policies are developed and addressed together. Current discussions tend to separate the demand created by cities in their decarbonisation transition from the supply side of clean industry. For instance, only under the [Climate Neutral and Smart Cities' Mission](#), it is estimated that 112 cities would need a combined 650 billion euros of investments to become climate neutral by 2030. Adding many more cities who have taken climate pledges under the EU initiatives like

the [EU Covenant of Mayors](#) and the [Intelligent Cities Challenge](#) to this picture; enormous clean technology material, upscaling of innovative solutions and investment needs become clear to ensure large scale city decarbonisation and resilience. The local and regional governments can also strategically use their public procurement to support the European project.

As we look toward shaping the next EU Multiannual Financial Framework, it is essential to take stock of past successes and challenges. The transformative ambitions of the EU demand bold, forward-looking strategies that bridge the gaps in funding, governance, and implementation at every level. **Achieving a competitive, resilient, climate-neutral and fair Europe requires policies and investments that are inclusive, place-based, and anchored in the principles of multilevel governance.**

The following recommendations outline key pathways to ensure that the next EU budget follows some key principles, governance and partnerships structures, and innovations necessary for Europe's long-term prosperity, sustainability and equity.

RECOMMENDATIONS FOR KEY GUIDING PRINCIPLES OF THE NEXT EU BUDGET:

✦ **The next EU Multiannual Financial Framework should act as a long-term investment signal that prioritises the place-based and structural transformation of our economy with all its sectors and all territories.** While EU funds are not enough to address the transformation needs at the local or regional level, they give a clear signal to all economic actors in all of our territories and act as a seed to more and better accessible public funding that builds on the existing national investment and development priorities. The EU budget also plays a key role in bringing in additional private funding in line with the EU priorities. That is why it is crucial to link the EU budget strongly with the EU's key long-term policy and strategic objectives such as how to reach climate neutrality while addressing existing inequalities and supporting clean businesses, SMEs and industries. **Adopting a long-term strategic perspective for the funds could enable a degree of flexibility for end users, provided that clear conditions and**

safeguards are established across all levels of government to ensure alignment with EU priorities. This approach prevents resources from being locked into underperforming programmes and ensures they can be effectively channelled toward initiatives by all levels of governments that support key EU priorities, such as achieving climate neutrality, addressing inequalities, and fostering competitive and clean businesses and industries.

✦ **The next EU budget should enable strengthening competitiveness through public funding and demand drive from local and regional level.** Local and regional levels where transport, housing, and energy converge to impact people's lives directly, will play a key role in investing in clean technologies, providing permits and necessary public infrastructure which will enable both the implementation of the EU's 2030 targets and advancing circular practices, fostering innovation, and adopting clean technologies.



The Draghi report is clearly setting a possible agenda for cities and urban areas: *"The EU must ensure that more cities and regions can participate in the sectors that will drive future growth, building on existing initiatives such as Innovation Valleys Net, Zero Acceleration Valleys and Hydrogen Valleys. This will require new types of investments in cohesion and reforms at the subnational level in many Member States."*

This territorial nature of competitiveness should be reflected in the next EU budget, ensuring that EU funds support the local infrastructure and public services that underpin clean industrial development and economic growth through creating markets, jobs and infrastructure for the European industry and people. Against this backdrop, the competitiveness approach of the next EU budget should reflect the significant demand – drive from cities and regions for new materials and innovative solutions for their large-scale decarbonisation and climate resilience needs and efforts as a major driver for Europe's green industrial transformation and industrial strategy.

✧ **Place-based integrated investment plans must become the backbone of the next EU budget.**

Place-based integrated investment plans can build on policies tailored to the specific needs of their communities, thereby enhancing the effectiveness, legitimacy, and territorial cohesion of EU actions. These can also foster cooperation among municipalities and local actors such as businesses, industries, financiers, communities and NGOs to deliver cross-cutting solutions for employment, economic growth, and climate neutrality. By empowering local authorities to co-design these plans, the EU can unlock the transformative potential of its investments. For this reason, the next EU budget should prioritise local-level implementation, supporting bottom-up approaches like the Integrated Territorial Investments (ITI) under the European Structural and Investment Funds (ESIF). Local and regional competences in terms of governance of the EU budget must remain and be strengthened in Member States where local and regional level is not involved in the management of [ESIF](#).

Moreover, complementary technical assistance provided to all beneficiaries (public and private) by national authorities during the development of

territorial investment plans was proven effective. In such cases, Integrated Territorial Investment Plans (ITI), as bottom-up and cross regional collaboration tool enabled implementation of a real territorial transformation strategy. The ITI structures created important partnerships between different actors and stimulated the coordination with other local and regional actors.

