CITIES IN THE EU RECOVERY PROCESS
LOCALISING THE NEXT GENERATION EU

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CONTENTS

CIDOB REPORT
09- 2022

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.

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CIDOB REPORT
09- 2022

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 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.

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.

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.

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).

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.

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.

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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.

ITALIAN CITIES AND THE RECOVERY: A NEW MODEL OF URBAN CENTRALITY?

Italian cities are peculiar protagonists of their National Recovery and Resilience Plan (PNRR): despite having a limited role in its design, they have become important actors in its implementation. This imposes huge responsibility on local administrations. Weakened for decades by public spending cuts, they are now asked to play a new role in close association with national counterparts.

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CIDOB REPORT
09- 2022

Italy, among the countries most affected by the pandemic, is one of the leading beneficiaries of the recovery funds

Italy was one of the OECD countries most affected by the economic fallout from COVID-19 (OECD, 2020). In 2020, Italian GDP recorded one of its lowest post-WWII growth figures, among the worst in the European Union (Banca d'Italia, 2021). The crisis hit an already-fragile country, from an economic, social and environmental standpoint, characterised by significant problems, including productivity slowdown, limited digitalisation, a lack of adequate infrastructure, a fragmented and low-skilled labour market, and vulnerability to climate change. Over the last decades, the decline in public as well as private investments (in the 1999–2019 period total investments increased by only 66%, compared to 118% on average across the euro area) consistently limited the country's modernisation, which has also suffered from the slow design and implementation of public sector reforms. This is the picture given by the foreword to the National Recovery and Resilience Plan (PNRR) issued by the Italian government to access the Next Generation EU funds (NGEU). Italy is now one of its foremost beneficiaries.

The National Recovery and Resilience Plan: among the largest post-WWII public policies

The plan is based on six missions (digitisation, innovation, competitiveness, culture; green revolution and ecological transition; infrastructure for sustainable mobility; education and research; inclusion and cohesion; healthcare), 16 chapters and 43 fields of action. It sets an ambitious framework to foster reforms that have remained unattained for decades: public administration and justice, the simplification of legislation and the promotion of competition. As such, it will pose a major challenge in terms of both design and implementation throughout its six-year time-frame. As highlighted by the Banca d'Italia (Banca d'Italia, 2021), the growth of public expenditure based on the exceptional funding provided by the EU will be strategic for the country only if new capacity for action can be generated, especially in the public sector. As in the foreword to the Plan, "Italy must combine imagination, design capacity and concreteness to deliver to the next generations a more modern country within a stronger and more inclusive European Union". The total resources for this endeavour are around €235.6 billion.

Cities as recipients …

What is the role of cities and urban areas in these aspirations? Have cities and urban areas been given a central place in designing and implementing the PNRR?

The plan can be considered a large-scale public works project, with 62% of funding allocated to public works, according to the Italian Court of Auditors (*Corte dei Conti*). As such, it provides a unique opportunity for a country that has over recent decades witnessed the progressive and continuous diminishment of material welfare, particularly within the urban sphere. It also presents a significant challenge.

It should, thus, on the one hand, include a vision and prospects for cities to play a role in addressing new social questions in an urban country such as Italy; on the other, it should count on the capacity of the public sector, especially at the local level, to design and implement projects effectively and in due time. However, the PNRR is not characterised by a clear identification of territorial targets and priorities, except for earmarking 40% of the resources to southern regions – an attempt to address the long-standing divide between the country's north and south. Indeed, the plan comes with no specific spatial vision - to get a picture of its territorial impacts, one must rely on the work of academic or independent observatories, which show that in only a few cases is there explicit territorial orientation or attention (Viesti *et* *al.*, 2022). Implementation is shaped by the distribution of resources mainly based on competition, especially involving municipalities and other public local bodies; this is the case of funding related to urban regeneration projects. A few initiatives with a structural role have been predefined at the national level, particularly infrastructure projects. This also reflects the nature of the plan, which seeks to support locally designed projects, in correspondence with the indicators and criteria shaped at the national/EU level. As a result, the plan's territorial impact will mainly be detectable in the coming years as the result of the local processes and capacities (Ibid).

