



# **A reformed EU budget in partnership with Local and Regional Governments**

## **Proposal for the post-2027 Multiannual Financial Framework**

CEMR Position Paper

## Key messages

The increasingly complex global challenges facing Europe, including growing polarisation and economic disparities, requires a reformed EU budget framework that fosters trust, unity, and sustainable growth. Unequal access to infrastructure, services, and opportunities is deepening divides between urban and rural areas, as well as peripheral and central regions, threatening social cohesion.

Local and Regional Governments (LRGs) are indispensable partners in addressing these challenges. Trusted by citizens, they bring extensive experience in managing EU programmes to meet local needs while aligning with broader EU objectives. As frontline actors in facilitating a just green and digital transition and delivering essential public services to aging populations, LRGs are pivotal in ensuring the effective implementation of EU policies and promoting a competitive and equitable future for Europe's citizens.

For the next Multiannual Financial Framework (MFF) the EU must avoid a budget approach that centres funding priorities and management primarily at national government level. The new EU budget framework should, instead, improve greater participation and collaboration across all levels of governance and in partnership with other stakeholders, driven by a place-based and bottom-up definition of priorities and needs.

Only with an inclusive budgetary model that directly addresses territorial and community needs can the EU agenda be fully realized and strengthened. In view of the upcoming European Commission proposal for a MFF post-2027, CEMR calls the EU for:

- **Strengthening LRGs involvement in planning, implementation and monitoring.** Only through effective multi-level governance can the EU ensure investments and reforms priorities are fit for purpose at the local level including in partner as well as in candidate countries. We call for the partnership principle to be mandatory across all EU-funded programs;
- **Guaranteeing decentralised management of the Cohesion Policy.** Entrusting the funds to the regions, provinces or cities is essential to ensure EU structural and investments funds are fit for the local context and real needs of citizens;
- **Increasing direct access to EU funding for LRGs.** To effectively implement sustainable innovative solutions and meet critical needs, cities, municipalities, and regions require better access to EU funding. This includes recreating the Civil Society Organisation-Local Authorities (CSO-LA) budget line to support long-term change for Local and Regional Governments (LRGs) in partner countries. The next EU budget should allocate funds for training and capacity-building programs to strengthen LRGs.
- **Promoting simplified and flexible funding instruments.** Key measures include lowering co-financing ratios, reducing minimum investment thresholds and reducing the administrative burden with application requirements and reporting for direct managed budgets. Simplify Cohesion Policy and enhance funds uptake while staying true to its core mission of reducing economic, social, and territorial inequalities across the Union.

- **Strengthening synergies among EU funds.** To maximise the impact of EU funding at territorial level it is key to foster better coordination between funding and initiatives and establish mechanisms to merge funding streams.

In the current context and rapidly evolving global scenario the next Multiannual Financial Framework (MFF) will be pivotal for the EU to tackle pressing global challenges and set a forward-looking financial framework able to foster sustainable and inclusive growth. All of this while maintaining unity, build trust, and address rising Euroscepticism.

Europe is made of over 114.000 Local and Regional Governments (LRGs), 98% of them are municipalities and cities with vast competences, powers and responsibilities<sup>1</sup>. All together they implement over 70% of EU legislation and have extensive experience in managing EU programs and using EU funds for greater territorial, economic and social cohesion<sup>2</sup> while fostering equality and inclusion. LRGs are using public funding and private investments to ensure the effective implementation of the European Green Deal and through programmes like Horizon Europe, Connecting Europe Facility (CEF) and Digital Europe Programme (DEP) they drive research and innovation and deploy digital solutions. Through decentralised cooperation, LRGs are key partners in delivering the Neighbourhood, Development and International Cooperation Instrument (NDICI-Global Europe), preparing for and responding to crises, enhancing democratic accountability, stimulating local economic development, and boosting the localisation of SDGs. In candidate Countries, LRGs use the Instrument for Pre-accession (IPA) to promote stability, sustainability, democracy and economic integration, in line with accession requirements. In doing so, cities municipalities and regions ensure EU priorities have an impact at local level; they enhance transparency and accountability building public trust and encouraging citizen engagement with the EU.

