

LOCAL ALLIANCE

10-POINT ACTION PLAN

Making the Next EU Budget Work for Cities and Regions: The Local Alliance's 10-Point Action Plan



INTRODUCTION

The Local Alliance – a coalition of Europe's leading local and regional governments: [ACR+](#), [CEMR](#), [Climate Alliance](#), [Energy Cities](#), [Eurocities](#), [FEDARENE](#), [ICLEI Europe](#) and [POLIS](#), – aims at ensuring that our constituencies have the competencies and resources to implement and reinforce Europe's resilience, competitiveness and decarbonisation.

We share a common vision for the 2028–2034 Multiannual Financial Framework (MFF) to become a strong, democratic, and future-proof tool that drives cohesion across territories, reinforces Europe's competitiveness, and enables a just transition towards climate-neutral and resilient transition.

Local and regional governments are Europe's frontline for delivering change. They are the democratic level closest to citizens, [trusted by a majority of Europeans](#), and directly or through shared responsibility in charge of implementing [most EU legislation](#). They mobilise the [bulk of climate-relevant investment](#), drive [innovation](#) and competitiveness, and safeguard cohesion and just transition by ensuring that no community is left behind. Without their leadership, Europe cannot succeed in meeting its green, digital, social, and competitiveness ambitions.

Yet instead of empowering this strength, the Commission's proposal for the next MFF risks sidelining local and regional governments who are best placed to deliver. A centralised approach, which does not reflect the local realities and priorities, not only threatens delivery on the ground, but also Europe's long-term societal, democratic and economic resilience and competitiveness. As the Committee of the Regions' most recent report highlights, European cities and regions need a budget to help build the Union from the ground up – where local and regional authorities are not only implementers but co-creators of Europe's future

With the negotiations already underway, the Local Alliance calls on the European Parliament and the Council of the EU to seize this opportunity to put democracy, territorial cohesion, and competitiveness at the heart of the next MFF by ensuring local and

regional governments are recognised as indispensable partners. Europe cannot achieve its strategic objectives without working hand in hand with its towns, cities and regions. **For this reason, the Local Alliance presents an 10 point action plan to ensure the EU budget delivers tangible results for people in every territory across Europe and beyond.**

FOR THE NEXT MFF, WE CALL ON:

1. Stronger multilevel governance mechanisms to deliver both reforms and investments
2. Stronger partnership principle for the implementation of the MFF

FOR THE NATIONAL AND REGIONAL PARTNERSHIP PLANS:

3. Making regional and territorial chapters of the National and Regional Partnership Plans mandatory, with a clear section on cities
4. Earmarking for a just transition & affordable living for all
5. A real EU program for cities of all sizes under the proposed EU Facility
6. Safeguarding mechanism for local and regional level to guarantee their access to EU funds
7. Linking performance indicators to EU law implementation and territorial delivery

FOR THE EUROPEAN COMPETITIVENESS FUND AND HORIZON EUROPE:

8. Competitiveness Fund and Horizon Europe should recognise cities and regions explicitly as innovators and investors

FOR HORIZON EUROPE:

9. Continuing the Mission approach under Horizon Europe

FOR THE GLOBAL EUROPE FACILITY:

10. Stronger support for accession cities and regions for the future of European cohesion



1. STRONGER MULTILEVEL GOVERNANCE MECHANISMS TO DELIVER BOTH REFORMS AND INVESTMENTS

The Commission proposal on the next MFF includes the partnership principle and multilevel governance in reference to the National Regional Partnership Plans. However, the current way that it is presented includes two key flaws: firstly it turns a blind eye to multilevel governance across all headings of the MFF, secondly it falls short of giving substance to the concept. The provision does not establish the genuine cooperation mechanisms needed between the different democratically accountable levels of government. In practice, this risks reducing multilevel governance to a formality rather than a meaningful framework for joint decision-making. It is therefore important to clarify that the Partnership Principle and multilevel governance, while mutually reinforcing, are not the same:

The **partnership principle is about who is involved**: it ensures that partners such as local and regional governments, civil society organisations, and economic actors and social partners participate in the design, implementation and monitoring of EU programmes. It is a guarantee of inclusiveness and high-quality participation, rooted in the European Code of Conduct on Partnership.

