Financing the Green Deal: a toolbox for the implementation of the Green Deal
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It does not represent the official views of the European Committee of the Regions.
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<td>Annual Sustainable Growth Strategy</td>
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<td>CAP</td>
<td>Common Agricultural Policy</td>
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<td>CEF</td>
<td>Connecting Europe Facility</td>
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<tr>
<td>CF</td>
<td>Cohesion Fund</td>
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<tr>
<td>CFP</td>
<td>Common Fisheries Policy</td>
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<td>CLLD</td>
<td>Community-Led Local Development</td>
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<td>CoR</td>
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<td>CSR</td>
<td>Country-Specific Recommendation</td>
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<td>EAFRD</td>
<td>European Agricultural Fund for Rural Development</td>
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<td>EIAH</td>
<td>European Investment Advisory Hub</td>
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<td>EIB</td>
<td>European Investment Bank</td>
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<td>EMFF</td>
<td>European Maritime and Fisheries Fund</td>
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<td>ERDF</td>
<td>European Regional Development Fund</td>
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<td>ESF+</td>
<td>European Social Fund Plus</td>
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<td>ETC</td>
<td>European Territorial Cooperation</td>
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<td>FEAD</td>
<td>Fund for European Aid to the Most Deprived</td>
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<td>JTF</td>
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<td>LRAs</td>
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<td>MFF</td>
<td>Multiannual Financial Framework</td>
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<td>OP</td>
<td>Operational Programme</td>
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<tr>
<td>REACT-EU</td>
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<tr>
<td>TEN-E</td>
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<td>TEN-T</td>
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Summary

The European Green Deal is an overarching framework setting ambitious goals for the EU, which will require actions across policies, sectors and stakeholders. A substantial part of the EU budget is expected to contribute directly or indirectly to these goals, and many EU funding options are available to Local and Regional Authorities (LRAs) to invest in the Green Deal implementation on the ground. LRAs can access these funds through three main pathways depending on the management of the EU funds:

- **Shared management of the funds under the EU Cohesion Policy, Common Agricultural Policy, Common Fisheries Policy and the new Just Transition Fund:** to access funding, LRAs need to consult their national or regional managing authorities for details about the types of investments supported and relevant calls for proposals.

- **Direct management of funds such as Horizon Europe, LIFE and Connecting Europe Facility:** to access funding, LRAs need to consult the centralised websites and helpdesks of each instrument about relevant calls for proposals (if relevant, national contact points may also be consulted).

- **Indirect management of financial instruments such as InvestEU or the public loan facility under the Just Transition Mechanism:** to access financing, LRAs need to consult the European Investment Bank (EIB) or other implementing partners such as national development banks or private banks about the conditions for receiving support.

These pathways offer different advantages and LRAs would need to carefully consider which options might be best suited for their local circumstances, needs and investment projects. In order to understand and use these funds, LRAs can also consult the advisory and support service available.

The current pathways have some limitations and the possibilities for enhancing LRAs’ access to the EU funds for the implementation of the Green Deal are primarily linked to stronger participation in the programming process of existing funds and building their capacities. A more accurate and overarching reflection of territorial trends, local or regional investment and reform needs, opportunities and challenges in the needs’ assessment and design of spending programmes, is likely to result in more opportunities (in the form of e.g. calls for proposals) that address the investment needs of LRAs and allow them to finance the implementation of the Green Deal with EU support. Thanks to advisory services, technical assistance and other tools for learning, training and support, LRAs will also be able to identify and apply for relevant EU funding in their projects.
Introduction

In 2019, the European Commission introduced the European Green Deal\(^1\) as the ‘new growth strategy’ for Europe. It sets out strategic objectives in multiple policy areas\(^2\) and is expected to steer and deliver the ‘green transition’ i.e. a transition to a carbon-neutral, sustainable, just and equitable society by 2050. To achieve this horizontal goal and the Green Deal’s specific policy ambitions, actions in multiple policy areas are required and all stakeholders will have to play a role in delivering on their implementation. Local and regional authorities (LRAs), in particular, will be critical for the local implementation of the Green Deal thanks to their competences in areas such as managing the local building stock, transport systems and waste collection, or through the use of green public procurement.

Nonetheless, the implementation of the Green Deal and the broader green transition necessitate significant financial resources, especially in the context of the post-COVID recovery. While there is wide agreement among LRAs that the pandemic recovery should be a ‘green’ one, they often operate with limited budgets and technical resources and to successfully invest in the local implementation of the Green Deal will need financing from the EU budget\(^3\). Even though the EU budget is not the only source for investment in the Green Deal, it is an important source of finance for European LRAs particularly in times where public resources are strained and there is a need to meet multiple objectives simultaneously.

Therefore, the purpose of this report is to examine the possibilities for the EU budget to support the implementation of the Green Deal at the local and regional level. The report is structured as follows:

- Section 1 introduces the role of the EU budget in financing the Green Deal;
- Section 2 looks into the different EU financing opportunities and pathways for accessing EU funds available to LRAs;
- Section 3 explores possibilities to improve the access of LRAs to EU financing.

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2 Objectives include: climate neutrality by 2050; clean, affordable and secure energy; clean and circular economy; renovation and energy efficiency of buildings; sustainable and smart mobility; fair, healthy and environmentally friendly food system; preserving and restoring ecosystems and biodiversity; zero pollution and toxic-free environment.
3 European Committee of the Regions, European Commission and European Committee of the Regions launch cooperation to deliver the Green Deal locally, Press release, 13/10/2020.
1. Overview of EU funding mechanisms for the Green Deal

The EU budget is planned and spent in seven-year periods also known as the Multiannual Financial Framework (MFF). In addition to the operational budget of EU institutions, the MFF is comprised primarily of financing instruments aimed to support the implementation of different EU policies including the Common Agricultural Policy (CAP), Common Fisheries Policy (CFP), regional development and Cohesion Policy and research and innovation policy. The following sections provide a brief overview of the main types of funding and support available under the MFF and their relevance for the implementation of the Green Deal.

