

# Local and Regional Governments' Access to EU Innovative Development Financing: Mechanisms and Opportunities

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The aim of this study is to provide practical knowledge and tools on innovative EU financial mechanisms available to support the development and decentralised cooperation activities of local and regional governments, their associations and peers in the context of the newly emerging EU Multiannual Financial Framework for 2021–2027.

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# Foreword

The European Union and its Member States have demonstrated throughout the years that they are critical allies in the quest for strong local and regional governments around the world. Their recognition of the key role of local and regional governments and their associations in universal development agendas and development cooperation has been accompanied by significant programmes and policy recommendations, and has led to key strategic partnership agreements with the international municipal movement organizations, a major pillar for the promotion of strong local institutions.

Despite the significant commitment demonstrated both at the political and programmatic levels, there is still a mismatch between the type of capacity needed and the funding that actually reaches local and regional governments and their associations in the ground. There is also a significant gap in the commitment of the European Union joint policymaking and the policies promoted by the Member States individually and within the context of other international institutions.

Territorial spheres of governments are too often an afterthought in a global financial architecture that remains largely designed by and for national governments. The lack of adequate resources at the local and regional level is nothing new. It's a primary concern for many cities and regions, especially in the Global South, where demands for public services and infrastructure are most pressing. The COVID-19 pandemic has been a stark reminder of this chronic underfunding but also an important testimony of how well funded local service provision can be a beacon of security for communities when facing an unprecedented crisis.

As discussions are starting to centre around the recovery, the local and regional governments constituency around the world is concerned

with three main issues: 1. shifting priorities towards local service provision, critical tools to address global challenges such as sustainability, inequalities and health and 2. financing these services, all underpinned by 3. well governed, accountable and inclusive institutions.

With the above in mind and within the framework of our strategic partnership with the European Union, we are pleased to present this study. Drawing lessons from past mechanisms, it sets out clear pathways to help us rethink how the local and regional governments constituency should position itself in the EU financial architecture. It further highlights a major shift in the EU vision towards leveraging private sector investment and facilitating multi-stakeholder partnerships.

The study comes at a pivotal moment following the adoption of the new framework that will shape EU funding priorities for the coming years.

Without consistent support, it is unlikely that municipalities and regions, notably small and intermediary cities in the Global South, will be able to access EU funding for local and territorial development and decentralised cooperation activities. For their part, local and regional governments, as public actors, have a major responsibility to meet high standards of transparency and accountability.

We hope this study can serve as a gateway to accelerate action and raise awareness about the role that local and regional governments can play as political actors in the post-COVID recovery and the implementation of the global agendas.

Sustainable and inclusive recovery can only happen if local and regional governments are empowered to deliver adequate, sustainable and inclusive services having a say in the distribution of funds and direct access to their management in a transparent and accountable manner.

Placing care at the centre of all policies is essential to ensure a people- and place-centred development, which is itself the only guarantee for a sustainable development driven by communities and mindful of the intergenerational responsibilities. This is the way forward for a common agenda that builds on local knowledge, and that works for our people and for our planet.

United Cities and Local Governments together with PLATFORMA stand ready to support local and regional governments in achieving the common goals and shared values fostered by our partnership with the European Union while protecting the aspirations of communities our membership serves around the world.



**Emilia Saiz**  
 Secretary General  
 United Cities and  
 Local Governments



# Executive Summary

The role and importance of local and regional governments (LRGs) in European Union (EU) external policies and in delivering the Sustainable Development Goals (SDGs) is increasingly acknowledged and in practice internalised in EU programme thinking. But what about the EU financial architecture for development? Are cities and regions recognised as beneficiaries of EU innovative funds and if so, how can they best access them to support their development and decentralised cooperation activities? What are the prerequisites and strategic areas that LRGs and their associations (LRGAs) should work on to maximise their chance of attracting EU funding?

The United Cities and Local Governments (UCLG) and PLATFORMA, the pan-European coalition of local and regional governments, have joined forces to commission this study, which aims to provide practical knowledge and tools on these issues, mapping the innovative EU financial mechanisms available to support the development and decentralised cooperation activities of LRGs, LRGAs and peers. This publication has been produced at a time when the EU had recently adopted its Multiannual Financial Framework (MFF) for 2021 – 2027, which lays out the direction of travel of future EU funding to support recovery from the COVID-19 pandemic and EU long-term strategic priorities.

Under this new framework, the study identifies current and future opportunities, constraints and modalities of access for LRGs, in addition to the existing mechanisms provided by different European financial institutions. A particular emphasis is put on access to these mechanisms by LRGs and their associations in the Global South and in the EU Southern Neighborhood.

The report is structured into five main parts. After briefly outlining the objectives

and scope of the study, the report first presents an overview of the strategic context surrounding LRGs and their participation in EU development cooperation over the past seven years (2014 – 2020) with some of the lessons learned during the process of implementation. It underlines the EU's key political commitments towards a greater recognition of the role of LRGs in development cooperation, rooted in several landmark documents such as the 2013 Communication on Empowering Local Authorities in Partner Countries for enhanced governance and more effective development outcomes, later supported by the promotion of a Territorial Approach to Local Development (TALD) and the 2017 European Consensus for Development.

The EU's commitment to supporting LRGs has also been reflected in a number of external action instruments, among which the Development Cooperation Instrument. The latter comprised a thematic line dedicated to Civil Society Organisations and Local Authorities (COS-LA), through which the EU has funded over half of the actions of LRGs, with a core focus on governance, participation and decentralisation. However, the study highlights a number of shortcomings arising from the previous financial framework, including the lack of institutionalised dialogue with EU Delegations and LRGAs, a weak integration and coordination between instruments, limited technical capacity of LRGs and frequently national urban policy and decentralisation frameworks that constrain LRGs from sustainably delivering services.

In the third and fourth sections, the report turns attention to the new financial framework for 2021 – 2027, as well as current and emerging innovative funding opportunities available to LRGs and LRGAs. The new MFF for 2021 – 2027 reflects the shift in the EU's strategic vision towards a greater global role in the world as a new "Geopolitical Commission", as well

as the need for flexibility and simplification of instruments for rapid action and adaptation to future trends in global financing. A particular focus is devoted to the Neighbourhood, Development and International Cooperation Instrument (NDICI – Global Europe), a 3-pillar mechanism that merges 9 separate instruments with a total budget of €79.5 billion. Under this new instrument, the primary access to funds for LRGs is via the geographic programme envelope, with a particular focus on sub-Saharan Africa and cross-cutting priorities and spending targets, including 20% for human development and 25% for climate change and resilience. Although there is no longer a specific budget line for LRGs in the NDICI – Global Europe, a minimum of €500 million has been ‘committed’ (but not earmarked) under the geographic pillar to support the empowerment and capacity-building of LRGs in partner countries. This suggests that access to funds will be ‘based on merit of the case’ on a country-by-country approach, making LRG involvement in and alignment with national development policy a key success factor in mobilising future EU funds.

The new MFF places greater emphasis on financing mechanisms to leverage and scale up private sector participation to increase investment in key enabling infrastructure and services, a trend that was already noticeable in the last years of the previous financial framework. This is reflected in the inclusion of the European Fund for Sustainable Development Plus (EFSD+) in the NDICI – Global Europe, supported by an External Action Guarantee to foster financing and investment operations in partner countries through guarantees and blended financing. Other associated multilateral development finance institutions, notably the European Investment Bank and the European Bank for Reconstruction and Development, are expected to provide support to LRGs through

technical assistance, grants, co-financing arrangements and loans. Overall, the study indicates a shift from grant-based assistance towards the encouragement of private sector investment and blended financing. This raises important challenges for the role of LRGs, as facilitators of investment and leveraging private capital, and about the need for them to increase revenue streams and enhance their technical capacity to improve their creditworthiness. LRGs will need to strengthen their capacities to develop and implement ‘bankable’ projects in order to fully play this enabling role; implementation is critical as is having the capacity to fund and / or support operation and maintenance of basic services to all citizens.

The report further analyses the implementation process of EU funds, which will be done through joint programming and the promotion of a unified Team Europe approach with the aim of pooling the collective development resources of different actors and development agencies to support partner countries. As country representatives of the EU, the EU Delegations will be the main ‘gatekeepers’ for the programming of funds. In practice, programming of funds will involve effective collaboration and a shared set of objectives among national governments, LRGAs, international and development financial institutions and other financial intermediaries in partnership with the EU Delegations. In this context, LRG engagement with these stakeholders, and most notably with national governments, as well as their strong and sustained involvement in all phases of the programming and implementation cycle will be critical to access EU funding. The annex of the study provides a complementary tool to track programmes and identify key access modalities for LRGs.

Finally, the report includes a summary and recommendations that provide LRG networks,



LRGAs and LRGs with some key insights on how to best access and engage in the development programming process. These include:

» **Recommendations for networks of local and regional governments:**

- Strengthen dialogue with EU Delegations and national governments to ensure a high-level of engagement of LRGs in the negotiations at country-level, strengthening the case for participation and creating a compelling narrative
- Increase technical support and capacity building provided to LRGs for meeting the standard expected to access funds and lending modalities
- Accelerate involvement with EU development policy dialogues such as the Policy Forum on Development advocating for the role of LRGs in localising the SDGs demonstrating alignment and ownership across national and local levels
- Engage in the city components of Team Europe Initiatives to see areas where efforts could be coordinated and strengthened, for instance in technical assistance and capacity-building
- Engage with international and development finance institutions to shape lending operations and pipelines relevant to LRGs establishing the key enabling conditions for access and sub-sovereign requirements, especially for intermediary cities

» **Recommendations for local and regional government associations:**

- Strengthen dialogue with EU Delegations and national governments to ensure a high-level of engagement of LRGs in the negotiations at country-level, strengthening the case for participation and creating a compelling narrative

- Promote a territorial approach to local development and decentralisation reforms for LRGs to better access EU funds directly or through earmarked national budgets while enhancing the visibility of intermediary cities in national transformation

» **Recommendations for local and regional governments:**

- Consider the strategic alignment of projects and local development plans with those of national development plans and EU priorities to see overlaps and areas where joint cooperation could be pursued
- Accelerate involvement with EU development policy dialogues such as the Policy Forum on Development advocating for the role of LRGs in localising the SDGs demonstrating alignment and ownership across national and local levels
- Establish 'public-private dialogues' or similar engagements with the private sector, CSOs and financial institutions to help develop sound and bankable projects within the priority areas identified (especially climate change and green transition)
- Develop interventions and proposals at scale (as opposed to smaller-scale scattered interventions) that deliver significant co-benefits and reflect core EU priorities around climate change, sustainable and inclusive growth.







# List of abbreviations

<b>ACP</b> Africa, the Caribbean and Pacific	<b>ENI</b> European Neighbourhood Instrument	<b>MIP</b> Multiannual Indicative Programme
<b>BMU</b> Federal Ministry for the Environment, Nature Conservation and Nuclear Safety of Germany	<b>EU</b> European Union	<b>NDICI-Global Europe</b> Neighbourhood, Development and International Cooperation Instrument
<b>BMZ</b> Federal Ministry for Economic Cooperation and Development of Germany	<b>FEMIP</b> Facility for Euro-Mediterranean Investment and Partnership	<b>NEFCO</b> Nordic Environment Finance Corporation
<b>CEB</b> Council of Europe Development Bank	<b>FMDV</b> Global Fund for Cities Development	<b>NIB</b> Nordic Investment Bank
<b>CSO-LA</b> Civil Society Organisations and Local Authorities	<b>GCoM</b> Global Covenant of Mayors for Climate & Energy	<b>ODA</b> Official Development Assistance
<b>DCI</b> Development Cooperation Instrument	<b>GIZ</b> German Agency for International Cooperation	<b>OECD DAC</b> Organisation for Economic Co-operation and Development's Development Assistance Committee
<b>DFI</b> Development Finance Institution	<b>GPGC</b> Global Public Goods and Challenges	<b>RIP</b> Regional Investment Platform
<b>DG INTPA</b> Directorate-General for International Partnerships	<b>HIPC</b> Highly Indebted Poor Countries	<b>SDG</b> Sustainable Development Goal
<b>EAG</b> External Action Guarantee	<b>IFC</b> International Finance Corporation	<b>SME</b> Small and medium-sized enterprise
<b>EBRD</b> European Bank for Reconstruction and Development	<b>IFI</b> International Financial Institution	<b>TALD</b> Territorial Approach to Local Development
<b>EC</b> European Commission	<b>KfW</b> German Development Bank	<b>TBC</b> To be confirmed
<b>EDF</b> European Development Fund	<b>LDC</b> Least developed country	<b>UCLG</b> United Cities and Local Governments
<b>EFSD</b> European Fund for Sustainable Development	<b>LRGA</b> Local and Regional Government Association	<b>UN</b> United Nations
<b>EIB</b> European Investment Bank	<b>LRG</b> Local and Regional Government	<b>WB</b> World Bank
	<b>MFF</b> Multiannual Financial Framework	

# 1. Introduction

This report has been jointly commissioned by the **United Cities and Local Governments (UCLG)** and **PLATFORMA**, the pan-European coalition of towns and regions active in decentralised cooperation, hosted by the **Council of European Municipalities and Regions (CEMR)**, as part of activities to improve knowledge on decentralised development cooperation. It aims to provide practical knowledge and tools on innovative EU financial mechanisms available to support the development and decentralised cooperation activities of local and regional governments (LRGs), their associations (LRGAs) and peers in the context of the newly emerging **EU Multiannual Financial Framework (MFF) for 2021–2027**.

As a global network of cities and local, regional and metropolitan governments and associations, UCLG seeks to amplify the voice of local and regional governments through partnerships, advocacy and learning. The recognition of local and regional governments as key actors in development cooperation is one of the core objectives of UCLG's work. The Strategic Partnership between UCLG and the EU has sought to strengthen institutional relations and the voice of local and regional authorities in EU development policies alongside capacity-building to enable effective engagement in decentralised cooperation activities in partner countries, of which this report contributes. In partnership with the EU, PLATFORMA consolidates the expertise on European local and regional governments' international action. The coalition aims at boosting the contribution of municipalities

and regions to EU development cooperation policies and international frameworks, whilst promoting international cooperation between cities and regions across the world and enhancing capacity-building among peers.

**Decentralised cooperation** is defined by the EU Commission as '*development cooperation between local authorities from Europe and their counterparts from partner countries*'<sup>1</sup> and can take many forms such as mayor-to-mayor, administration-to-administration, national associations to local governments, indirect cooperation, cooperation through funding for municipal development etc. For the purposes of this study, we are primarily concerned with development cooperation in the form of Official Development Assistance (ODA)<sup>2</sup> between the EU, LRGs and LRGAs in the **Global South and Southern Neighbourhood** (Algeria, Egypt, Jordan, Lebanon, Libya, Morocco, Palestine, Syria<sup>3</sup> and Tunisia).

Using document review and key informant interviews with officials from the **EU Directorate-General for International Partnerships (DG INTPA)**, the report firstly presents an overview of the strategic context surrounding LRGs and their participation in EU development cooperation over the past 7 years (2014–2020) with some of the lessons learned during the process of implementation. It then turns attention to the new financial framework, current and emerging innovative funding opportunities available to LRGs, complemented by an accessible funding tool to help LRGs track programmes and identify access modalities (in **Annex 2**). Finally, a summary and recommendations provide LRG networks (such as UCLG and PLATFORMA), LRGs and their associations with some key insights on how to best access and engage in the development programming process.

1 PLATFORMA. *About Decentralised Cooperation*. <https://platforma-dev.eu/about-decentralised-cooperation/>

2 As per the Development Assistance Committee of the Organisation of Economic Co-operation and Development, ODA is defined as 'government aid that promotes and specifically targets the economic development and welfare of developing countries'.