Multilevel governance is about how different levels of government work together to shape and deliver coherent and effective policies. It requires national, regional, intermediate and local governments to share responsibility, coordinate investments, and jointly define objectives, targets and timelines. Multilevel governance provides the structural framework in which the partnership principle can be realised in practice, turning consultation into co-decision and cooperation.

When applied together, these two principles reinforce each other. The partnership principle brings all relevant voices to the table, while multilevel governance ensures that responsibilities, resources and decision-making are aligned across levels of government. **This combination is essential to deliver both reforms and investments effectively, and to**

guarantee that EU funds achieve their intended impact on the ground.

In recent years, the EU has put in place a number of multilevel governance mechanisms, for instance, through the [Governance of the Energy Union and Climate Action Regulation](#) or consultation and collaboration obligations through the [Social Climate Fund](#) such as Article 5, Article 6 and 22. However, all these tools and structures have delivered **mixed results** when implemented by Member States where **multilevel governance** is too often reduced to formalistic or tokenistic consultation, leaving local and regional governments with little real influence on decisions regarding policies and financing that should support transitions across all European territories.

The Local Alliance calls on the co-legislators to ensure that the next MFF establishes permanent multilevel governance structures in all Member States, not only in relation to the national and regional partnership plans but for all headings of the MFF. Building on good practices already in place in some countries, these platforms should bring together national, regional and local governments – together with their agencies – in a structured way to co-define policies, reforms and investments. Embedding such platforms into the governance of the National and Regional Partnership Plans (NRPPs) and all other headings of the MFF would guarantee that both reforms and investments are designed and delivered in line with territorial needs. For these platforms to be credible and effective, they must be adequately resourced, institutionalised on a permanent basis, and linked to transparent and accountable monitoring mechanisms. To ensure inclusiveness, these platforms should also provide dedicated technical assistance for cities and regions, enabling especially medium-sized and smaller municipalities to participate meaningfully.

The next MFF proposal, through the National and Regional Partnership Plans design process, includes the possibility that existing Managing Authority structures remain in place, with the option for Member States to establish a national coordination platform. Rather than limiting this to a technical coordination forum, such a body should be developed into a **genuine multilevel governance platform** – one that systematically brings together national, regional and local authorities to shape priorities, align reforms and coordinate investments.



A stronger multilevel governance mechanism would also help to deliver territorial synergies across EU funds and instruments. Engagement platforms could align priorities and funding streams between the European Competitiveness Fund, NRPPs, and other MFF programmes, ensuring that investment in competitiveness and innovation supports territorial cohesion and complements reforms. This would prevent duplication, bridge gaps, and reinforce delivery of EU legislation at all levels. In practice, it would create a single space where reforms, investments, and compliance with EU law are discussed together, fostering integrated strategies for competitiveness, climate neutrality and social inclusion.

Finally, there is a clear link to the **European Semester**. The Semester Country Specific Recommendations (CSRs) may have a direct impact on [local and regional governments](#), yet, they are negotiated primarily between the Commission and national governments. For instance, recently, employment policies have been decentralised to local authorities in both Denmark and Finland. As a result, any labour market reforms in these countries must actively involve local governments, who now hold key responsibilities in this area.

Permanent multilevel governance structures could therefore be used to anchor the European Semester in a genuine multilevel framework, enabling cities and regions to contribute to both the design and implementation of CSRs. In countries where multilevel governance frameworks formally exist but are not meaningfully applied, **the Commission could issue explicit recommendations under the Semester or request corrective action plans.** These measures would serve as an accountability and incentive mechanism to ensure that Member States uphold EU governance principles and deliver reforms and investments effectively through the involvement of all levels of governments depending on their competencies.

