



# Direct European Funding for Cities

Position paper  
2020



## The need for direct European funding for cities

Taking meaningful, measurable and sustainable action on climate change is the defining struggle of our time and a policy challenge of unprecedented scale for European and global policy-makers alike. At the same time, the broader socio-economic context of the climate crisis has changed dramatically in recent weeks. Today, in the spring of 2020, the world faces a deadly pandemic that could – and should – become a game-changer in the 21st century’s socio-economic development. It makes us question the very fundamentals of our societies and economy as we tackle the multiple challenges of how we overcome the global health crisis, how we tackle its devastating social and economic impacts and how, in this changed world, we fight the unchanged and unfolding global climate crisis. These multiple challenges exist together and can only be addressed simultaneously. We have to imagine new ways to organize our societies and our economy in the post-pandemic era. New instruments to boost the economy must by no means lose sight of our overall objective of climate neutrality, while maintaining, and in fact strengthening, the European social model. In short, the EU must build an economy that creates high-quality jobs and at the same time protect the environment.

As countless examples from recent years have shown, local governments can take the lead in climate action and realize ambitious action plans for a

sustainable future. Cities are well equipped to enact policy change, are usually faster to act than their national governments, and less constrained by pressures from the fossil fuel industry. In the fight against COVID-19 too, cities are on the frontline. Their populations, their revenues, their local economies are severely impacted, and many of the negative outcomes are only yet to come.

Europe’s major cities and metropolitan areas are key and willing players in the all-European climate fight and need to be empowered accordingly. Providing assistance to cities and regions that commit to ambitious climate and energy policies amidst severe budgetary constraints, and share good practices on how to implement change locally remains critical. Yet there is a clear need for more robust support, as it has been repeatedly proposed in the past years by Eurocities, among others. In all their deliberations and decisions throughout this year, and especially on the European Union’s Multiannual Financial Framework, European Institutions should recognize cities’ and urban areas’ pivotal role in implementing strategic green policy objectives, and allocate directly accessible, city-tailored funds to secure those outcomes.

Driven by this recognition, in February 2020 over 35 city majors from all across Europe signed a letter to the Presidents of the European Parliament,

Commission and Council. The mayors underlined the importance of prospective direct funding to cities and urban areas and urged Commission President Ursula von der Leyen, Council President Charles Michel and EP President David Sassoli to facilitate better access of cities to EU funding in the post-2020 Multiannual Financial Framework. The European Green Deal can only succeed if the EU puts regulatory and financial mechanisms in place that provide the necessary means for local authorities to act. If that will be the case, our cities can move fast to prepare, submit and implement much-needed projects on the ground.

This position paper outlines the measures we regard necessary to ensure proper EU-level financial support so that cities can drive forward Europe's green transition and advance the priorities of the European Commission. Not only do we propose the expansion and re-design of already existing programs, but also some new and ambitious measures. In those cases where existing EU-legislation need to be amended, we provide specific draft proposals.





## 1. European Urban Initiative:

The European Urban Initiative (EUI) is already enshrined in the legislative proposal and will fall under direct management (as an exemption to the rule). The budget allocations to the EUI should be increased and the scope of action broadened to implement Union priorities, such as climate action,

clean air, circular economy, social inclusion, etc. Ideally, at least **EUR 2 billion** should be redirected from the Investment for Jobs and Growth goal, but the minimum goal is to keep by all means the European Parliament's position of EUR 560.000.000.

### Proposed amendments:<sup>1</sup>

This option requires amending the ERDF/CPR regulation which lays out the details of the EUI.

#### Common Provisions Regulation

*Art. 104*

„5. EUR ~~500.000.000~~ **2.000.000.000** of the resources for the Investment for jobs and growth goal shall be allocated to the European Urban Initiative under direct or indirect management b the Commission.”