3 EU bilateral cooperation with Syria is currently suspended due to the political situation.

## 2. Strategic Context

### A. The role of local and regional governments in EU Development Cooperation

The EU and Member States are collectively the largest development aid donors in the world, accounting for approximately half the total ODA provided to partner countries. They have increasingly sought to promote decentralisation reform and decentralised development cooperation over recent years, notably through the **2013 Communication on Empowering Local Authorities in Partner Countries for enhanced governance and more effective development outcomes**. This commits the EU to work with Local Authorities and local leaders in coordination with regional authorities on the promotion of decentralisation processes, LRG capacity-development, central-local authority linkages and support for sustainable urbanisation, and encouragement to use innovative funding modalities for LRGs including grants and decentralised budget support. The **Territorial Approach to Local Development (TALD)** is recognised as the key means with which to achieve this, defined as a *'a dynamic bottom-up and long-term process based on a multi-actor and multi-sector approach, in which different local institutions and actors work together to define priorities, and plan and implement development strategies.'*<sup>4</sup> TALD has encouraged greater interaction and collaboration between the EU and LRGs, further enhanced by the **2017 European Consensus for Development**.<sup>5</sup> The aim is to provide a shared framework for EU development cooperation that aligns with the United Nations (UN) 2030 Agenda and places a strong **emphasis on multi-stakeholder partnerships**. Cities, and more to the point



LRGs, are recognised to play an essential role in supporting the **localisation of the Sustainable Development Goals (SDGs)**. In line with this, the EU commits to empowering local and regional authorities for better governance and development impact and address inequalities within countries. This will allow greater participation in the decision-making process at all levels in order to build capacity for implementing the 2030 Agenda at local, regional and national levels.

<sup>4</sup> European Commission. (2013). *Empowering Local Authorities in partner countries for enhanced governance and more effective development outcomes*. Brussels, COM(2013) 280 final.

<sup>5</sup> European Commission (2017). *The New European Consensus on Development 'Our World, Our Dignity, Our Future'*. [https://ec.europa.eu/international-partnerships/system/files/european-consensus-on-development-final-20170626\\_en.pdf](https://ec.europa.eu/international-partnerships/system/files/european-consensus-on-development-final-20170626_en.pdf)





## **B. Multiannual Financial Framework (2014–2020) External Action Instruments**

The majority of EU support and development cooperation for partner countries and LRGs falls under key external action instruments of the **Multiannual Financial Framework (MFF)** or budget, providing the legal basis for the implementation of various programmes. For this section, only the

instruments from the most recently implemented 2014–2020 programming period will be considered. Instruments are usually either geographic or thematic, and are further divided into different programmes, some of which are country-specific, some region-specific and some thematic.

## European Development Fund (EDF)<sup>6</sup>

The largest of the geographical instruments focussed on **Africa, the Caribbean and Pacific (ACP)** with support aimed at poverty eradication, sustainable development, rule of law, democracy and human rights. It is directly funded by EU Member States and remains outside the EU general budget. Aid is provided through budget support to national governments, sectoral support, investments and projects. LRGs benefit indirectly from financial support through the national government, interregional programmes (e.g. the Participatory Slum Upgrading Programme) or sector support lines (e.g. water and sanitation). Local development, citizen participation and decentralisation are important priorities, of which sub-national actors have played an important role.

## Development Cooperation Instrument (DCI)<sup>7</sup>

This is split into two dimensions; **geographic and thematic** and covers themes such as poverty eradication, sustainable social and economic development, governance, human rights and democracy. The geographic dimension includes bilateral programmes between the EU and partner countries or regions not covered by other geographic instruments including Latin America, Central Asia and the Middle East, while the **pan-African programme** complements other programmes such as the EDF in sub-Saharan Africa.

The thematic dimension includes the **Global Public Goods and Challenges (GPGC)** and **Civil Society Organisations and Local Authorities (CSO-LA)** programmes. CSO-LA is the main instrument used to directly support LRGs globally and comprises three budget lines; Civil Society Organisations, Local Authorities and Development Education and Awareness Raising. The LA line has

sought to promote local initiatives, twinning, partnerships between CSOs and LRGs and more direct cooperation leading to more focussed, innovative and flexible projects that target a range of issues from infrastructure to participation and democracy. It remains one of the most used funding mechanisms across regions for local authorities and LRGAs.<sup>8</sup> The main access modalities are **Call for Proposals** by EU Delegations at country level and at the European Commission level with programmes such as the 'Local Authorities: Partnerships for Sustainable Cities' with total funding of €164.7 million (2018–2021), and **Direct Awards** to national associations of local authorities.<sup>9</sup>

## European Neighbourhood Instrument (ENI)<sup>10</sup>

A geographical instrument designed to strengthen relations and provide benefits to the EU, Eastern and Southern Neighbourhood partners through support for regional and local initiatives on development, poverty reduction, internal economic, social and territorial cohesion. LRGs benefit from bilateral support, regional programmes and direct actions, but funds have tended to be channelled through national government and often need prior authorisation, limiting the amount received by LRGs.

6 European Commission. *European Development Fund*. [https://ec.europa.eu/info/strategy/eu-budget/eu-budget-news-events-and-publications/documents/european-development-fund\\_en](https://ec.europa.eu/info/strategy/eu-budget/eu-budget-news-events-and-publications/documents/european-development-fund_en)

7 European Parliament. (2017). *Development Cooperation Instrument Briefing*. [https://www.europarl.europa.eu/RegData/etudes/BRIE/2017/608764/EPRS\\_BRI\(2017\)608764\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2017/608764/EPRS_BRI(2017)608764_EN.pdf)

8 PLATFORMA. (2021). *The Work of EU Delegations with Local and Regional Governments for Development Study*. <https://platforma-dev.eu/wp-content/uploads/2021/02/The-work-of-EU-delegations-with-local-and-regional-governments-for-development-EN.pdf>

9 PLATFORMA. (2021). *The European Commission 3rd call for proposals "Partnership for sustainable cities" is open!* <https://platforma-dev.eu/the-european-commission-3rd-call-for-proposals-partnership-for-sustainable-cities-is-open/>

10 European Commission. (2021). *European Neighbourhood Instrument (ENI) Programme Statement*. [https://ec.europa.eu/info/sites/default/files/about\\_the\\_european\\_commission/eu\\_budget/db\\_2021\\_programme\\_statement\\_european\\_neighbourhood\\_instrument\\_eni.pdf](https://ec.europa.eu/info/sites/default/files/about_the_european_commission/eu_budget/db_2021_programme_statement_european_neighbourhood_instrument_eni.pdf)





## European Fund for Sustainable Development (EFSD)<sup>11</sup>

An integrated financial package launched in 2017 supporting investments in **Africa and EU Neighbourhood** to help achieve the Sustainable Development Goals and lower investment risks for long-term financing. It is composed of an EFSD Guarantee, funded from the EU budget and the EDF, and blending facilities comprising the **Regional Investment Platforms (RIPs)** in Africa and the EU Neighbourhood. These share the risks as a way of encouraging private investors and development banks to lend to entrepreneurs or finance development projects. Five investment windows were identified including one on sustainable cities largely focussed on municipal infrastructure and services including public-private partnership schemes, municipal bonds, and incentives to roll out climate smart technologies.<sup>12</sup> Some of the blending projects include the Kampala City Lighting and Infrastructure Improvement Project (KCLIIP), and guarantee programmes such as the €100 million partnership between the

Spanish Agency for International Development Cooperation (AECID) and World Bank for Resilient City Development (RECIDE) in the Southern Neighbourhood and sub-Saharan Africa to develop public-private partnerships in urban infrastructure development.<sup>13</sup>

<sup>11</sup> European Parliament. (2019). *European Fund for Sustainable Development Briefing*. [https://www.europarl.europa.eu/RegData/etudes/BRIE/2019/637893/EPRS\\_BRI\(2019\)637893\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2019/637893/EPRS_BRI(2019)637893_EN.pdf)

<sup>12</sup> European Fund for Sustainable Development (EFSD) Guarantee, *Investment Window – Sustainable Cities*. [https://ec.europa.eu/eu-external-investment-plan/sites/devco-eip/files/efsd-guarantee-windows-sustainable-cities\\_en\\_0.pdf](https://ec.europa.eu/eu-external-investment-plan/sites/devco-eip/files/efsd-guarantee-windows-sustainable-cities_en_0.pdf)

<sup>13</sup> EU External Investment Plan, *Resilient City Development (RECIDE)* [https://ec.europa.eu/eu-external-investment-plan/projects/resilient-city-development-recide\\_en](https://ec.europa.eu/eu-external-investment-plan/projects/resilient-city-development-recide_en)



## EU Trust Funds (EUTF) for external action

A response mainly to the migration and refugee crisis, the EU introduced four trust funds (the Bêkou Trust Fund, the Madad Trust Fund, the Emergency Trust Fund for Africa, and the Trust Fund for Peace in Colombia). These operate outside the EU budget and are funded through EU budget funds (from various instruments including the ENI, DCI and EDF) and direct contributions by Member States and other donors. Designed to respond to fast moving events, they increase flexibility and enable faster decision-making by pooling

resources of EU and non-EU donors and acting additionally to existing channels of funding. Under the Bêkou Fund, an urban rehabilitation project aiming to improve living conditions in the poor neighbourhoods of Bangui, the capital of the Central African Republic was implemented with €4.5 million of funding. Although successful as a faster acting mechanism in terms of programme identification, approval and contracting, as they exist outside the EU budget, questions have been raised as to the level of democratic accountability and transparency alongside a focussed strategy to ensure longer-term impact.<sup>14</sup>

14 European Parliament. (2020). *Implementation of the EU trust funds and the Facility for Refugees in Turkey*. [https://www.europarl.europa.eu/RegData/etudes/BRIE/2020/649337/EPRS\\_BRI\(2020\)649337\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2020/649337/EPRS_BRI(2020)649337_EN.pdf)

## C. Lessons Learned

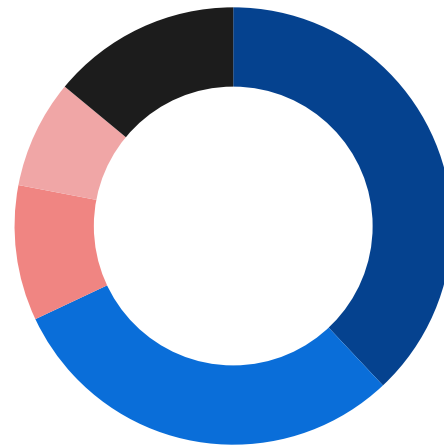
Unsurprisingly given the political declarations mentioned earlier, a core focus of EU support to LRGs has been towards governance, participation and decentralisation (**Figure 1**). This is critical and a pre-requisite for enabling more direct access to funds and to scale up support for LRGs on key priorities like service delivery. However, overall progress towards decentralisation is mixed, with some countries having fully embraced it while others have stalled or begun recentralisation processes due to obstacles such as political instability, limited resources and fragility. This is possibly one reason why a geographic approach has not yet taken hold in the development cooperation programmes involving LRGs, over half (55%) being funded through the CSO-LA thematic line, with an allocation of approximately €1.9 billion. Much still depends on LRG autonomy and position within the political structure, the capacity and willingness of EU Delegations to work with them and engagement of the national associations.<sup>15</sup> In other cases, the lack of a more institutionalised dialogue with LRGs has been recognised to limit their direct

participation in programming and funding, especially in the case of the EDF.<sup>16</sup> Some of the instruments like the DCI and EFSD that involve calls for proposals and tenders are often difficult for LRGs to access due to strict budgetary and fiscal guidelines that do not enable such flexibility, especially for co-funding, while many lack the technical capacities necessary to put together successful bids. Importantly, the lack of integration and coordination between the instruments has sometimes meant funding is insufficient and/or not sustained over time, while lack of flexibility has been recognised to limit the speed of responses and shifts in response to emerging priorities.<sup>17</sup>

The main channels for development finance have also shifted over recent years to include **more emphasis on private sector loans and private investments**, as evidenced by the introduction of the EFSD and increase in blending and guarantees, something of which is of even greater importance in the new MFF to which we turn next.



Figure 1: Breakdown of projects by sector of intervention mentioned by EU Delegations in a survey conducted by PLATFORMA for the 2014–2020 MFF cycle<sup>18</sup>



- 38% Governance
- 30% Local Economic Development
- 10% Participation
- 8% Decentralisation
- 14% Water & Sanitation/Health/Other

15 PLATFORMA. (2021). *The Work of EU Delegations with Local and Regional Governments for Development Study*. <https://platforma-dev.eu/wp-content/uploads/2021/02/The-work-of-EU-delegations-with-local-and-regional-governments-for-development-EN.pdf>  
 16 PLATFORMA. (2018). *Local and Regional Government and the ACP-EU Partnership Agreement*. <https://platforma-dev.eu/wp-content/uploads/2019/02/ACP-UE-agreement-Djigo-Wright.pdf>  
 17 European Parliamentary Research Service. (2021). *Understanding EU financing for external action*. [https://www.europarl.europa.eu/RegData/etudes/IDAN/2021/679101/EPRS\\_IDA\(2021\)679101\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/IDAN/2021/679101/EPRS_IDA(2021)679101_EN.pdf)  
 18 PLATFORMA. (2021). *The Work of EU Delegations with Local and Regional Governments for Development Study*. <https://platforma-dev.eu/wp-content/uploads/2021/02/The-work-of-EU-delegations-with-local-and-regional-governments-for-development-EN.pdf>

## 3. Multiannual Financial Framework 2021–2027

### A. Strategic Objectives

Changes in the international arena such as the adoption of the SDGs and other global sustainable agendas in 2015–16<sup>19</sup> and the UK's departure from the EU have created significant implications for the financing and implementation of EU external action. The changing strategic vision of the EU towards a greater global role in the world, a new “**Geopolitical Commission**”,<sup>20</sup> the global pandemic and its financial impact on Member States have also played a significant role in the negotiation of the new MFF for 2021–2027. Important objectives included a greater need for flexibility and simplified working procedures to respond to changes and for rapid action on the ground, simplification of instruments, and adapting to future trends and challenges in global financing by leveraging greater public and private financing. The initial proposal was put forward by the Commission in May 2018 which began a series of debates and negotiations within the European Council and Parliament on resources and priorities. Following the COVID-19 crisis and its economic effects, the Commission published amended proposals in May 2020 for greater funding and an additional European Recovery Instrument (‘Next Generation EU’). The Next Generation EU proposals originally included commitments towards external action, but given financial concerns, were subsequently withdrawn by the Council in a July 2020 summit, despite the needs of developing countries coping with the impacts of the pandemic. The European

Parliament and Council reached a political agreement on the new MFF in November 2020, with the MFF Regulation being adopted by Parliament in December 2020.

The main international development cooperation and external action component is contained under a new **Heading 6 – ‘Neighbourhood and the World’** with a simplified structure that absorbs many separate instruments and incorporates the off-budget EDF. The total budget was set at €98.4 billion in 2018 prices, below the original 2018 and 2020 Commission proposals and a slight increase on the estimated €97.1 billion for the 2014–2020 MFF.<sup>21</sup> Separate instruments for pre-accession assistance, humanitarian aid, common foreign and security policy, overseas countries and territories are also contained within Heading 6, but for the purposes of this study, only the main **Neighbourhood, Development and International Cooperation Instrument (NDICI – Global Europe)** will be considered.