2. STRONGER PARTNERSHIP PRINCIPLE FOR THE IMPLEMENTATION OF THE MFF

The partnership principle is a cornerstone of EU cohesion policy and is enshrined in the European Code of Conduct on Partnership, which sets out minimum standards for the involvement of partners in the European Structural and Investment Funds. The European Code of Conduct on Partnership makes clear that partnerships must be inclusive, transparent and continuous, ensuring that local and regional governments, civil society organisations, social and economic partners, and other stakeholders participate meaningfully in the preparation, implementation, monitoring and evaluation of EU programmes.

However, [experience](#) shows that the partnership principle is too often applied narrowly or unevenly across Member States, with some treating it as a procedural formality rather than a substantive requirement. Stakeholders are sometimes invited too late in the process, excluded from key decision-making stages, or consulted without sufficient information or time to contribute. This undermines ownership, reduces effectiveness, and weakens citizens' trust in EU programmes.

The Partnership Principle must be strengthened and applied across all headings of the next MFF. National and Regional Partnership Plans (NRPPs), the European Competitiveness Fund and other major instruments should all follow a common binding framework for high-quality partnership. To make this effective, adequate capacity-building support must be provided so that all actors – including smaller municipalities, civil society organisations and social partners – have the resources and expertise to participate meaningfully.

Finally, partnership should be understood as a continuous process, not a one-off consultation. In line with the [European Community of Practice on Partnership recommendations](#), partners should be involved at every stage of the policy cycle – from agenda-setting and programming to delivery, monitoring and evaluation. This will ensure that



programmes are adapted to territorial realities, make them more democratic, and secure broader acceptance across society.

3. MAKING REGIONAL AND TERRITORIAL CHAPTERS OF THE NATIONAL AND REGIONAL PARTNERSHIP PLANS MANDATORY, WITH A CLEAR SECTION ON CITIES

The Commission's Fund proposal foresees the "regional and territorial chapters" as optional in the National and Regional Partnership Plans. While Member States have always had discretion to organise the management and implementation of their structural and investment funds, opting for regional or thematic operational programmes, the main change in the Commission's proposal lies in the broadened scope of the funds. Previously, European structural and investment funds were clearly anchored in Cohesion Policy, and their architecture was therefore often overseen by ministries responsible for regional development, with strong experience in territorial specificities and established cooperation with local and regional governments.

The Commission's proposal, by broadening the scope of funds to cover multiple policy areas beyond cohesion, is likely to shift decision-making towards more centralised administrations, as experienced with the [Recovery and Resilience Facility](#). To ensure that territorial diversity and local needs are fully addressed, regional and territorial chapters must be made mandatory. This would provide a balanced and inclusive governance approach, guaranteeing equal territorial coverage and alignment with the EU's Cohesion objectives built in Treaties.

While the proposal earmarks support for the least developed regions, it provides no guarantee that all towns, cities and regions will benefit equitably, nor that resources will not be disproportionately concentrated in a limited number of territories. This creates uncertainty for millions of Europeans already

facing structural challenges, and risks weakening both territorial cohesion and citizens' trust in the EU.

For European cities and regions that the Local Alliance represents, **social, economic and territorial cohesion is not an optional add-on but a foundational principle of the Union**, enshrined in the Treaties and essential to Europe's long-term competitiveness. Weakening territorial guarantees under the next MFF would not only jeopardise cohesion but also undermine the EU's ability to deliver on its green, digital, industrial and resilience agendas.

The Local Alliance therefore calls for **making "regional and territorial chapters" in all NRPPs mandatory, designed with local and regional governments and finalised through genuine multilevel governance and the partnership principle**. Depending on national structures, these chapters should cover the relevant territorial level – whether regional, metropolitan or local – and integrate existing territorial plans such as Just Transition Plans, Integrated Territorial Investments (ITIs) and other proven tools. These tools have consistently shown their value: they are place-based, long-term and cross-sectoral, enabling infra-territorial cooperation and ensuring that all stakeholders commit to a shared development path. Most importantly, they turn the transition to climate neutrality into a social and territorial transition and cohesion as well – securing affordable mobility, housing, energy, food and materials today, while safeguarding the wellbeing of future generations.