1.1 Types of EU funds and support

The EU funds can be distinguished according to their management structure. Some EU funds are managed by the European Commission and its executive agencies (i.e. funds under ‘direct management’) or entrusted institutions such as the European Investment Bank (EIB) (i.e. funds under ‘indirect management’), while others are under ‘shared management’ between the Commission and the Member States. Examples of funds under direct management include the EU research and innovation programme (e.g. Horizon Europe), the programme for the environment and climate action (commonly known as ‘LIFE’) or the European Fund for Strategic Investments and its successor InvestEU. Alternatively, funds under the CAP, CFP or Cohesion Policy are under shared management.

General guidelines for the objectives and types of investments each EU fund can support are defined at EU level through relevant legislation. For funds under shared management, national or regional operational programmes (OPs) outline more concrete priorities and specific objectives for the funds within a given territory. In practice, this may result in some differences across regions or countries concerning the specific types of investments supported under the same broader EU objective.

The shared management funds and most of the directly managed EU funds operate through calls for proposals. Such calls are issued based on annual or multiannual working programmes or national/regional OPs. To obtain funding, beneficiaries need to respond to and fulfill the requirements of a specific call for proposals. Nevertheless, there are some EU funds and financial instruments (e.g. InvestEU, LIFE financial instruments), which are demand driven i.e. the financing is not dispersed through calls for proposals and instead potential beneficiaries approach fund managers with their already designed projects.
The EU funds can provide various types of financing and other support. Non-repayable grants remain the main type of support from EU funds, but the use of financial instruments such as loans, guarantees or equity is growing and can often be combined with traditional grant support. In addition, some funds can also offer technical assistance or project development assistance that can support beneficiaries to develop their competences, prepare project proposals or even support them in identifying funding from different sources.

1.2 The EU budget and the Green Deal

To support the objectives of the Green Deal, the European Commission proposed a Sustainable Europe Investment Plan (SEIP)\(^4\) as part of the 2021-2027 MFF. In light of the COVID-19 pandemic and the human and economic crisis it entails, the European Commission proposed an additional, temporary recovery instrument - ‘Next Generation EU’. Its objective is to complement the long-term budget with additional resources in different policy areas and aid the recovery of Member States over the 2021-2023 period. Most notably, this new instrument aims to ensure the pandemic recovery is guided by a common vision for ‘a more sustainable, resilient and fairer Europe for the next generation’ and puts the digital and green transitions at its centre\(^5\). A substantial part of the proposed support will be spent through grants, but loans and other types of financial instruments will continue to play an important part in the 2021-2027 EU budget.

For the previous MFF, the European Commission aimed to ‘mainstream’ climate change across all areas of spending via a 20 % target for climate-related expenditure. For the current MFF and Next Generation EU this target has been raised to 30 %\(^6\). For some funds, the fund-specific climate expenditure target might be even higher. For instance, at least 37 % of the expenditure under the Recovery and Resilience Facility should be directed at climate action according to the Commission’s guidance\(^7\). In addition, the Green Deal outlines a ‘green oath’ stipulating that all EU initiatives and public investments should uphold a ‘do no harm’ principle\(^8\).

\(^6\) European Commission, Questions and Answers on the agreement on the €1.8 trillion package to help build greener, more digital and more resilient Europe, [accessed 17/03/2020].
\(^7\) European Commission, Questions and answers: Commission presents next steps for €672.5 billion Recovery and Resilience Facility in 2021 Annual Sustainable Growth Strategy, [accessed 17/03/2020].
2. Opportunities to finance the Green Deal at local and regional levels

Together, the 2021-2027 MFF and Next Generation EU aim to support Member States recover from the COVID-19 pandemic while embarking on a course towards a green transition and implementation of the Green Deal. The following sections provide an overview of the main EU funds that are relevant for the implementation of the Green Deal and can be accessed by LRAs, outline the main pathways for accessing these funds and offer suggestions on where additional advice and support can be found.

2.1 Pathways for accessing EU funding available to LRAs

Despite some adjustments made to the original 2021-2027 MFF proposals to accommodate the need for post-pandemic recovery, the main EU budget instruments available to LRAs remain similar to those in the period up to 2020. The Cohesion Policy funds will continue to provide large volumes of support; their focus has been streamlined to target five ‘priority objectives’ including ‘greener low-carbon Europe’. Funds for rural development under the CAP as well as LIFE are relevant for the Green Deal as they will support EU environmental policy objectives, while Horizon Europe will invest in research and innovation. Sustainable infrastructure might also be eligible for financing through InvestEU (including natural capital investments) or under the Connecting Europe Facility (CEF). Cooperation across regions from different Member States is possible through the European Territorial Cooperation (ETC or Interreg) strands of regional development policy.

Some important new funds have been introduced for the current period. The SEIP introduced the Just Transition Mechanism, aimed at reducing the impacts of the low-carbon transition in EU regions where economies are highly dependent on fossil fuels; support is based on the development of Territorial Just Transition Plans (TJTPs). Next Generation EU introduced the Recovery and Resilience Facility to help Member States recover from the pandemic, while also supporting the green transition. To benefit from support under this facility, Member States need to develop plans that support actions compatible with national reform needs identified under the European Semester framework and which contribute to the

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9 Funds that do not directly target Green Deal objectives (e.g. Erasmus, EU health programme) or funds targeted at other types of beneficiaries (e.g. the Single Market Programme is aimed at SMEs, CAP direct payments are aimed at farmers) have been excluded from the current analysis.

10 European Commission, EU budget for recovery: Questions and answers on the Just Transition Mechanism, [accessed 17/03/2020].
green and digital transitions\textsuperscript{11}. Another important temporary measure is the Recovery Assistance for Cohesion and Territories of Europe (REACT-EU), under which Member States can access additional funds made available within the framework of the 2014-2020 regional development budget to support regions in their green transition and recovery from the COVID-19 pandemic, for instance by supporting job maintenance and the most vulnerable\textsuperscript{12}.

There is a wide range of EU funds that LRAs can access to finance and support the implementation of the Green Deal in their territories. To get an overview, Figure 1 shows the different funds under the MFF, the Just Transition Mechanism and Next Generation EU. More details are provided in Table 2 (in Annex 1) for the funds that are potentially available to LRAs (i.e. public authorities can be beneficiaries of the given instrument) and the possible investments relevant for the Green Deal based on the most recent information available\textsuperscript{13}. In most cases, the funds are available to a wide range of beneficiaries with varying forms of legal status, hence sub-municipal governance structures involved in the implementation of the Green Deal may also be eligible.