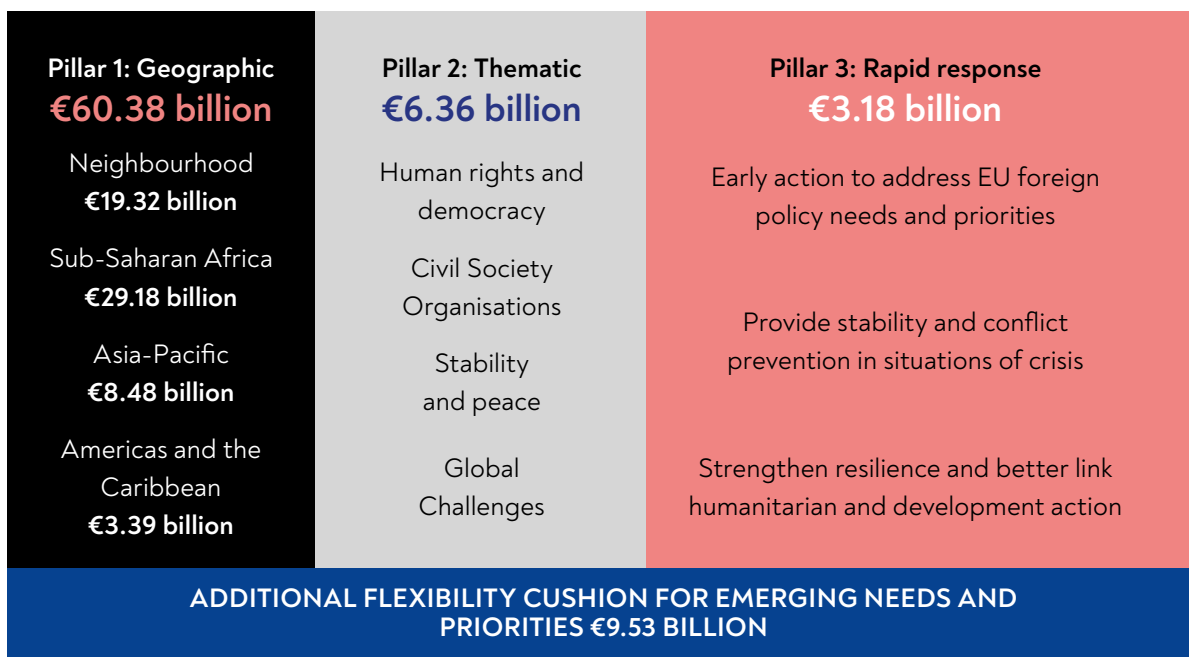
19 Including the Paris Agreement on Climate Change, the New Urban Agenda, the Sendai Framework for Disaster Risk Reduction and Addis Ababa Action Agenda.

20 Notably through the change of the Directorate-General for Development and Cooperation (DEVCO) or EuropeAid to Directorate-General International Partnerships (DG INTPA) in January 2021 - [https://ec.europa.eu/international-partnerships/stories/geopolitical-commission-builds-international-partnerships\\_en](https://ec.europa.eu/international-partnerships/stories/geopolitical-commission-builds-international-partnerships_en)

21 Centre for European Reform. (2020). *Is Development Aid a Victim of the EU Budget Deal?* <https://www.cer.eu/insights/development-aid-victim-eu-budget-deal>

## B. Structure and Features of the NDICI - Global Europe

Figure 2: The core pillars and priority areas of the NDICI – Global Europe



The NDICI – Global Europe merges a total of 9 separate instruments including the EDF, DCI, ENI and EFSD, with a total budget of €79.5 billion in current prices.<sup>22</sup> It has a 3-pillar structure (see Figure 2):

- 1. Geographic (€60.38 billion)** covering programmes for sub-Saharan Africa (€29.18 billion), the EU Neighbourhood (€19.32 billion), Asia and the Pacific (€8.48 billion) and the Americas and Caribbean (€3.39 billion).
- 2. Thematic (€6.36 billion)** complements activities in the geographic pillar where none are available and covers programmes linked to the SDGs in human rights and democracy, civil society organisations, stability and peace, and global challenges.
- 3. Rapid response (€3.18 billion)** complements both geographic and thematic pillars, providing conflict prevention and responding to crises and instability, linking humanitarian aid with development action, and addressing foreign policy needs and priorities.

**A flexibility cushion/reserve (€9.53 billion)** provides additional flexibility to finance emerging needs and priorities across the pillars and framework as the international context changes, with more than 10 percent of overall allocated resources.

The geographical programmes are more far-reaching than before, receiving the greatest funding, and are intended to promote good governance, inclusive and sustainable economic growth and employment, security and peace, alongside protecting the rule of law, human rights, human development and the environment, eradicating poverty, fighting inequality and addressing issues related to migration and climate change.

<sup>22</sup> European Commission. (2020). *European Commission welcomes political agreement on future €79.5 billion for a new instrument to finance the EU external action and lead the global recovery through international partnerships.* [https://ec.europa.eu/commission/presscorner/detail/en/IP\\_20\\_2453](https://ec.europa.eu/commission/presscorner/detail/en/IP_20_2453)

At the EU level, the **Directorate-General for International Partnerships (DG INTPA)** of the European Commission is responsible for the overall coordination and monitoring of the instruments (including global calls for proposals and tenders under the thematic programmes), with several directorates for each of the regions and many of the thematic areas. These include **Unit F4: Sustainable Transport and Urban Development** under Directorate F for Green Deal and Digital Agenda and **Unit D3: Coordination and oversight of**

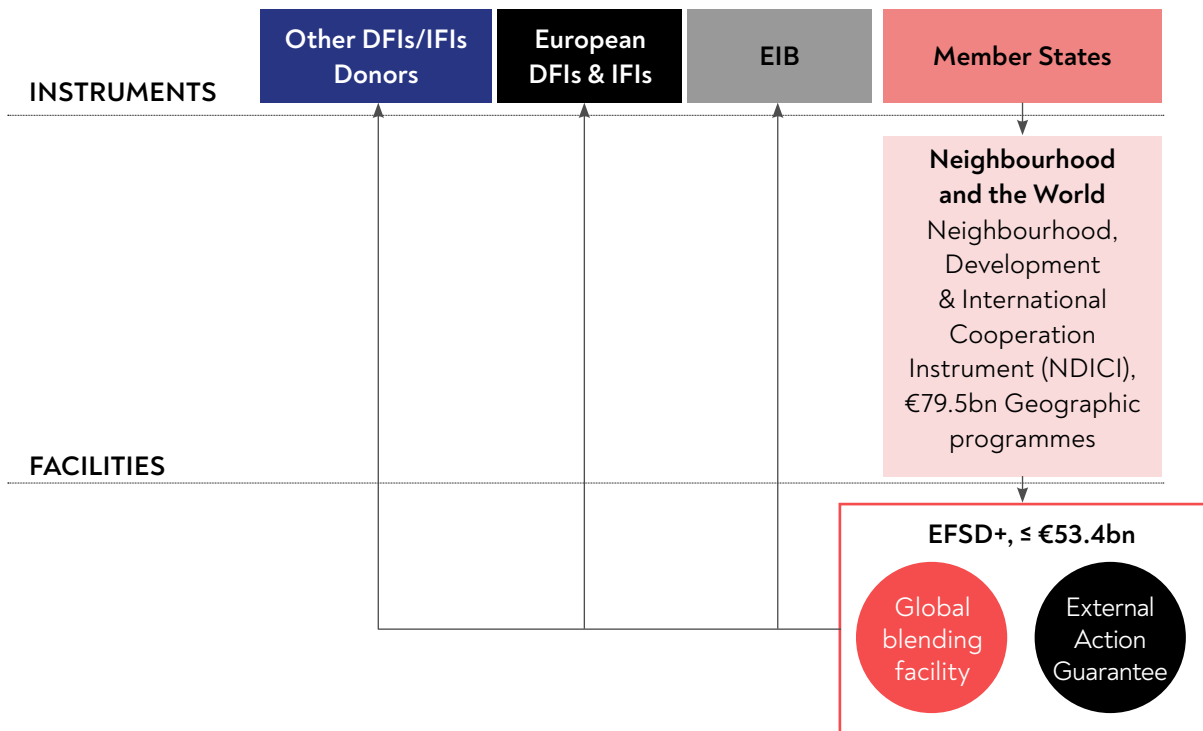
**Financing Instruments** under Directorate D for Sustainable Development Policy and Coordination.<sup>23</sup>

A comparison between the external action instruments of the 2014–2020 MFF and 2021–2027 MFF is presented in **Table 1**.

<sup>23</sup> See [https://ec.europa.eu/international-partnerships/system/files/organisation-chart\\_en.pdf](https://ec.europa.eu/international-partnerships/system/files/organisation-chart_en.pdf) for an overview of the organisation structure.

## C. Financial and Investment Architecture

Figure 3: Development finance architecture under the 2021-2027 MFF<sup>24</sup>





An external investment framework consisting of the European Fund for Sustainable Development Plus (EFSD+) supported by an External Action Guarantee (EAG) is integrated in the NDICI – Global Europe, and may guarantee operations up to €53.4 billion, **funded from the geographic programme envelope (Figure 3)**. It supports financing and investment operations in partner countries through blending from the private and commercial sector, and will cover all NDICI – Global Europe countries, a change from the previous arrangement that was only open to EU neighbourhood and sub-Saharan African countries. Given that donors and the public sector are unable to fill the gap between the scale of priorities and funding requirements, and in line with other donors, it has a significantly larger role to play in overall financing than the current EFSD. **Priority will be given to least developed countries**, with the main objective to support investments aimed at achieving the SDGs, supporting micro-enterprises and small and medium-sized enterprises (SMEs), promoting decent job creation, strengthening public and private infrastructure, fostering renewable energy and sustainable agriculture. **45 percent of financing** is to be allocated to investments contributing to **climate action and environmental protection**.

A single worldwide **blending facility** combines a grant from the EU with loans and/or other

financing from public and private investors. This is expected to be the main mode through which infrastructure could be financed at the city level. A single guarantee mechanism (**External Action Guarantee**) shares the risk between the EU, development banks (Development Finance Institutions – DFIs and International Financial Institutions – IFIs) and private investors to encourage lending or financing for development projects. This mechanism supports the blending operations, as well as covers the External Lending Mandate (European Investment Bank – EIB – only) and the Guarantee Fund for External Actions. The EAG provisioning rate ranges from 9 to 50 percent depending on the type of operations and associated risks, and expects to mobilise more than half a trillion euro in investments for 2021–2027. In practice, this would mainly be accessible and managed by licensed (pillar-assessed)<sup>25</sup> IFIs and development banks, with national banks operating as intermediaries, **and not LRGs**.

Some of the key financial institutions in addition to the EIB and European Bank for Reconstruction and Development (EBRD) likely to be involved in providing guarantees and blending projects are: the African Development Bank (AfDB), the French Development Agency (AFD), and the Spanish Agency for International Development Cooperation (AECID).

24 Center for Global Development. (2021). *Redesigning Global Europe: The EU's Neighbourhood, Development, and International Cooperation Instrument*. <https://www.cgdev.org/blog/redesigning-global-europe-eus-neighbourhood-development-and-international-cooperation>

25 Pillar assessments are institutional compliance assessments which the European Commission requires partner organisations (including third countries, international organisations and their agencies, public law bodies) to pass before using indirect management cooperation with them.



**Table 1: Comparison between MFF 2014–2020 and 2021–2027 with key external action instruments**

	INSTRUMENT	PROGRAMME	FUNDING (€)	GEOGRAPHIC SCOPE
MFF 2014 - 2020	Development Cooperation Instrument (DCI)	Geographic	11.8 billion	Latin America, South Asia, North and East Asia, Central Asia, Middle East
		Thematic	7 billion	Worldwide
		Pan-African	0.85 billion	Sub-Saharan Africa
	European Neighbourhood Instrument (ENI)	Bilateral, multi-country, regional and sub-regional cooperation	15.4 billion	Neighbourhood
	Partnership Instrument for Cooperation with Third Countries (PI)		0.96 billion	Worldwide
	European Development Fund (EDF)	National and regional, intra-ACP, investment facility	30.5 billion	ACP countries and Overseas Countries and Territories
	European Fund for Sustainable Development (EFSD) and Guarantee Fund	African and Neighbourhood Investment Platforms	4.1 billion	EU Neighbourhood and Africa

**Grants** = financial support awarded based on a proposal made by an applicant to the contracting authority (usually following a call for proposals) either managed directly by the Commission or indirectly managed by a third party, e.g. the government of a partner country. Two main types: action grant which funds specific action intended to achieve a policy objective or operation grant which funds the operating costs of an organisation pursuing an objective supporting EU policies.



THEMES/FOCUS AREAS	CRITERIA	FUNDING MODALITY
Security, climate change, sustainable growth	15% on human rights, democracy and good governance, 45% on inclusive and sustainable growth	Budget support to partner countries and regional institutions
Global Public Goods and Challenges (GPGC); Civil Society Organisations and Local Authorities (CSO-LA)	25% of GPGC allocated to climate change related activities, 25% to human development	Grants, Tenders, Partner Organisations
Peace and security, good governance, human rights, human development, sustainable inclusive development and growth and continental integration	95% must fulfil ODA criteria	Budget support to partner countries and regional institutions
Human rights, sustainable and inclusive growth, progressive integration into Single Market, mobility, regional integration and cross-border cooperation	Must be one of the 16 partner countries, priorities include boosting small businesses, civil society engagement, climate change action, mobility, energy cooperation	Budget support to partner countries Grants and Tenders
Promoting EU strategic interests worldwide by reinforcing external strategies, policies and actions	Actions may cover any area of EU interest, supporting trade negotiations, policy dialogues and political agreements	Grants, Tenders, Partner Organisations
Social and economic infrastructure, services, budget support, food aid, emergency assistance, agriculture, forestry, fishing, trade and tourism	Consistency with other areas of EU action, maximum 3 sectors per country where aid is focussed	Budget support, Grants and Tenders
Financing of micro-enterprises and SMEs and agriculture, sustainable energy and connectivity, sustainable cities, digitalisation, local currency financing	Follows aid effectiveness principles, fulfils ODA criteria, 28% of funding to support implementation of the Paris Agreement	Guarantees and blending

**Tenders** = performance contracts used to purchase services, supplies or works, e.g. technical assistance, equipment, infrastructure, that contribute to specific development objectives, either directly or indirectly managed through a third party, e.g. partner country, development agency.

**Guarantees and blending** = sharing the risk associated with investing and lending, and using public money to cover part of the costs of a project, with private investors financing the rest.

MFF 2021 - 2027

INSTRUMENT	PROGRAMME	FUNDING (€)	GEOGRAPHIC SCOPE
Neighbourhood, Development and International Cooperation Instrument (NDICI - Global Europe)	Geographic	60.38 billion	EU Neighbourhood, Sub-Saharan Africa, Asia-Pacific, Latin America and the Caribbean
	Thematic	6.36 billion	Worldwide
	Rapid response	3.18 billion	Worldwide
	Investment framework (EFSD+ and External Action Guarantee)	53.4 billion guarantee (from geographic pillar)	EU Neighbourhood, Sub-Saharan Africa, Asia-Pacific, Latin America and the Caribbean

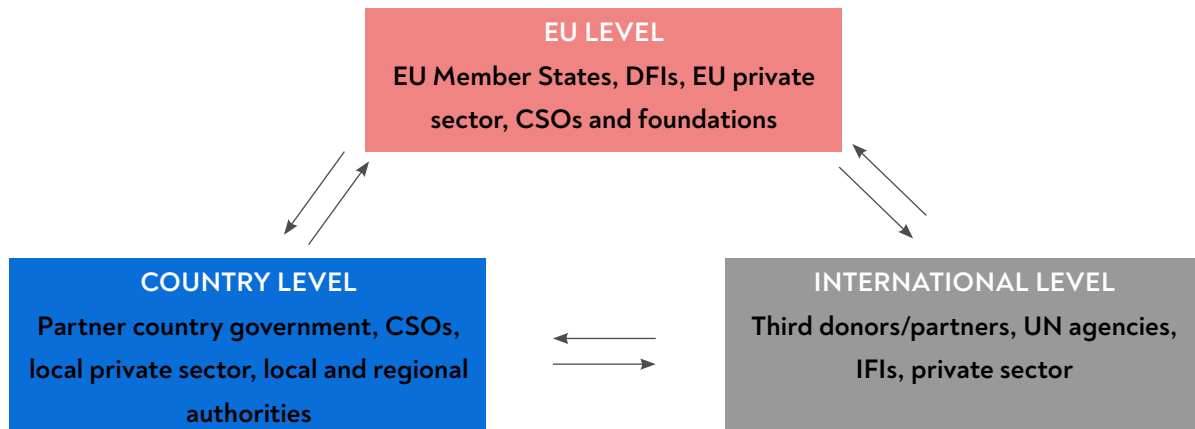
**Partner Organisations** = EU-funded project implementation delegated to a partner organisation, e.g. UN, World Bank, through Financial Framework Partnership Agreements (FFPAs) or Contribution Agreements.

