

INTRODUCTION: EMPOWERING CITIES FOR THE EU'S GREEN AND DIGITAL RECOVERY

This CIDOB Report reviews the participation of European cities in the Next Generation EU funds, with a special focus on the Recovery and Resilience Facility. By shedding light on the involvement of local governments in specific European countries, it distils key learnings that can bolster the empowerment of cities in the EU's green and digital recovery process.



**Agustí
Fernández de
Losada**

Senior Research Fellow
and Director, Global Cities
Programme, CIDOB

**Ricardo
Martínez**

Senior Research Fellow,
Global Cities Programme,
CIDOB

Three years into the pandemic, cities are the arena where the success of the recovery measures adopted by the EU will be decided. The unprecedented €672.5 billion funding of the Recovery and Resilience Facility (RRF) – the main instrument of Next Generation EU – constitutes a once-in-a-generation opportunity for a just green and digital recovery from the COVID-19 pandemic. With 75% of European citizens living in cities and subnational governments currently implementing 70% of EU legislation, effectively addressing the transformations the European institutions propose without considering public policies implemented by city governments is a major challenge. City governments' responsibility for services and infrastructure is fundamental to the innovations required to address the climate crisis, a fair digital transition and growing inequalities. They are the best guarantee of ensuring just transitions and that no one – and no territory – is left behind.

In order to access the funding, EU member states were asked to prepare National Recovery and Resilience Plans (NRRPs), laying out the investments and reforms necessary for the recovery. Although the European Commission had encouraged multi-level consultations, the plans were designed, with

few exceptions, following a top-down approach and local governments were only marginally involved. Crucially, this lack of local government involvement in the design phase means that, despite most national plans addressing challenges that fall within local government powers (e.g. urban mobility, renewable energy, the circular economy, and housing), a disconnect may occur with urban realities. Municipal leaders across the region have made explicit calls for engagement over recent years, but most plans do not acknowledge the central role of cities in driving Europe's green and digital transitions and thereby undermine the Commission's recent policies geared

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towards empowering cities as leaders on these twin transitions. The NRRPs will largely inform the EU's investment for the implementation of the overarching European Green Deal (EGD), the blueprint towards climate neutrality by 2050 adopted in 2019, in which, conversely, cities are acknowledged as fundamental players for being pioneers in climate mitigation and adaptation.

These shortcomings now require that all efforts are channelled towards ensuring cities' active engagement both in the implementation and the monitoring of the EU recovery funds. The centralisation of the decision-making processes and the lack of efficient multi-level governance mechanisms run the risk of fostering national

recovery strategies that do not respond to specific urban realities, priorities and needs, and weaken the impact of the financial instrument. Only by establishing alignment between European, national and local recovery strategies and projects can the major challenges ahead of us be effectively tackled.

The report in your hands offers two closely interrelated contributions. First, it examines the way different countries have addressed the participation of their local governments in the design of their national recovery strategies. Second, it explores how local governments are engaging with the implementation and monitoring of the national plans. By analysing a set of countries that give a comprehensive overview of European realities, the report aims to distil key learnings that can enhance the knowledge of and capacity to harness the urban dimension of the recovery process. The case studies included in the report review the role of cities in the Next Generation EU funds in the following member states: Finland, France, Germany, Hungary, Italy and Spain. A non-EU urban perspective on the recovery is also included from the United Kingdom (UK).

The country-specific chapters help the reader understand that there is not a straightforward correspondence between the degree of participation of local governments in the NRRPs, the absorption of financial flows in cities as a consequence of the concrete measures included in the national plans, and the actual decision-making power of local governments in the implementation stage of the national plans. Given this knowledge, local policymakers and practitioners must be particularly wary of the intricacies of each national context. The case studies as a whole highlight the fundamental need to strengthen effective multilevel governance arrangements and devise participatory mechanisms that encompass all the stages of the public policy process from design to evaluation, allowing local governments to play a key role in their national recovery strategies.

Structure of the publication

The first chapter presents the experience of Italy, one of the OECD countries most affected economically by COVID-19, as well as the largest recipient of the RRF. Authored by Valeria Fedeli, the chapter outlines the specific situation of Italian cities, which have become important actors in the implementation phase despite a limited role in the planning process. The Italian experience highlights the higher responsibility undertaken by local governments, particularly following a long period of public spending cuts, which have undermined their human resources and competencies.

The Spanish case is then presented, which has also been heavily affected by the pandemic and is one of the top beneficiaries from the stimulus package adopted by the European Council. As the author Agustí Fernández de Losada contends, the reforms and investments planned by the Spanish government in the Recovery, Transformation and Resilience Plan have a strong urban dimension. However, the country's local governments have not participated in its design – they are mere beneficiaries, operating on the fringes of the co-governance mechanisms the national executive uses to set the investment priorities.

The twin green and digital transitions are central to the national plan designed by France, which targets cities, but provides greater financial support to other key actors, such as corporations and transport services.

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Nonetheless, as the author Marco Cremaschi argues, cities are where most of the investment will end up. The French experience offers insightful takeaways about the capacity to insert the national recovery plan into the framework of the country's ordinary policies and flags the importance of designing recovery strategies that also take in the specific standpoint of metropolitan governance.

The German experience is, in turn, of a recovery plan with no explicit urban and territorial dimension, where consultations have mainly taken place between the federal government and the country's 16 states. However, Karsten Zimmermann's chapter shows how, despite a lack of involvement in the planning process, cities will receive substantial investments in key domains of urban governance. An increased role in the implementation stage is due to the detailed lines of action laid out in the national plan in policy areas with a strong urban dimension, such as digitalisation of public administration, public transport and public health.

On the other hand, the Finnish case allows us to distil lessons from a process of consultation that was collaborative and satisfactory for municipalities during the planning process. Yet the chapter authored by Lotta-Maria Sinervo also sheds light on the difficulties arising in the implementation phase as instruments are scattered across various branches of government. It reminds us of the importance of ensuring that participatory processes continue beyond planning, allowing municipalities to play a crucial role and contribute during the implementation and monitoring stages.

The Hungarian case, granting the reader a broader view of the diversity of experiences across Europe, emits a warning call about the failure to involve subnational governments in the NRRP process. The contribution by Iván Tosics shows how the national government neglected its subnational counterparts during the process of preparing the different versions of the RRP submitted to the Commission. It helps us grasp the potentially extreme consequences of the lack of specific obligations in the EU RRF regulation on member states involving subnational governments in planning and implementation.

In the last chapter, Martin Ferry offers a non-EU perspective, introducing us to the UK's experience, while still focusing on the urban dimension of the recovery process from the pandemic. Within the specific complexity of the UK's policy context, recovery responses coalesced around a "Levelling Up" agenda, combining multiple instruments. Nevertheless, while the UK's policy response has strengthened strategic coordination, the central government's close control over the competitive funding procedures risks jeopardising cities' effective involvement and contribution.

This report is the first step in a multi-year project carried out by the Global Cities Programme at CIDOB (Barcelona Centre for International Affairs), in partnership with Eurocities and with the support of Barcelona City Council. The detailed analyses and insightful takeaways in the following pages form part of a wider endeavour that aims to closely monitor the implementation of the RRF at local level. The ultimate objective is to provide policy analysis and recommendations to bolster the empowerment of cities in the EU's green and digital recovery process, thereby contributing to the localisation of Next Generation EU.