\textsuperscript{11} European Commission, Questions and answers: Commission presents next steps for €672.5 billion Recovery and Resilience Facility in 2021 Annual Sustainable Growth Strategy, [accessed 17/03/2020].

\textsuperscript{12} European Commission, EU budget for recovery: Questions and answers on REACT-EU, cohesion policy post-2020 and the European Social Fund+, [accessed 17/03/2020].

\textsuperscript{13} At the time of writing, the legislation for some instruments is being finalised and has not been adopted yet, hence certain elements such as the estimates of available financing should be understood as provisional.
The ‘pathways’ or steps LRAs need to follow to access EU funding depend, to a large extent, on who is managing the funds. As discussed in Section 1.1 above, some funds are under shared management between the European Commission and the Member States, while others are directly or indirectly managed by the European Commission.
2.1.1 Shared management funds

Shared management funds include the EU Cohesion Policy (including the ETC), CAP and CFP funds – these are some of the largest EU mechanisms available to support LRAs in financing the implementation of the Green Deal. Together, these funds represent a majority of the EU budget and have traditionally supported EU communities for decades. In practice, shared management means that the spending is governed by OPs developed at national or regional level and specific Managing Authorities within each Member State. The new JTF will also be under shared management and dispersed based on plans developed at the national or regional level through the TJTPs. Under shared management, funds are better able to address specific local challenges, taking into account vast differences between and within Member States. Having the discretion to prepare their own programmes, Managing Authorities can better target local needs and identify tailor-made possibilities for meeting broader EU objectives.

Typically, the funding programmes are implemented through calls for proposals defining specific requirements and objectives for each call while following the broader spending lines defined in the specific programme. Consequently, each potential project should be in line with the relevant national or regional OPs or TJTPs and fulfil the conditions of the relevant call. Each Managing Authority can define the calls for proposals and decide if the calls should target specific types of beneficiaries or investments. For instance, some Member States prepare national-level and thematic OPs rather than regional ones. In these cases, LRAs can sometimes be defined as target beneficiaries for certain calls for proposals. Yet in other Member States, OPs are defined at the regional level which means that LRAs in different regions may have access to different calls for proposals.

In order to access the shared management funds for the implementation of the Green Deal, LRAs have the following pathway with several key steps:

- Identify the relevant OPs and TJTPs relevant for their territory – a starting point could be the Commission websites of the EU funds (see Table 2).
- Identify the Managing Authority responsible for the specific OP or plan – this varies per Member State but it could include national ministries or agencies, regional authorities or agencies as well as dedicated coordination bodies for each Interreg programme.
- Consult the website of the Managing Authority and/or programme for calls for proposals, guidance, training or other support needs.
- Identify relevant calls for proposals.
- Prepare a proposal in response to the relevant call.
Another group of EU funds (e.g. Horizon Europe, LIFE, CEF) are managed directly by the European Commission’s services or executive agencies. The programming is usually defined at EU-level through annual or multiannual working programmes for each fund and calls for proposals are launched centrally across the EU. On the one hand, this approach ensures coherence and equal opportunities for beneficiaries from the whole EU and minimises the risk of disparities in the implementation approaches across the Member States, on the other hand, it increases competition and the number of potential applicants for each call. This could mean that larger or more experienced entities compete with counterparts that are less experienced in preparing such applications. In addition, for certain calls, (e.g. under some pillars of Horizon Europe) there might be requirements for participation of beneficiaries from multiple countries requiring potential beneficiaries to find international partners.

The new Recovery and Resilience Facility will be under direct management from the Commission in line with the financial rules of the Union\textsuperscript{14}. However, it is likely to be different than other directly managed funds as financing will be made

available per Member State rather than thematic objectives or EU-level calls for proposals. To access the funding, each Member State needs to develop a Recovery and Resilience Plan, outlining the types of investments and reforms to be implemented, in line with relevant European Semester recommendations and reform programmes (for details see Box 1). After approval of each national plan by the EU Council, the financing will be disbursed in the form of grants or loans to the Member State\(^\text{15}\) (for further details see Box 2 in Section 3.1). At this point it is unclear how each Member State will decide to spend these resources and the extent to which any part will be directly passed on to sub-national public authorities for investments in relevant reforms.

**Box 1: The European Semester process**

The **European Semester** was set up in 2010 at the height of the economic crisis in order to establish a monitoring and coordination process for Europe’s, and particularly the Eurozone’s, economies. The process is based on an annual procedure that assesses each Member State against various performance indicators and provides recommendations for fiscal, macroeconomic and structural reforms to promote upward convergence. The process starts with the publication of the **Annual Sustainable Growth Strategy (ASGS)** which outlines priorities and guiding points for the assessments. Following on the ASGS the European Commission issues country reports assessing each Member State’s macroeconomic and social situation, including priorities for reform. Countries are able to react to this analysis through National Reform Programmes, which outline specific policies for addressing the problem areas identified by the Commission. These programmes are accompanied by budget plans for the following three years (called Stability (for Euro area countries) and Convergence (non-Euro area) Programmes). After analysing the National Reform Programmes, the Commission issues Country-Specific Recommendations (CSRs) with specific reform needs and priorities for each Member State\(^\text{16}\).

The following are steps that LRAs can follow to access funds under direct management:

- Consult the website of the fund for its most recent working programme (in the case of the Resilience and Recovery Facility, national Recovery and Resilience Plans should be checked), calls for proposals, guidance, training or other support needs (see Table 2).
- If available, consult a national focal point – certain EU funds (e.g. Horizon Europe) have national focal points that could provide further information or support to local applicants and beneficiaries.
- Identify relevant calls for proposals.
- Prepare a proposal in response to the relevant call.


\(^{16}\) European Commission, *The European Semester Explained*, [accessed 17/03/2020].
2.1.3 Indirect management funds

Certain EU funds, and particularly the financial instruments they encompass, are centrally managed by entrusted financial organisations such as the EIB or other implementing partners such as national development banks. The two principal resources that the EIB will manage in the context of SEIP and the implementation of the Green Deal are the public loan facility under the Just Transition Mechanism and InvestEU (for which management will be shared with other implementing partners as well). These EIB-managed instruments will be demand driven and the operations supported will be selected through a bottom-up approach without any centralised programming. Nevertheless, successful projects must support the general objectives of the funds and applications must meet relevant EIB criteria or specific requirements of relevant implementing partners. Each application for EIB financing undergoes the Bank’s due diligence process to ensure that it meets the standard EIB criteria, including its Environment and Social Standards, as well as relevant policy objectives or fund-specific objectives\(^\text{17}\). Other institutions implementing InvestEU may have similar procedures.