Challenges that European cities face in delivering the EU's clean transition, resilience and competitiveness ambitions deserve particular attention. Because challenges and opportunities are highly concentrated in urban areas, cities must manage complex trade-offs and capitalise on co-benefits across social, economic and climate transitions. For example, cities need to find holistic and innovative solutions to address both building renovations and affordable housing challenges at the same time to guarantee the social cohesion and quality of life in cities. These issues are particularly acute in metropolitan areas but also pressing for smaller cities. These condensed challenges mean that local governments need both resources and flexibility to balance competing priorities while maximising synergies. For this reason, besides making **"regional and territorial chapters" mandatory, the Local Alliance calls for these chapters to include a**



specific urban section that explicitly responds to urban needs, ensuring that metropolitan and smaller urban areas are empowered to deliver Europe's climate, digital and social objectives on the ground.

By embedding place-based investment into the Fund's design, the EU can strengthen democracy, deliver on its strategic objectives, and safeguard balanced development across all territories – from metropolitan hubs to rural, peripheral and less developed areas.

4. EARMARKING FOR A JUST TRANSITION & AFFORDABLE LIVING FOR ALL

Mandatory regional, territorial and urban chapters must not remain a paper exercise – they need to be the backbone of a just transition and affordable living agenda across Europe. To be credible, they **must be backed by sufficient funding across major MFF instruments, ensuring that every part of Europe can contribute to and benefit from the Union's transformation. The amount earmarked for mandatory regional, territorial and urban chapters under the Fund should be at least at the current level of cohesion policy allocations, in real (inflation-adjusted) terms.** This funding should cover the full scope of place-based and integrated territorial approaches, securing continuity for proven instruments such as Integrated Territorial Investments (ITIs), Community-Led Local Development, Sustainable Urban Development Strategies and Territorial Just Transition Plans.

Cities in particular require dedicated earmarking. Their role in implementing EU legislation and managing transitions is central, and the concentrated nature of challenges in urban areas – from housing and mobility to energy, digitalisation and social inclusion – creates specific investment needs. Experience from the current ERDF period shows that urban earmarking overshot initial allocations, underlining the strong demand for direct local investment. Without a clear urban dimension, there is a risk that these challenges are not adequately addressed, slowing down Europe's

collective progress. On the other hand, the absence of specific earmarking for the Policy Objective 5 "Europe closer to citizens" in the current framework, led some Member States to disregard entirely that objective.

The new Fund must therefore guarantee adequate earmarking for urban areas, while ensuring balanced support for all territories. This would allow metropolitan hubs, smaller cities and towns alike to play their part in delivering Europe's climate, digital and social objectives, complementing investments at regional and rural levels.

5. A REAL EU PROGRAM FOR CITIES OF ALL SIZES UNDER THE PROPOSED EU FACILITY

The European Commission has proposed the creation of a new EU Facility to combine direct, shared, and indirect management of EU resources across different thematic areas requiring coordination at European level. Designed as a reserve to provide greater flexibility in financing, the Facility brings together a wide range of priorities under a single umbrella. Within this structure, however, the current proposal allocates just one budget line, labelled "others," which groups together social innovation, employment, and cities. This combined line amounts to €11 billion over the seven years of the programming period.

While flexibility is an important principle, bundling cities together with such broad and diverse priorities undermines the EU's own ambitions for a strong urban policy agenda. Cities are not a marginal add-on to other priorities: they are the main delivery level for European goals, including the Green Deal, digitalisation, and social cohesion. The risk is that the Commission's vision of an "ambitious policy agenda for cities" remains a declaration of intent rather than a concrete driver of change.