THEMES/FOCUS AREAS	CRITERIA	FUNDING MODALITY
Partnerships and dialogue, security, peace and stability, migration and mobility, inclusive economic growth, human development, environment and climate change, rule of law, human rights and democracy, good governance, eradicating poverty	30% for climate objectives, 20% for social inclusion and human development, 10% for root causes of migration and forced displacement  At least 92% must fulfil ODA criteria Neighbourhood window: 10% allocated to performance and 4% allocated to cross-border cooperation	TBC
Human rights and democracy, CSOs, stability and peace, global challenges	30% for climate objectives, 20% for social inclusion and human development, 10% for root causes of migration and forced displacement  At least 92% must fulfil ODA criteria	TBC
Stability and conflict prevention, strengthened resilience, linked humanitarian and development action, EU foreign policy needs and priorities	30% for climate objectives, 20% for social inclusion and human development, 10% for root causes of migration and forced displacement  At least 92% must fulfil ODA criteria	TBC
Micro-enterprises and SMEs, decent job creation, strengthen public and private infrastructure, renewable energy and sustainable agriculture, digital economy, migration and mobility, climate action and environmental protection	Complementarity with other initiatives, supported by private and public partners, technically viable and environmentally and socially sustainable. Priority for countries experiencing fragility or conflict, LDCs and HIPCs, or regions with critical infrastructure and connectivity needs. 45% allocated to investments contributing to climate action and environmental protection	Guarantees and blending

**Budget support** = direct financial transfers to the national treasury of partner countries engaging in sustainable development reforms and conditional on policy dialogue, performance assessment and capacity building. Granted through 3 types of contracts: SDG Contracts, Sector Reform Performance Contracts and State and Resilience Building Contracts used in fragile contexts.

## D. Implementation

Figure 4: The EU Delegation consultation process coordinating across 3 levels or clusters with the emphasis on joint programming between each<sup>26</sup>



The **EU Delegations (part of the EU External Action Service)** are the primary actors and gatekeepers involved in the programming of funds at country level as representatives of the EU. They are usually responsible for one country, although some are representatives to several countries and cover the majority of partner countries.<sup>27</sup> Since November 2020, they have been engaged in a consultation process coordinating with 3 different levels shown in **Figure 4**. **Joint programming** is a preferred method of implementation by working through the SDGs as an entry point, helping to bring together greater collective resources and capacities of different actors and development agencies.<sup>28</sup> This is further embedded through the **Team Europe** approach that first emerged in the context of COVID-19 to provide a united European response to the major needs emerging in partner countries through leveraging the collective development resources of the EU, Member States and their DFIs including the EIB and EBRD. It mobilised over €38.5 billion to support partner countries in responding to COVID-19, and is now being applied to NDICI – Global Europe programming through so-called ‘**Team Europe Initiatives**’.<sup>29</sup> These act as flagship projects within partner countries linked to the EU strategic priorities to combine EU and member state cooperation (see **Figure 5**). There will be a maximum of two initiatives for each partner county to be determined based on countries’

strategic and national priorities where a coordinated and coherent effort by Team Europe would ensure a transformative impact, bringing together a mix of modalities, tools and partners.<sup>30</sup> Cities may be one part of these initiatives in dialogue with the EU Delegations.

Specific details around implementation and access modalities are not yet known, but the NDICI – Global Europe incorporates many of the implementation provisions from some of the existing instruments and is expected to use the most appropriate modalities within a given context, such as grants, budget support, financial instruments or guarantees.<sup>31</sup>

Certain **cross-cutting priorities and spending targets** have been identified, notably 20 percent for human development, 25 percent to step up efforts on climate change and 10 percent for migration-related activities. Programmes will be implemented through **Multiannual Indicative Programmes (MIP)** to be prepared by EU Delegations, as well as National or Multi-Country Indicative Programmes for the geographical programmes. These usually cover four years and set out the priority areas for EU financing, specific objectives, expected results, clear and specific performance indicators. **Annual Action Plans** for each programme provide the specific access modalities through which they will be implemented and the yearly budgeted amount.<sup>32</sup> Member States are to be involved

**Figure 5: The 5 priority areas for EU external action**

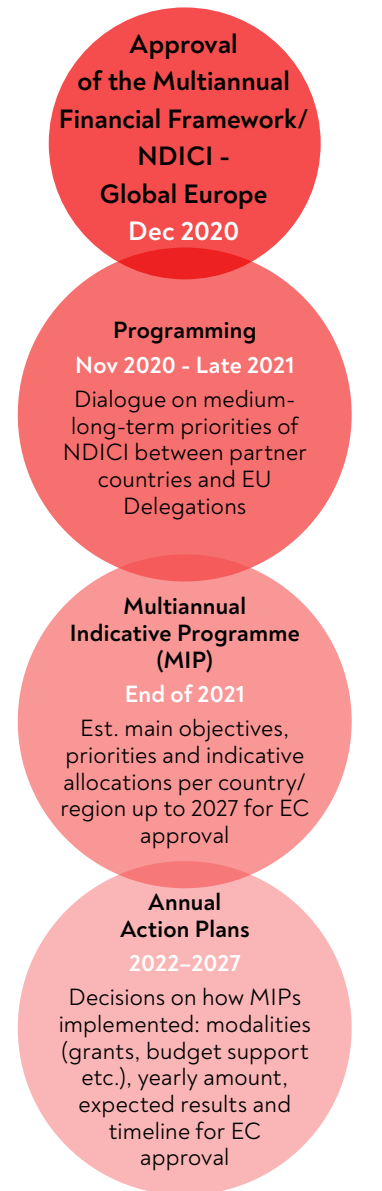
TEAM EUROPE INITIATIVES IN EACH PARTNER COUNTRY (1-2 FLAGSHIP PROGRAMMES BASED AROUND PRIORITIES)		
<b>GREEN DEAL</b>	<ul style="list-style-type: none"> <li>• Circular economy</li> <li>• Biodiversity</li> <li>• Green and smart cities</li> </ul>	<ul style="list-style-type: none"> <li>• Food systems</li> <li>• Water and Oceans</li> </ul>
<b>DIGITALISATION</b>	<ul style="list-style-type: none"> <li>• Digital connectivity</li> <li>• Digital skills and entrepreneurship</li> <li>• E-services and</li> </ul>	<ul style="list-style-type: none"> <li>• e-governance</li> <li>• Data protection</li> <li>• Governance</li> </ul>
<b>SUSTAINABLE GROWTH AND JOBS</b>	<ul style="list-style-type: none"> <li>• Sustainable investment and de-risking</li> <li>• Creation of decent jobs</li> <li>• Education and skills</li> </ul>	<ul style="list-style-type: none"> <li>• Business environment and investment climate</li> <li>• Regional economic integration, trade and connectivity</li> </ul>
<b>MIGRATION</b>	<ul style="list-style-type: none"> <li>• Root causes of irregular migration and forced displacement</li> </ul>	<ul style="list-style-type: none"> <li>• Migration management</li> <li>• Sustainable solutions for refugees</li> </ul>
<b>GOVERNANCE, PEACE AND SECURITY</b>	<ul style="list-style-type: none"> <li>• Human rights and democracy</li> <li>• Rule of law and accountability</li> <li>• Conflict prevention, sustaining peace and building resilience</li> </ul>	<ul style="list-style-type: none"> <li>• Fight against terrorism and organised crime</li> </ul>

26 Adapted from *Presentation of the programming guidelines of the proposed NDICI, January 2021* <https://www.cpccaf.org/files/fTexXvAowESl62zh6ogPXw.pdf>  
 27 A full list of country EU Delegations and links to their respective webpages and contact details can be found at: [https://eeas.europa.eu/headquarters/headquarters-homepage/area/geo\\_en](https://eeas.europa.eu/headquarters/headquarters-homepage/area/geo_en)  
 28 European Commission. (2019). *The Neighbourhood, Development and International Cooperation Instrument (NDICI): New financial tools & blending.* <https://www.fundacioncarolina.es/wp-content/uploads/2019/06/Presentation-Jorge-de-la-Caballeria-2.pdf>  
 29 ECDPM. (2021). *Briefing Note No.*

128 *Team Europe: up to the challenge?* <https://ecdpm.org/wp-content/uploads/Team-Europe-Up-To-Challenge-ECDPM-Briefing-Note-128-January-2021.pdf>  
 30 Capacity4dev. *Working Better Together as Team Europe.* <https://europa.eu/capacity4dev/wbt-team-europe>  
 31 European Parliamentary Research Service. (2021). *Understanding EU financing for external action.* [https://www.europarl.europa.eu/RegData/etudes/IDAN/2021/679101/EPRS\\_IDA\(2021\)679101\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/IDAN/2021/679101/EPRS_IDA(2021)679101_EN.pdf)  
 32 European Commission. *External financing instruments and outermost regions.* <http://www.interact-eu.net/download/file/efd/20004>

in key decisions on the MIPs and financing decisions through a new NDICI Committee, and approved at the European Council level. The estimated timeline for the programming and approval process is provided in **Figure 6**.

**Figure 6: Estimated timeline of the programming and approval process for the NDICI – Global Europe**



**Note: EC= European Council**

## E. Access to financing by local and regional governments

Important **partners and actors** in the programming and implementation process that are relevant to LRGs include:

- » **EU Delegations:** the main actors involved in promoting the EU's interests and values within partner countries. They prepare, manage and implement Multiannual Indicative Programmes and Annual Action Plans in partner countries according to country and EU priorities.
- » **National Government:** the primary entry point for engagement and programming with the EU Delegations via a designated Ministry or Agency. The role of urbanisation and territorial development must therefore feature prominently within the national development plans of partner countries so that specific urban issues and actors are brought to the fore in the programming process.
- » **National associations of local and regional governments (LRGAs):** given the number and geographic dispersion of local governments, it is often not possible for EU Delegations to directly engage with all of them, making LRGAs extremely valuable for constructive and regular dialogue with the EU and enabling participation in programming.
- » **City-to-city, regional and global networks (e.g. UCLG, PLATFORMA):** these can support decentralised cooperation in the form of peer to peer learning, capacity building and technical assistance for exchanges between cities in the EU and those in the Global South on a number of issues including urban planning, waste management, energy.<sup>33</sup> This is especially useful where there are limited partners for a project or knowledge of what might be a successful approach.
- » **Policy Forum on Development:** it brings together CSOs and local authorities from the EU and partner countries with European institutions and bodies for dialogue on development issues at global and regional levels. It aims to provide input, advice and best practices to the European Commission and other EU partners to develop and implement effective development policies. It acts as one of the important 'entry points' for CSOs and LRGs to meet with EU institutions. All four regions where EU cooperation is implemented are represented: EU Neighbourhood, Africa, Asia and the Pacific, Latin America and the Caribbean.
- » **CSOs and multilateral organisations:** multilateral organisations and CSOs are sometimes in a better place than local governments to implement and design certain programmes. They can act as an intermediary between the final beneficiary and funder in contexts where there is mistrust of local politicians, and in resource poor, informal or rapidly urbanising areas to assist in the implementation and extension of services and infrastructure where local governments lack sufficient capacity. In situations where LRGs cannot benefit directly from funding due to national government constraints or limited resources, joint programmes between CSOs and local authorities can be a successful way to gain funding in areas where there are shared actions and agreements.
- » **IFIs/DFIs:** given the stronger emphasis on investment, working with financial institutions will be essential, requiring greater creditworthiness and fiscal autonomy of LRGs.

<sup>33</sup> One successful example being the International Urban Cooperation (IUC) city pairings <https://iuc.eu/city-pairings/>



The significance of EU programs for LRGs can be classified as the following:

1. Supporting sector policies with a specific focus on the development of **decentralised, multilevel delivery systems**, e.g. water and sanitation, energy;
2. Supporting **national decentralisation reform policy** to manage and coordinate territorial development at the local level by adapting national policies to local conditions and mobilising additional resources from civil society and the private sector;
3. Supporting **local/territorial programs and policies led by local authorities**, e.g. housing, solid waste management, climate resilience.



Since there is no longer a specific budget line for LRGs in the NDICI – Global Europe (as was previously the case in the CSO-LA Programme), the geographic programmes have a much bigger role to play than before, meaning greater competition for funds with a broad range of actors. A minimum of €500 million has been ‘committed’ (*but not earmarked*) to support the empowerment and capacity-building of LRGs in partner countries<sup>34</sup> under the geographic pillar which seems likely to continue previous support for decentralisation, governance and participation, with additional funding for local authority networks and platforms under the thematic pillar.

Beyond this, the majority of allocations will be made at country-level between the EU Delegations, IFIs, national government and LRGAs,<sup>35</sup> making it critical for LRGs to engage with these stakeholders if they are to access funding. Specific entry points in the NDICI – Global Europe for LRGs include those identified in **Table 2**<sup>36</sup> in addition to the strategic priorities outlined in **Figure 5**.

Regarding **specific access modalities**, this remains unconfirmed while programming takes place but is likely to include calls for proposals and tenders (especially for instruments like the EFSD+ Guarantee through the development banks), direct awards and grants in blending operations where funding from a private investor is secured and budget support through national government where LRGs have a good level of fiscal autonomy.

34 PLATFORMA (2021). *EU dedicates €500 million for towns and regions under NDICI*. <https://platforma-dev.eu/eu-dedicates-e500-million-for-towns-and-regions-under-ndici/>

35 Note that there is no automatic inclusion of LRGAs in the funding allocation process.

36 European Commission. (2018). *Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL establishing the Neighbourhood, Development and International Cooperation Instrument COM/2018/460 final*. <https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1540392552799&uri=CELEX%3A52018PC0460>



**Table 2: Thematic entry points and potential funding opportunities accessible to local and regional governments in the NDICI – Global Europe**

<b>NDICI PILLAR</b>	<b>PROGRAMME</b>	<b>AREAS OF COOPERATION</b>
<b>GEOGRAPHIC</b> Neighbourhood Sub-Saharan Africa, Asia-Pacific, Americas and Caribbean	People	Good governance, democracy, rule of law, human rights
		Poverty eradication, fight against inequalities and human development
	Planet	Environment and climate change
	Prosperity	Inclusive and sustainable economic growth and decent employment
	Peace	Security, stability and peace
	Partnership	Partnership
<b>THEMATIC</b> Global	Human rights & democracy	N/A
	Civil Society Organisations	Dialogue with and between CSOs on development policy
	Stability & peace	N/A
	Global Challenges	People, Planet, Prosperity
Partnerships		
<b>EFSD+</b> (Geographic)	Investment windows and guarantee	Sustainable cities

LRG THEMATIC ENTRY POINT	LRG FUNDING?
<p><b>Inclusive, balanced and integrated territorial urban policies</b> through strengthened public institutions and decentralisation processes</p>	TBC
<p>Supporting <b>local authorities to improve the delivery of basic services</b> and equitable access to food security, affordable housing and quality of life, especially for those living in informal settlements and slums</p>	
<p>Strengthening the involvement of local communities in <b>climate change responses, conservation of ecosystems and promoting sustainable urban development</b> and resilience in urban areas</p>	TBC
<p>Boosting the potential of <b>cities as hubs for sustainable and inclusive growth and innovation</b>. Promoting internal economic, social and territorial cohesion, forging <b>stronger links between urban and rural areas</b></p>	TBC
<p>Building the <b>resilience of states, societies, communities</b> and individuals to political, economic, environmental, demographic and societal pressures and shocks</p>	TBC
<p><b>Engaging with local authorities and support their role as policy and decision-makers</b> to boost local development and improved governance</p>	€500 million proposed
<p>N/A</p>	N/A
<p>Promoting <b>inclusive multi-stakeholder dialogue fora</b>, including interaction between citizens, CSOs, local authorities, and other key development stakeholders</p>	TBC
<p>N/A</p>	N/A
<p>Support to global agendas and initiatives (SDGs, Paris Agreement, etc.)</p>	N/A
<p><b>Strengthen the role of local authorities as actors of development</b> through increasing the capacity of European and Southern local authority networks, platforms and alliances to ensure a substantive and continued policy dialogue in the field of development and democratic governance, notably through TALD</p>	Funding for UCLG and PLATFORMA
<p>Urban mobility, water, sanitation, waste management, circular economy, nature-based solutions, resilience building, etc.</p>	TBC

## 4. Other External Funding Opportunities for local and regional governments

Other EU Directorates-General and associated **multilateral DFIs** also offer funding opportunities that can be useful for LRGs in developing contexts. These include:

- » **The Directorate-General for Research and Innovation:** EU Commission Directorate-General responsible for EU policy on research, science and innovation to help create growth and jobs and tackle big societal challenges. It funds the Framework Programmes for Research and Technological Development (also under the MFF) which includes Horizon 2020, succeeded by Horizon Europe.
- » **The European Investment Bank (EIB):** the world's largest multilateral financial institution, using financing operations to further EU policy goals in over 140 countries globally, with priority areas involving climate and environment, development, innovation and skills, small and medium-sized businesses, infrastructure and cohesion. The **Operations Directorate** is responsible for investment operations with **Global Partners** containing the main divisions for public sector operations in Latin America and the Caribbean, Africa, Asia and Pacific.<sup>37</sup> The bank provided €9.3 billion of financing in developing and emerging countries outside the European Union in 2020, equal to about 13% of their activity,<sup>38</sup> largely under the **External Lending Mandate** (in the EU neighbourhood countries, pre-accession countries, Asia, Latin America and South Africa) and **Cotonou Partnership Agreement** covering the African, Caribbean and Pacific states.