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\(^{17}\) EIB, How does a project get EFSI financing?, [accessed 17/03/2020].
For LRAs interested in accessing InvestEU support, the following steps can be taken:

- Develop a project plan.
- Consult the European Investment Advisory Hub or the future ‘InvestEU Advisory Hub’ for guidance, support or advice on how to improve the project plan (for more details see Section 2.2).
- Consult the EIB or other implementing partners’ websites about details on how to apply for InvestEU support.
- Leverage additional investors thanks to the EU budget guarantees.

Figure 4: Typical pathway for LRAs to access EU funds under indirect management

Source: Authors’ own compilation
2.1.4 Selecting a pathway

The most suitable pathway for accessing EU funding for the Green Deal will depend on the needs of the individual LRA, its planned investments as well as its experience and capacity to develop applications for the different instruments. It is likely that all possible pathways should be explored and if possible combined in order to achieve an optimal result. The main advantages and potential disadvantages of each pathway are summarised in the following table.

Table 1: Main advantages and disadvantages of the pathways for accessing EU funding

<table>
<thead>
<tr>
<th>Pathway</th>
<th>Advantages</th>
<th>Disadvantages</th>
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<tr>
<td>Shared management funds:</td>
<td>• OPs and plans can reflect local needs and include possibilities that are better suited to the local situation of each region or Member State</td>
<td>• Programming might be centralised and/or linked to European Semester process focusing on national-level needs rather than regional or local ones</td>
</tr>
<tr>
<td>Cohesion Policy - ERDF/CF; ETC/ Interreg; ESF+; REACT-EU</td>
<td>• Programming documents and applications are available in national languages</td>
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<tr>
<td>CAP – EAFRD; rural development under Next Generation EU</td>
<td>• Competition limited to potential applicants from the same region or Member State</td>
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<td>CFP - EMFF JTF</td>
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<tr>
<td>Direct management funds:</td>
<td>• Common approach and calls for proposals cover the whole EU minimising the risk of regional disparities</td>
<td>• Competition of potential applicants from the whole EU</td>
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<tr>
<td>LIFE</td>
<td>• For the Recovery and Resilience Facility, national plans can reflect local investment needs</td>
<td></td>
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<tr>
<td>Horizon Europe CEF</td>
<td></td>
<td></td>
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<tr>
<td>Recovery and Resilience Facility</td>
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<tr>
<td>Indirect management funds:</td>
<td>More flexibility for eligible projects</td>
<td>Projects must find public or private investors as the EU budget provides guarantees and not direct financing (InvestEU)</td>
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<tr>
<td>InvestEU (incl. Just Transition Scheme)</td>
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<td>Public loan facility under Just Transition Mechanism</td>
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2.2 Capacity building and technical support needs

Navigating the landscape of diverse EU financing mechanisms can be challenging and strengthening the capacity of LRAs with regard to EU funds and the Green Deal is a key element for improving their access to EU funding. Local and regional administration often face challenges related to insufficient human or financial resources and technical capacity concerning the use of EU funding for their investments\textsuperscript{18}. The need for LRAs to be supported and guided to successfully take opportunity of available EU financing remains valid, especially in light of new requirements or instruments in the MFF and the likely strain that the COVID-19 pandemic has left on local and regional public budgets. For instance, technical assistance and support is needed for the uptake of EIB financial instruments in the context of the Just Transition Mechanism\textsuperscript{19}. Technical assistance is also critical for the development of LRAs’ ability to implement substantial recovery programmes and ensure that a normal level of cross-border cooperation is resumed in the implementation of REACT-EU, as lockdowns have decreased cooperation between countries and regions\textsuperscript{20}.

LRAs can address these needs, for example, by using the plethora of existing advisory and support services that are available to potential beneficiaries seeking to access these financing sources. Examples include:

- **Joint Assistance to Support Projects in European Regions** - **JASPERS**: support to public authorities and promoters for the preparation and implementation of proposals for Cohesion Policy funds and CEF, focusing on large projects.
- **European Local Energy Assistance** – **ELENA**: support to local authorities to improve the quality and viability of their energy efficiency and renewable energy projects and prepare more ‘bankable’ projects. Projects should be above EUR 30 million, smaller projects can be supported only when integrated into larger investment programmes.
- **European Investment Advisory Hub** - **EIAH**: support to project promoters during the development of their projects through technical assistance, capacity building, advice and support to make their projects more visible to investors thus facilitating access to diverse public or private investors.
- **InvestEU Advisory Hub** (forthcoming): the new hub will succeed and integrate some of the existing advisory services such as JASPERS, ELENA and EIAH. It will provide support for the preparation and implementation of investment projects and enhance the capacity of project promoters,


\textsuperscript{19} European Committee of the Regions, 2020, Just Transition Fund, Opinion 2020/418.

including through project development assistance for public authorities. It will also provide specific guidance for investments under each of the InvestEU investment windows with special attention and technical assistance for projects promoting natural capital and nature-based solutions\textsuperscript{21}.

- **FI-COMPASS**: support concerning the use of financial instruments in the European structural funds (i.e. ERDF/CF, ESF, EAFRD and EMFF).
- **Just Transition Platform**: assistance to Member States and EU regions to unlock the support available through the Just Transition Mechanism, linked to other Commission initiatives for technical assistance, such as the Initiative of coal regions in transition.

Other organisations might also provide guidance on how to enhance the local and regional administrations’ capacities to use and maximise green financing. For instance, ICLEI has taken measures to develop new financing schemes by increasing cooperation with organisations such as the EIB, where support is tailored based on LRAs’ investment needs. In addition, ICLEI supports LRAs’ innovative approaches to financing, such as crowd-funding, cooperative financing or the merging of civic and public funding\textsuperscript{22}. The Covenant of Mayors maintains an online ‘funding guide’ on relevant EU sources that its signatories or other stakeholders can use for investments in climate and energy\textsuperscript{23}.

