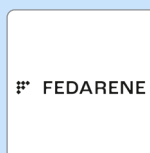
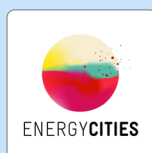




POSITION PAPER ON REFORMS

Better Reforms: Reinventing public support for a grounded Europe



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 and have the freedom to stay at the place they call home. 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, especially on the reforms that would need to be implemented on the ground is critical for Europe's resilience and competitiveness.



* 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.



BETTER REFORM AGENDA: REINVENTING PUBLIC SUPPORT FOR A GROUNDED EUROPE

Local and regional governments are central actors in delivering Europe's priorities. Far beyond implementation, they serve as policymakers, crisis responders, and major investors. Municipalities, cities and regions lead the way on climate adaptation, renewable energy, affordable housing, as well as innovation and productivity – translating EU ambitions into local outcomes. They channel billions into sustainable infrastructure and public services, and when crises such as floods, wildfires, or humanitarian emergencies arise, local and regional governments and authorities are the first responders and often the final safety net.

The future EU budget aims to link investment with reforms, following the model of the Recovery and Resilience Facility (RRF). While the RRF has faced challenges due to its lack of multilevel governance, this approach of combining investment with reform can accelerate progress towards key EU objectives¹. While not all reforms are local in nature (e.g., judiciary reform in Italy), it is essential that local and regional governments have a seat at the table on the reforms that are important for their mandate and competencies when the 'menu of reforms' is discussed between the European Commission and national governments. Excluding local and regional governments from defining possible and adequate reforms risks missing critical policies, failing to identify and effectively address local gaps, and setting the wrong priorities.

1. DEFINE THE "MENU" OF REFORMS WITH ALL LEVEL OF GOVERNMENTS

WHY?

Local and regional governments implement 70% of European Green Deal legislation and account for 69% of climate-related public spending. 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. Excluding them from the dialogue between the European Commission and national governments risks overlooking critical insights and capacities necessary for successful and effective reform implementation.

That is why Local Alliance highlights that excluding local and regional governments may lead to missed policies, unidentified gaps, wrong priorities, as well as ineffective and inefficient implementation.

HOW?

To ensure that the EU project remains rooted at the closest to the EU citizen while reinforcing the alignment of EU policies with the reality of every territory, a mechanism to include local and regional governments into the national reform priorities need to be developed.

Including local and regional governments to the design of reforms will also favour alignment of all strategic plannings to protect our resources (air quality, water, land, energy, food, biodiversity, raw

¹ Para 75, www.europarl.europa.eu/doceo/document/BUDG-PR-766828_EN.pdf



materials), as well as of our strategic investments on key sectors such as mobility, energy transition, housing and research and innovation for a more competitive and resilient Europe. This will also address "conflict of use" for our resources that appear due to plans and policies that are developed at different levels. On this note, Local Alliance would welcome the use of the National strategies to align the different plans (for Energy, Climate, Adaptation, Soil, Nature, Biodiversity, Transport, R&I etc) and plan multi-annual investments accordingly.

2. GUARANTEE LOCAL DEMOCRACY

WHY?

The stability and prosperity of Europe do not rely solely on the strength of our economy, nor on the health of our budgetary and financial situation. Today, climate change, misinformation and geopolitical threats act as major risks that can jeopardise European societies and their shared European project, as well as democratic structures just as much as the lack of economic stability and prosperous development. To stay true to our democratic values, all levels of government in the EU have a responsibility to deliver reforms and follow EU objectives.

HOW?

The safeguard mechanisms used to pressure Member States to guarantee the rule of Law have proven to be useful for national institutions, but not enough. The assessment of the rule of law in each Member States can be complemented by a **specific chapter to assess the rules of law at local level**. Protecting local elected representatives, encouraging citizen's assemblies, fostering transparency will strengthen Europe's capacity to reinforce the active participation of citizens in our collective security and capacity to respond to any threats.

3. INVEST IN CAPACITIES IN MUNICIPALITIES AND REGIONS

WHY?

There will be no EU law implementation, nor EU budget spent if the required public administration does not have the means to properly assess the quality and alignment of projects locally.

To answer the call of the draft INI Report of the Budget Committee (Muresan/Tavares report): *"Regrets that the Union's ability to implement policy effectively within the current MFF has been undermined by stretched administrative resources and a dogmatic attachment to a policy of stable staffing, despite increasing demands and responsibilities; points, for example, to the failure to provide sufficient staff to properly enforce the Digital Services¹³ and Digital Markets Acts¹⁴, thus undercutting the legislation's effectiveness"*.

The need to have a systemic approach to the transformation of our economies towards decarbonisation and resilience, implies to have "transition teams" at every level who are able to oversee and assess the impact of investments on multiple sectors (for example, adaptation measures can reinforce competitiveness or industrial attractiveness of a region and being able to identify these requires having a more holistic planning or transition teams). This risks creating unfunded structures, expectations or mandates when local and regional governments are devolved competences but no additional financial resources are allocated.

HOW?

Investment in local capacities to plan for the future, to implement EU laws and funding programmes, and to protect everyone should be a top priority of the EU budget.

A specific **dedicated reform and earmarked budget to develop and maintain local expertise and build on the cooperation at local level** is needed. Some of the new EU obligations such as the heating and cooling plans or the Sustainable urban mobility plans



are falling on the local governments at the lower administrative unit level (LAU), urban nodes: this is the level where coordination of public funding should happen to implement local transformation strategy. And this is where more public funding is needed for a meaningful coordination and multi stakeholder cooperation. The EU can not thrive without a stronger local economic ecosystem and this can not happen without proper investment into local cooperation structures.

4. UNLOCK PUBLIC INVESTMENT CAPACITIES: GOING BEYOND THE CURRENT PUBLIC FINANCE RULES

WHY?

The Stability Pact on which the EU is basing its macroeconomic assessment does not help Member

States to invest in their future. Public finance rules are also restricting local governments' possibility to develop partnerships with citizen and private actors while more hybrid forms of business are emerging that can strengthen the local capacities to answer new needs.

The more financial decentralisation, the more local and regional governments will thrive to attract and develop businesses, when their revenues rely on local economic taxes².

HOW?

Security and climate change are the new paradigm in which assessing stability. Thus, public finance dogma needs to change and adapt to the new reality. **Local governments' financial situation should be assessed both on the capacity of the investment to generate future revenue, to limit future public spending and to build on future local resiliency.** Reforms should be prioritised to enable the local level to invest long term or to facilitate the local entrepreneurial government approach.

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

² <https://publications.jrc.ec.europa.eu/repository/handle/JRC129095>





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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