

## **SPAIN: THE TEMPTATION TO RECENTRALISE AN AGENDA WITH A STRONG URBAN DIMENSION**

*Spanish cities are benefiting significantly from the European recovery funds. Indeed, the Spanish government's Recovery, Transformation and Resilience Plan features a strong urban dimension. Yet, 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.*



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Spain is among the countries hardest-hit by COVID-19. For a long time it led the European rankings of people affected by the virus and its economy suffered greatly, with GDP contracting over ten percentage points in 2020. The pandemic left a trail of closed businesses, inequality and precariousness affecting large swathes of society. Spain is thus set to be one of the countries that benefits most from the Next Generation EU funds and, prior to the conflict in Ukraine, its recovery was among the strongest. All of this has had a major urban dimension, even if the process has not necessarily served to empower city governments.

In approving the **Recovery, Transformation and Resilience Plan** presented by the Spanish government in 2021, the European Commission and Council gave the green light to a €140 billion strategy, including €69.5 bn in non-refundable grants. The Spanish plan is built around four cross-cutting themes that are intended to structure the transformation of the economy as a whole, and which fully align with the EU's strategic agendas and the United Nations' 2030 Agenda for Sustainable Development: the green transition, the digital transformation, gender equality, and social and territorial cohesion. These four themes are then divided into ten lever

policies and those into 30 components, shaping a major programme of reforms and investments that aims to modernise the country.

**Figure 1. “Lever policies” defined in the Recovery, Transformation and Resilience Plan of Spain**



Detailed analysis of the ten lever policies and 30 components shows that the Spanish plan is committed to reforms and investments that have a strong urban dimension and in which city governments should play a major role. As such, it is highly significant that lever 1 focuses on the urban agenda (along with the rural) and that it includes two components that are closely linked to local competencies: component 1 (a “shock plan” for sustainable, safe and connected urban and metropolitan mobility); and component 2 (housing renovation and urban regeneration).

But there are also other urban connections: lever 3 opens the door to supporting energy communities and funding renewable energy roll-out in buildings; 4 includes funding the modernisation (digitalisation) of local administrations; 5 addresses the tourism sector’s competitiveness and modernisation, a vitally important area for cities and local governments; 7 proposes investments to create nursery places for children aged 1 and 2 in publicly (and usually locally) owned facilities; 8 addresses the care economy and employment, two highly sensitive areas of priority action for local governments; while 9 includes funding for interventions in the fields of culture (cultural industries and cultural revitalisation) and sport (promoting physical activity and sports facilities), which require local government participation.

### **The recovery plan’s governance and cities’ participation in its design**

Despite its strong urban dimension, Spanish local governments – especially those of major cities – had little meaningful participation in designing the Recovery, Transformation and Resilience Plan. Largely monopolised by central government, the involvement of any other public and private operators was patchy. Formally, a co-governance system was adopted that prioritised dialogue with the autonomous communities and certain

economic operators, leaving local governments, including those of major cities, in the background. Operationally, the national executive has exercised strong control over the process of defining investment priorities.

Indeed, **Royal Decree-Law 36/2020**, of December 30th, which approves urgent measures for modernising the public administration and implementing the Recovery, Transformation and Resilience Plan, establishes the creation of governance bodies to ensure a participatory process that incorporates proposals from the main economic, social and political actors. These bodies also serve as the necessary coordination mechanisms with the different administrative levels.

The leadership and coordination of the plan falls to the **Commission for Recovery, Transformation and Resilience**, a body chaired by the head of government, which exclusively contains representatives of central government.<sup>1</sup> Multilevel coordination is ensured by the **Sectoral Conference of the Recovery, Transformation and Resilience Plan**,<sup>2</sup> which the finance minister chairs, and which is formed of representatives of the 17 autonomous communities and the country's two autonomous cities (Ceuta and Melilla). It also has the power to summon the representatives of local administrations appointed by the Spanish Federation of Municipalities and Provinces (FEMP) when it deems appropriate.

The Sectoral Conference has been the setting for the negotiations with the autonomous communities. Following guidelines set by central government, the Sectoral Conference established the amounts to be distributed and the criteria for their allocation. But at no point has it considered the participation of local governments, which are reduced to informal contacts with officials from government ministries and their own autonomous communities.

It is surprising that, beyond the FEMP, no formal channel has existed for cities to participate in designing the strategy, especially large cities like Barcelona and Madrid. Despite the strong urban dimension of many of the measures the plan seeks to promote, cities have been limited to informal contacts and presenting expressions of interest within the frameworks of the processes initiated by the various ministries. The value of these expressions of interest remains unclear, as it is hard to establish the degree to which they informed the plan's definitive formulation.

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1. Article 14 of Royal Decree-Law 36/2020.