To ensure credibility of its upcoming "[EU Agenda for Cities](#)", the EU Facility under the next MFF should include ring-fenced funding for cities and clearly identify cities as direct beneficiaries. These resources, under direct management by the Commission,



should engage cities of all sizes from across Europe. They should help build local capacity and provide technical assistance, foster new knowledge, and support innovative actions and governance models, as well as pilots at city level. Such resources would complement regional and territorial chapters of the National and Regional Partnership Plans and create synergies with the EU agenda for cities and the Competitiveness Fund.

This programme should build on and expand the achievements of the European Urban Initiative, while also supporting and linking up with other major EU efforts such as the Mission on Climate-Neutral and Smart Cities. By doing so, the EU can ensure a coherent, long-term vision for sustainable urban development that turns ambition into practice.

6. SAFEGUARDING MECHANISM FOR LOCAL AND REGIONAL LEVEL IS NEEDED

A **robust safeguarding mechanism must be established within the governance framework of the Fund to ensure that regional and local authorities retain access to EU resources when national governments fail to comply with horizontal or rule-of-law conditionalities.** This mechanism should guarantee that, in cases where national authorities are unable or unwilling to act, **resources can be reallocated directly to regional and local governments** in line with their legal competences and responsibilities. Such a safeguard is essential to uphold democratic legitimacy, protect final beneficiaries, and ensure continuity in implementing the EU's long-term strategic objectives – from cohesion and competitiveness to the green and digital transitions.

The State of the Rules of law report, annually reviews the health of national democracy. With the democratic shield announced by the European Commission, it is vital to assess the democratic status of the subnational level. This assessment can lead to specific recommendations within the national and regional partnerships implementation and to allocate funding to reinforce local democracy.

At the same time, the **budgetary implementation rules** must reflect the **long-term, investment-oriented nature** of Cohesion Policy. The proposed **n+10 months decommitment rule** would undermine the predictability and stability required for regional investment programmes – especially those supporting infrastructure, innovation ecosystems, and territorial cooperation. Maintaining the established **n+2 or n+3 multiannual framework** is essential to allow sufficient time for project selection, implementation, and impact, while ensuring sound financial management and flexibility across programming periods.

7. LINKING PERFORMANCE INDICATORS TO EU LAW IMPLEMENTATION AND TERRITORIAL DELIVERY

The proposed performance indicators regulation focuses on tracking EU-wide progress, but it is not sufficiently granular to capture territorial realities or the role of different levels of government in implementing EU legislation. **Indicators should therefore be designed to measure not only aggregate outcomes but also local and regional progress in implementing EU legislation** – for example on climate, digitalisation, mobility or social rights. By overlooking territorial realities and the differentiated roles of national, regional and local governments in implementing EU law, it risks painting a misleading picture of progress. A country may appear on track overall, while some regions or cities fall behind in delivering key legislation on climate adaptation, digital infrastructure, mobility, or social rights.

To avoid such a scenario that might amplify "**geographies of discontent**" across Europe, **performance indicators must be more territorial and explicitly linked to the implementation responsibilities of all levels of government.** This would ensure that the EU's monitoring framework recognises the decisive contribution of cities and regions, while also creating stronger incentives for national authorities to engage them meaningfully.



Permanent multilevel governance structures could provide the forum for setting and reviewing such territorial indicators, ensuring that EU-wide targets translate into realistic and measurable local action.

8. COMPETITIVENESS FUND AND HORIZON EUROPE SHOULD RECOGNISE CITIES AND REGIONS EXPLICITLY AS INNOVATORS AND INVESTORS

As highlighted in the Draghi report, **competitiveness is inherently territorial**: firms succeed when cities and regions provide the right conditions for infrastructure, productivity and innovation. European cities and regions are responsible for around two thirds of the increase in total public investments in 2023 – particularly in key sectors such as energy, mobility, housing, digital infrastructure and social services. At the same time, **cities and regions act as key demand drivers for clean technology, low-carbon materials and products**, across critical sectors.