#### European Regional Development Fund:

*Recital 26.*

„In order to identify or provide solutions which address issues relating to sustainable urban development at Union level, the Urban Innovative Actions in the area of sustainable urban development should be ~~replaced by~~ ***continued and developed*** ~~into~~ ***into*** a European Urban Initiative, ~~to be implemented under direct or indirect management.~~ That initiative should ~~cover all urban areas and~~ support the Urban Agenda for the European Union<sup>2</sup> ***aiming to stimulate sustainability, growth, liveability and innovation and to identify and successfully tackle social challenges.***”

<sup>1</sup>Texts ~~struck through~~ are deleted by the authors of this paper; ***in bold italic*** are the European Parliament's additions to the EC proposal, in **bold underlined** are the new proposals of this document.

<sup>2</sup>Council Conclusions on an Urban Agenda for the EU of 24 June 2016.

Art.10.

„2. The European Urban Initiative shall consist of the following four strands, all with regard to sustainable urban development

- (a) support of capacity-building, *including actions of exchange for regional and local representatives at subnational level;*
- (b) support of innovative actions *which may receive additional co-funding for regulation (EU) 2018/xxx (European Agricultural Fund for Rural Development) and be provided jointly with the European Network for Rural Development*

*in particular with regard to rural and urban links and projects supporting the development of urban and functional urban areas;*

- (c) support of knowledge, *territorial impact assessments*, policy development and communication.

**(d) support strategic actions in favour of green and just transition of cities and urban areas.”**



## 2. Sustainable Urban Development

Already in the 2014-2020 programming period, a minimum of 5% of ERDF sources should be invested in each EU Member State into integrated urban development programs to tackle economic, environmental, climate, demographic and social challenges. As to the post-2020 Multiannual Financial Framework, a minimum 6% of ERDF funding is to be allocated to sustainable urban development, according to the Commission proposal. The European Parliament’s ERDF Report proposes to increase the share of SUD to 10%, and to turn it into a multi-fund measure integrating the ERDF and the ESF+ and focusing on functional

urban areas. The EP also amended the ERDF proposal to empower ‘urban authorities’ to choose the measures and projects involved.

We fully support the European Parliaments proposal to increase the SUD framework to 10%. At the same time we consider it essential to further increase the involvement of local governments and urban authorities in decision-making related to SUD, including their participation in the programming. This could guarantee that the EU invests its resources in projects that really support the cities’ efforts for the sustainable transition.

## Proposed amendments:

### Common Provisions Regulation

*Art.23.*

3. ~~Where the list of operations to be supported has not been included in the territorial strategy, the~~ **The** relevant urban, local or other territorial authorities or bodies shall select or shall be involved in the selection of operations.

Selected operations shall comply with the territorial strategy.

**3a. The scope of tasks in the field of selection or the involvement in the selection of the operations, carried out by the relevant urban, local or other territorial authorities or bodies, shall be identified by the relevant managing authority in cooperation with the above mentioned authorities or bodies, in accordance with the subsidiarity and partnership principles.**

### European Regional Development Fund:

*Art.9.*

“2. At least ~~6%~~ **10 %** of the ERDF resources at national level under the Investment for jobs and growth goal, other than for technical assistance, shall be allocated to sustainable urban development in the form of ***a specific programme, a specific priority axis***, community-led local development, integrated territorial investments or ~~another~~ ***other*** territorial ~~tool~~ ***tools***, as set out in point (c) of Article 22 of Regulation (EU) 2018/xxxx (new CPR). ***The ‘urban authorities’ referred to in Article 6 of Regulation (EU) 2018/XXXX [new CPR] shall be entitled to participate in the programming of the sustainable urban development in harmony with the principle of partnership and shall be empowered to choose the measures and projects involved. This will be regularly overviewed by the European Commission and payments can be suspended or other corrective measures can be applied in case of non-compliance. Operations carried out under POs other than PO5 may, if consistent, contribute to reaching the 10% minimum threshold for sustainable urban development. Investments made under PO5(i) should count as contributing to this earmarking of 10%, as well as operations carried out under other POs, if consistent with sustainable urban development.***