2. Article 19 of Royal Decree-Law 36/2020.

## **Local governments are key beneficiaries of the Spanish recovery plan's implementation**

Despite having a marginal role in the design process, local governments are involved as beneficiaries in the implementation of the Recovery, Transformation and Resilience Plan. This process takes the form of calls for projects, which are handled by the various central government and autonomous community bodies, as well as the large-scale Strategic Projects for Economic Recovery and Transformation (PERTE).

### **DESPITE HAVING A MARGINAL ROLE IN THE DESIGN PROCESS, LOCAL GOVERNMENTS ARE INVOLVED AS BENEFICIARIES IN THE IMPLEMENTATION OF THE RECOVERY, TRANSFORMATION AND RESILIENCE PLAN.**

Analysing the calls held over the first two years of the plan's implementation reveals the many areas of opportunity for local governments. According to data from the FEMP, in the 2021–2023 period, local governments will receive just over €17.7 billion through various state and regional calls, which amounts to 25.5% of Spain's allocated non-refundable grants.

One area where local government involvement has been particularly important is the ecological transition. Funding has been provided to drive projects like low-emission zones, sustainable mobility, public building renovation, the urban agenda, urban space adaptation, waste management, water supply, and flood-risk mitigation. But it has also been allocated to digitalisation, with calls aimed at digitalising local administrations; trade and tourism, with funding to support markets and shopping areas in urban and rural settings, and to promote sustainable tourism plans and the recovery of historic sites; social protection and care, for projects to develop housing, accessibility and to strengthen social services; employment, with financing to promote labour market access for women and young people; and culture and sports, with projects aimed at modernising infrastructure.

But local government participation is channelled not only via the calls handled by state- and autonomous community-level administrations, they can also participate in some of the PERTEs approved so far. A good example is the PERTE to digitalise the water cycle, which will serve to transform and modernise water management systems, both for the urban water cycle and for irrigation and industrial uses. However, they should also be able to participate in the PERTEs relating the circular economy, cutting-edge healthcare and the social and care economy.

As well as establishing the significant resources made available to Spanish local governments, it is worth making a critical analysis of the plan's implementation process from an urban perspective, which allows some relevant considerations to be pointed out.

First, while the proposed reforms and investments are a good match for the challenges facing large cities, the plan misses the opportunity to promote evolved forms of governance at the metropolitan and regional scale. A greater effort is missing to promote territorial coordination and balance, and to transcend administrative limits and promote more efficient forms of collaboration and interterritorial cooperation. The plan targets the urban and rural agenda, but treats them as parallel, and thus fails to engage with the necessary synergies between them. Key metropolitan, peri-urban and rural issues are addressed, but joint actions between the crucial operators coordinating at regional level are not encouraged.

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The Spanish government's strategy prioritises largescale projects that have the potential to drive the transformation of the model of production towards a greener and more digital economy, while modernising both the public and private sectors. But the recovery process runs the risk of failing to reach beyond the large national operators and to permeate the socio-productive fabric at a more local level. City governments should be at the heart of channelling the funds to ensure they benefit SMEs, professionals, NGOs and the general public.

Finally, the European Union's regulatory framework for implementing the funds highlights the lack of resources that hampers the effective participation of many Spanish local governments. Everything suggests that they will struggle to meet the deadlines for making spending commitments (December 31<sup>st</sup> 2023) and implementing initiatives (December 31<sup>st</sup> 2026). Complying with other obligations, like putting in place anti-fraud plans, environmental impact regulations (the principle of doing no harm), and the rigid nature of public procurement all present further significant challenges. All of this is aggravated by the highly restrictive state regulatory framework imposed after the 2008 financial crisis. In this context, there is a substantial risk of funds having to be returned for non-compliance with the regulations.

## Conclusions

The Spanish government's Recovery, Transformation and Resilience Plan has brought very significant investment to projects driven by cities, but no accompanying process of empowering local governments has taken place. Quite the contrary, in fact – they were left out of the strategic design process that shaped both the investments and the reforms they bring, and instead operate as mere recipients of the subsidies.

A chance has thus been missed to build forms of collaborative governance rooted in less vertical and hierarchical conceptions of the recovery process. It could have been more connected to local processes, more porous to the interests and aspirations of local territories and the actors operating in them; and it could have had greater transformational potential. But the macro-level has prevailed, prioritizing the interests of big national operators that drive largescale processes. This comes at the expense of the micro-level, and therefore of connecting the recovery process with the socioeconomic fabric and needs of a given territory.

The central government undeniably made efforts to connect the urban agenda with the recovery process. But it also seems to have given in to a temptation to recentralise, to lead and mould an agenda in which local governments should have played a key role and whose participation should have been assured. Less than halfway through the implementation process, it would be good for city governments and the actors operating in them to be given the power to sketch out their own future. In short, co-governance should become one of the plan's working principles.