Considering the strong links between key EU funds and the European Semester, the capacity of public administration at different levels to implement reforms and CSRs is also relevant. Governments, particularly at sub-national level, often face a challenge in terms of administrative and institutional capacity needed to fully implement CSRs. As this could create a barrier for the full implementation of the CSRs, the CoR has suggested that the Commission could provide guidelines about the available streams of EU-funded capacity-building and technical assistance as vital means for LRAs to develop their internal managerial skills and access educational and training programmes\textsuperscript{24}. Furthermore, as the Recovery and Resilience Facility focuses on building adjustment capacity and setting the post-crisis recovery on a sustainable path, LRAs’ require support to implement reforms required to ensure sustainable, social and economic recovery and resilience\textsuperscript{25}.


\textsuperscript{22} ICLEI. *Funding Opportunities*, [accessed 17/03/2020].

\textsuperscript{23} Covenant of Mayors, *Interactive Funding Guide*, [accessed 17/03/2020].

\textsuperscript{24} European Committee of the Regions, 2017, Improving the governance of the European Semester: a Code of Conduct for the involvement of local and regional authorities, Opinion 2016/5386.

An opportunity for developing the capacity of public administrations in that respect can be the Technical Support Instrument, the aim of which is the provision of tailor-made technical support to Member States for their institutional, administrative and growth-enhancing reforms (including in the context of the European Semester). The provision of support is demand-driven and can cover various policy areas, including the implementation of the Green Deal at different levels of governance. As requests for support from this programme are made by Member States, LRAs would need to coordinate with relevant national institutions on how they can benefit from the available technical assistance.

Sound financial resources are not the only requirement for successful implementation of the Green Deal and capacity is also crucial for LRAs to implement sustainable development and achieve the ambitions set by the Green Deal. LRAs need to be equipped with the right tools and adequate resources to effectively implement more ambitious environmental policies on the ground. Therefore, their capacity building needs concerning EU funds and green financing can be complemented with training, technical assistance, guidance or similar support also in the general area of environmental policy. Existing platforms such as URBACT or TAIEX-EIR-P2P can be useful sources for peer learning and exchange of practices among LRAs.
3. Facilitating LRAs’ access to EU funding for the Green Deal: limitations and opportunities for improvement

The successful implementation of the Green Deal at the local level is conditional upon access for LRAs to national and EU funds, including in the context of the pandemic recovery\textsuperscript{26}. Although LRAs have different pathways for accessing the funds, there are some limitations. The following sections explore how LRAs’ access to EU funds can be strengthened by avoiding key limitations and pitfalls.

3.1 Limitations of the available pathways

Even though LRAs are eligible beneficiaries for a number of EU funds, their direct involvement in the programming of the funds is usually quite limited. With the exception of Cohesion Policy funds spent through regional OPs, the programming of many of the EU funds is carried out by national authorities, linked to the public administration structure within a country. This is reinforced by stronger links between the European Semester, which is a centralised process, and EU funds, particularly the Cohesion Policy funds (i.e. ERDF, CF and ESF+) and the new Recovery and Resilience Facility (see Box 2).

**Box 2: Links between EU funds and the European Semester**

Since the 2014-2020 MFF, the links between the European Semester and **Cohesion Policy funds** have gradually grown stronger. Initially, Member States were asked to address the CSRs in the national strategies (i.e. the Partnership Agreements) and OPs for implementing the funds. For the 2021-2027 MFF, the Commission proposes to issue specific investment-related guidance together with the annual CSRs, to be considered in the programming process of the funds, and Member States will be asked to report on progress in this regard\textsuperscript{27}.

The **Recovery and Resilience Facility** will also be closely linked to the Semester process and Member States are encouraged to submit their National Reform Programmes and Recovery and Resilience Plans as integrated documents, making these Plans the ‘main reference documents’ for each country’s forward-looking economic policy initiatives. The Commission will assess each plan against the criteria defined in the proposed Recovery and Resilience Facility Regulation, including: whether the proposed investments represent a balanced response to the economic and social situation of the Member State; whether the proposed reforms address the CSRs; whether the plans devote at least 37% of expenditure to climate-related objectives; and whether the proposed investments do not significantly harm the environment. The proposed plans, which the Council will adopt, will be accompanied by analytical documents assessing their substance, effectively replacing the European Semester country reports in 2021 for the Member States that submit Recovery and Resilience Plans in that year. Progress in the implementation of the Facility and the national plans will be assessed through a public scoreboard (expected in December 2021). The European Parliament will offer feedback on the scoreboard and the Facility’s implementation through a ‘Recovery and Resilience Dialogue’ with the Commission\textsuperscript{28}.

\textsuperscript{26} European Committee of the Regions, [Direct funds for cities and regions remain key for the Green Deal to go local], Press release 22/10/2020.

\textsuperscript{27} McGuinn, J. et al. 2020, Social Sustainability, Concepts and benchmarks, European Parliament.

The linking of the European Semester with EU funds has been criticised by different stakeholders primarily for its focus on fiscal considerations as opposed to sustainable development as well as its highly centralised approach that can ignore regional or local issues. For example, it has been described as overlooking differences in pre-existing conditions, capacities and resources across LRAs within a Member State. And despite LRAs being well-positioned to identify territorial trends and implement relevant reforms, their involvement is not formally recognised in the European Semester process. The top-down approach which includes deliberations primarily between national authorities and the European Commission can limit LRAs from efficiently contributing to a democratic, inclusive and transparent Semester.

Consequently, the Committee of the Regions (CoR) has highlighted the importance of moving from centralised and top-down approaches towards tailor-made strategies as a means of achieving medium- and long-term sustainable recovery. It has proposed a ‘Code of Conduct’ that would provide a territorial dimension to the European Semester as a means of increasing the direct involvement of LRAs while reducing their administrative burden. The Code would address the territorial dimension both from an analytical point of view (e.g. by assessing territorial trends and territorial impacts of EU policies in the ASGS, National Reform Programmes and CSRs) and an operational point of view (e.g. by providing a systematic involvement of LRAs through partnerships and multilevel governance).