### 3. Connecting Europe Facility (CEF)

CEF was established by Regulation 1316/2013 of 11 December 2013 to support major projects aimed at improving the interconnectivity of European networks in the area of transport, energy and digital infrastructure. Big cities and urban areas play a crucial role in strengthening the inter-operability, interconnectivity, capacity and efficiency of these networks as urban nodes, major ports, railway and

road junctions, crossroads and centres, digital and information hubs, etc. In light of this and in accordance with the principle of subsidiarity, direct access of local governments to the resources allocated in the CEF framework would speed up and enable the implementation of infrastructural and network-related projects necessary to achieve the objectives of Connecting Europe Facility.

#### Proposed amendment:

##### Connecting Europe Facility:

*Art.11:*

„5.The work programmes referred to in Article 19 may provide that only proposals submitted by one or more Member States or **by municipalities** ~~with the agreement of the Member States concerned~~, by international organisations, joint undertakings, or public or private undertakings or bodies are eligible.”

## 4. European Green Deal

Soon after taking office, the von der Leyen-Commission launched the European Green Deal, a highly ambitious set of policy initiatives with the overarching aim of making Europe climate neutral by 2050<sup>3</sup>. In order to reach this target, the Commission is committed to executing an action plan that includes large-scale investments, environmentally-friendly technologies, supporting industry to innovate, rolling out cleaner, cheaper and healthier forms of private and public transport, de-carbonizing the energy sector, ensuring buildings are more energy efficient and working with international partners to improve global environmental standards. To make Europe's green transition geographically and socially fair and not to leave anybody behind, the Commission initiated the Just Transition Mechanism and Fund.<sup>4</sup> That objective, however, is hardly secured as both target almost exclusively heavily fossil fuel, and particularly coal-dependent regions. In practice, none of three pillars of the Mechanism is applicable in European cities. We regard that one-sidedness is a major flaw in the Commission's design as a socially just transition will not be possible without the massive contribution of metropolitan areas, which in turn will also experience considerable social problems related to the transition.

In the light of the above, we ask the Commission to make resources in at least the 2<sup>nd</sup> and 3<sup>rd</sup> pillars of the JTM easily available for cities, *and* to develop a large scale financial mechanism to help city-level climate efforts. This may include directly accessible funds for building renovation, retrofit and insulation programs, low-carbon public transport projects, improving



cities' green infrastructure, the introduction of instruments of circular economy, sustainable water management projects, etc.

Notwithstanding the above, a growing economic uncertainty caused by the coronavirus pandemic should lead Europe to revising the initial idea of the European Green Deal. It should be remembered that the approaching economic crisis will heavily reduce revenues in the private and public sector alike. In that case, the responsibility of the European institutions in supporting green recovery plans will be even greater. Originally, the Climate Pact was designed as an instrument of committing European stakeholders to climate neutrality. In the post-pandemic era, it should be re-imagined to entail and sustain an enhanced cooperation between local and regional authorities - including cities - and the European institutions to reconcile the need for climate mitigation with the pressing need of social and economic recovery. Prospectively, it could be developed into a new, European policy - a Climate Neutrality Policy - with its own budget within the MFF, similar to the Agricultural or Regional policies, and with direct access to funds for cities choosing the green path of recovery.

---

<sup>3</sup>[https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal\\_en](https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal_en)

<sup>4</sup>[https://ec.europa.eu/info/news/launching-just-transition-mechanism-green-transition-based-solidarity-and-fairness-2020-jan-15\\_en](https://ec.europa.eu/info/news/launching-just-transition-mechanism-green-transition-based-solidarity-and-fairness-2020-jan-15_en)

