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### 1. Introduction: the involvement of local governments in the Spanish Recovery, Transformation and Resilience Plan

The Spanish Recovery, Transformation and Resilience Plan is built upon an urban paradox. As stated in previous research led by CIDOB, some of the pivotal priorities addressed in the €163bn<sup>1</sup> strategy developed by the Spanish government are linked to local competences and urban challenges. Yet local governments have not been invited to take part in the design of the plan nor in its monitoring and evaluation. Despite its urban dimension, they are mere beneficiaries of an unprecedented budget that is somewhat accelerating a recentralisation trend.

The 31 components that make up the ten lever policies laid out in the Spanish recovery plan show a strong commitment to boost reforms and investments in which city governments and urban stakeholders should play a major role. Table 1 provides evidence of that.

According to the Spanish Federation of Municipalities and Provinces (FEMP), in the period 2021-2023 more than €18bn has been made available for local governments by both the central government and autonomous communities. This accounts for more than 20% of the total non-refundable funds available.

Up to 13 Spanish government ministries are engaging with local governments to implement initiatives within the various priorities included in the Spanish plan. Yet almost 70% of the funds made available have been managed by two ministries: the Ministry for Ecological Transition and the Demographic Challenge (€6.07bn) and the Ministry of Transport, Mobility and Urban Agenda (€6.54bn). This seems to tie in with the type of competences devolved to local governments in the Spanish legislation.

As of September 2023, more than 64 funding schemes had been deployed to support initiatives submitted by local governments. It is worth mentioning that a significant part of the funds available, approximately 50%, have been territorialised and are being managed by the different autonomous communities.

1. The addendum to the Spanish Recovery, Transformation and Resilience Plan approved on October 2nd, 2023, by the European Commission has increased the total amount of funds available from an initial €140bn to the current €163bn. This includes €80bn in non-refundable grants and €83bn in loans.

Most of the funds allocated to local governments have been channelled through programmes designed by the central government and managed through competitive calls for proposals published both by ministries and autonomous communities.

**Table 1: Funds granted to the Barcelona City Council**

Lever policy	Component with urban dimension
1. Urban and rural agenda, the fight against depopulation and agricultural development	C.1. Sustainable, safe, and connected mobility shock plan in urban and metropolitan environments
	C.2. Urban rehabilitation and regeneration plan
2. Resilient infrastructures and ecosystems	C.6. Sustainable mobility, long-distance
3. Just and inclusive energy transition	C.7. Deployment and integration of renewable energy sources
4. An administration for the 21st century	C.11. Modernisation of public administrations
5. Modernisation and digitisation of the industrial and SME fabric, recovery of tourism and promotion of Spain as an entrepreneurial nation	C.13. Support to SMEs (including local markets)
	C.14. Plan for the modernisation and competitiveness of the tourism sector
7. Education and knowledge, lifelong learning, and capacity building	C.21. Modernisation and digitalisation of education, including early education 0-3
8. The new care economy and employment policies	C.22. Shock plan for the care economy and reinforcement of inclusion policies
	C.23. New public policies for a dynamic, resilient and inclusive labour market
9. Promotion of the culture and sports industries	C.24. Cultural Industry
	C.25. Promotion of Sports

Source: Author

The following are some prominent examples of funding schemes:

**Table 2: Example of funding schemes available for Local & Regional Governments**

	€ million
Electric mobility	909
Neighbourhood rehabilitation	976
Integral rehabilitation of buildings	1.994
Rehabilitation of public buildings	600
Social housing	1.000
Low emission zones and digitalisation of urban transport	2.500
Tourist sustainability in destination	1.905
Renewable energy self-consumption and storage	1.320
Digital transformation and modernisation of local administrations	391,4
Broadband	500
Care economy and social services	244,4
Early childhood education (1 and 2 years)	458,11
PERTE water digitalisation	3.000

Source: Author

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Big cities such as Madrid (3.3 million inhabitants), Barcelona (1.6 million), Valencia (0.8 million) or Seville (0.6 million) have accessed the available funds through the same channels as the rest of the local governments in the country. Except for a few calls for proposals that excluded municipalities of less than a certain number of inhabitants (usually 50,000 or 20,000), a significant part of the programmes have placed the necessities of big metropolitan agglomerations under the same umbrella as those of medium-sized and small municipalities. As analysed in this monograph, metropolitan realities are barely acknowledged in the different programmes and the sole metropolitan government in the country (the Barcelona Metropolitan Area) has struggled to be considered eligible.

Madrid and Barcelona city councils have topped the funds allocated among local governments by far (€302m, in the first case, and €269m, in the latter). However, it is difficult to measure the total funds allocated in the two cities (the same applies to most of the cities) as they benefit from many other initiatives financed by the recovery funds and implemented by other organisations (e.g., other administrations, universities and research centres, civil society organisations, private corporations, etc.). In this regard, the lack of effective coordination mechanisms and will is a problem that diminishes the impact of the different measures undertaken.

