

# **EIB Stakeholder Consultation**

**VNG International's input to the EIB Group Climate  
Bank Roadmap and Energy Sector Consultation**

**05/08/2025**

**1. *Ambition: Given the multiple challenges currently facing Europe (security, competitiveness, affordability), what considerations should inform the EIB Group's ambition on climate action and environmental sustainability for the 2026–2030 period?***

Given Europe's evolving challenges—energy security, inflation, social cohesion, and competitiveness—the EIB Group should maintain a high level of climate ambition, but be strategically adaptive to be able to deliver through locally grounded, resilient, and inclusive pathways (more granular, place based structures with tailored financing vehicles). Central to this development are local governments, climate actors, as they are generally untapped catalysts for sustainable local action. There is a growing gap between global and local climate needs and the policies of national governments. While many national governments lack the ambition and policies to prioritize climate action, local governments are critical partners in driving the climate transition. It is estimated that 65% of the 169 targets underlying the 17 SDGs will not be reached without proper engagement of and coordination with local and regional governments.” (OESO)

**Demand and supply**

Local governments are the level of government closest to citizens — they feel, reflect, and respond to local needs. They are also among the first to face the direct consequences of climate change, but equally, they stand to gain the most from adaptive and regenerative solutions. Smaller municipalities, in particular, often oversee large areas of land, giving them access to natural resources that can be leveraged for climate resilience and regeneration. While they may not always have the largest budgets, they **shape the regulatory, spatial, and service landscapes** where private actors operate. By strategically framing their own investment efforts, LGs can de-risk private investment, align incentives, and signal long-term policy commitment—key ingredients for scaling private sector involvement in climate and green sectors.

- “Many of the investments to achieve the SDGs will take place at the subnational level and be **led by local authorities**” (UN Secr. Gen.)

**Untapped potential**

These actors are often overlooked. Due to limited access to finance, many small municipalities are excluded from international funding streams — and in turn, investors miss critical opportunities for high-impact, local climate investment. VNG International aims to bridge this gap. By connecting international investors — such as the European Investment Bank — with local governments, we align underutilized financial resources with real, on-the-ground climate needs. Their scale of inhabitants or internal budgets does not diminish their potential impact — on the contrary, local governments have the potential to drive large-scale change from the ground up.

**Local governments are central to effective climate mitigation and adaptation:**

- Proximity to populations: Local governments are closest to the poor and vulnerable populations who are disproportionately affected by climate risks. This makes them essential actors in identifying local needs and implementing tailored resilience strategies.
- Administrative role in adaptation and social protection: Local authorities often oversee social safety nets, infrastructure maintenance, land use planning, and emergency response systems, all of which are vital to adaptation and mitigation.

- Enabling environment for financial inclusion: Governments provide the regulatory frameworks, public infrastructure, and coordination with private actors necessary for delivering climate-responsive financial services.
- Public-Private Partnerships: Local governments can initiate or facilitate public-private partnerships that de-risk investments and incentivize the development of inclusive climate finance products. **LG's can help EIB to facilitate private sector development through framing of investment efforts through e.g.:**
  - Provide **land, permits, or technical support** to reduce the cost or complexity of private entry into green sectors.
  - designate **green economic zones**, incentivizing clean industry clusters,
  - **stimulate local markets** for climate-friendly goods and services.
  - Improve **transparency and accountability (e.g. in local climate action plans)**, which boosts investor trust.

#### Key considerations for EIB

- **Dual-focus approach:** Align climate investment with industrial competitiveness and energy independence, nature-based solutions, and resource efficiency..
- **Local delivery as climate backbone:** Empower local governments to lead context-sensitive adaptation and mitigation efforts, ensuring investments respond to on-the-ground needs.
- **Just transition and cohesion:** Prioritize investments that reduce regional disparities, ensure social fairness, and protect vulnerable communities.

#### *2. Policy impact: As a public bank and multilateral development bank, on which areas of the green transition should the EIB Group focus its financial and advisory support in the next phase, both inside and outside the EU?*

Many municipalities have clear climate mandates (e.g. land use, water, urban infrastructure), but face major **barriers to accessing finance** due to size, limited creditworthiness, and administrative complexity. To achieve transformational impact, the EIB Group should prioritize **local-level investment ecosystems**, particularly by enabling municipalities to identify, access, and manage climate finance through:

#### Expanded Technical Assistance (TA)

- Based on field experience (e.g. VNG International's work in Uganda, Iraq, Sint Maarten), municipalities benefit most from **integrated TA** that goes beyond the feasibility studies stage with LG's (which is covered in the Gap fund) and focusing on the financing stage of (bankable) climate action plans. Covering:
  - Investment prioritization based on inclusive development strategies
  - Project development
  - Environmental and social due diligence and safeguards
  - Budget and grant management
  - Procurement, reporting, and stakeholder engagement
  - Access to finance and improved local revenue mobilization.

