



EUCF
European City Facility

GUIDE TO SET UP YOUR OWN CITY FACILITY



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ENERGYCITIES

THE EU CITY FACILITY, A PILOT TO BE REPLICATED AT REGIONAL OR NATIONAL LEVELS TO SUPPORT LOCAL PROJECTS

A City Facility is both a **pool of financial and technical experts** to support local governments when designing a project and a **grant allocation mechanism** to give them the resources to describe their investment needs. It bridges the gap between the many wonderful ideas emerging at the local level and the existing funding streams to support their development by joining the world of finance and cities.

We believe the model we have designed with the EU City Facility under Horizon 2020 can be duplicated at regional, national and local levels, depending on its size and capacity (see Appendix 1 on the geographical scale). Indeed, the Facility is most effective when it is embedded in the national/regional landscape relying on existing networks of experts and know-how. Our pilot model at the EU level was focused on energy efficiency and energy production projects, but can be extended to other areas of the energy transition with related scientific expertise.

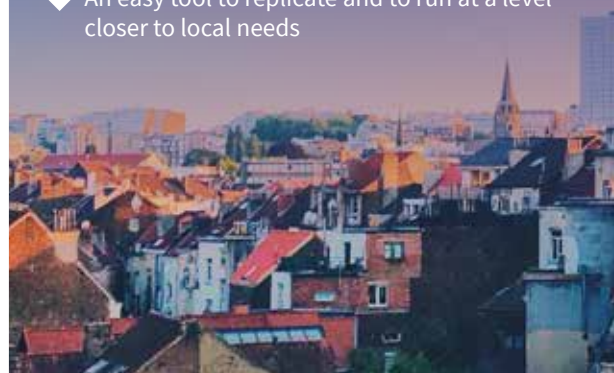
This document is a first **practical guide on why and how we imagine that the EU City Facility model can be replicated** at a regional, national or local level.



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Benefits of setting up a City Facility for regional/national authorities

- ✓ A good way of directing national funding to the local level
- ✓ Allocate funds to small and medium-sized cities that do not usually have the capacity to respond to calls for projects
- ✓ Receive much clearer and more precise applications for grant programmes in the future
- ✓ Delegate the day-to-day management to an independent team of experts, while keeping an eye on strategic decisions
- ✓ A tool that adapts to different issues, geographical scales and local economic, political and environmental contexts.
- ✓ An easy tool to replicate and to run at a level closer to local needs



WHAT YOU WILL FIND IN THIS BRIEFING?

1	Definition and factors for a successful City Facility model	4
	The mission of this City Facility	4
	The very efficient process of the EU City Facility	4
	A good answer to the enormous needs of European cities	5
2	City Facility governance at the regional/national level	6
3	The scope of the regional City Facility	8
4	The organization of different calls and process	9
5	The organization and management costs of a City Facility	10
	APPENDICES	11
	Appendix 1: Identifying the appropriate geographical scale	11
	Appendix 2: Identifying the appropriate governance scheme	11



DEFINITION AND FACTORS FOR A SUCCESSFUL CITY FACILITY MODEL

The mission of this City Facility

Cities and municipalities play a key role in a sustainable European energy transition. They have the most in-depth knowledge of local challenges, needs and resources and know their own citizens, which puts them in an excellent position to set up comprehensive sustainable energy investment programmes.

However, cities experience difficulties in accessing the funds made available to them. Indeed, there is a disconnect with the culture of the financial world and they lack the capacity to prepare a well-structured plan to respond to a call for projects. Similarly, the world of finance and investment is not familiar with the way cities operate. **The aim of this facility is therefore to bring together the expertise of cities and the financial world in order to empower cities to develop their know-how and gain access to a variety of new sources of funding.** This may also lead to a profound change of administrative culture.

In concrete terms, the cities selected in the City Facility calls receive support to develop a mature and credible **investment concept**. This is a document that details all the information needed to finance

a project, such as stakeholders, legal, economic and financial studies, impact studies, a financing roadmap, etc. Its purpose is to provide all the information financial institutions and investors need to quickly assess the seriousness of the project and allocate funds efficiently. To this end, cities receive a grant from the Facility as well as technical assistance from financial experts, access to capacity building webinars and support materials.

It is precisely **this ‘investment concept’ tool that is lacking today in some medium-sized and small towns**, which generally have neither the capacity nor the know-how to develop it and therefore to approach funders. The City Facility builds a bridge between small and medium-sized cities and the world of finance. This is what makes it radically different from other facilities, as it aims to train and finance cities to empower them to later on gain access to a large pool of available mainstream funds, such as the European Investment Bank (e.g. ELENA, JASPERS) or DG REFORM and private financing.

The very efficient process of the EU City Facility

One of the factors that made the EU City Facility successful is the very **easy, accessible and efficient application process**. This process was designed by a network of cities, in collaboration with financial experts. Moreover, the process is very city-friendly and tends to **avoid the heavy administrative burdens** that often discourage cities to apply to EU programmes.