## 5. Horizon Europe Missions

Horizon Europe, the European Commission's post-2020 research and innovation program, is an ambitious €100 billion framework to boost Europe's scientific, innovation and development sector. It will incorporate so called research and innovation missions to increase the effectiveness of funding by pursuing clearly-defined targets. Within this framework, Mission Area 3 is entitled 'Climate-neutral and smart cities'<sup>5</sup>, representing a major opportunity for cities to get European funding for their climate actions. The Commission has engaged policy experts to develop studies, case studies and reports on how a mission-oriented policy approach will actually work. The mission board of the 'Climate-neutral and smart cities' prepared a concept for the mission program.<sup>6</sup> The board's concept proposes to establish a mission that will support and promote 100 European cities in their systemic transformation

towards climate-neutrality by 2030, making use of funds of both Horizon Europe, the European Structural and Investment funds, the Just Transition Fund, the Important Projects of Common European Interest, Invest EU and other EU instruments.

We fully agree with the conclusions of the mission board, and strongly support the idea of combining different European financial tools to completely tap the potential of cities and urban areas in decarbonizing Europe by 2050. We also deem it crucial to follow up on the board's proposal to select 100 European cities as locations for pilot projects to achieve decarbonization already by 2030. We urge the Commission to fully endorse the ideas and proposals made by the Mission board of the 'Climate-neutral and smart cities' mission.



<sup>5</sup>[https://ec.europa.eu/info/horizon-europe-next-research-and-innovation-framework-programme/mission-area-climate-neutral-and-smart-cities\\_en](https://ec.europa.eu/info/horizon-europe-next-research-and-innovation-framework-programme/mission-area-climate-neutral-and-smart-cities_en)

<sup>6</sup>[http://nws.euocities.eu/MediaShell/media/Mission\\_Board\\_concept\\_paper\\_100\\_Climate-Neutral\\_Cities\\_by\\_2030\\_by\\_and\\_for\\_the\\_citizens.pdf](http://nws.euocities.eu/MediaShell/media/Mission_Board_concept_paper_100_Climate-Neutral_Cities_by_2030_by_and_for_the_citizens.pdf)

## 6. COVID-19 Recovery Plan

As a joint European effort to tackle the COVID-19 crisis and its long-term impacts, the European Commission has proposed elements of an economic recovery plan for Europe. The recovery plan includes re-allocation of resources within the ERDF and Cohesion Fund schemes, as well as re-design of the post-2020 MFF. In addition, there are ongoing negotiations as to allocating additional funds in one form or another (EU guarantee or Eurobonds, e.g.) to finance the MSs protection and recovery programmes. While we fully support these much-needed EU-level measures to help MSs, we emphasize the immense role the local level plays in post-COVID social and economic recovery. As a statement of the European Committee of the Regions' put it: "As mayors, presidents of regions and local and regional councillors we are on the front-line in the fight against the Coronavirus." This, of course, goes far beyond safeguarding public health. Local communities suffer greatly from the economic and social consequences of the crisis and must develop smart local policies to tackle these impacts. The EU must assist them directly in the immense task they are undertaking in Europe's sustainable, just and green economic recovery. Therefore we fully subscribe to what CoR is proposing in the aforementioned statement: "To compensate income tax losses, EU mechanisms to allow Local and Regional Governments to have direct access to funding scheme should be developed. Regional and local communities must be supported to reengineer public services to make them digital, sustainable and resilient. The EU should provide new funds and simplified procedures for sustainable local infrastructure, and support SMEs via a post-pandemic strand in the Invest EU Fund.





This Position Paper was prepared in co-operation of the cities of Bratislava, Budapest, Prague and Warsaw, but we welcome and encourage other municipalities to use, copy, reproduce, share and promote it or to join our lobby efforts for effective EU funding for cities.

#### Images

[www.budapest.hu](http://www.budapest.hu): 1, 4,5, 8, 9, 10

[www.pasvaldiba.riga.lv](http://www.pasvaldiba.riga.lv): 7

[www.praha.cz](http://www.praha.cz): 2

[www.um.warszawa.pl](http://www.um.warszawa.pl): 3, 6