More than 8,000 local governments have benefited from the grants awarded under the Spanish recovery plan. This includes the different tiers of local government recognised by Spanish law, i.e., municipalities, provinces, and insular councils. Likewise, specific intermediate local entities recognised by regional legislations, such as metropolitan governments (the case of the Barcelona Metropolitan Area established under a Catalan law), counties and public consortiums have been able to participate in specific calls.

## 2. Barcelona, a city committed to making the most of the recovery process

With the aim of unlocking the full potential of the recovery funds in the city, and addressing the green, digital, and social transformations that lie behind this unprecedented budget, Barcelona City Council devised a multistakeholder plan<sup>2</sup> in December 2020, structured around seven strategic axes:

1. Boosting the local economy
2. Working for a responsible transition towards a sustainable model for renewable energies and renovation
3. Achieving a fair digital transition
4. Boosting sustainable mobility
5. Developing health and social infrastructures
6. Creating a stronger system for innovation, research and knowledge
7. Focusing on the recovery of the nature in the city

The different priorities and lines of work included in the plan were designed together with the main stakeholders in the city, i.e., other tiers of administration, civil society organisations, knowledge-based institutions, and the private sector. It aimed to ensure effective coordination and complementarity between municipal-led, public-private and third-party initiatives developed and having an impact in Barcelona and its metropolitan area.

2. "Barcelona, we make plans for the future". Available at: <https://ajuntament.barcelona.cat/estrategiaifinances/en/european-funds-1>

While the Barcelona plan was adopted much earlier than the Spanish recovery strategy, Barcelona City Council was not formally engaged with the design of the reforms and investments included in the latter. The broad description of the seven strategic axes is well aligned with the lever policies finally defined by the Spanish government, though no clear connection can be made. In fact, more than 80% of the funds currently disbursed can be placed under axes 1, 2 and 4, while extremely strategic axes such as 3, 6 and 7 account for less than 2% of the funds received so far.

Indeed, Barcelona City Council, like the rest of the local governments in the country, has been invited to take part in the myriad of funding schemes open to municipalities. For the time being, the city council has submitted a total of 38 projects, from which 22 have been awarded funding, 4 are pending, and 12 have been rejected. The total amount of funds granted as of September 2023 came to a little under €269m, while €6.4m is unresolved and an important €51m project is under preparation.

Most of the funds granted to the city council are competitive and derive from open calls managed by both the Spanish central government and the Catalan regional government. However, Barcelona City Council has also benefitted from direct grants such as the €9.3m subsidy from the Ministry of Inclusion, Social Security and Migration for the social and labour market inclusion of beneficiaries of Spain's basic minimum income scheme; or funds allocated in the framework of collaboration agreements, such as the €14.9m contract programme passed with the Catalan government's Department of Social Rights to collaborate in the promotion of social welfare.

As can be observed in the following table, up to 65% of the Next Generation funding granted to Barcelona City Council falls under components 1 (mobility) and 2 (rehabilitation and regeneration) of lever 1 (urban agenda).

**Table 3: Funds granted by the Barcelona City Council**

Lever and component	Nº of projects	Funds granted	%
L1 (Urban agenda) – C1 (Urban mobility)	5	112.597.664	42
L1 (Urban agenda) – C2 (Rehabilitation & regeneration)	4	62.246.524	23
L5 (Industry, SMEs & tourism) – C12 (Waste management) & C13 (Local markets) & C14 (Tourism)	3	49.511.105	18
L8 (Care economy) – C22 (Care and social inclusion)	5	36.882.352,40	14
L4 (New public administration) – C11 (Modernization)	1	6.084.142	2,4
L7 (Education, training) – C21 (Modernization of educating system)	1	1.090.865	0,47
L6 (Science & innovation) – C16 (AI)	1	199.885	0,07
L9 (Culture and Sports) – C24 (Culture)	2	173.655	0,06

Source: Author

Within lever 1, just two projects account for a very significant part of the funds disbursed, the €107m low emission zone and the €42.5m project devoted to rehabilitation and urban regeneration. This might be considered as normal because both mobility and urban regeneration are core competences of Spanish local governments and two major challenges for a city such as Barcelona.

Along the same lines, local markets and tourism (components 13 and 14 of lever 5), also at the heart of local competences, absorb 15% of the funds allocated through two projects: the €40.8m strategy to foster Barcelona as a sustainable tourist destination and the €8.1m project to revitalise local markets and shopping locally. Likewise, up to 14% of the funds disbursed focus on the care economy and social policies, with €30.8m channelled through a bilateral agreement with the social affairs department of the Catalan government.