LRGs are essential players in the EU long-term budget. Yet, they are not fully involved in the definition of EU spending priorities. Ensuring multi-level governance in European overarching policy frameworks such as the European Semester, the EU Sustainable Finance Strategy as well as in each funding programme is key to ensure investment and reform priorities are fit for purpose at the local level.

For CEMR the new EU budget must envisage more participation and collaboration at all levels of governance to set investment priorities and to develop and monitoring the correct implementation of the policies and funding<sup>3</sup>. The Partnership Principle, fundamental in the EU Cohesion Policy, when properly implemented, has proven highly effective in developing and delivering place-based, inclusive policies and tangible results. Timely revision of its Code of Conduct is essential to ensure consistent application across all Member States from the outset and to expand its scope to include

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<sup>1</sup> <https://terri.cemr.eu/en/>

<sup>2</sup> [https://ccre-cemr.org/wp-content/uploads/2024/04/230621\\_984\\_EISF\\_web.pdf](https://ccre-cemr.org/wp-content/uploads/2024/04/230621_984_EISF_web.pdf)

<sup>3</sup> This is particularly true for all European Structural and Investment Funds or Common Provision Regulation funds: European Regional Development Fund (ERDF), European Social Fund Plus (ESF+), Cohesion Fund, Just Transition Fund (JTF), European Maritime, Fisheries and Aquaculture Fund (EMFAF), Asylum and Migration Fund (AMIF), as well as for Horizon, CEF, DEP and NDICI-Global Europe and EU enlargement budget.

other EU policies and programmes, notably the EU Semester<sup>4</sup>. Additionally, EU-level monitoring systems are needed to oversee its correct application. We advocate for the Partnership Principle to be made mandatory across all EU-funded programs.

### **A decentralised management model for Cohesion Policy**

Cohesion Policy is a cornerstone of the European Union; when implemented together with Local and Regional Governments, it is the most obvious example of the European Union's added value for citizens and communities. As highlighted by a recent EIB study, cohesion funds - especially when targeted to climate actions, digitalisation and social infrastructure - have proven value in driving private investments and have positive regional spillover effects that contribute to EU competitiveness<sup>5</sup>.

The upcoming negotiations for the MFF post-2027 will be crucial in shaping the next EU Cohesion Policy. The mission letters for Commissioners-designated signalled substantial structural changes to the current framework including the development of a unified plan for each Member State, to link essential reforms with targeted investments. The shift toward centralising EU funds management, as seen in the Recovery and Resilience Facility (RRF) and the adoption of single national plans in instruments like the Social Climate Fund and the Common Agricultural Policy, raises concerns about preserving a truly European dimension in these initiatives. Single national plans risk undermining key EU principles such as partnership, multi-level governance, and place-based approaches.

The recent experience with the RRF should serve as a wake-up call. While this historic and large-scale funding mechanism successfully mobilised substantial funds to support EU member States, its shortcomings were evident during planning, implementation and monitoring National Recovery Plans<sup>6</sup>. The inadequate framework for involving subnational governments in decision-making raised concerns about fair and transparent fund distribution, especially for the EU's green and digital transitions. This centralisation of funding has hindered the effective use of available funds at the territorial level, leading to overlaps with Cohesion Policy funds, and complicating its coordination and alignment with other EU resources.

The place-based approach should be further developed and applied in practice. It must integrate municipal, city, and regional strengths to improve public services and development. Local expertise should address each area's unique challenges. After 2027, this approach should build on existing tools like integrated territorial investment and community-led development, using best practices to promote balanced growth. Future support should align with EU strategic priorities, such as digitalization, climate change, energy efficiency, and innovation.

An EU budget model which places priority setting allocation and management of the funding primarily with Member States would hinder the fundamental values and principles of the EU and would damage the efficient allocation of EU resources for a more competitive Europe. For Cohesion Policy, the possibility to adopt a decentralised

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<sup>4</sup> <https://ccre-cemr.org/wp-content/uploads/2024/11/EU-Semester-Study-2024.pdf>

<sup>5</sup> [EIB Investment Survey 2024: European Union overview](#)

<sup>6</sup> <https://ccre-cemr.org/impactgoal-society/cor-cemr-consultation>

management, entrusting the funds to the regions, provinces or cities is essential to ensure EU structural and investments funds are fit for the local context and real needs of citizens<sup>7</sup>.