Furthermore, the programme is effective because it targets a **specific need of cities**: the development of financial know-how and capacities.

Finally, the programme is designed to **be easy to manage and can have a large impact on overall regional or national funding programmes**. Indeed, this Facility will enable cities to be better prepared to apply for other grants. This means that the national or regional authority will receive applications that are much more mature and easier to assess. This is **a win-win**: cities will receive more funds and the regional and national authorities will channel better projects and streamline the evaluation process.

A good answer to the enormous needs of European cities

The decarbonisation of the entire European Union is largely dependent on the decarbonisation of cities. Thus, all European local authorities, of all sizes, must be able to implement an energy transition programme. **However, many cities still do not have access to funding for this transition.** The needs of cities are enormous as the success of the EUCF shows: the first call received more than 250 applications. However the allocated budget only allowed for 30 projects; the national and European events surrounding the initiative have attracted hundreds of cities, which are eager to learn more about it and to present an application in future calls. **The EUCF currently has too limited a budget (EUR 12 million) to meet this huge need of European cities. Replicating the programme at regional, local or national levels will help to meet this demand.**

Moreover, despite the simplicity of the application process and the provision of country experts that support cities in the application process and throughout the programme, language remains a barrier for some cities when registering for the Facility. **Increasing regionalisation and decentralisation can be a way of drawing closer to local needs and contexts while making registration easier for cities in their local language.**

Finally, as part of the **European recovery plan, significant funds will be made available in the coming years.** The distribution of these funds at the local level may prove complex, with the risk of not allocating funds where they are most needed but rather where the beneficiaries are most vocal or most prepared to access them. The City Facility can therefore be an **effective and practical model to prepare cities and distribute these funds** where they are the most needed at the local level. Thus, the EUCF model should be replicated by the EU and Member States at different regional scales to ensure a just and efficient transition.



CITY FACILITY GOVERNANCE AT THE REGIONAL/NATIONAL LEVEL

To ensure good governance of the City Facility, it is essential to define clear roles for each of the actors and for each to bring their particular expertise to bear (See Appendix 2 about governance choice).

At the European level, the EUCF is founded under the Horizon 2020 programme. The current scheme (with a Strategic Board, a Core management Team an investment advisory group and country experts) can be simplified to adapt to the local or regional context by following these key principles:

— **A Strategic Board.** As the main funder, regional or national authorities can lead the Board, along with key national or regional stakeholders, for example, the regional or national energy agency and a national network of cities. This board is in charge of strategic decision-making and evaluating the success of the programme.

— **A management team led by an independent consortium.** The management team is in charge of day-to-day operations, planning and management of the City Facility. For efficiency, transparency and neutrality purposes, it is essential that this management team be composed of an independent consortium of regional or national organisations. Each of the members of this consortium should bring different expertise, with for example a network of cities (CLER in France), a local or regional energy agency, financial experts or banks and experts in the field chosen for the specific call for projects being applied to. The regional or national authority should subcontract the day-to-day management to a consortium to ensure efficiency and a plurality of expertise within the facility.

— **An Investment Advisory group.** composed of national or regional banks, and financial experts, this group supports the management team to develop the Investment Concept template, provides advice on financiers' and investors' needs and requirements, shares their capacity-building experience and organises matchmaking events. This group of few people is key to developing a programme that perfectly meets investors' and funds' expectations.



MODEL OF THE GOVERNANCE OF THE CITY FACILITY AT A REGIONAL OR NATIONAL LEVEL

THE SCOPE OF THE REGIONAL CITY FACILITY

While the EUCF has focused on energy supply and efficiency projects, a regional facility can **expand its scope** according to its political and economic priorities and the local context. Indeed, one can imagine that, depending on the needs and the source of funding, some calls could include other aspects of the ecological transition, such as sustainable food or urbanism; or focus on particular aspects depending on the priorities of the regional authority, such as sustainable mobility, renewable heat, energy efficiency, etc. **The flexibility of the Facility's model makes it adaptable to a different field** by providing experts in this field in the independent consortium leading management work.



THE ORGANISATION OF DIFFERENT CALLS AND PROCESS

The Facility can organise **several calls with different topics or geographical focuses**. Indeed, if a Member State chooses to build a national Facility, it can be relevant to open some calls for specific areas or to prioritise a specific size of cities. The scope of the calls can be therefore adapted to national or regional expectations, priorities and funding sources.

Very concretely, the Facility Management team should set up a clear webpage with all the information and through which applications can be submitted, and provide guidelines (as the one here for the EUCF) for applications. To be efficient and avoid wasting time (from both cities' and the national/regional authority's perspectives), **the application can be composed of 2 steps**:

1. **The eligibility check**: applicants can quickly check if they can apply to the program following some simple criteria defined by the Facility's management team or priorities for the call. These criteria can for example include a maximum

size for cities, the requirement to have already approved energy and climate plans or to provide political commitments.