At the other end of the scale, digitalisation and innovation, top priorities for a city competing to consolidate its position as one of Europe's leading digital, technological and science hubs, warrant less than 2.5% of the funds allocated. However, as will be analysed later in this paper, top Barcelona-based technological and scientific projects, as well as initiatives to foster digitalisation among the private sector, are being developed by other stakeholders, i.e., universities, research centres, private corporations or other tiers of government.

Projects granted range from very well-funded initiatives, such as the low emission zone, with more than €107m (through two open calls), or the Tourism Sustainability Plan, with more than €40m, to very small projects such as the acquisition of a software for recharging vehicles in the city (€48,000) or the improvement of digital connectivity at the city municipal auditorium (€57,000).

Six different departments of Barcelona City Council have been engaged with the formulation and implementation of projects funded within the Spanish recovery strategy. Mobility, Infrastructures and Urban Services, with three projects and €108m granted, leads the ranking, followed by Economic Promotion (seven projects and €53m), Urban Planning and Housing (one project, €42m), Social Rights, Health, and Community (four projects and €36m), Resources and Digital Transformation (three projects and €10m) and Culture, Education and Sports (three projects, €1.2m). Security, Prevention and Co-habitation is the only department among the operational units of the city government not currently involved in the management of initiatives granted by the Next Generation EU funds.

The availability of this unprecedented EU budget has led to the creation of a specialised fundraising unit within the finance department of Barcelona City Council. This new unit promotes access to EU funds, both Next Generation EU and from the 2021-2027 Multiannual Financial Framework (MFF), to finance municipal priorities, strategies and projects; provides technical support to the city government teams; and ensures internal coordination and coherence. The latter is both critical and challenging in a large public organisation in which different priorities, interests and aspirations coexist.

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Although the policies and challenges addressed through the projects implemented by Barcelona City Council have a metropolitan dimension (i.e., mobility, housing, tourism, etc.), most of them operate strictly within the boundaries of the municipality and do not incorporate other neighbouring cities. The low emission zone, where Barcelona Metropolitan Transports is a key partner, is the sole, but significant, exception. This might be the consequence of calls for proposals and other financial schemes designed by the national government failing to consider, even neglecting, the supra-municipal dimension of most of the local competences defined within the Spanish legislation.

The same goes for the involvement of other stakeholders outside the city government institutional ecosystem and the public sphere. None of the projects currently under implementation involve stakeholders such as civil society organisations, universities, research centres or the private sector. They are all partnered between different units of the city council, departments of the Catalan government and specific consortiums where both are involved, that is, the city and regional government.

Finally, it is important to stress the difficulties that Barcelona City Council has experienced in addressing the regulations established to ensure a proper implementation of the funds included in the Recovery and Resilience Facility. While they are intended to introduce more flexible solutions, new measures taken to prevent fraud and avoid significant ecological harm, procedures designed to make public procurement more flexible and equitable, and digital platforms established to monitor milestones or to audit spending, to give some examples, have brought further bureaucracy to an already highly bureaucratic system. Unprepared administrative teams, both as managing authorities and beneficiary institutions, are struggling to navigate a highly complex and dense scenario.

### **3. Different stakeholders implementing projects in the city and metropolitan area**

Together with the projects granted to Barcelona City Council, an even more significant number of projects are implemented in the city led by other stakeholders. Yet tracking this evidence is not an easy task as specific information about funds disbursed is not disaggregated by territories below autonomous communities. Reliable information about projects granted is mostly filtered by institutions. However, the European Commission has mapped some of the most relevant projects in each member state, allowing the possibility to zoom in on the location of lead institutions' headquarters.

According to the commission, Barcelona has a wide range of highly innovative projects led by different institutions, both public and private. The city hosts projects in almost all the sectors covered by the Spanish recovery plan, involving the different tiers of government that operate in the city (national, regional, supralocal and local), universities, research centres, civil society organisations, professional bodies and private corporations (large, medium and small companies).

A noteworthy example is the €22m project Quantum Spain, the first quantum supercomputer based on European technology that will be built and installed in Barcelona, at the Barcelona Supercomputing Center. The project involves

25 universities and 14 computing centres across Spain and aims to boost the Spanish quantum computing ecosystem. Other projects focus on sectors such as AI solutions for ageing, the agri-food industry (including some of the leading wine companies in the country), development of an RSV vaccine, electric vehicles, vocational training, or digitalisation of SMEs.

However, to understand the impact of the recovery funds in Barcelona we must also analyse projects granted to institutions based in other cities of the metropolitan area. Jointly, with more than €110m allocated in metropolitan projects implemented by the Barcelona Metropolitan Area in sectors such as housing, mobility, waste treatment, renewable or alternative energies, or tourism, cities such as Esplugues de Llobregat are hosting highly significant and innovative initiatives such as the €10m DIPCAN project<sup>3</sup> aiming at using AI to treat cancer metastasis.