These are expected to be replaced by the new investment framework under the NDICI – Global Europe. Blending facilities and trust funds also reinforce the complementarity of the EIB, European Commission and other international finance institutions such as the World Bank, the European Bank for Reconstruction and Development (EBRD), the German Development Bank (KfW), the French Development Bank (AFD), the Asian Development Bank, the African Development Bank and the Inter-American Development Bank. Climate is a significant EIB priority with a commitment to dedicating at least 35% of its loans outside the EU to projects that have a climate security component.<sup>39</sup>

- » **The European Bank for Reconstruction and Development (EBRD):** multilateral financial institution owned by 69 countries, the EU and the EIB and active across Central Asia, Central Europe, Eastern Europe, South-eastern Europe, Southern and Eastern Mediterranean to further progress towards market-orientated economies and the promotion of private and entrepreneurial initiatives. Key sectors include municipal infrastructure, transport, energy, manufacturing and services under **Banking and Policy and Partnerships**.<sup>40</sup>

Broadly, the major programmes applicable to LRGs can be categorised under the following themes: private sector and economic development, infrastructure, climate action and environment, research and innovation. In practice, there is significant overlap and many have clear geographic eligibility requirements.

They can provide support in the form of:

- » **Technical assistance** to help develop successful bankable projects, action plans, feasibility studies and vulnerability assessments;
- » **Grants and co-financing** for research and small-scale infrastructure projects;
- » **Loans** for small and medium-sized infrastructure projects, municipal service development, private sector development.

A few different example scenarios are given below to illustrate LRG access to these programmes complementing the flow chart below, alongside the factsheets and Funding Capture Table attached in **Annex 1** and **Annex 2** respectively.

1. *A city in North Africa seeks support to finance a small and medium-sized transport project:*

The most applicable programmes are the **Facility for Euro-Mediterranean Investment and Partnership (FEMIP)** and the **Economic Resilience Initiative (ERI)** managed by the EIB. The FEMIP aims to encourage the modernisation and opening-up of the Mediterranean partner countries' economies through improved economic infrastructure and private sector support, while the ERI offers grants and financial instruments for infrastructure projects of economic and social benefit. The main access is through financial institutions and commercial banks in country where the EIB has a partnership with to provide credit lines in long-term loans.

2. *An intermediary city in Central Asia seeks technical support for improving climate resilience and sustainable infrastructure:*

The two applicable programmes are **EBRD Green Cities and the City Climate Finance Gap Fund** of the World Bank and the EIB in partnership with the GIZ. Both programmes provide support to assess and plan for environmental challenges and help build and facilitate investable projects. They are accessible through direct

expression of interest.

3. *A city in East Africa seeks support for a refugee/Internally Displaced Persons integration project:*

One useful programme could be **Horizon 2020/Horizon Europe** through partnership with research organisations to formulate new and innovative methods or approaches for integration. This would require reaching out to research organisations in the EU and relevant proposals on the Funding and Tenders Portal (see factsheet in **Annex 1**).

Concerns about the effectiveness of the external development financing architecture have created calls for reform to consolidate the activities and strengthen the cooperation and coherence of the EU financial actors. This includes proposals for establishing a single institution in the medium term for climate and development financing in the form of a European Climate and Sustainable Development Bank, either building on existing activities of the EIB and the EBRD or within mixed-ownership or one based on an EIB subsidiary.<sup>41</sup> However, the High-Level Group of Wise Persons on the European financial architecture for development have questioned the need for a separate bank as opposed to improving and strengthening cooperation between the existing ones and other regional, international and multilateral finance institutions.<sup>42</sup>



37 Organisation structure can be found here: <https://www.eib.org/en/about/governance-and-structure/organisation/services/entity/ops/index.htm>

38 EIB support for development Overview 2021. <https://www.eib.org/en/publications/eib-support-for-development-overview-2021>

39 A complete overview of the different loans, guarantees, equity investments and advisory services can be found at: <https://www.eib.org/en/products/index.htm>

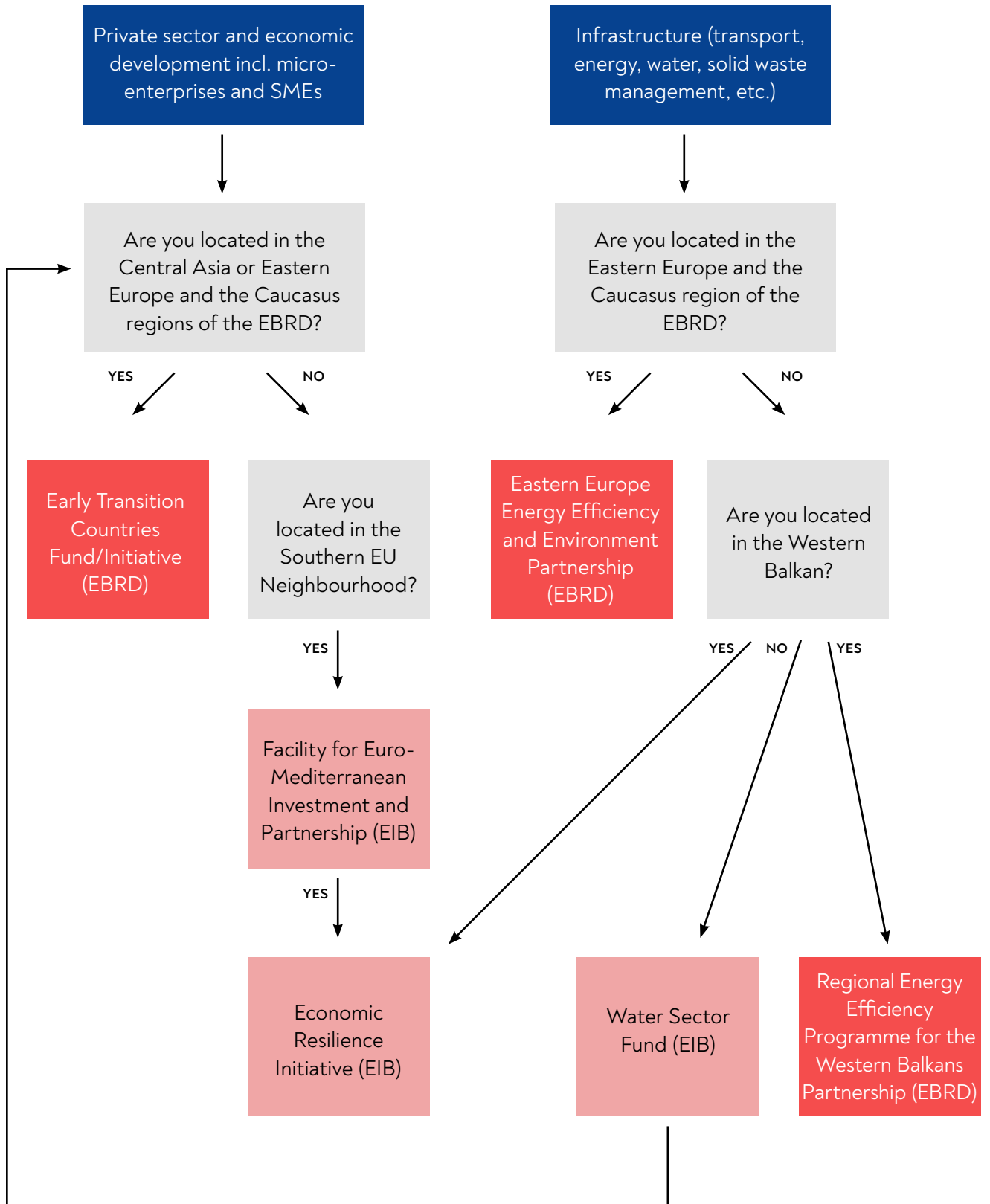
40 Key contacts can be found at: <https://www.ebrd.com/contacts.html> and funding eligibility checker at: <https://www.ebrd.com/work-with-us/project-finance/funding-adviser.html>

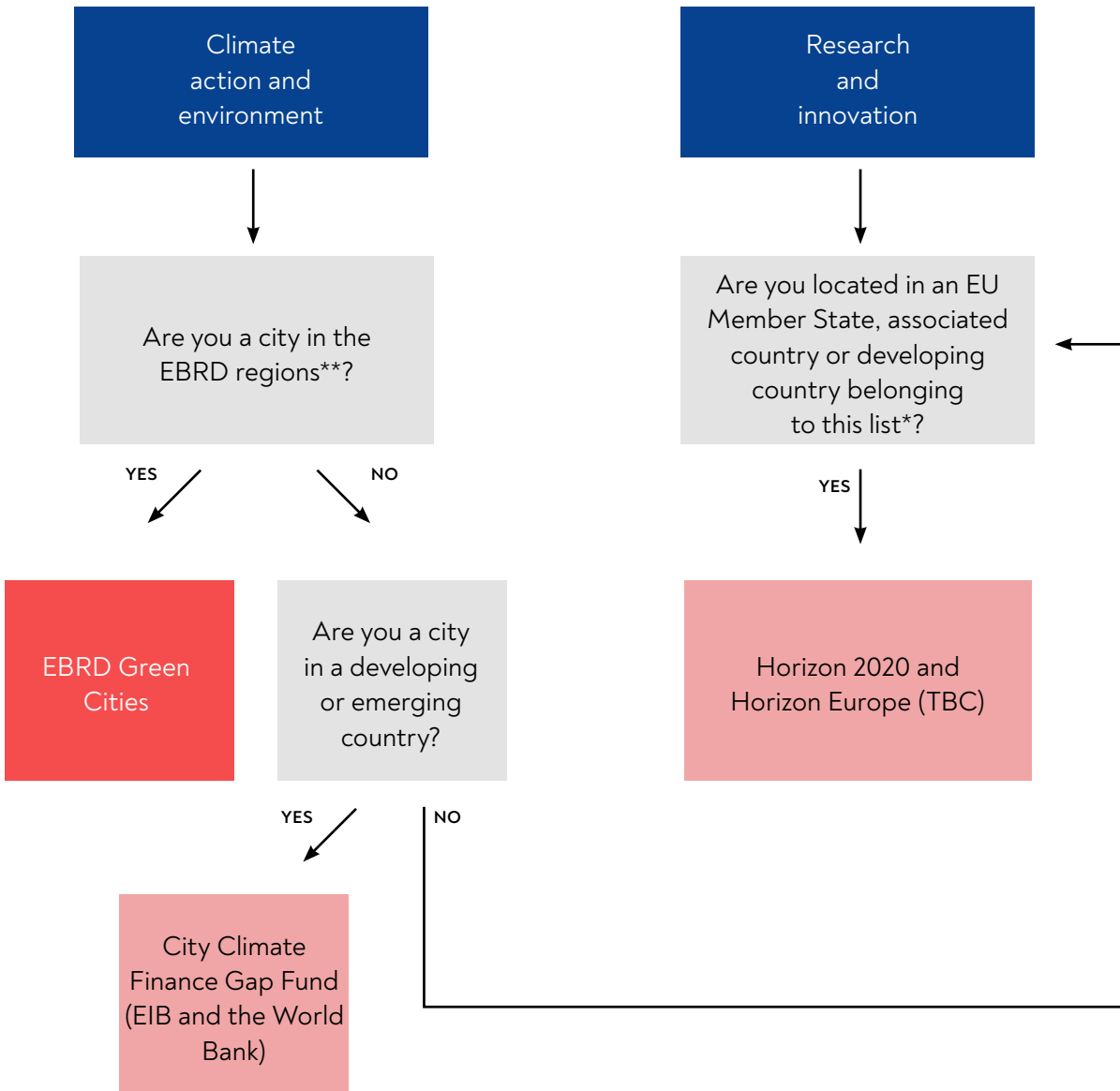
41 European Parliamentary Research Service. (2021). *Understanding EU financing for external action*. [https://www.europarl.europa.eu/RegData/etudes/IDAN/2021/679101/EPRS\\_IDA\(2021\)679101\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/IDAN/2021/679101/EPRS_IDA(2021)679101_EN.pdf)

42 ECDPM. (2019). *The European development financing system: A call for urgent action*. <https://ecdpm.org/talking-points/european-development-financing-system-call-for-urgent-action/>

WHAT IS THE THEMATIC FOCUS OF YOUR PROJECT/IDEA?

Local and Regional Governments' Access to EU Innovative Development Financing: Mechanisms and Opportunities





\*[https://ec.europa.eu/info/research-and-innovation\\_en](https://ec.europa.eu/info/research-and-innovation_en)

\*\*These are Central Asia, Central Europe and the Baltic States, Eastern Europe and the Caucasus, South-Eastern Europe, Southern and Eastern Mediterranean, Greece and Turkey

## 5. Summary and Strategic Direction

Looking back at some of the key political commitments made in recent years by the EU towards the involvement of LRGs in development cooperation, progress on the ground has been mixed. While specific priorities and programmes for partner cities and local authorities are much in evidence, their involvement has still largely depended upon the level of autonomy provided to them by national government, technical capacity and the willingness of EU Delegations to engage with them, with funding mostly directed towards thematic calls.

Within the new NDICI – Global Europe, there is a clear emphasis and principle for “**geographisation**” to be closer to the intended beneficiaries and allow for greater country ownership, expressed by the shift in funding towards the geographic pillar and removal of the CSO-LA thematic line. This could go one of two ways for LRGs. Either the mainstreaming of the territorial approach throughout programmes and policies helps boost their role as service providers and implementers of the SDGs at the local level, or with a lack of effective national level policy and autonomy, they become more left behind in a case of ‘who shouts loudest’.

The **EU Delegations at country level are now the main ‘gatekeepers’ for the programming of funds**, with the primary entry point tending to be through the national government, meaning the strength of LRGs in national development policy will be a key determinant of funding access. In this context, LRGAs and global

networks such as UCLG, Commonwealth Local Governments Forum, Metropolis, among others are increasingly important in providing their members (especially smaller intermediary cities) with the support and tools necessary for effective engagement and recognition by national government. This can be done notably through promoting the TALD approach and allowing LRGs to recognise their comparative advantage for achieving sustainable development by adapting to local conditions and actors. Indeed, UCLG Africa have provided LRGs and LRGAs with the technical support to develop roadmaps to participate effectively in the negotiations with the EU and national governments in Libya, Nigeria, Cameroon, Zambia and Cape Verde so far.<sup>43</sup>

Strategically, and in line with broader global trends, the EU is placing growing emphasis on its geopolitical interests such as addressing the root causes of migration and climate change, partnerships between agencies through joint programming, and the visibility of cooperation activities under a more unified **Team Europe** approach. Although enabling greater flexibility, coordination and leveraging collective

43 UCLG Africa. (2021). *European Union 2021-2027 Programming Process: Africa's Local and Regional Authorities Hold National Seminars*. <https://www.uclga.org/news-caro/european-union-2021-2027-programming-process-africas-local-and-regional-authorities-hold-national-seminars/>





resources is beneficial and required to meet the scale of these challenges, it should not divert attention away from longer-term sustainable development or the realities on the ground.

The associated move away from grant-based assistance towards the encouragement of private sector investment and blended financing through the much-expanded EFSD+ further raises important questions for the role of LRGs, as **facilitators of investment and leveraging private capital**. Arguably, LRGs will need greater autonomy and capacity to generate own source revenues, along with more stable and predictable national government support through intergovernmental fiscal transfers to improve “creditworthiness” and develop “bankable” projects. The work and technical support of UCLG consultation mechanisms and working groups, in particular the **Global Fund for Cities Development (FMDV)** and the **UCLG Capacity and Institution Building (CIB) working group**, and of its technical partners such as the United Nations Capital Development Fund (UNCDF) are especially relevant here along with governance reforms that provide the fiscal and functional devolution necessary to leverage investment at the sub-national level.