The development of Recovery and Resilience Plans has also come under scrutiny as it implies a centralised approach to the post-pandemic recovery and spending of the new EU financing facility. Not including LRAs in drawing up the recovery plans alongside Member States is an issue as the Green Deal has a substantial impact for LRAs, with numerous local authorities implementing many of its policies on the ground. This would in turn endanger the progress of sustainable

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development projects, quality of life, education and clean energy transitions, thereby also threatening the delivery of the Green Deal. Consequently, the CoR has called for a ‘structured cooperation’ with the Member States to involve LRAs in the drawing up of the plans\textsuperscript{33}.

In the context of the pandemic recovery, the start of the new MFF and the introduction of new EU funds, the timelines for elaboration of different programming documents and accessing funding can also be challenging. For example, the provision of additional resources to the JTF under the Next Generation EU instrument has resulted in additional commitments in the years 2021-2024 thereby putting pressure on LRAs to implement changes and spend almost 75% of the total allocation during a limited time window\textsuperscript{34}. The urgency of preparing various recovery projects following the crisis (e.g. in the context of implementing REACT-EU) can also be an obstacle for LRAs with limited financial resources and technical capacity implying that the available support is currently not being used to its full potential. Hence, the CoR has emphasised the need for increased LRA involvement and a strong multi-level governance approach to ensure that technical and financial assistance is provided to the fullest extent as a means of enabling authorities to rapidly launch projects aiming at restarting the economy\textsuperscript{35}.

### 3.2 Possibilities for improving LRAs access to EU funds

Considering the pathways available to LRAs to access EU funding for the implementation of the Green Deal, but also the limitations for achieving optimal access, the possibilities for improving LRAs’ access to EU funds are largely linked to their involvement in the strategic planning and programming of the funds as well as their capacity to respond and undertake funding opportunities. To ensure these two aspects are strengthened there are different possible actions, some of which can be easily implemented in the existing funding frameworks, while others may be opportunities for further discussions and future actions.

**Application of multi-level governance principles for LRAs’ involvement in the programming process for the funds**

Involvement of different stakeholders in all stages of the policy cycle is crucial for effective multi-level governance and successful implementation of EU policies. Considering the importance of the Green Deal as a cross-cutting and overarching strategy that sets out the EU’s vision for its future development, its implementation needs to be ensured through all supporting policies and especially

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\textsuperscript{34} European Committee of the Regions, 2020, Just Transition Fund, Opinion 2020/418.

effective funding. EU funds should be directed at measures that can deliver on the Green Deal’s objectives but that can also deliver the solutions most adapted to local needs. Therefore, the programming of EU funding for the Green Deal should take into account local needs, resources, challenges and opportunities. The territorial dimension should be considered in needs assessments, development of measures and elaboration of spending programmes at EU or national level. LRAs are well-placed to provide input on this and should be consulted and directly involved at each programming stage. Considering the important link between the European Semester and certain EU funds, a stronger role for the LRAs in the Semester process is also important. Operationalising the CoR’s proposals for a Code of Conduct could be a first step for ensuring the local and regional point of view is well reflected in the European Semester and consequently the EU funds linked to it. If the EU funding reflects well the local and regional investment needs, LRAs will likely have better access to EU financing opportunities as more of those will be addressing needs relevant for the LRAs.

Involvement of local communities and the authorities closest to them in the policy-making process is critical for the successful implementation of the environmental policies and strategic frameworks like the Green Deal and can offer useful insights from local community knowledge. Tools such as community-led local development (CLLD) or LEADER, which have been supported under the Cohesion Policy, CAP and CFP funds, can provide opportunities for development of local investment and post-pandemic recovery strategies or funding plans. CLLD will be enhanced further in the 2021-2027 MFF as it can directly contribute to the objective for ‘a Europe closer to citizens’ and LRAs can take advantage of this tool to strengthen the multi-governance approach for the programming and implementation of EU funds.

**Encouraging LRAs to get more involved in the programming of EU funds**

The involvement of LRAs in the programming process of EU funds is possible, for instance, as part of public consultations or similar provisions in the EU legislation. For example, stakeholders, including LRAs or social partners, are usually consulted during the development and implementation of Cohesion Policy OPs and this principle is part of the common provisions that will guide these funds as well as the new JTF in the 2021-2027 MFF. In its Guidance on the development of Recovery and Resilience Plans, the Commission has invited

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38 Ibid.
Member States to show how their plans address any regional disparities and contribute to greater cohesion as well as to describe the role of LRAs in the decision process for the adoption of the plans.\textsuperscript{39}

To make full use of these possibilities for contribution to the strategic planning of EU funds, especially those under shared management, LRAs should be encouraged to participate and get involved in consultations or other cooperation fora with relevant national authorities. The CoR can play a key role in informing, encouraging and mobilising LRAs to effectively contribute to the decisions and investment plans that will shape the spending of EU funds in their territories.

**Earmarking of funding within existing EU instruments especially for LRAs**

Another possibility to improve LRAs’ access to EU funding for the implementation of the Green Deal could be to establish minimum requirements for earmarking parts of the available budget for investments by local or regional governments. This could be similar to the minimum requirements for climate-related investments under the various funds or for sustainable urban development under the ERDF (see Table 2). Furthermore, requirements for the types of eligible beneficiaries can be established for specific calls allowing opportunities targeted to LRAs to be launched. This could be an informal way to effectively earmark a share of the funding for green investments by LRAs.

**Establishing an EU fund specifically for LRAs**

While earmarking (formally or informally) can be encouraged during the implementation of the next MFF, the possibility of establishing a new EU fund for LRAs could be considered in the long-term. Based on examples of existing funds that are aimed at specific types of beneficiaries (e.g. the Single Market Programme and InvestEU window aimed at SMEs, CAP direct payments for farmers, LIFE strand targeting NGOs) a new EU fund could be established for LRAs in order to provide them with financial and technical support to implement relevant EU policies at the local level. However, such an option would require careful assessment of the feasibility and added value compared to the large variety of existing EU funding mechanisms.