#### 4. Key challenges ahead and conclusions

Approaching the mid-term implementation of the Spanish recovery strategy, the available funds are meant to reduce progressively. However, the addendum recently approved by the European Commission and the ECOFIN (EU's Economic and Financial Affairs Council) proposes to increase non-refundable funds for Spain by more than €10bn. This, together with the funds still to be disbursed, provides a favourable scenario for cities to continue monitoring and participating in the calls and other funding schemes that will be opened in the coming months.

At this stage, some observations can be made to strengthen the impact of the recovery funds in Barcelona and its metropolitan area.

The Spanish recovery strategy includes several components which have not been well covered by the projects already awarded to Barcelona City Council. Science, technology, innovation, culture and sports are key for the economy of the city and represent only a little over 2.5% of the funds already mobilised. Although the city government has very limited leeway in a highly centralised environment, it should mobilise available assets to advocate for a major participation in the funding schemes still available in these highly strategic components. The strategic programmes (PERTE) in areas such as electric mobility, cutting-edge health, renewable energies, circular economy, the digitalisation of the water cycle or the new economy of care might provide some interesting opportunities.

With this in mind, advocacy efforts should address both the Spanish and Catalan governments, especially the former. Indeed, while the Catalan government has shown a certain readiness to partner with the Catalan capital city (more than €30m in bilateral agreements are evidence of that), Spain's central government has been reluctant to operate outside competitive calls with the major cities in the country. The partnerships that certain ministries are currently coordinating with different stakeholders to implement many of the reforms and investments set out in the recovery strategy might shed some light on the way ahead.

Similarly, advocacy should also focus on the EU institutions in order to ensure a greater participation of major cities in the second phase of the implementation of the recovery funds. City networks such as Eurocities

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3. More information available at: [https://barcelona.spain.representation.ec.europa.eu/estrategies-i-prioritats/nextgenerationeu-prop-teu/proyectos/tractament-personalitzat-del-cancer-metastatic-amb-ia\\_es](https://barcelona.spain.representation.ec.europa.eu/estrategies-i-prioritats/nextgenerationeu-prop-teu/proyectos/tractament-personalitzat-del-cancer-metastatic-amb-ia_es)

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can play a fundamental role here and Barcelona, as a key member of the organisation, should prioritise this line of work. Mobilising political will and gathering evidence on how these funds are being absorbed at the local level, while describing challenges and proposing next steps for the EU institutions, should be central tasks to both monitor and enhance the urban dimension of the Next Generation instrument.

Despite the will expressed by the city government in its plan approved in 2020 to bring in the different stakeholders that operate in the city, municipal units are the sole actors in the projects currently under execution. This is certainly due to the limitations defined in the different funding mechanisms available for local governments. Nonetheless, alternative schemes might be explored to promote public-private partnerships in science and tech-led initiatives and to partner with cultural industries, the third sector and grassroots organisations.

This would allow further assets, resources, knowledge, and capacities which are key for the city to be mobilised, aligning them with the priorities agreed by different city stakeholders, making recovery funds and the Spanish recovery strategy more adapted to local realities and concerns. It would also reinforce the city government's leadership while ensuring greater coherence among the different initiatives that have chosen Barcelona as an exceptional location to innovate and produce solutions to global challenges.

Efforts aimed at ensuring a substantial degree of coherence and complementarity should also be addressed from a metropolitan perspective. The lack of effective coordination mechanisms vis-à-vis the implementation of recovery funds in the metropolis undermines the transformative potential that this unprecedented fund might trigger. Fostering joint initiatives between Barcelona City Council, the other metropolitan municipalities and stakeholders, and the metropolitan government could be an appropriate path to pursue. Barcelona should make its leadership and resources available to this end.

Finally, citizen commitment and engagement will be critical to unlocking the full potential of opportunities provided by the recovery funds. Thus, ensuring citizen participation in the design, implementation and monitoring of the initiatives carried out by the city government should be a major concern. This would inform projects with specific local needs, mobilise additional assets and hold public municipal intervention accountable. Some highly innovative platforms such as Decidim<sup>4</sup> could provide a relevant tool.

No doubt should be cast on the opportunities that the recovery funds might provide to a city such as Barcelona to move forward with the critical transformations it needs. The green, digital, and social transformations require investments and reforms and the mobilisation of all the available resources. The Spanish recovery strategy provides the perfect framework for that. However, its highly centralised architecture, which is preventing major cities from taking on a greater role, could diminish its impact. Greater vision is required to make these funds more accessible to local assets and innovations.

4. Decidim is the digital platform for citizen participation in Barcelona. For more information, visit: <https://decidim.org/>