The COVID-19 pandemic has created accelerated action towards a ‘**European Green Deal**’, and there are signs this will be a prominent feature in current and future programming targets for climate action including mitigation and adaptation, alongside digitalisation, and social protection.<sup>44</sup> As proved by their increased involvement in city-to-city, national, regional and global associations and networks, and being on the front line during the pandemic, LRGs have an extremely important role to play in achieving these aims where they are given the agency and capacity to do so. Their strong and sustained involvement in all phases of the programming and implementation cycle is therefore crucial.

44 Policy Forum on Development. (2020). *Closing event of the Virtual PFD on 10 December*. <https://europa.eu/capacity4dev/policy-forum-development/wiki/closing-event-virtual-pfd-2020-10-december>

## 6. Recommendations

“With this new agreement, the European co-legislators sent a very positive message to all municipalities, regions and their associations in Europe and all around the globe. The final compromise just adopted strengthens the definition of the role of local and regional governments in EU external policies: we are key partners of EU policy and major actors of sustainable development”

Marlène Siméon,  
Director of PLATFORMA.<sup>45</sup>

The role and importance of LRGs in EU external policies and in delivering the SDGs is increasingly acknowledged and in practice internalised in programme thinking.<sup>46</sup> However, there are no formal earmarked funding streams dedicated to LRGs; access to programme funding and investment support is contingent upon LRGs and notably LRGAs in the Global South articulating and successfully securing a position in national development plans and budgets that are then supported by the EU. The strategic EU access points are at country level with the Delegations, not the European Commission in Brussels; the latter have provided the overarching framework and funding architecture but not the detailed programming content.

Success in accessing EU funds will be highly dependent on LRGs making the “**strategic business case**” to be essential partners in national economic transformation plans and making the

“**green transition**”. Critically, this case has to be “won” at the national policy dialogue level and then communicated to, and negotiated with, the relevant EU Delegation at country level to be included in the forward programme (2021–2027). If urbanisation and sustainable cities are key drivers of national (green) transformation, ideally expressed in national development plans / budgets, then inclusion in EU programming would seem likely, given EU priorities. Further, it is understood that there will likely be national focal points, the nominated national ministry (or department, agency or similar), that will lead the engagement with the EU Delegations; the relevant urban sector ministry may be only one of a number negotiating for inclusion in the EU programme support. While not mandated within any given jurisdiction, it is understood that a sustainable cities funding envelope of 10–15% of total programming for that jurisdiction over the period 2021–2027 is achievable.



<sup>45</sup> PLATFORMA. (2021). ‘NDICI’, a landmark deal for decentralised cooperation. <https://platforma-dev.eu/ndici-the-eus-new-development-programme-engages-and-supports-local-and-regional-governments/>

<sup>46</sup> Interview research clearly indicated that EU officials, and partners such as the EIB, fully embraced the economic importance of LRGs and sustainable urbanisation as key contributors to wider national development and achieving the SDGs.

At this point, May 2021, a limited amount is known about the conditions and detailed criteria for accessing NDICI – Global Europe funds. The current focus of dialogue is around overall programme design and funding envelopes at country level. The recommendations of this report are primarily based around what LRGs can do to increase their involvement within these negotiations and lay the groundwork in developing projects that will meet the criteria and expected focus areas. **Table 3** provides an inventory of recommendations across the stakeholders relevant to accessing future EU programme

financing to support LRGs achieve the SDGs. The following sections provide a higher-level set of recommendations to kick start the process of working with the EU and EU Delegations to secure the role of LRGs in partner countries in the MFF 2021–2027 and NDICI – Global Europe.

47 The core content can include urbanisation trends, urban hierarchy and structure, the urbanisation productivity dividend, cities and structural transformation, gender and social inclusion, climate risk and resilience, planning, land and infrastructure, energy and mobility and institutions and finance. This can highlight the constraints to inclusive growth and the key priorities for the green transformation.

## A. Networks of local and regional governments: Enabling Partners

### » Strategic Dialogue I: Working with the LRGs

- Work with the respective LRGAs (on a regional basis first) to guide them on working with the EU to participate in the new MFF and the NDICI – Global Europe and identifying key issues / challenges to access programme funding and technical assistance support.
- Facilitate a series of key partner engagements to bring the EU, DFIs and other delivery partners together with LRGAs *in each region* to identify programme priorities and access requirements.
- *The Strategic Business Case Primer* – Prepare a brief policy consultation “playbook” to assist LRGAs / LRGs more effectively present the case for territorial development and LRGs as a key driver of national transformation / green transition.<sup>47</sup>

### » Dialogue II: Advocating the business case for LRGs and LRGAs

- Enhance and accelerate engagement with the EU at Brussels, regional/country level and policy forums advocating for the role of LRGs in localising the SDGs; getting LRGs a seat at the table. Engage in city components of Team Europe Initiatives.
  - Advocate for technical assistance support to LRGs to ensure they are given a fair chance to participate – this is especially important for intermediary cities.
- ### » Readiness and Relevance: Demand-driven support focussed on accessing EU programming
- In collaboration with LRGAs, develop a programme of support to assist LRGs in participating in EU programmes – identify the critical needs and support areas.
  - Review, adapt and design appropriate Technical Assistance services and funding support together with the FMDV for LRGs to meet EU programme requirements – note the strong emphasis on implementation and investment in the green transition.



## C. Local and regional governments

- » **Localise the national strategic business case** and develop a **local transformation plan** and investment pipeline with a strong emphasis on implementation and in partnership with EU / IFIs and other development partners.<sup>48</sup>
- » **Engage with broad range of partners and stakeholders when developing projects**, including CSOs and banks given increased competition for funding.
- » **Establish 'public-private dialogues'** or similar engagements with private sector, economic and social stakeholders to help develop bankable projects with mutually beneficial outcomes. Learning to work with the private sector is important to the EU and its new financing models.
- » **Projects or programmes that deliver significant co-benefits and reflect core EU priorities** (esp. climate change) are most likely to be successful.

## B. Associations of local and regional governments

- » **Advocate the strategic business case for sustainable local governments** at national level and ensure there is alignment with national development priorities (and budgets) – build alliances with national partners around shared development goals.
- » **Fast track and strengthen dialogue with EU Delegations** and fully-brief members for a high level of engagement in programming process – create capable points of contact.
- » **Promote the TALD and decentralised cooperation at national level** to enable greater direct access to EU funding – enhance the visibility and critical contribution of intermediary cities in national transformation, territorial cohesion and climate resilience.

- » Prioritise **city level financial strengthening** – through the full financial management function - to support access to new funding / lending modalities; LRGs must be able to sustainably fund investment in order to access finance and safeguard sustainability.
- » Create partnerships and aggregate projects to achieve **"critical" scale and reduce transaction costs.**<sup>49</sup>

48 The local plans / budgets should be co-developed through participatory planning processes and ensuring all safeguards are fully considered.

49 Larger scale lending operations are likely to be more attractive to the IFIs and DFIs than smaller scale or piecemeal projects. Larger loan sizes to the sovereign can be on-lent in smaller tranches to (intermediary) cities. Recently, the EIB tendered the **Technical Assistance to support the African Sustainable Cities Initiative (ASCI)** which is aimed as sub-sovereign lending operations: <https://www.eib.org/en/about/procurement/calls-technical-assistance/all/aa-010302001.htm>

**Table 3: Recommendations and Actions**

AREA	RECOMMENDATIONS	LEAD ACTOR(S)	PARTNERS	TIMING
<b>Policy</b>	Promote a territorial approach to local development (TALD) and decentralisation reforms (functional and fiscal) for LRGs to better access EU funds directly or through earmarked national budgets while enhancing the visibility of intermediary cities in national transformation. Greater autonomy to generate own source revenues would also help improve creditworthiness and enable access to bank loans and lending for infrastructure projects through reduced risk	LRGAs	LRGs National government EU	Medium-long term
<b>Project preparation and capacity</b>	Increase technical support and capacity building provided to LRGs to meet the standard expected to access funds and lending modalities, e.g. aligning policies and projects with the SDGs and climate agenda, financial management, revenue generation, technical proposal and bid writing through networks such as the FMDV	LRG Networks	LRGs LRGAs DFIs/IFIs	Immediate-short term
	Establish 'public-private dialogues' or similar engagements with the private sector, CSOs and financial institutions to help develop sound and bankable projects within the priority areas identified (esp. climate change and green transition)	LRGs	Private sector CSOs DFIs/IFIs	Short-medium term
	Consider the strategic alignment of projects and local development plans with those of national development plans and EU priorities to see overlaps and areas where joint cooperation could be pursued	LRGs	National government LRGAs	Immediate term
	Develop interventions and proposals at scale (as opposed to smaller-scale scattered interventions) that deliver significant co-benefits and reflect core EU priorities around climate change, sustainable and inclusive growth. These are most likely to attract funding	LRGs	LRGAs EU	Short-medium term





AREA	RECOMMENDATIONS	LEAD ACTOR(S)	PARTNERS	TIMING
<b>Engagement and dialogue</b>	Strengthen dialogue with EU Delegations and national governments, fully-briefing LRGs and creating capable points of contact to ensure a high-level of engagement in the negotiations at country-level which will be the key determinant of programme funding themes and modalities, strengthening the case for participation and creating a compelling narrative	LRGAs LRG Networks	LRGs National government EU Delegations	Immediate - programming ongoing until end 2021
	Accelerate involvement with EU development policy dialogues such as the Policy Forum on Development advocating for the role of LRGs in localising the SDGs demonstrating alignment and ownership across national and local levels	LRGs LRG Networks	EU	Immediate term
	Engage in the city components of Team Europe Initiatives to see areas where efforts could be coordinated and strengthened, for instance in technical assistance and capacity-building	LRG Networks	EU	Short-medium term
	Engage with IFIs/DFIs to shape lending operations and pipelines relevant to LRGs establishing the key enabling conditions for access and sub-sovereign requirements, especially for intermediary cities	LRG Networks	LRGAs IFIs/DFIs	Medium-term



ACTOR	RECOMMENDATIONS	PARTNERS	TIMING
<b>LRG Networks</b>	Strengthen dialogue with EU Delegations and national governments, fully-briefing LRGs to ensure a high-level of engagement in the negotiations at country-level which will be the key determinant of programme funding themes and modalities, strengthening the case for participation and creating a compelling narrative	LRGs National government EU Delegations	Immediate - programming ongoing until end 2021
	Increase technical support and capacity building provided to LRGs (potentially through a dedicated facility) for meeting the standard expected to access funds and lending modalities, e.g. aligning policies and projects with the SDGs and climate agenda, financial management, revenue generation, technical proposal and bid writing	LRGs LRGAs DFIs/IFIs	Immediate-short term
	Accelerate involvement with EU development policy dialogues such as the Policy Forum on Development advocating for the role of LRGs in localising the SDGs demonstrating alignment and ownership across national and local levels	EU	Immediate term
	Engage in the city components of Team Europe Initiatives to see areas where efforts could be coordinated and strengthened, for instance in technical assistance and capacity-building	EU	Short-medium term
	Engage with IFIs/DFIs to shape lending operations and pipelines relevant to LRGs establishing the key enabling conditions for access and sub-sovereign requirements, especially for intermediary cities	LRGAs IFIs/DFIs	Medium-term



ACTOR	RECOMMENDATIONS	PARTNERS	TIMING
LRGAs	Strengthen dialogue with EU Delegations and national governments, fully-briefing LRGs and create capable points of contact to ensure a high-level of engagement in the negotiations at country-level which will be the key determinant of programme funding themes and modalities, strengthening the case for participation and creating a compelling narrative	LRGs National government EU Delegations	Immediate - programming ongoing until end 2021
	Promote a territorial approach to local development (TALD) and decentralisation reforms (functional and fiscal) for LRGs to better access EU funds directly or through earmarked national budgets while enhancing the visibility of intermediary cities in national transformation. Greater autonomy to generate own source revenues would also help improve creditworthiness and enable access to bank loans and lending for infrastructure projects through reduced risk	LRGs National government EU	Medium-long term
LRGs	Consider the strategic alignment of projects and local development plans with those of national development plans and EU priorities to see overlaps and areas where joint cooperation could be pursued	National government LRGAs	Immediate term
	Accelerate involvement with EU development policy dialogues such as the Policy Forum on Development advocating for the role of LRGs in localising the SDGs demonstrating alignment and ownership across national and local levels	EU	Immediate term
	Establish 'public-private dialogues' or similar engagements with the private sector, CSOs and financial institutions to help develop sound and bankable projects within the priority areas identified (esp. climate change and green transition)	Private sector CSOs DFIs/IFIs	Short-medium term
	Develop interventions and proposals at scale (as opposed to smaller-scale scattered interventions) that deliver significant co-benefits and reflect core EU priorities around climate change, sustainable and inclusive growth. These are most likely to attract funding	LRGAs EU	Short-medium term





# Annex 1. External Funding Programme Factsheets



**Name and Executing Agency:** **Horizon 2020** (European Commission)

**Strategic Intent and Objectives:** To ensure Europe produces world-class science and technology, removes barriers to innovation and make it easier for private and public sectors to work together in delivering solutions to big societal challenges.

**Budget and Timeframe:** €80 billion, 2014 – 2020 (extended to 2021 until transition to Horizon Europe)

## Scope and Coverage

### » Geographic:<sup>50</sup>

- EU member states and associated countries (Iceland, Norway, Albania, Bosnia and Herzegovina, North Macedonia, Montenegro, Serbia, Turkey, Israel, Moldova, Switzerland, Faroe Islands, Ukraine, Tunisia, Georgia, Armenia)
- Research organisations in 130 developing countries
- Co-funding available to certain industrialised countries and emerging economies

### » Thematic (Societal Challenges):

- Health, demographic change and wellbeing;
- Food security, sustainable agriculture and forestry, marine and maritime and inland water research, and the bioeconomy;
- Secure, clean and efficient energy;

- Smart, green and integrated transport;
- Climate action, environment, resource efficiency and raw materials;
- Europe in a changing world - inclusive, innovative and reflective societies;
- Secure societies - protecting freedom and security of Europe and its citizens.

**Access Strategies for LRGs:** Contact and partnering with research organisations including at least 3 from EU or associated countries (potential partners/organisations can be found at: <https://cordis.europa.eu/datalab/datalab.php>) and searching for relevant proposals at: <https://ec.europa.eu/info/funding-tenders/opportunities/portal/screen/programmes/h2020>. Relevant calls under the energy theme include **Mobility for Growth, Smart Cities & Communities**, and for climate action include **Innovating Cities for sustainability and resilience**. National Contact Points (NCPs) can provide guidance, information and assistance.

**Key Eligibility Criteria:** Collaborative research and innovation projects must be carried out by a consortia of organisations including at least 3 participants from 3 different EU Member States or associated countries. This may require financial capacity assessment of organisation.

**Delivery Mechanisms:** Calls for proposal and tenders with up to 100% of eligible costs covered by grants. Joint funding from EU and national governments, industry or other bodies available through the ERA-NET Cofund and European Joint Programme (EJP) Cofund.

<sup>50</sup> List of eligible countries can be found at: [https://ec.europa.eu/research/participants/data/ref/h2020/grants\\_manual/hi/3cpart/h2020-hi-3cpart\\_en.pdf](https://ec.europa.eu/research/participants/data/ref/h2020/grants_manual/hi/3cpart/h2020-hi-3cpart_en.pdf)

<sup>51</sup> <https://ec.europa.eu/info/funding-tenders/opportunities/portal/screen/support/ncp>



**Name and Executing Agency:** **Horizon Europe**  
(European Commission)

**Strategic Intent and Objectives:** To generate knowledge, strengthen the impact of research and innovation in developing, supporting and implementing EU policies and support the access to and uptake of innovative solutions in European industry, notably in SMEs, and society to address global challenges, including climate change and the Sustainable Development Goals.

