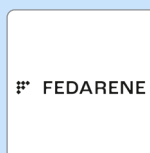
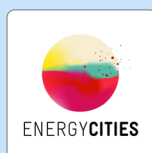




POSITION PAPER ON COMPETITIVENESS

Reinforcing European industry's competitiveness and strategic autonomy through a place-based approach



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](#), – is an informal coalition aiming at ensuring that our constituencies have the competencies and resources to implement and reinforce Europe's resilience, competitiveness and decarbonisation.

The Local Alliance – a coalition of Europe's eight leading city and regional networks – share a vision for the next EU budget (2028–2034) to become a strong, comprehensive tool for a democratic, just, climate-neutral, secure and competitive Europe. This position paper has been developed in the framework of the European Commission's consultations on the next EU budget ([EU's next long-term budget \(MFF\) – implementing EU funding with Member States and regions](#)) and represents the above-mentioned networks' joint position.

Local and regional governments* are key partners in the implementation of the EU budget and are essential to achieving a prosperous Europe, where people want to live, work and thrive. As Europe faces unprecedented challenges, including climate change and geopolitical threats, the Local Alliance makes it clear that closer collaboration across all levels of government is critical for success.



* The terms local and regional governments, local and regional authorities as well as subnational governments are being used interchangeably for the purpose of this paper. The named networks represent local and regional (subnational) governments, including provinces and metropolregions as well as local and regional authorities and their associated agencies.



REINFORCING EUROPEAN INDUSTRY'S COMPETITIVENESS AND STRATEGIC AUTONOMY THROUGH A PLACE-BASED APPROACH

Discussing EU competitiveness inherently involves envisioning the society we aspire to live in. Competitiveness should not be viewed as an end in itself, but rather as a means to achieve a more cohesive, fairer and sustainable society in line with European treaties¹. Competitiveness can help build a stronger Europe in an increasingly challenging geopolitical landscape, where safeguarding our values is more crucial than ever. It should also be a means to ensure that people have the freedom to stay where they live². By fostering competitiveness, the EU can create an environment where economic growth is balanced with social equity and environmental responsibility. This holistic approach ensures that our pursuit of competitiveness aligns with our broader goals of promoting inclusivity, reducing disparities and safeguarding our planet for future generations.

European cities and regions are at the heart of the European Union's competitiveness, with their investments accounting for about two thirds of the increase in total public investments in the EU in 2023, mostly on key sectors like energy, social affairs and transport³. They play a pivotal role in shaping the conditions for industries and businesses through land-use planning, infrastructure development, education, housing, research, training, and the quality of life. Cities, regions and their energy agencies across Europe also support SMEs and large industries in increasing their competitiveness through tailored programmes for innovation and decarbonisation.

Simultaneously, cities and regions act as key demand drivers for clean and low-carbon materials and products, especially in transport, buildings, and energy sectors. Regional clean technology clusters

such as the ones run in Basque Country⁴ or Upper Austria⁵ are proof that Europe's renewable energy industry can lead with the support of their regional and local governments. By sending clear market signals to clean industries in Europe ("Buy European"), cities and regions contribute to a mutually beneficial dynamic that advances economic, social, and environmental goals together.

To ensure that competitiveness policies align with EU's longer-term sustainability and cohesion objectives, the Local Alliance puts forward the following recommendations:

1. ENSURING LOCAL AND REGIONAL GOVERNMENTS' AND AUTHORITIES' ACCESS TO THE FUTURE EU COMPETITIVENESS FUND

The future EU competitiveness fund must explicitly include local and regional governments as key beneficiaries. Their large-scale investments in decarbonisation and resilient infrastructures are crucial demand drivers for European industry. They currently access EU funding through Horizon

¹ TEU Article 3¹. The Union's aim is to promote peace, its values and the well-being of its peoples."

² The fifth European freedom according to Enrico Letta

³ www.eib.org/attachments/lucalli/20250028_080425_municipalities_survey_en.pdf

⁴ www.clusterenergia.com/home

⁵ www.cleantechcluster-energie.at/en



Europe, LIFE, CEF, and Erasmus+ to implement key EU priorities on the ground, as well as to act as test beds for research and innovation, which eventually support startups, clean tech, clean industry, create new markets and accelerate market uptake. Excluding them from the competitiveness fund would undermine the EU's green, digital and industrial transitions by disconnecting industrial production from real-world deployment.