This quick questionnaire (like the one of EUCF here) can ensure non-eligible local authorities do not waste time and resources.

2. **The application process itself**: the application can be submitted directly on the website dedicated to the Facility. It consists of a set of required documents using the Facility's templates. These documents must be easy quite easy to produce for cities such as:

- A document to explain the project
- Proof of the commitments, energy and climate plans
- The expected outcomes of the project, e.g. energy savings, production of renewables, CO₂ savings, etc.

To evaluate the application, the management team can rely on a **scoring system**. It can be similar to the EUCF's system, which took **five criteria** into account: investment size, energy savings, governance structure, stakeholder engagement and alignment with EUCF objectives. This scoring system allocates a score from 0 to 5 for each criterion and calculates the median of these scores as the final result. Applications with the highest scores receive the grant of the decided amount. The EUCF allocated a EUR 60,000 grant to develop the 'investment concept' over a 12-month period.

It is really important that at the end of the process, each participant **is informed of the final result and receives a feedback report**, which will help applicants that were not selected to improve for the next call.



Example of the EUCF Roadmap for a call

THE ORGANISATION AND MANAGEMENT COSTS OF A CITY FACILITY

Operating and organisational costs will **depend on the size of the facility and the type of organisation chosen**. Indeed, it is likely that fewer stakeholders will be involved at a local level than at the level of the European pilot EUCF since there will be no need for 'country advisors', for instance.

However, to give an idea based on the European pilot, **for each euro of support provided to cities, the operation would cost EUR 0.25**. This means that if the grant allocated to cities to develop their investment concept is EUR 60,000, there would be an additional EUR 15,000 in operating costs for each grant allocated. So, if a call for projects awards a grant of EUR 60,000 to 20 cities (i.e. a total city grant budget of EUR 1,200,000), this would require an additional budget of EUR 300,000 to organise the facility. These organisational costs include the full-time staff required to organise the calls for projects and to support the cities, the communication budget and the organisation of capacity-building events. Of course, this is an average and may vary depending on the number of calls organised in a row.

In terms of time required, the planning and development phase for the city facility can take 3-to-6 months. Indeed, to ensure efficient and easy Facility management, it is necessary to prepare in advance by putting the expertise of the management team to good use.

5



APPENDICES

Appendix 1: Identifying the appropriate geographical scale

Levels/pros & cons	Pros	Cons
Member State	No language barrier Have an overview of the geographical distributions of the grants and the needs	Distant from the local concerns/needs Does not know local actors very well
Grouping of Member States	Economy of scale when managing the Facility Some MS are facing the same challenges and draw inspiration from one another	Language barrier Very far from local concerns Need for cooperation between the Ms
National administrative regions Ex: Haut-de-France, Flanders, Baden-Württemberg	Closer to local needs, contexts and actors No language barriers Can work with the smallest cities	Depending on the MS, not all regions have the same competencies
Grouping of national administrative regions	No language barriers Quite close to the local needs, actors and contexts. Regions can inspire each other	Need to get the different regions cooperating Depending on the MS, not all regions have the same competencies
Metropolis/Grouping of Cities	No language barrier Very close to the local needs Deep knowledge of local stakeholders and projects Can exchange with small project groups and cities	No economy of scale Will not work with a small number of projects in the metropolis

The choice of geographical scale varies greatly depending on the national or local context. Indeed, for a medium or sparsely populated Member State, a City Facility at the national level may make sense. However, for other more densely populated or regionalised states, the regional level (a region or a set of regions) seems more appropriate. Sometimes it is necessary to form a facility at an even finer scale, such as a large metropolis or a group of cities if they

have a highly dynamic project and a need to support municipalities and districts. This is why this paper refers to ‘regional/national/local’ scales to encompass all these possibilities.

In any case, a multi-state facility faces the same constraints as the current EU programme and does not offer much more decentralisation. It therefore does not seem to be the preferred option.

Appendix 2: Identifying the appropriate governance scheme

	Pros	Cons
Administrative Authority (regional/national energy agency or public organisation)	Existing structure Already in contact and in relationship with local authorities	Often administrative burdens and long processes Can be politically influenced
Appointed independent consortium (composed of several Stakeholders with different areas of expertise: financial organisation, cities’ network, experts of the field chosen for the Facility such as Energy, mobility or food)	Facilitates coordination if the chosen scale is several regions with different authorities More flexible, efficient and agile organisations People of great expertise for each topic who have an established relationship with local authorities As a new actor, will be better identified by cities	Need to settle the consortium

The choice is therefore quite clear, although administrative authorities are competent, it would be **more efficient for them to delegate to a consor-**

tium of expert organisations designated for the task. Thus, this is what has been described in the paper.



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