**Budget and Timeframe:** €95.5 billion, 2021–2027  
(note: main work programme planned to be adopted in April 2021)

**Scope and Coverage**

» **Geographic:**

- EU member states, European Free Trade Association (EFTA), acceding countries, candidate countries, potential candidates, countries covered by European Neighbourhood Policy.
- Third countries with good capacity in science, technology and innovation, rules based open market economy, promotion of policies for economic and social wellbeing of citizens (*association negotiations currently ongoing*).

» **Thematic (Pillar 2: Global Challenges and European and Industrial Competitiveness):**

- Health
- Culture, Creativity and Inclusive Society

- Civil Security for Society
- Digital, Industry and Space
- Climate, Energy and Mobility
- Food, Bioeconomy, Natural Resources, Agriculture and Environment
- **Mission areas** within the clusters of Pillar 2 provide actions across disciplines to solve major societal challenges including adaptation to climate change, healthy oceans, seas, coastal and inland waters and **climate-neutral and smart cities**

**Access Strategies for LRGs:** TBC, but possibly similar arrangement to Horizon 2020

**Key Eligibility Criteria:** TBC

**Delivery Mechanisms:** Funding and Tenders Portal<sup>52</sup> becomes one-stop-shop for all managed EU programmes which will provide information on the research and innovation issues applicants should address in proposals.

<sup>52</sup> <https://ec.europa.eu/info/funding-tenders/opportunities/portal/screen/home>



**Name and Executing Agency:** **Early Transition Countries Fund/Initiative** (EBRD)

**Strategic Intent and Objectives:** To stimulate economic activity in EBRD countries which face significant transition challenges (Armenia, Azerbaijan, Belarus, Georgia, Kyrgyz Republic, Moldova, Mongolia, Tajikistan, Turkmenistan and Uzbekistan) by financing more and smaller projects, mobilising more investment and encouraging ongoing economic reform.

**Budget and Timeframe:** €0.86 billion donor contributions (2015), 2004 – ongoing

**Scope and Coverage**

» **Geographic:**

- Armenia, Azerbaijan, Belarus, Georgia, Kyrgyz Republic, Moldova, Mongolia, Tajikistan, Turkmenistan and Uzbekistan.

» **Thematic:**

- Addresses poor investment climate at micro level by providing individual project finance and advisory services, and at the macro level of policy dialogue and institutional reform. Emphasis on private sector development (midsize enterprises and SMEs). Specific priorities for each Early Transition Country (ETC) set out in relevant EBRD country strategy accounting for national poverty reduction strategies.

**Access Strategies for LRGs:** Approach the local EBRD Resident Office in country. Investments in sustainable services and smaller infrastructure projects including water and wastewater,

solid waste, transport and communications appropriate to the ability of local consumers to pay for improvements is promoted through municipal financing and technical assistance.

**Key Eligibility Criteria:** Projects must have strong management, have strong commercial prospects, involve significant equity contributions in-cash or in-kind from the project sponsor, benefit the local economy and help develop the private sector, satisfy sound banking and environmental standards.

**Delivery Mechanisms:**

- Direct Loan Facility finances expansion, modernisation and acquisition projects in the private sector and provides working capital from €0.5 million to €10 million.
- The Medium-sized Co-financing Facility provides co-financing alongside local banks for up to 50 per cent of the loan to selected enterprises.
- The Direct Investment Facility allows the EBRD to support direct equity investments ranging from €0.5 million to €6 million in local enterprises.



**Name and Executing Agency:** Eastern Europe Energy Efficiency and Environment Partnership (EBRD)

**Strategic Intent and Objectives:** A multi-donor fund to facilitate municipal infrastructure investments boosting energy efficiency and environmental protection in the Eastern Partnership Countries.

**Budget and Timeframe:** €0.2 billion, 2010 – ongoing

**Scope and Coverage**

» **Geographic:**

- Ukraine, Armenia, Azerbaijan, Belarus, Georgia, Moldova

» **Thematic:**

- District heating
- Energy efficiency in public buildings (schools, kindergartens, hospitals)
- Energy saving measures in residential housing
- Renewable energy (including biomass)
- Street lighting
- Water and wastewater treatment
- Solid waste management
- Urban transport

project proposals for approval by the Assembly of Contributors who approve grant allocations.

**Key Eligibility Criteria:** Projects must demonstrate their potential for energy saving, capacity to reduce pollution and/or the potential for regulatory reform.

**Delivery Mechanisms:** Co-financing grants to be used as an incentive for municipalities to take loans provided by participating implementing agencies: Council of Europe Development Bank (CEB), European Bank for Reconstruction and Development (EBRD), European Investment Bank (EIB), International Finance Corporation (IFC), the German Development Bank (KfW), Nordic Environment Finance Corporation (NEFCO), Nordic Investment Bank (NIB), World Bank (WB).

**Access Strategies for LRGs:** Steering Group consisting of recipient countries and implementing agencies develops and makes



**Name and Executing Agency:** **Regional Energy Efficiency Programme for the Western Balkans (EBRD)**

**Strategic Intent and Objectives:** To create a sustainable market for energy efficiency in the Western Balkans, supporting energy efficiency investments in both private and public sectors.

**Budget and Timeframe:** €0.023 billion, 2012 – ongoing

**Scope and Coverage**

» **Geographic:**

- Albania, Bosnia and Herzegovina, Croatia, Kosovo, North Macedonia, Montenegro, Serbia

» **Thematic:**

- Energy efficiency and renewable energy

**Access Strategies for LRGs:** Contact WeBSEFF Project Office in country or submit application form <http://www.webseff.com/index.php/2013-08-25-07-42-09/how-to-apply>

**Key Eligibility Criteria:** Investment in modern technologies that cut energy consumption or CO<sub>2</sub> emissions by at least 20%; Retrofitting of buildings, provided the investment will make them at least 30% more energy efficient; Stand-alone renewable energy projects.

**Delivery Mechanisms:**

- 1. Policy dialogue and project preparation support:** Facilitates policy dialogue with authorities to enhance the regulatory

frameworks and overcome market barriers for energy service company markets to emerge.

- 2. Credit Line Facility for small projects (WeBSEFF):** Provides loans of up to €2.5 million to municipalities, providers of municipal services, energy service companies and owners of public buildings, receiving grant incentives of 10 – 15% of loan amount upon successful completion.
- 3. Direct Financing Facility for medium sized projects (WeBSEFF):** Provides direct loans from €2 million up to €6 million for eligible projects along with technical assistance and incentive payments based on the estimated reduction of CO<sub>2</sub> emissions.





**Name and Executing Agency:** **EBRD Green Cities**

**Strategic Intent and Objectives:** To build a better and more sustainable future for cities and their residents by identifying, prioritising and connecting cities' environmental challenges with sustainable infrastructure investments and policy measures.

**Budget and Timeframe:** €1.5 billion, 2016 – ongoing

**Scope and Coverage**

» **Geographic:**

- Cities in the EBRD regions

» **Thematic:**

- Climate action, sustainable infrastructure and policy

**Access Strategies for LRGs:** Contact greencities@ebrd.com, formal commitment declared through a loan or project agreement with EBRD for a trigger investment project or a Memorandum of Understanding or commitment letter with EBRD stating the city will or intend to undertake an EBRD-financed sustainable infrastructure project in two years.

**Key Eligibility Criteria:** Be a city in the EBRD regions, have a population of at least 100,000, be willing to conduct a Green City Action Plan, initiate an investment trigger project in one of the following sectors: solid waste, water and wastewater, urban transport, district energy, or low-carbon and climate-resilient buildings.

**Delivery Mechanisms:**

- 1. Developing Green City Action Plans (GCAP).<sup>53</sup>** Assess and prioritise environmental challenges, developing an action plan to tackle them through policy interventions and sustainable infrastructure investments.
- 2. Sustainable infrastructure investment:** Facilitating public or private green investments in water and wastewater, urban transport, district energy, energy efficiency in buildings, solid waste.
- 3. Capacity building:** Providing technical support to city administrators and local stakeholders to ensure infrastructure investments and policy measures identified in action plans can be developed, implemented and monitored.

<sup>53</sup> Green City Action Plan Methodology: [https://ebrdgreencities.com/assets/Uploads/PDF/3255f2232f/GCAP\\_2-1\\_Methodology\\_V1.pdf](https://ebrdgreencities.com/assets/Uploads/PDF/3255f2232f/GCAP_2-1_Methodology_V1.pdf)



**Name and Executing Agency:** Facility for Euro-Mediterranean Investment and Partnership (EIB)

**Strategic Intent and Objectives:** To encourage the modernisation and opening-up of the Mediterranean partner countries' economies. FEMIP focuses its activities on two main priorities: private sector support and the creation of an investment-friendly environment.

**Budget and Timeframe:** €9.6 billion, 2002 – ongoing

#### Scope and Coverage

##### » Geographic:

- Algeria, Egypt, Gaza/West Bank, Israel, Jordan, Lebanon, Morocco, Syria, Tunisia, soon Libya

##### » Thematic:

- Energy (renewable energy projects, energy efficiency)
- Transport and telecoms (airports, air transport, roads and highways, ports, bridges)
- Environment (water supply, wastewater collection and treatment, solid waste, climate change mitigation and adaptation)
- Human and social capital (hospitals, clinics and healthcare, schools, social housing)
- Industry, tourism and services (large-scale and SMEs)

**Access Strategies for LRGs:** Direct loans (for projects over €25 million) can be requested

directly from the EIB and local offices, smaller-scale projects should contact the financial institutions or commercial banks EIB has partnership with which can be found at: <https://www.eib.org/intermediarieslist/search/index>

**Key Eligibility Criteria:** Projects must contribute to the development of the partner countries' economic infrastructure, with priority given to expanding the private sector and creating a business-friendly environment, and are assessed in relation to technical suitability and coherence, economic/financial viability and respected for environmental and international procurement norms.

**Delivery Mechanisms:** Co-financing up to 50% of the total cost via individual loans for investment projects over €25 million, and credit lines for smaller-scale projects of less than €25 million in long-term loans provided to SMEs and local authorities through local intermediary banks and leasing institutions.

The **FEMIP Trust Fund** provides grants for advisory services (e.g. policy, regulatory and institutional reform and capacity building that help foster private sector development), risk capital participation for equity operations and democratic transformation support that act as an economic catalyst for change and support job creation. Also contains the **Climate Action in the Middle East and North Africa (CAMENA)** envelope which provides grants targeted at specific climate initiatives such as technical assistance to support climate risk and vulnerability assessments, feasibility studies along with improving the enabling environment to climate investments among public and private institutions.

**Name and Executing Agency:** City Climate Finance Gap Fund (EIB, World Bank and other partners)

**Strategic Intent and Objectives:** To provide a range of technical assistance and capacity building to support climate-smart planning and investment in cities in developing and emerging countries. Enhancing cities' low-carbon planning and resilience efforts, helping city leaders to build a pipeline of climate-smart urban investments, facilitating connection between cities and prospective financing partners, and leveraging international collaboration and partnerships with city networks.

**Budget and Timeframe:** €0.055 billion, 2020 – ongoing

**Scope and Coverage**

» **Geographic:**

- Low- and middle-income countries

» **Thematic:**

- Sustainable urban mobility
- Energy efficiency and small renewables including building retrofits, street lighting, district heating and cooling
- Solid waste management and circular economy activities
- Water and wastewater management
- Greening of urban areas, nature-based solutions, blue/green infrastructure
- Green buildings
- Adaptation to established climate vulnerabilities
- Affordable housing with an energy-efficient approach

- Multi-sector, area-based investment programmes including slum/informal settlement upgrading, brownfield redevelopments, urban extensions

**Access Strategies for LRGs:** Cities, municipal authorities and local governments can submit an Expression of Interest form at: <https://www.citygapfund.org/apply-for-support> for shortlisting. Following shortlisting a more detailed application that addresses key project specifics will need to be submitted and assessed based on: the extent and credibility of anticipated climate action benefits; replication potential and scalability; alignment with national and local government commitments; positive environmental, social and economic co-benefits; potential bankability or creditworthiness; political ownership; and priority at city government and at the national level.

**Key Eligibility Criteria:** Must (1) be a developing or emerging country on the ODA-OECD DAC list,<sup>54</sup> (2) have the potential to contribute to the mitigation of greenhouse gas emissions as identified in the Paris Agreement and/or adapting to climate change, have estimated the proposal's climate change mitigation or adaptation potential, (3) belong to one of the thematic sectors listed above, (4) be situated in an urban area or functionally linked to one, (5) be in the strategic planning or pre-feasibility stages of a project.

**Delivery Mechanisms:** Provides grant funding and technical assistance support through the EIB (via GIZ) or the World Bank at the early stage of project preparation. Does not finance investments directly but can help to identify further sources of funding for later project cycle stages.

<sup>54</sup> <https://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/daclist.htm>



**Name and Executing Agency:** **Economic Resilience Initiative** (EIB)

**Strategic Intent and Objectives:** To make countries more inclusive by offering grants and financial instruments for infrastructure projects of economic and social benefit, while also helping women and young people find jobs. The initiative also assists countries and regions in preparing for sudden economic or environmental shocks.

**Budget and Timeframe:** €6 billion (public sector investments currently amount to €1.35 billion), 2016 – ongoing

#### Scope and Coverage

##### » Geographic:

- Southern Neighbourhood and Western Balkans

##### » Thematic:

- Sustainable and vital infrastructure (clean water, energy, education, healthcare, transport and urban services) and private sector growth boosting employment opportunities through more support for micro-enterprises and SMEs

**Access Strategies for LRGs:** Direct loans (for projects over €25 million) can be requested directly from the EIB and local offices, smaller-scale projects should contact the financial institutions or commercial banks EIB has partnership with which can be found at: <https://www.eib.org/intermediarieslist/search/index>

**Key Eligibility Criteria:** Must be located in the Southern Neighbourhood or Western Balkans

**Delivery Mechanisms:** Private equity funds, local currency lending (for micro-enterprises and SMEs), risk-sharing instruments (guarantees), direct financing (blending grants with EIB loans)



**Name and Executing Agency:** **Water Sector Fund** (EIB with support from the Dutch government)

**Strategic Intent and Objectives:** To support the development of water projects in low- and lower-middle income countries.