✧ **The definition of "reforms" should be broadened to enhance the preparedness of public administrations and infrastructure at all levels, and in that sense, they should include necessary structural reforms such as multilevel governance, strengthen the requirements on capacity building and technical support** to local level as these are key enablers to implement the EU's strategic goals and increase the resilience for all levels of government. Such structural reforms, which can, depending on the Member State legislation, enable fiscal decentralisation and the use of public funds as seed capital or guarantees to attract private investment in large infrastructure projects, enhance the preparedness of public administrations and infrastructure at all levels. This is a key prerequisite for the successful implementation of EU funds, i.e. their impact in strengthening the resilience of our society and economy.

✧ **Performance of EU funds should be measured against their impact and contribution on the ground.** Current performance- based monitoring structure, which is built on milestones and targets, [is not sufficient](#) to align all levels of governments around shared goals of the EU such as improving access to high-quality water, air, soil, food, and nature, reduced fossil fuel dependency and resource footprints, addressing inequalities, and enhance the circularity of our economy. There is a clear need to agree on future-proof performance and impact definitions that can align and improve planning, implementation, reporting, and monitoring across all levels of government.

✧ **The EU budget should be simplified and become more effective but it must not mean less conditionalities, less transparency or more centralised planning, governance and investments.** While the EU wide rules should be enhanced to ensure transparent implementation, monitoring and evaluation, the audit rules should



be more coherent and proportional to ensure consistency and clarity across all levels of governments and for final beneficiaries for all the funds concerned. When sharing responsibilities over strategy design, and implementation at the different levels, it should ensure that the adequate means are provided to the adequate government level.

Any potential centralisation of planning, governance and investment decisions under the next EU budget risks undermining the key role that local and regional governments play in safeguarding democracy, and particularly for collectively managing the transformation of our society towards a shared vision of a climate

neutral, equitable, competitive and resilient Europe. Additionally, centralisation of planning, governance and investment decisions risk creating delays and absorption problems with EU funds. In recent years, following the national elections, some Member States struggled to establish a national government for several months which created a political and decision-making vacuum. During this period, local and regional governments, mostly thanks to their own budgets and EU funds, ensured to deliver tangible results in many different policies from mobility to housing in a transparent and accountable way. This is a stark reminder that all levels of governments should work hand in hand to achieve the EU priorities.

RECOMMENDATIONS FOR KEY GOVERNANCE PRINCIPLES OF THE NEXT EU BUDGET:

★ **Strengthened multilevel governance is necessary for effective implementation and resilience of our public governance structures.** Effective alignment of responsibilities and resources across all levels of government, while respecting their roles and responsibilities is essential.

This should be accompanied by a **stronger partnership principle, which should be necessary for all strategic investments and reforms. Partnership principle is the tool to mobilise the entire ecosystems of economic and social actors together with governments at every level.** Meaningful consultation processes and the involvement of local level stakeholders should be a non-negligible condition of the EU approval of any national plans on the use of EU funds.

Currently, many local and regional governments experience that their presence does not mean participation. For instance, according to the [Eurocities' survey](#) on the urban dimension of cohesion policy, cities' experiences with multi-level governance and the partnership principle reveal mixed perceptions. While some cities report positive outcomes and continuous improvement, others face challenges: 50% of surveyed cities rated the partnership principle as good or very good, while the remaining cities found it sufficient or insufficient. This shows a

clear need to revise, strengthen and futureproof the partnership principle.

A futureproof version of the partnership principle should build on the subsidiarity principle to ensure that decisions are taken at the closest level to citizens and constant checks are made to verify that actions are justified in light of the EU, national and regional legislation. In this sense, the partnership principle should go beyond the balanced representation of stakeholders at national and regional level only, but represent every actor with responsibilities in the delivery of the territorial strategies, regional strategies, and national plans. We call for the partnership principle to apply at all levels of government, to design and implement local investment plans effectively. This participatory approach ensures buy-in and shared responsibility and accountability.

Mere "consultation" will not leverage the multiple benefits of the partnership principle. A futureproof version of the partnership principle should mean regular and mandatory cooperation or contract. This "cooperation" should not be treated as a box-ticking consultation exercise, but they should determine joint priorities based on local input. Implementing the partnership principle should require from each



Member State to map their decentralised functions in the planning and implementation of energy and climate related investments, enabling to show how local and regional authorities will be engaged as well as possible gaps and deficiencies. Additionally, this strengthened partnership principle should also apply to the broader EU funds which have an impact on the local level.

- ✦ **Safeguards against non-compliance with the EU rule of law should be put in place.** The EU must introduce safeguards to ensure that if national authorities fail to deliver, such as under the rule of law conditionality, regional and local governments can still access EU funding, in respect to their roles and responsibilities, to maintain progress on the EU's long-term strategic priorities and goals.

There is a need to safeguard that non-compliance of national governments with the rule of law framework, horizontal or thematic enabling conditions, or any other EU expectations, and cuts of EU funding as consequences for the respective Member States do not hit cities and local governments as final beneficiaries. A safeguarding mechanism could ensure that decommitted EU sources are not lost for the affected member states, but they find their way to local governments and other final beneficiaries through directly or locally managed financing channels. This could guarantee that cities can still contribute to achieve the joint EU goals in decarbonization, digitalization, social inclusion, housing or migration, and in other city-related EU policy areas.