- TA should be flexible and tailored to local capacity levels, including **embedded experts**, training modules, and practical tools (e.g. green budgeting templates, investment guides).
- Prioritize TA to help local governments **develop bankable green projects**, assess climate risks, and access EU and national funding mechanisms.
- To enhance inclusion and climate resilience, it is recommended to adopt a strong dual focus on **climate finance literate countries**, and **areas of high climate risks**<sup>1</sup>. Local governments are essential actors for delivering targeted solutions, while focusing climate finance on high-risk areas ensures that limited resources have the greatest impact in building climate resilience where it's needed most.

### Financial Instruments for Climate Readiness

- **Facilitate easier access to global climate funds** (e.g. GCF, GEF, Adaptation Fund) through pipeline preparation and more widely available financial routing. Currently, financing structures of global climate funds are not easily accessible to local governments as financial flows and routes of climate funds are difficult to track.
- **Simplify access through modular, standardized offerings** for smaller entities, especially municipalities, to decrease existing high barriers by facilitating intermediaries (like VNG International) while maintaining robust due diligence through scalable safeguards.
- Promote **nature-based, circular, and cross-sectoral projects** (e.g., sustainable waste, flood resilience, urban greening) on the basis of integral financial mechanisms.
- **Municipal investment platforms** for bundling small-scale projects and emphasize the need for locally led priority setting in this regard.
- **Enhanced cooperation with national promotional banks and agencies**, allowing them to serve as intermediaries for smaller-scale or bundled projects, while the EIB ensures alignment with EU climate policy. However, one key barrier is that (inter)**national or commercial banks** are typically unfamiliar with the **unique financial structures, revenue cycles, and risk profiles** of local governments. This lack of understanding leads to several issues:
  - **Perceived high risk** of lending to municipalities due to irregular cash flows or dependency on transfers;
  - **Limited expertise** in assessing municipal creditworthiness within the context of public sector financial management;
  - **Higher interest rates or stricter terms**, making borrowing less viable for local authorities.
- **Subnational pooled finance structures**  
Support the development of **subnational pooled finance mechanisms**, local adaptation funds, and public-private civic platforms. A useful vehicle could be to pool finances in the shape of **municipal banks**. Countries have successfully established **municipal development banks or pooled financing mechanisms**, like the **BNG Bank (Bank Nederlandse Gemeenten – Bank Netherlands Municipalities)** in the Netherlands. Investing in setting up or strengthening of

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<sup>1</sup> see: <https://www.cgap.org/blog/in-era-of-urgent-climate-risk-does-financial-inclusion-matter>

municipal banks at the disposal of local governments, EIB could potentially leverage higher impact of their climate investments.

- **Municipal Bank structures**

Pooled finance involves aggregating the financial needs of multiple local governments into a single financing structure. A **municipal bank** acts as a dedicated financial institution that:

- **Specializes in lending to/ granting municipalities and public sector entities;**
- **Understands municipal budgeting cycles, revenue streams (e.g. local taxes, intergovernmental transfers), and regulatory frameworks;**
- **Leverages the collective creditworthiness of multiple municipalities to access capital at lower interest rates.**

**Key Benefits:**

1. **Lower borrowing costs:** By pooling risk and negotiating collectively, municipalities can secure better terms than they could individually.
2. **Expertise in municipal finance:** Municipal banks are tailored to the realities of local government, offering customized products and financial advice.
3. **Credit enhancement:** A strong municipal bank often benefits from implicit or explicit state backing, increasing investor confidence.
4. **Financial inclusion:** Even smaller or financially weaker municipalities can gain access to capital markets, which they would otherwise be excluded from.

***The BNG Example***

BNG Bank in the Netherlands is a public sector bank that lends exclusively to municipalities and related entities. With a deep understanding of local government systems and a robust risk management framework, it plays a crucial role in enabling Dutch municipalities to invest in housing, energy, infrastructure, and social services. By reducing reliance on commercial banks that may lack municipal expertise, pooled finance via institutions like BNG ensures that **local development is not stalled by financial system constraints**, ultimately supporting more equitable and efficient public investments.

***3. Robust and Simple: How can the EIB Group strike the right balance between simplifying access to finance and maintaining strong frameworks to support climate action and environmental sustainability?***

The EIB Group can serve its partners by balancing access and accountability by combining **strong climate standards** with **simplified, locally accessible processes**:

- **Standardized, modular finance tools** for small and medium-sized municipalities.
- Improved access to **revenue mobilization tools** and local taxation schemes.
- **Digital platforms** to streamline applications, monitoring, and reporting.

- **Risk-sharing instruments** (e.g., guarantees) for less creditworthy local entities.
- **Green performance indicators** embedded in funding criteria—without overburdening administrative resources.
- **Stronger cooperation with trusted intermediaries** (e.g. national agencies, city networks, international partners like VNG International) to scale impact and reduce transaction costs.

### **Conclusion: A Locally Driven, High-Impact Strategy**

The EIB Group has the opportunity to be the **leading catalyst of local climate action** in Europe and globally. By focusing on:

- Strengthening local governments' access to finance and TA;
- Supporting capacity development and green project preparation;
- Simplifying instruments while maintaining strong climate integrity.

The EIB can ensure that its climate ambition is **both bold and achievable**, grounded in local realities, and inclusive of all regions and communities.