Territorial innovation tools such as Smart Specialisation Strategies (S3) and the new Regional Innovation Valleys already demonstrated how local ecosystems can drive EU-wide competitiveness when policies are rooted in place-based strengths and needs. These instruments show that Europe's industrial and innovation capacity depends on aligning research, investment and reforms with territorial realities. Yet, **the territorial dimension is largely overlooked in the current European Competitiveness Fund (ECF) and Horizon Europe proposals, while local economic development and regional competitiveness are often competences of subnational governments**. The Local Alliance urges to strengthen place-based innovation in the European Competitiveness Fund and Horizon Europe by:

- ✧ **explicitly including local and regional governments as key beneficiaries of the European Competitiveness Fund and Horizon Europe;**

- ✧ **strengthening multilevel governance of policies and actions**, especially through the Competitiveness Coordination Tool, as well as in the management structure of the European Competitiveness Fund such as its Strategic Stakeholder Board;

- ✧ **prioritising investment in local innovation ecosystems that address key societal challenges and industrial transformation**. This requires an ecosystem approach that connects local actors, strengthens R&I capacity, ensures that research is directly aligned with the needs of communities and businesses, and standards align with policy objectives.

Finally, Cohesion policy must continue to bridge territorial gaps, ensuring that industrial competitiveness benefits all our territories across Europe so that they can support innovation in the wider region.

9. CONTINUING THE MISSION APPROACH UNDER HORIZON EUROPE

The mission-oriented approach introduced in the current Horizon Europe programme has proven its value by mobilising research, innovation and investment around clear, shared objectives, such as climate neutrality, adaptation and sustainable oceans. Missions are powerful tools as they link European priorities with local action, encouraging experimentation and innovation, cross-sectoral planning at the local level, and citizen engagement.

Under the next MFF, the mission approach should be reinforced and continued, potentially under a dedicated "moonshot" that focuses on building climate neutral and resilient cities and regions in the period post 2030.

In addition, by linking the mission approach with regional and territorial chapters with the Competitiveness Fund and the NRPPs, the new Horizon Europe programme can accelerate their



scale up and transformative change while ensuring that European research and innovation delivers visible benefits for people and communities.

10. STRONGER SUPPORT FOR ACCESSION CITIES AND REGIONS FOR THE FUTURE OF EUROPEAN COHESION

Enlargement is not only a geopolitical priority for the European Union – it is also a cohesion challenge and opportunity. The success of accession depends on preparing candidate countries to participate fully in the Union's single market, democratic governance framework and green and digital transitions. This cannot be achieved by national governments alone. Cities and regions are central actors in this process, as they deliver essential public services, manage much of the investment in infrastructure and innovation, and hold democratic mandates that make reforms both legitimate and sustainable. **Recognising and empowering local and regional governments in the accession process is therefore indispensable to ensure that enlargement strengthens Europe's long-term stability, competitiveness and cohesion.**

To achieve these objectives, **the EU should make the Instruments (Pre-Accession Assistance (IPA), Growth Plan facilities, etc.) more inclusive** by actively involving local and regional governments (LRGs) and their associations from the earliest stages and by expanding the TAIEX programme to include political representatives from enlargement countries. The role of local and regional governments should not be limited to consultation but **extended to co-design and implementation**, ensuring that reforms and investments are tailored to territorial realities and deliver tangible benefits for citizens.

At the same time, the EU should **prioritise capacity-building for local and regional administrations in candidate countries**. Strengthening their ability to manage public services, uphold the rule of law, implement anti-corruption measures, and deliver on human rights will not only accelerate alignment with EU standards but also make accession more credible, resilient and people-centred. In addition, programmes such as Erasmus+ should be scaled up to foster municipal training and capacity building for local actors.

By embedding cities and regions into the accession process, the EU can build stronger democratic foundations, improve the effectiveness of pre-accession funding, and ensure that enlargement contributes to Europe's long-term cohesion, competitiveness and stability.



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.

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