### **Increasing LRGs direct access to EU funding**

LRGs are at the forefront of addressing priorities and challenges that significantly impact the quality of life of citizens while fostering economic growth and sustainability of their territories. However, the increasing demographic changes, including an aging population and depopulated areas alongside increasing urbanisation, place significant pressure on services such as healthcare, social care, and infrastructure all while revenue bases are shrinking. Inadequate revenues and limited direct funding mechanisms for LRGs result in missing opportunities to deploy green innovative solutions and address critical issues such as senior care, sustainable urbanisation and inclusive local services. Strengthening financial support for LRGs is essential to enable closing growing financial gaps and deploy always more creative and sustainable solutions that meet Europe's green, digital, and social ambitions.

### **Enhancing green transition**

It is in cities, municipalities and regions that climate actions take place. The existing European and national funding instruments for the green transition – both from public and private sources – are limited and often not easily accessible to local and regional authorities<sup>8</sup>. To meet the climate 2030 objectives, it is estimated that an additional €520 billion yearly in investments are needed. In this scenario, increased private and public investments are crucial for mastering the clean transition. Enhancing direct support to LRGs to lead on innovative climate change mitigation and adaptation projects is needed. Public investments can leverage guarantees and long-term stability, addressing market failures and creating a secure context that attracts and accelerates private investment. Increasing support for net-zero policies is also important to help finance local policies that tackle the transition's core underpinnings such as housing renovations and infrastructure (e.g. grid connections for renewable energies) as well as climate adaptation projects and a skilled workforce for emerging green jobs.

LRGs face challenges when it comes to ensure smart and sustainable transport and mobility infrastructures and solutions both in urban and rural areas. Urban nodes are critical to the completion of the Trans-European Network enabling a more sustainable urban mobility while at the same time, connecting rural areas providing them access to new infrastructures and services to their citizens. Cities, municipalities and regions across Europe are deploying costly innovative mobility solutions and alternative fuels infrastructure that improve accessibility and reduce emissions but often lack of immediate financial returns. However, the CEF's current funding structure remains primarily focused on large-scale, cross-border infrastructure, often developed at the national level without substantial input from the urban nodes connecting them. The CEF must be increased and align with the new priorities and ambitions, prioritising and earmarking adequately resources for urban nodes development, for alternative fuel

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<sup>7</sup>[https://ccre-cemr.org/wp-content/uploads/2024/03/231129\\_CEMR\\_position\\_paper\\_on\\_future\\_of\\_Cohesion\\_Policy\\_PC\\_version-0.pdf](https://ccre-cemr.org/wp-content/uploads/2024/03/231129_CEMR_position_paper_on_future_of_Cohesion_Policy_PC_version-0.pdf)

<sup>8</sup> <https://ccre-cemr.org/wp-content/uploads/2024/10/CEMR-Local-Green-Transition-2024.pdf>

infrastructure, public transport, rural mobility infrastructure as well as data collection and fostering multimodal transport options within cities, municipalities and regions.<sup>9</sup>

### **Accelerating digital transformation**

Cities and regions are hubs of digital innovation and pioneers in developing and testing always new smart solutions. Local and regional governments leverage technologies like IoT, AI, big data, 5G, and digital twins to build sustainable, inclusive, and climate-neutral urban environments. Collaborative strategies and citizen participation are central to these efforts, with platforms like Living-in.EU fostering cooperation across cities, regions, and the EU<sup>10</sup>. However, these advancements pose challenges, including administrative capacity gaps, risks of digital exclusion, ethical concerns about AI and data use, and a growing digital carbon footprint.

Ensuring more direct funding for LRGs (in Horizon Europe programme and DEP) especially for data management and sharing, AI powered digital solutions and to tackle the digital divide. Bridge the divide improving basic digital literacy and skills for underrepresented and marginalized groups such as women, youth, the elderly, and migrants is essential for fostering Europe's digital transformation. The EU must invest in cities, municipalities and regions to sustain and boost local digital transformation through upscaling digital solutions at territorial level across Europe.