This policy orientation is in line with mainstream public policies in Italy, which have lacked a specific urban focus, despite multiple and heterogenous initiatives and funding promoted by different governments over recent decades. Italy still lacks a clear urban agenda, according to Urban@it, an independent academic think tank founded in 2014 to generate debate on the role of cities in the country and the need for an urban agenda.[1] Recent years have brought several attempts to deal with the urgent problems facing urban areas, from large cities and metropolitan areas to small and medium-sized cities. However, they have remained isolated, with a shared vision of the role of cities and urban areas in the country's future seeming difficult to achieve.

… cities challenged by the new abundance (and old lack) of resources

The PNRR is an excellent chance for cities but also a possible trap. It includes four measures that directly target cities: 1) urban regeneration projects; 2) urban integrated projects; 3) quality of life and large cultural magnets; 4) rapid transport systems. In addition, a chapter is dedicated to port interventions and special economic zones; finally, unique resources have been dedicated to the capital city of Rome. The total amount of funding distributed to local bodies is estimated to be around €66 billion; approximately €28.2 billion will go to municipalities and metropolitan areas (30 million inhabitants) under the above-described chapters (Viesti *et al.*, 2022).

Most of the resources for cities are in Mission 5, dedicated to cohesion and inclusion, especially component 3, on territorial cohesion. The first chapter funds urban regeneration projects (PINQUA, Innovative Programme for the Quality of Living, already promoted by the previous government)

1. Urban@it" is an association of Italian universities formed in 2014 by urban studies and planning researchers to support Italian policymakers to adopt an urban agenda by producing and exchanging knowledge and research on the topic.

to revitalise public housing and spaces, financing material and immaterial policies (integrating social and cultural dimensions) with more than €2.8 billion. The second, of around €2.7 billion, is earmarked for metropolitan areas and targets more significant interventions to regenerate public areas and buildings in degraded and peripheral areas to turn them into smart and sustainable places (PUI, Integrated Urban Plans). The third chapter allocates €3.4 billion to urban regeneration producing a better quality of life in municipalities above 15,000 inhabitants. In these three cases, resources are assigned based on competition for funding, while the remaining were pre-identified by the government. Among the indicators for allocation is the social and material vulnerability index, which was elaborated by the National Statistical Institute (ISTAT). Finally, MRT, mass rapid transport, receives €3.6 billion for public transportation in large metropolitan areas, focusing on sustainable mobility.

THE PLAN PROVIDES A UNIQUE OPPORTUNITY FOR A COUNTRY THAT HAS OVER RECENT DECADES WITNESSED THE PROGRESSIVE AND CONTINUOUS DIMINISHMENT OF MATERIAL WELFARE, PARTICULARLY WITHIN THE URBAN SPHERE.

The number of projects funded, and their budget, reflect the nature of the challenges facing mayors and cities. On the one hand, cities and metropolitan areas are central actors in the PNRR, as they have the specific role of identifying, designing and implementing the projects. On the other, the PNRR institutes a direct relationship between cities and the state, which requires cities to bid and apply for funding and follow a tight schedule and often complicated bureaucratic procedures to respect the PNRR milestones and pursue its targets.

This new shared responsibility is particularly stressing local bodies. According to the president of the National Association of Municipalities (ANCI), cities have been emptied of human resources and competencies due to a long period of public spending reviews. Cities are expressing their concern about this situation – a major obstacle to the plan's implementation – and on the one hand have obtained the introduction of Territorial Framework Agreements (Accordi Quadro Territoriali), and on the other the support of Invitalia, the National Agency for Development, which helps them in project management, design and implementation. Furthermore, to help municipalities, the government envisages hiring 3,800 experts (of which 2,800 in the southern regions), where larger gaps exist between the tasks to be fulfilled and the human resources and skills available. However, this is quite a diffuse phenomenon, as shown by the fact that some competitive funding procedures had to be postponed and relaunched due to the lack of proposals received.