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Annex 1: EU funding mechanisms for the Green Deal available to LRAs

Table 2: Overview of the main EU funding mechanisms for the Green Deal available to LRAs

<table>
<thead>
<tr>
<th>Fund</th>
<th>Examples of investments</th>
<th>Access</th>
<th>Type of support</th>
<th>Available financing</th>
<th>More information</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Shared management funds</strong></td>
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<tr>
<td>European Regional Development Fund (ERDF)</td>
<td>Specific objectives include: Greener, low-carbon Europe: - energy efficiency; - renewable energy; - smart energy systems, grids and storage; - climate change adaptation, risk prevention and disaster resilience; - sustainable water management; - transition to a circular economy; - enhancing biodiversity, green infrastructure in the urban environment, and reducing pollution; More connected Europe: - sustainable, climate resilient, intelligent, secure and intermodal TEN-T; - sustainable, climate resilient, intelligent and intermodal national, regional and local mobility, including improved access to TEN-T and cross-border mobility; - sustainable multimodal urban mobility.</td>
<td>ERDF and CF are spent through OPs defined at the national or regional level in each Member State. Potential beneficiaries need to respond to calls for proposals and prepare proposals that meet the requirements of the call. CF is available only in Cohesion Member States.</td>
<td>Grants, financial instruments, technical assistance CF will support priority EU projects in the Trans-European Transport Network (TEN-T)</td>
<td>€191 billion (ERDF) €43 billion (CF)</td>
<td>New Cohesion Policy Questions and Answers on the EU Cohesion policy legislative package 2021-2027 Regional policy - glossary</td>
</tr>
<tr>
<td>Cohesion Fund (CF)</td>
<td></td>
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</tbody>
</table>

40 Non-exhaustive examples based on the objectives of each instrument, most relevant for the Green Deal or LRAs (e.g. measures targeting SMEs or farmers are excluded).
42 In 2021-2027 these are Bulgaria, Croatia, Cyprus, Czechia, Estonia, Greece, Hungary, Latvia, Lithuania, Malta, Poland, Portugal, Romania, Slovakia and Slovenia.
43 European Commission, Questions and Answers on the EU Cohesion policy legislative package 2021-2027, [accessed 17/03/2020].
<table>
<thead>
<tr>
<th>Fund</th>
<th>Examples of investments&lt;sup&gt;40&lt;/sup&gt;</th>
<th>Access</th>
<th>Type of support</th>
<th>Available financing</th>
<th>More information</th>
</tr>
</thead>
<tbody>
<tr>
<td>European Territorial Cooperation (ETC)/Interreg</td>
<td>Same as ERDF but through joint actions from different Member States. Interreg will have four strands of cooperation: cross-border (Interreg A), transnational (Interreg B), interregional (Interreg C) and integration of Outermost Regions in their neighbouring environment (Interreg D)</td>
<td>ERDF funding for ETC is spent through Interreg Programmes defined by managing authorities responsible for certain cross-border, transnational, interregional or Outermost Regions</td>
<td>Grants, financial instruments, technical assistance</td>
<td>€8 billion&lt;sup&gt;44&lt;/sup&gt;</td>
<td>New Cohesion Policy Questions and Answers on the EU Cohesion policy legislative package 2021-2027</td>
</tr>
<tr>
<td>European Social Fund Plus (ESF+)</td>
<td>The ESF+ will support the priority objective for ‘a greener, low-carbon Europe’ through the improvement of education and training systems necessary for the adaptation of skills and qualifications, the upskilling of all, including the labour force, the creation of new jobs in sectors related to the environment, climate and energy, and the bioeconomy&lt;sup&gt;45&lt;/sup&gt;.</td>
<td>Same as ERDF/CF</td>
<td>Grants, financial instruments, technical assistance</td>
<td>€87.9 billion (2018 prices)&lt;sup&gt;46&lt;/sup&gt;</td>
<td>ESF+ European Pillar of Social Rights Regional policy - glossary</td>
</tr>
<tr>
<td>REACT-EU (under Next Generation EU)</td>
<td>Support for sustainable recovery by focusing on: -job maintenance, including through short-time work schemes and support for the self-employed; -job creation and youth employment measures; -health care systems; -provision of working capital and investment support for small and medium-sized enterprises.</td>
<td>Additional funds allocated to the 2014-2020 Cohesion Policy funds (particularly ERDF, ESF and the Fund for European Aid to the Most Deprived (FEAD)) made available for the transitional period of 2021-2022. The available support and the rules for accessing funds are therefore the same as for ERDF/ESF (see above).</td>
<td>€47.5 billion of additional funds in 2021-2022 for ERDF, ESF and FEAD&lt;sup&gt;47&lt;/sup&gt;</td>
<td>REACT-EU Questions and Answers on the EU Cohesion policy legislative package 2021-2027</td>
<td></td>
</tr>
<tr>
<td>European Agricultural</td>
<td>The specific objectives in the future CAP (from 2023 onwards) will include&lt;sup&gt;48&lt;/sup&gt;:</td>
<td>Member States will elaborate CAP Strategic</td>
<td>Grants, financial instruments</td>
<td>€95.5 billion (including €8 billion)</td>
<td>Future of the common agricultural policy</td>
</tr>
</tbody>
</table>

<sup>44</sup> European Commission, Questions and Answers on the EU Cohesion policy legislative package 2021-2027, [accessed 17/03/2020].
<sup>46</sup> European Commission, ESF+, [accessed 17/03/2020].
<sup>47</sup> European Commission, Questions and Answers on the EU Cohesion policy legislative package 2021-2027, [accessed 17/03/2020].
<sup>48</sup> According to the proposed objectives for the new CAP, however, due to ongoing negotiations the reform is expected to enter into force only from January 2023.
<table>
<thead>
<tr>
<th>Fund</th>
<th>Examples of investments</th>
<th>Access</th>
<th>Type of support</th>
<th>Available financing</th>
<th>More information</th>
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</thead>
<tbody>
<tr>
<td>Fund for Rural Development (EAFRD)</td>
<td>-climate change action;</td>
<td>Plans, which will govern the spending of both direct payments to</td>
<td></td>
<td>under the Next</td>
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<td></td>
<td>-environmental care;</td>
<td>farmers and the rural development funding, based on an analysis of</td>
<td></td>
<td>Generation EU)49</td>
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<tr>
<td></td>
<td>-preserving biodiversity and landscapes</td>
<td>the national needs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rural development (under Next Generation EU)</td>
<td>Support for the recovery and resilience of rural economies by focusing on the green and digital transitions</td>
<td>Additional funds allocated to 2014-2020 rural development (EAFRD) made available for the transitional period of 2021-2022. The available support and rules for accessing the funds are governed by the current CAP provisions i.e. EAFRD spending is based on national or regional Rural Development Programmes defined in each Member State.</td>
<td></td>
<td>€7.5 billion of additional in 2021-202210</td>
<td>Political agreement on the transitional rules for the Common Agricultural Policy Rural development</td>
</tr>
<tr>
<td>European Maritime and Fisheries Fund (EMFF)</td>
<td>One of its priorities will be ‘enabling the growth of a sustainable blue economy and fostering prosperous coastal communities’</td>
<td>Each Member State will prepare an OP for the implementation of the fund in its territory</td>
<td>Grants, financial instruments</td>
<td>€6.14 billion31</td>
<td>EMFF A new fund to invest in the maritime economy and support fishing communities</td>
</tr>
<tr>
<td>Just Transition Fund (JTF)</td>
<td>JTF will support for instance52; -technology and infrastructures for affordable clean energy, in greenhouse gas emission reduction, energy efficiency and renewable energy;</td>
<td>Spending will be based on TJTPs developed by Member States and identifying the eligible territories that are mainly grants but also technical assistance</td>
<td></td>
<td>€17.5 billion (€7.5 billion from MFF and €10 billion from Next Generation EU);</td>
<td>Just Transition Platform Commission Guidance on the Just Transition Fund per Member State</td>
</tr>
</tbody>
</table>