### **Strengthening social and integration policies**

Adequate funding for social inclusion and integration initiatives is key to ensuring cohesive societies. The Asylum and Migration Fund (AMIF) often falls short of covering the holistic support services required by migrant communities at the local level, such as language training, housing, and employment support. Funding for gender equality initiatives under the Citizens, Equality, Rights and Values programme (CERV) are not consistently accessible for smaller regions, limiting LRGs' ability to promote gender-inclusive policies and services.

Strengthen support for Social Dialogue is important to empower social partners in fulfilling their roles, as enshrined in the Treaties. This support should include reinforcing the allocations within the European Social Fund+ (ESF+) and the Social Prerogatives and Specific Competencies Lines (SocPL) dedicated to this purpose. Such measures align with the outcomes of the Tripartite Declaration for a Thriving European Social Dialogue, which reiterates the commitment to fully respect and promote the role of social partners, and the anticipated new Pact for European Social Dialogue.

### **Reinforcing the role of LRGs in decentralised cooperation**

The EU has recognised decentralised cooperation and LRGs as legitimate tools and partners in delivering its priorities in Financing for External Action through NDICI-Global Europe. While CEMR welcomes considerations of a 360-degree approach within the Global Gateway that focuses on the enabling environment for investments, it is essential that the role of LRGs is emphasised as key to delivering Europe's 'Values Based' offer to citizens in partner countries. Despite political and financial commitments, LRGs struggle to directly engage with EU Delegations and be considered as direct implementers of EU

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<sup>9</sup> [Connecting Europe Facility \(CEF\) – 2021-2027 interim evaluation](#)

<sup>10</sup> [www.living-in.EU](http://www.living-in.EU)

development programming. While NDICI presents opportunities for LRGs within geographic programmes and thematic lines such as the one dedicated to development education and awareness raising (DEAR), there is limited dialogue and a tendency for central governments to take priority in program implementation. Support for decentralisation and multilevel governance reforms should be prioritised to enhance capacity and budgetary autonomy, however the lack of a dedicated funding line for Local Authorities has made it harder for EU local governments to collaborate with EU Delegations and consultations have been inconsistent across countries. As a complement to programmes targeting decentralisation and multilevel governance, the recreation of the Civil Society Organisation-Local Authorities (CSO-LA) budget line will enable long-term, structural change for LRGs in partner countries. This would enhance LRGs political role in the Global Gateway and Team Europe initiatives and contributing to an enabling environment that supports democratic accountability, good governance and the delivery of the main sectoral components envisaged by the Global Gateway<sup>11</sup>.

### **Fostering implementation of the Sustainable Development Goals**

The EU is failing to meet the objectives of the UN's 2030 Agenda. With just six years left and only 17% of the Sustainable Development Goals (SDGs) on track<sup>12</sup>, concrete measures are needed to accelerate progress on Sustainable Development. In Europe as well as globally, successful SDG policies call for a decentralised, bottom-up, territorial approach. According to the OECD, 65% of the 169 targets underpinning the 17 SDGs simply cannot be achieved without local and regional actions. However, insufficient financial resources are still among the main factors preventing LRGs to accelerate SDGs implementation<sup>13</sup>. More and better accessible EU funding to LRGs are key for cities and regions to strengthen their actions towards a full implementation of the SDGs.

### **Promoting capacity-building and technical assistance**

Securing dedicated funding to support decentralisation reforms, capacity building, awareness-raising, twinning, and providing advice and assistance is essential for empowering local governments. This enables them to enhance their impact in vital areas such as climate and energy, gender equality and inclusion, integration, digitalisation and for fostering implementation of the SDGs. In the enlargement process funding for training and capacity-building must be made available / accessible, to help LRGs in candidate countries meet EU standards. Funding for technical assistance (e.g. the ELENA and JASPER programmes) and capacity building explicitly intended for local and regional governments need to be strengthened and adjusted to better address the diverse needs, sizes and capacities of territories. For a greater impact, those funds should be channelled through regional or intermediate governments to ensure an integrated territorial approach and usually have more capacities than individual municipalities.