Moreover, using EU funds to exclusively attract businesses is not a sustainable strategy. While financial incentives may generate short-term investment, a sustainable economic stability and competitiveness can only be ensured through developing necessary economic, social and environmental framework conditions and infrastructure. In this regard, cities and regions play a critical role in integrating businesses into local innovation ecosystems, creating lead markets, and ensuring long-term competitiveness through strong links with SMEs, universities, and research centres. For the competitiveness agenda to succeed, local and regional governments must be recognised as strategic partners, not separately from key industry and businesses or not only as funding recipients, but as planners, regulators, clients, investors and operators. Ensuring their inclusion in the EU competitiveness policies as well as the Competitiveness Fund will enable industrial transformation with tangible economic and social impact for better, cleaner and local jobs.

Implementing the EU's current legislation on energy and climate, with the additions of the Affordable Energy Action Plans create direct obligations on local and regional governments which have the potential of triggering massive investments benefitting regional/local economies and value chains. To this end, the impact of the Competitiveness Fund can be maximised if its accessibility is ensured to a wide variety of stakeholders including local and regional governments of all sizes as well as their relevant stakeholders such as energy agencies and energy communities. To this end, the design and conditions of the Horizon Europe-CSA and LIFE-Clean Energy Transition programmes and their predecessors should be safeguarded as they are leveraging considerable results quantified in billions of EUR invested, CO₂ emission reductions, RES generation and primary energy savings.

2. ENHANCING TERRITORIAL APPROACH AND MULTILEVEL GOVERNANCE

The EU legislative framework on Competitiveness should position local and regional governments at the heart of the transition, supported by flexible regulations that accommodate diverse local needs and promote a bottom-up planning approach that brings together cities and regions and the industry, business and SMEs they host. This approach, through the proximity of local and regional governments to citizens, could leverage available skills, resources, and opportunities while ensuring robust programs for professional training, reskilling, and upskilling of the local workforce.

Strengthening multilevel governance of policies and actions, especially through the Competitiveness Coordination Tool, will be crucial to aligning responsibilities and resources and help harmonise the application of rules, conversion of knowledge and interoperability of (digital) infrastructures across all levels of government, ensuring better coordination of the relevant policy development and implementation. A stronger multilevel governance must underpin all strategic investments and reforms, fostering positive feedback loops between local, regional, national, and supranational governments.

3. STRENGTHENING EU COMPETITIVENESS THROUGH COHESION POLICY

As highlighted in the Draghi report, competitiveness is inherently territorial: firms succeed when cities and regions provide the right conditions for infrastructure, development, productivity and growth. This territorial approach to competitiveness was also a key success element for the US Inflation Reduction Act⁶. Ensuring Europe's competitiveness requires a long-term, place-based approach that strengthens the capacity of all regions and cities to drive

⁶ <https://home.treasury.gov/news/featured-stories/the-inflation-reduction-act-a-place-based-analysis>



industrial innovation and productivity and economic development. Cohesion policy plays a fundamental role in this, not only by promoting essential urban infrastructure (mobility, digital connectivity, energy, resource and waste management, as well as water) but also by enabling cities and regions to create attractive places for people and businesses. Access to housing, high-quality public spaces, education, and childcare are crucial for talent retention and investment, and cohesion policy supports local and regional governments in delivering these conditions as well as essential urban infrastructure. Without these enabling frameworks, firms struggle to grow, innovate, and remain competitive in global markets. In that regard, the next cohesion policy must strengthen cities' and regions' ability to convene actors, align investments with local priorities, and drive industrial transformation. Shifting cohesion funds away from local and regional governments and towards direct subsidies for businesses would be a mistake. Private firms already have access to financial markets and EU instruments like InvestEU, and forthcoming ones like the EU Competitiveness fund. Cohesion policy, instead, plays a complementary role by fostering dynamic local innovation ecosystems. This is not an either/or situation.

Europe's competitiveness cannot rely solely on a few innovation hubs, as shown by many examples of Smart Specialisation Strategies, it must leverage the full potential of cities and regions across the continent. 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. In this regard, the European Commission's next agenda for cities, expected to be published in December 2025, should formalise a stronger partnership with city governments through cohesion funds, enabling them to lead on key economic transitions.

Cities and regions direct access to Competitiveness Fund would reinforce their role in research and innovation, while cohesion policy remains a key tool for scaling up clean solutions, competitiveness, productivity and innovation capacity. The potential of their complementarity should be seriously assessed and considered, and it should also be reflected in the required reporting mechanisms to reduce the administrative burden.