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49 European Commission, *Future of the common agricultural policy*, [accessed 17/03/2020].
50 European Commission, *Commission welcomes the political agreement on the transitional rules for the Common Agricultural Policy (CAP)*, [accessed 17/03/2020].
<table>
<thead>
<tr>
<th>Fund</th>
<th>Examples of investments</th>
<th>Access</th>
<th>Type of support</th>
<th>Available financing</th>
<th>More information</th>
</tr>
</thead>
<tbody>
<tr>
<td>LIFE</td>
<td>-regeneration and decontamination of sites, land restoration and repurposing projects; -the circular economy, including through waste prevention, reduction, resource efficiency, reuse, repair and recycling; -upskilling and reskilling of workers; -technical assistance</td>
<td>expected to be the most negatively impacted by the green transition, selected in agreement with the Commission</td>
<td>Grants, financial instruments</td>
<td>Member States can transfer additional resources from ERDF or ESF+ to the JTF[53]</td>
<td>Questions and Answers on the EU Cohesion policy legislative package 2021-2027</td>
</tr>
<tr>
<td>Horizon Europe</td>
<td>Within the Environment strand: -Nature and Biodiversity; -Circular Economy and Quality of Life; Within the Climate strand: -Climate Change Mitigation and Adaptation; -Clean Energy Transition</td>
<td>Spending is governed by multiannual working programmes issued at the EU level, potential beneficiaries need to respond to the calls for proposals and meet the requirements of each call</td>
<td>Grants, financial instruments</td>
<td>€5.45 billion (€3.5 billion for environment and €2 billion for climate)[54]</td>
<td>LIFE programme</td>
</tr>
<tr>
<td>Connecting Europe</td>
<td>CEF supports the interconnected trans-European networks in the fields of transport (TEN-T),</td>
<td>Spending is governed by work programmes at the</td>
<td>Grants, financial instruments such as</td>
<td>€42 billion[56]</td>
<td>Connecting Europe</td>
</tr>
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</table>

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<thead>
<tr>
<th>Fund</th>
<th>Examples of investments</th>
<th>Access</th>
<th>Type of support</th>
<th>Available financing</th>
<th>More information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facility (CEF)</td>
<td>energy (TEN-E) and digital services</td>
<td>EU level (see LIFE) and the lists of Projects of Common Interest</td>
<td>guarantees and project bonds</td>
<td></td>
<td>Facility</td>
</tr>
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<td>Regional policy - glossary</td>
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</table>
| Recovery and Resilience Facility (under Next Generation EU) | Support for the green transition by focusing on:  
- Power up – clean technologies and renewables;  
- Renovate – energy efficiency of buildings;  
- Recharge and refuel – sustainable transport and recharging stations | Spending will be determined by Recovery and Resilience Plans prepared by each Member State and which are in line with recommendations and reform needs identified in the European Semester | Grants, loans                                                                      | €672.5 billion (€312.5 billion in grants and €360 billion in loans)  
At least 37% to be spent on climate-related investments and reforms57 | Recovery and Resilience Facility  
Commission Guidance Recovery and Resilience Plans |

### Indirect management funds

<table>
<thead>
<tr>
<th>Fund</th>
<th>Examples of investments</th>
<th>Access</th>
<th>Type of support</th>
<th>Available financing</th>
<th>More information</th>
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</table>
| Public loan facility under Just Transition Mechanism | Public sector investments for the just transition which cannot raise sufficient own resources or loans from the market | Access will be defined based on the TJTPs (see JTF) | Grants, loans                                                                      | €1.5 billion of grants from the EU budget  
€10 billion of loans from the EIB’s own resources58 | EIB, Just Transition Mechanism  
EU budget for recovery: Questions and answers on the Just Transition Mechanism |
| InvestEU                                  | Investments under five windows, including ‘sustainable infrastructure’. However, the final use of InvestEU will be demand-driven.  
Support will be provided for just transition under the InvestEU pillar of the Just Transition Mechanism. | Potential beneficiaries can gain support from public or private investors thanks to guarantees backed up by the EU budget. The EU budget guarantees for leveraging additional investments by public and private investors | EU budget guarantees for leveraging additional investments by public and private investors | €20 billion of guarantees available for sustainable infrastructure59 | InvestEU  
Questions and Answers: The proposed InvestEU Programme |

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<table>
<thead>
<tr>
<th>Fund</th>
<th>Examples of investments⁴⁰</th>
<th>Access</th>
<th>Type of support</th>
<th>Available financing</th>
<th>More information</th>
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<tbody>
<tr>
<td></td>
<td></td>
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<td>implementation will be managed by the EIB and other ‘implementing partners’</td>
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</table>

Source: Authors’ own compilation based on legislative proposals, Commission press releases and other sources cited in the table.
Created in 1994, the European Committee of the Regions is the EU's political assembly of 329 regional and local representatives such as regional presidents or city-mayors from all 27 Member States, representing over 446 million Europeans.