RECOMMENDATIONS IN REGARD TO PROGRAMMES OF THE NEXT EU BUDGET:

- ✦ **Cohesion Policy is the only instrument that can reach different territories to ensure balanced and harmonious territorial development and address territorial inequalities, thus it must remain the cornerstone of EU democracy and our next EU budget cycle for 2028-2034.**

Besides the [Draghi](#) and [Letta](#) reports, European cities and regions are also clear that without strengthened partnership principle and an ambitious continuation of the Cohesion Policy, the Green Deal and EU's competitiveness ambitions cannot be achieved. As the Joint [Call from the Cohesion Alliance](#) highlights, Cohesion Policy must remain as the cornerstone of the next EU budget and be available to all regions, cities and municipalities. **This does not mean that the Cohesion Policy should not be modernised.** Its partnership principle should be strengthened to enable more bottom-up strategies. Key instruments, tools or methodologies such as ITI, CLLD, RiS3 and RiS4 should be further deployed and similar integrated territorial development methodologies should be at the heart of the next EU funds. A good example that can be an inspiration for the optimal use of Cohesion Policy is the implementation of the Structural Funds in Croatia (2014-20). This experience showed that

the Partnership Principle can determine actual needs across the sectors if sufficient time is given to co-design priorities of structural funds.

- ✦ **Any future "competitiveness fund", as well as research and development funds that will follow Horizon Europe should remain accessible to cities and regions.** Large scale city decarbonisation and climate resilience efforts in Europe constitute a significant demand-driver for new materials and innovative solutions and therefore a major driver for Europe's green industrial transformation and industrial strategy in current increasingly competitive geo-political context. Separating this demand side from the supply side in the competitiveness and other research and development funds would not only prevent creation of local markets and jobs in Europe but also risks achieving the EU's Green Deal targets. Therefore, these funds that are designed as direct funding to beneficiaries should remain available for the local level.

Additionally, EU funding programmes directly managed by the European Commission such as the LIFE-Clean Energy Transition (including its predecessors H2020-CSA) and technical support such as EIB's ELENA have leveraged unprecedented



levels of investments in municipalities and regions across Europe. Such programmes have been instrumental in building the capacity of cities, regions and their energy agencies in developing large scale investments, enabling them to develop one-stop shops for the mass renovation of buildings, the development of energy communities and the decarbonisation of businesses. EU cascade funding is a cost-effective method to provide seed funding for investment concepts which have snowball effects as documented by the [European City Facility](#). To achieve this result, such funding

must however rely on a decentralised network of local and regional experts.

- ✪ **Cross-border and regional cooperation tools, such as Interreg, should be strengthened and expanded** because no challenge can be solved by one municipality or one region alone. Learning in cohorts of territories, as EU exchange and research programmes have done for decades has proven successful to share innovation and to contribute to democratic stability and EU integration.

WHAT KIND OF PLANNING TOOLS CAN BE USED FOR STRATEGIC GOVERNANCE AND SHARED RESPONSIBILITIES REFORM?

In the EU, shared management must evolve into truly shared planning and implementation.

At the regional level, challenges often exceed the capacity of a single municipality. Expanding Integrated Territorial Investment Plans (ITI) and untapping their potential could turn them into the cornerstone of future cohesion policies. By serving as investment frameworks aligned with both national and local strategies, ITIs can ensure collective preparedness. Similarly a further development of the Regional Innovation and Smart and Sustainable Specialisation strategies (RiS3 and RiS4), linking them with labour market and skills development will prove invaluable for investing in a more competitive and smarter Europe.

At the local level, the CCC, Climate City Contracts developed under the Mission for 100 Climate-Neutral and Smart Cities, can be a good inspiration for strategic plans that would be needed to be

developed by every territory. However, given the limited scope of Climate City Contracts, these strategic documents should be broadened to include relevant information on adaptation and resilience policies, as well as on circular economy and resource management. This shared horizon, inspired by initiatives like Agenda 21 or cities' "doughnut" strategies, would offer clarity and collective purpose. Additionally, the European Environmental Agency, Copernicus, the JRC, the OECD have all developed new compasses and new data-set at local level, which makes possible today to have diversified targets depending on the local potential.

Additionally, many other local level plans such as the Sustainable Urban Mobility Plan (as defined in the TEN-T Regulation) brings a planning obligation that requires cooperation across municipal boundaries. These intermodal plans require multi-level governance of the planning process and its consecutive projects.



LOCAL ALLIANCE

WHO ARE WE ?

The Local Alliance — a coalition of local and regional governments made of [ACR+](#), [CEMR](#), [Climate Alliance](#), [Energy Cities](#), [Eurocities](#), [FEDARENE](#), [ICLEI Europe](#) and [POLIS](#), — is an informal coalition aiming at ensuring that our constituencies have the competencies and resources to implement the European Green Deal and reinforce Europe's resiliency.

January 2025