4. LEVERAGING PUBLIC PROCUREMENT FOR STRATEGIC IMPACT

Next to funding access, a key factor for enabling cities and regions to play their role in enhancing competitiveness will be a simplified and flexible public procurement framework. Every year, public buyers across the EU spend around €2 trillion (or approximately 14% of GDP) on the purchase of goods, services, and works⁷. Cities and regions are increasingly making a strategic use of their purchasing power to advance their innovation and sustainability goals, but the complexity and rigidity of the existing legal framework has so far prevented them from fully exploiting the potential of public procurement as a driver of ambitious social and environmental goals.

The upcoming revision of the Public Procurement Directives represents an important opportunity to simplify and streamline the current rules, and to consider a measure of flexibility that would enable local and regional governments to make an even more efficient use of procurement. Capacity building measures on both the demand and the supply side will also be indispensable if the "Buy European" principle is to be successfully introduced⁸. Especially the role of creating and maintaining capacities at local level would be key to using the public procurement instrument strategically to serve the EU's competitiveness agenda.

5. RECOGNISING THE VITAL ROLE OF CITIES AND REGIONS IN RESEARCH, INNOVATION AND MARKET UPTAKE

For Europe to remain competitive, it must fully unlock the potential of urban and regional innovation ecosystems. Cities and regions are key drivers of economic transformation, bringing together

⁷ https://single-market-economy.ec.europa.eu/single-market/public-procurement_en#:~:text=Every%20year%2C%20over%20250%20000,of%20services%2C%20works%20and%20supplies

⁸ <https://iclei-europe.org/publications-tools/?c=search&uid=00Wj201j>
www.acrplus.org/en/news/acr-calls-for-stronger-focus-on-sustainability-in-public-procurement-directives-revision-4801



businesses, SMEs, municipal companies, academia, and civil society to develop and implement solutions to real-world challenges. By fostering strong research and innovation (R&I) networks at the local and regional level, the EU can accelerate the transition to a greener, more digital, and more resilient economy (like regional innovation valley initiatives).

The next EU budget should prioritise 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. Supporting innovation clusters, research hubs, local testing environments and development of standards will help bridge the gap between scientific discovery and industrial application, speeding up the deployment of clean technologies and digital solutions.

The success of market uptake of innovations is often dependent on understanding market needs and capacities, local and regional regulatory frameworks. With this perspective, it is essential that cities and regions are fully incorporated in the new approach to R&I partnerships. There is a risk to create industry-focused R&I partnerships that will prove to be inefficient due to the lack of mutual understanding between local and regional public sector and industry.

The [Eurocities Pulse Mayors Survey](#) highlights that 85% of mayors see government innovation as crucial to tackling city challenges such as climate change, social justice, mobility, and digital transformation, while 86% believe it is key to overcoming resource shortages. Yet, despite cities being major testbeds for innovation, they are often overlooked in EU research and innovation policy. This must change. Cities and regions should not just implement innovation: they should co-design it.

To achieve this, **the future EU Competitiveness Fund must actively involve cities and regions in**

shaping research priorities and funding calls. A stronger role for cities and regions in EU R&I programmes will ensure that innovation responds to local challenges, supports business growth, and delivers real impact for communities. By positioning local and regional governments as strategic partners in research and industrial policy, the EU can build a more dynamic, demand-driven innovation ecosystem that strengthens European industry while improving quality of life across Europe.

6. SUPPORTING CROSS-BORDER COLLABORATION

Cross-border and regional cooperation is essential for fostering a competitive and resilient European economy. No single municipality or region can tackle industrial challenges alone, particularly when it comes to clean technologies, supply chain integration, and workforce development. **Stronger cross-border cooperation enables cities and regions to pool resources, share expertise, and create synergies that drive sustainable economic growth.**

Building on decades of successful EU exchange and research programmes, cities and regions can leverage collaborative networks to accelerate innovation, bridge skills gaps, and scale up industrial transformation. Cross-border industrial clusters, innovation hubs, and joint research initiatives can strengthen local economies while contributing to European cohesion and competitiveness.

The future EU budget should encourage cross-border partnerships by facilitating joint investment projects, aligning regulatory frameworks, and reducing administrative barriers that hinder collaboration. Strengthening cooperation between cities across borders will not only help scale up industrial innovation but also reinforce democratic stability, social cohesion, and European integration.



This position paper has been developed in the framework of the European Commission's consultations on the next EU budget ([EU's next long-term budget \(MFF\) – implementing EU funding with Member States and regions](#)) and represents the above-mentioned networks' joint position. It is complemented by two other position papers:

- ✳ *Shared governance of strategies, priorities and policies for an efficient use of EU Budget and implementation of EU priorities*
- ✳ *Better Reforms: Reinventing public support for a grounded Europe*





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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