### **Investing in emergency and crisis response and territorial resilience**

The European Union is increasingly facing severe and frequent crises, including pandemics, natural disasters (e.g., floods, droughts, earthquakes), armed conflicts, geopolitical tensions, and economic shocks. These emergencies demand immediate

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<sup>11</sup> <https://platforma-dev.eu/wp-content/uploads/2024/09/PLATFORMA-Position-NDICI-Global-Europe-Update-2024.pdf>

<sup>12</sup> <https://unstats.un.org/sdgs/report/2024/The-Sustainable-Development-Goals-Report-2024.pdf>

<sup>13</sup> <https://local-sdgs.eu/en/concrete-actions-to-accelerate-progress-towards-the-sdgs>

and substantial financial responses that the current financial framework cannot fully address. The COVID-19 pandemic highlighted this issue: while the EU quickly mobilized resources through the RRF, reallocating funds disrupted other vital programs like ERDF and ESIF. This underscores the need for a dedicated emergency reserve fund. Such a fund could be partially financed by unspent resources, with unused allocations after seven years or mid-term redirected to support Cohesion Policy. Crises primarily impact cities, municipalities and regions. Investing in territorial resilience is essential to equip LRGs to mitigate, adapt to, and recover from such challenges, ensuring community well-being and long-term sustainability.

### **Enhancing simplification and flexibility of funding mechanisms**

Many funding mechanisms are still hindered by complex application processes, restrictive eligibility criteria, and excessive reporting demands, making them difficult for LRGs to access and use. Simplifying financial regulations and improving access to funding instruments are essential for enabling LRGs to effectively use EU funding. Key measures include lowering co-financing ratios, reducing minimum investment thresholds, and introducing more user-friendly application and reporting processes. These adjustments will enable LRGs, including smaller municipalities, to access funding more efficiently and deploy it where it is most needed.

When it comes to Cohesion Policy, despite significant simplification already achieved in the current period, it remains administratively complex. Over the previous (2014-2020) and ongoing (2021-2027) programming periods, multiple changes in regulations, shifts in political priorities and the creation of multiple funds have created unnecessary administrative burdens, and an overall complex and inefficient framework to manage, preventing a truly integrated territorial development and significantly delaying the absorption of funds.

The next Multiannual Financial Framework presents an opportunity to simplify Cohesion Policy and enhance funds uptake while staying true to its core mission of reducing economic, social, and territorial inequalities across the Union. This requires a governance model centred on local needs and fostering inclusivity. To enhance quality of life, EU funds should prioritize local and regional investments and public services, offering flexibility instead of rigid thematic constraints, particularly in crisis contexts.

The green transition demands increased private and public investments, leveraging the strengths of both sectors to drive innovation and improve efficiency. Simplifying access to sustainable funding and fostering public-private partnerships can significantly contribute to Europe's competitiveness by ensuring that municipalities and regions have the necessary resources to implement effective climate, environment, energy and circular economy actions.

Current funding mechanisms for decentralised cooperation present significant barriers to enabling Local and Regional Governments to effectively participate in international partnerships and development initiatives. Funding instruments should be further territorialised so that they are adapted and accessible to LRGs. This includes creating local framework agreements (FPAs), simplifying calls for proposals for better access of and adaptation to LRGs (particularly those of the EU DEAR programme), and facilitating the use of tools like TAIEX and twinning for decentralised cooperation.



## **Improving synergies and alignment between EU funding**

In the past years we have positively seen a growing number of EU initiatives targeting local needs and priorities. While this is overall positive, those initiatives are often topic-driven, resulting in fragmentation and multiplication of policy objectives between funding programs. This creates overlaps and inefficiencies, with different funding streams operating independently of each other.

Strengthening coordination and establishing mechanisms to merge funding streams could enhance the impact of financial support for LRGs and promote effective implementation of key territorial strategies, such as green policies, and overall foster a more coherent and effective approach to regional development.

## **CEMR in a nutshell:**

The Council of European Municipalities and Regions is Europe's first and broadest association of Local and Regional Governments. We are unique, being the only organisation that encompasses 60 national associations of Local and Regional Governments spanning over 41 European countries. Through them, we bring together more than 110,000 governments across all tiers of governance – local, intermediate, and regional. Additionally, as the European section of the global organisation United Cities and Local Governments (UCLG), we champion European Local and Regional Governments on the world stage.