**Budget and Timeframe:** €0.003 billion, 2018 – ongoing

**Scope and Coverage**

» **Geographic:**

- Low and lower-middle income countries

» **Thematic:**

- Water projects and water management

**Access Strategies for LRGs:** TBC

**Key Eligibility Criteria:** Supports projects in cities with populations greater than 100,000 people and clusters of smaller cities

**Delivery Mechanisms:** Grants and early-phase technical assistance



# Annex 2. Capture table on local and regional governments' access to EU funding



**Programme/project title** CITY CLIMATE FINANCE GAP FUND

**OWNER**

**Prime owner** EIB

**Partners** WB | GIZ | BMU | BMZ | GCoM | ICLEI | C40

**SUBJECT MATTER**

**Objectives** To provide a range of technical assistance and capacity building to support climate-smart planning and investment in cities in developing and emerging countries. Enhancing cities' low-carbon planning and resilience efforts, helping city leaders to build a pipeline of climate-smart urban investments, facilitate connection between cities and prospective financing partners, and leveraging international collaboration and partnerships with city networks

**Theme(s)** Climate action | Energy efficiency | Municipal services | Transport | Clean energy

**Geographic Coverage** Low- and middle-income countries

**FUNDING**

**Total budget (€)** 55 million

**ACCESS**

- Eligibility Criteria / Weighting**
1. Be a developing or emerging country on the ODA-OECD DAC list,
  2. Have the potential to contribute to the mitigation of greenhouse gas emissions as identified in the Paris Agreement and/or adapting to climate change, have estimated the proposal's climate change
  3. Belong to one of the thematic sectors listed above,
  4. Be situated in an urban area or functionally linked to one,
  5. Be in the strategic planning or pre-feasibility stages of a project

**Access Modality** Direct

**Procurement Mode** Expressions of interest

**Type** Technical assistance and Grants

**Current Status** Ongoing

**Period** 2020 - Present

**Access Strategies** Cities, municipal authorities and local governments can submit an Expression of Interest form at: <https://www.citygapfund.org/apply-for-support> for shortlisting



**Programme/project title** ECONOMIC RESILIENCE INITIATIVE

OWNER

**Prime owner** EIB

SUBJECT MATTER

**Objectives** To make countries more inclusive by offering grants and financial instruments for infrastructure projects of economic and social benefit, while also helping women and young people find jobs. The initiative also assists countries and regions in preparing for sudden economic or environmental shocks

**Theme(s)** Clean energy | Clean water | Education | Transport | Healthcare | Private sector development

**Geographic Coverage** Southern Neighbourhood | Western Balkans

FUNDING

**Total budget (€)** 6 billion

ACCESS

**Eligibility Criteria / Weighting** Must be located in the Southern Neighbourhood or Western Balkans

**Access Modality** Direct

**Procurement Mode** Expressions of interest

**Type** Loans | Blending | Guarantees | Private equity funds

**Current Status** Ongoing

**Period** 2016 - Present

**Access Strategies** Direct loans (for projects over €25 million) can be requested directly from the EIB and local offices, smaller-scale projects should contact the financial institutions or commercial banks EIB has partnership with which can be found at: <https://www.eib.org/intermediarieslist/search/index>

**Programme/project title** WATER SECTOR FUND

**OWNER**

**Prime owner** EIB

**Partners** Dutch Government

**SUBJECT MATTER**

**Objectives** To support the development of water projects in low- and lower-middle income countries

**Theme(s)** Clean water | Water management

**Geographic Coverage** Low- and middle-income countries

**FUNDING**

**Total budget (€)** 3 million

**ACCESS**

**Eligibility Criteria / Weighting** Supports projects in cities with populations greater than 100,000 people and clusters of smaller cities

**Access Modality** Direct

**Procurement Mode** TBC

**Type** Grants | Technical assistance

**Current Status** Ongoing

**Period** 2018 - Present

**Access Strategies** TBC

## Programme/project title

### EASTERN EUROPE ENERGY EFFICIENCY AND ENVIRONMENT PARTNERSHIP

#### OWNER

**Prime owner** EBRD

**Partners** CEB | EIB | IFC | KfW | NEFCO | NIB | WB

#### SUBJECT MATTER

**Objectives** A multi-donor fund to facilitate municipal infrastructure investments boosting energy efficiency and environmental protection in the Eastern Partnership Countries

**Theme(s)** Municipal services | Climate action | Clean energy | Energy efficiency

**Geographic Coverage** Eastern Europe and the Caucasus

#### FUNDING

**Total budget (€)** 200 million

#### ACCESS

**Eligibility Criteria / Weighting** Projects must demonstrate their potential for energy saving, capacity to reduce pollution and/or the potential for regulatory reform

**Access Modality** Direct

**Procurement Mode** Expressions of interest

**Type** Grants | Loans

**Current Status** Ongoing

**Period** 2010 - Present

**Access Strategies** Steering Group consisting of recipient countries and Implementing Agencies develops and makes project proposals for approval by the Assembly of Contributors who approve grant allocations. <http://e5p.eu/>

**Programme/project title**
**EBRD EARLY TRANSITION COUNTRIES FUND/INITIATIVE**
**OWNER**


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**Prime owner** EBRD

**SUBJECT MATTER**


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**Objectives** To stimulate economic activity in EBRD countries which face significant transition challenges (Armenia, Azerbaijan, Belarus, Georgia, Kyrgyz Republic, Moldova, Mongolia, Tajikistan, Turkmenistan and Uzbekistan) by financing more and smaller projects, mobilising more investment and encouraging ongoing economic reform

**Theme(s)** Private sector development | Inclusive growth | Municipal services

**Geographic Coverage** Central Asia, Eastern Europe and the Caucasus

**Components & Subcomponents**

1. Direct Loan Facility finances expansion, modernisation and acquisition projects in the private sector from €0.5 million to €10 million
2. Co-financing Facility provides co-financing alongside local banks for up to 50 per cent of the loan to selected enterprises
3. Direct Investment Facility allows the EBRD to support direct equity investments ranging from €0.5 million to €6 million in local enterprises

**FUNDING**


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**Total budget (€)** 85.7 million

**ACCESS**


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**Eligibility Criteria / Weighting**

1. Be located in an EBRD country of operations
2. Have strong commercial prospects
3. Involve significant equity contributions in-cash or in-kind from the project sponsor
4. Benefit the local economy and help develop the private sector
5. Satisfy banking and environmental standards

**Access Modality** Direct

**Procurement Mode** Expressions of interest

**Type** Loans

**Current Status** Ongoing

**Period** 2004 - Present

**Access Strategies** Approach local EBRD Resident Office in country or the Early Transition Team at the EBRD Headquarters in London. A deal typically takes three to six months from initial contact to signing <https://www.ebrd.com/what-we-do/sectors-and-topics/early-transition-countries-initiative.html>

## Programme/project title

### EBRD GREEN CITIES

#### OWNER

**Prime owner** EBRD

#### SUBJECT MATTER

**Objectives** To build a better and more sustainable future for cities and their residents by identifying, prioritising and connecting cities' environmental challenges with sustainable infrastructure investments and policy measures

**Theme(s)** Climate action | Policy development

**Geographic Coverage** Central Asia | Eastern Europe and the Caucasus | Central Europe and the Baltic States | South-eastern Europe | Southern Mediterranean

**Components & Subcomponents**

1. Green City Action Plans (GCAP)
2. Sustainable infrastructure investment: facilitating public or private green investments in water and wastewater, urban transport, district energy, energy efficiency in buildings, solid waste
3. Capacity building: technical support to city administrators and local stakeholders to ensure infrastructure investments and policy measures identified in action plans can be developed, implemented and monitored

#### FUNDING

**Total budget (€)** 1.5 billion

#### ACCESS

**Eligibility Criteria / Weighting**

1. Be a city in the EBRD regions
2. Have a population of at least 100,000
3. Be willing to conduct a Green City Action Plan,
4. Initiate an investment trigger project in one of the following sectors: solid waste, water and wastewater, urban transport, district energy, or low-carbon and climate-resilient buildings

**Access Modality** Direct

**Procurement Mode** Expressions of interest

**Type** Technical assistance

**Current Status** Ongoing

**Period** 2016 - Present

**Access Strategies** Contact [greencities@ebrd.com](mailto:greencities@ebrd.com)

Loan or project agreement with EBRD for a trigger investment project or a Memorandum of Understanding or commitment letter with EBRD



## Programme/project title

### FACILITY FOR EURO-MEDITERRANEAN INVESTMENT AND PARTNERSHIP (FEMIP)

#### OWNER

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**Prime owner** EIB

#### SUBJECT MATTER

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**Objectives** To encourage the modernisation and opening-up of the Mediterranean partner countries' economies. FEMIP focuses its activities on two main priorities: private sector support and the creation of an investment-friendly environment

**Theme(s)** Clean energy | Energy efficiency | Transport | Climate action  
Private sector development | Education | Municipal services

**Geographic Coverage** Southern Mediterranean

#### FUNDING

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**Total budget (€)** 9.6 billion

**Matching** Up to 50% of the total cost via individual loans for investment projects over €25 million, and credit lines for smaller-scale projects of less than €25 million in long-term loans provided to SMEs and local authorities through local intermediary banks and leasing institutions

#### ACCESS

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**Eligibility Criteria / Weighting** The project must contribute to the development of economic infrastructure, with priority being given to expanding the private sector and creating a business-friendly environment

**Access Modality** Direct

**Procurement Mode** Expressions of interest

**Type** Loans

**Current Status** Ongoing

**Period** 2002 - Present

**Access Strategies** Direct loans (for projects over €25 million) can be requested directly from the EIB and local offices. Smaller-scale projects contact the financial institutions or commercial banks EIB has partnership with which can be found at: <https://www.eib.org/intermediarieslist/search/index>

## Programme/project title

### HORIZON 2020

#### OWNER

**Prime owner** European Commission

#### SUBJECT MATTER

**Objectives** To ensure Europe produces world-class science and technology, removes barriers to innovation and make it easier for private and public sectors to work together in delivering solutions to big societal challenges

**Theme(s)** Health and wellbeing | Agriculture and environment | Clean energy | Transport  
Climate action | Security | Research and innovation

**Geographic Coverage** EU Member States | Associated countries | Research organisations in 130 countries

**Components & Subcomponents**

1. Excellent Science
2. Industrial Leadership
3. Societal Challenges

#### FUNDING

**Total budget (€)** 80 billion

**Matching** 70% to 100% of direct eligible costs  
Flat rate of 25% of direct eligible costs for indirect costs

#### ACCESS

**Eligibility Criteria / Weighting** Must include at least 3 organisations from 3 different EU Member States or Associated Countries. In addition to these three partners, any legal entity from anywhere in the world can participate

**Access Modality** Direct

**Procurement Mode** Calls for proposals and tenders

**Type** Grants

**Current Status** Ongoing

**Period** 2014 - 2021

**Access Strategies** Relevant proposals and tenders: <https://ec.europa.eu/info/funding-tenders/opportunities/portal/screen/programmes/h2020>

**Programme/project title**

**HORIZON EUROPE**

**OWNER**

**Prime owner** European Commission

**SUBJECT MATTER**

**Objectives** To generate knowledge, strengthen the impact of research and innovation in developing, supporting and implementing Union policies and support the access to and uptake of innovative solutions in European industry, notably in SMEs, and society to address global challenges, including climate change and the Sustainable Development Goals

**Theme(s)** Health and wellbeing | Agriculture and environment | Culture and creativity  
Migration and mobility | Climate action | Digital | Security

**Geographic Coverage** EU Member States and Associated countries

**FUNDING**

**Total budget (€)** 95.5 billion

**Matching** Up to 100%

**ACCESS**

**Access Modality** Direct

**Procurement Mode** Calls for proposals and tenders

**Type** Grants

**Current Status** Anticipated

**Period** 2021-2027

**Access Strategies** Once confirmed all proposals will be available on Funding and Tenders Portal (<https://ec.europa.eu/info/funding-tenders/opportunities/portal/screen/home>)

## Programme/project title

### NDICI - GEOGRAPHIC

#### OWNER

**Prime owner** European Commission (DG INTPA)

#### SUBJECT MATTER

**Objectives** To foster dialogue and cooperation with third countries, with each regional envelope adapted to the needs and priorities of respective countries

**Theme(s)** Security | Migration and mobility | Agriculture and environment | Climate action  
 Inclusive growth | Good governance | Human rights and democracy |  
 Municipal services | Policy development

**Geographic Coverage** Neighbourhood countries | Sub-Saharan Africa | Asia-Pacific | Latin America and the Caribbean

**Components & Subcomponents**

1. People
2. Planet
3. Prosperity
4. Peace
5. Partnership

#### FUNDING

**Total budget (€)** 60.38 billion

#### ACCESS

**Eligibility Criteria / Weighting** 25% for climate objectives, 20% for social inclusion and human development, 10% for root causes of migration and forced displacement

At least 92% must fulfil ODA criteria

Neighbourhood window: 10% allocated to performance and 4% allocated to cross-border cooperation

**Access Modality** TBC

**Procurement Mode** TBC

**Type** TBC

**Current Status** Anticipated

**Period** 2021 - 2027

**Access Strategies** Programming ongoing through EU Delegations. €500 million committed to support empowerment and capacity-building of LRGs. Particular focus on the Territorial Approach to Local Development (TALD) and decentralisation, supporting municipal service delivery and capacity building

## Programme/project title

### NDICI - INVESTMENT FRAMEWORK

#### OWNER

**Prime owner** European Commission (DG INTPA)

#### SUBJECT MATTER

**Objectives** To raise additional financial resources for sustainable development from the private sector

**Theme(s)** Private sector development | Agriculture and environment | Clean energy | Climate action | Digital | Migration and mobility | Inclusive growth

**Geographic Coverage** Neighbourhood countries | Sub-Saharan Africa | Asia-Pacific | Latin America and the Caribbean

**Components & Subcomponents**  
 1. European Fund for Sustainable Development Plus (EFSD+)  
 2. External Action Guarantee

#### FUNDING

**Total budget (€)** TBC

**Matching** 53.4 billion External Action Guarantee

#### ACCESS

**Eligibility Criteria / Weighting** Complementarity with other initiatives, supported by private and public partners, technically viable and environmentally and socially sustainable. Priority for countries experiencing fragility or conflict, LDCs and HIPCs, or regions with critical infrastructure and connectivity needs

**Access Modality** Direct

**Procurement Mode** TBC

**Type** Grants | Loans | Blending

**Current Status** Anticipated

**Period** 2021 - 2027

**Access Strategies** Leverage private sector support for additional investment and blended financing. Programming ongoing through EU Delegations, likely to include sustainable cities window



## Programme/project title

### NDICI - RAPID RESPONSE

#### OWNER

**Prime owner** European Commission (DG INTPA)

#### SUBJECT MATTER

**Objectives** To provide conflict prevention and respond to crisis and instability, linking humanitarian aid with development action and address foreign policy needs and priorities

**Theme(s)** Security | Foreign policy | Humanitarian aid | Peace

**Geographic Coverage** Associated countries | Low- and middle-income countries | Neighbourhood countries | Sub-Saharan Africa | Asia-Pacific | Latin America and the Caribbean

#### FUNDING

**Total budget (€)** 3.18 billion

#### ACCESS

**Access Modality** TBC

**Procurement Mode** TBC

**Type** TBC

**Current Status** Anticipated

**Period** 2021 - 2027

**Access Strategies** Programming ongoing through EU Delegations  
Unlikely to be much funding available for LRGs

**Programme/project title**
**NDICI - THEMATIC**
**OWNER**

**Prime owner** European Commission (DG INTPA)

**SUBJECT MATTER**

**Objectives** To support human rights and democracy, civil society, stability and peace. Complements activities in geographic where none are available

**Theme(s)** Civil society | Health and wellbeing | Education | Migration and mobility | Human rights and democracy | Good governance | Climate action | Clean energy | Inclusive growth | Agriculture and environment | Security | Peace

**Geographic Coverage** Associated countries | Low- and middle-income countries | Neighbourhood countries | Sub-Saharan Africa | Asia-Pacific | Latin America and the Caribbean

**Components & Subcomponents**

1. Human rights and Democracy
2. Civil Society Organisations
3. Stability and Peace
4. Global Challenges

**FUNDING**

**Total budget (€)** 6.36 billion

**ACCESS**

**Eligibility Criteria / Weighting** 25% for climate objectives, 20% for social inclusion and human development, 10% for root causes of migration and forced displacement

At least 92% must fulfil ODA criteria

**Access Modality** TBC

**Procurement Mode** TBC

**Type** TBC

**Current Status** Anticipated

**Period** 2021 - 2027

**Access Strategies** Programming ongoing through EU Delegations

Funding for platforms like UCLG and PLATFORMA likely through Global Challenges, Partnerships

## Programme/project title

### REGIONAL ENERGY EFFICIENCY PROGRAMME FOR THE WESTERN BALKANS (REEPWB)

#### OWNER

**Prime owner** EBRD

#### SUBJECT MATTER

**Objectives** To create a sustainable market for energy efficiency in the Western Balkans, supporting energy efficiency investments in both private and public sectors

**Theme(s)** Clean energy | Climate action | Energy efficiency

**Geographic Coverage** Western Balkans

**Components & Subcomponents**

1. Policy dialogue with authorities to enhance regulatory frameworks and overcome market barriers
2. Credit Line Facility for small projects (WeBSEFF): loans of up to €2.5 million to municipalities, providers of municipal services, energy service companies and owners of public buildings
3. Direct Financing Facility for medium sized projects (WeBSEFF): loans from €2 million up to €6 million for eligible projects along with technical assistance and incentive payments based on estimated reduction of CO<sub>2</sub> emissions

#### FUNDING

**Total budget (€)** 23.35 million

#### ACCESS

**Eligibility Criteria / Weighting**

1. Investment in modern technologies that cut energy consumption or CO<sub>2</sub> emissions by at least 20%;
2. Retrofitting of buildings, provided the investment will make them at least 30% more energy efficient;
3. Stand-alone renewable energy projects

**Access Modality** Direct

**Procurement Mode** Expressions of interest

**Type** Technical assistance | Loans

**Current Status** Ongoing

**Period** 2012 - Present

**Access Strategies** Contact WEBSEFF Project Office in country or submit application form <http://www.webseff.com/index.php/2013-08-25-07-42-09/how-to-apply>



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