… dealing pragmatically with the state's renewed centrality

The governance of the PNRR remains fairly hierarchical: local bodies have had only limited involvement in designing the plan, but oversee multiple projects (EU, 2021). At the same time, a series of mechanisms and ad hoc bodies are in place at the national level for monitoring and implementing the plan, which allows the government to step in if local-level implementation is not efficient. Some of these, especially the Cabina di Regia (steering committee), will be in place until the plan ends in 2026, thus changing the principle that ad hoc bodies step down together with the government that nominated them, thus avoiding spoiler processes. This principle obliges the national government, whatever its political orientation, to pursue the plan's objectives and implement it, taking all the responsibility for its final success.

CTIES AND METROPOLITAN AREAS ARE CENTRAL ACTORS IN THE PNRR, AS THEY HAVE THE SPECIFIC ROLE OF IDENTIFYING, DESIGNING AND IMPLEMENTING THE PROJECTS.

The plan also consistently limited the role of regional governments, particularly during the design and negotiation phase, probably because of the conflicts and contradictions that emerged during the pandemic crisis. However, the public discussion of the plan has been minimal due to the urgency and schedule of its presentation and approval at EU level. The Italian experience is not unique in this respect: the quasi-federal structure, which is particularly problematic, is the product of the principles of subsidiarity and the process of decentralisation promoted for decades.

Experts say that despite beginning as an exception resulting from the pandemic, this represents a new (open and problematic) phase in the relationship between the national and regional government levels. The role of the "Tavolo permanente per il partenariato economico, sociale e territoriale" (Permanent Table for the Economic, Social and Territorial Partnership), a unique body designed to enable greater regional and provincial participation, has been minimal and almost consultative, when compared with other member states' experiences. As the official report explains, over 20 meetings have been organised and widely attended in its first year. At these meetings, concerns have been expressed about more substantial involvement for society in the plan and the need to support local public bodies in its implementation. In terms of the urban dimension, the report requests renewed national urban policy governance based on a unified strategy and subject in order to avoid the action of several ministries overlapping and fragmenting, including a national observatory on housing conditions and the reactivation of the Inter-ministry Committee for Urban Policy (CIPU). That both measures were recently implemented gives some hope that the PNRR might be a crucial opportunity for cities and metropolitan areas in the longer term, in spite of its origin and scope.

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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

Urban and rural agenda, depopulation and agriculture	Infrastructure and resilient ecosystems	Just and inclusive energy transition	An administration for the 21st century	Modernising and digitalising industry, SMEs and tourism
Science pact. Strengthening the national health system	Education and knowledge, lifelong learning	The new care economy and employment policy	Boosting the culture and sports industries	Modernising the tax system

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.[1] Multilevel coordination is ensured by the **Sectoral Conference of the Recovery, Transformation and Resilience Plan**,[2] 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.

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.

THE PLAN MISSES THE OPPORTUNITY TO PROMOTE EVOLVED FORMS OF GOVERNANCE AT THE METROPOLITAN AND REGIONAL SCALE.

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 31st 2023) and implementing initiatives (December 31st 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.

FRANCE'S RECOVERY PLAN: THE UNFINISHED BUSINESS OF SPATIALISING DEVELOPMENT POLICIES

France's recovery plan is similar to other national equivalents across Europe. It benefits firms, industries and rail and transport operators and fosters generic ecological and digital targets. However, cities have not received a large share of funds or priority measures, even though urban agglomerations are likely be the site of most investment projects. Besides this, territorial projects sustain the plan's implementation and, if improved, may become the tool for the spatial ecological transition.

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CIDOB REPORT
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Introduction

Even though the French recovery plan is not notably different from those of other European countries, the plan stands out for its inscription into the framework of the country's ordinary policies. These have been cripplingly robust and already anticipated some elements of the ecological and digital transition and expectations of reindustrialisation. Decentralisation and intense negotiation between state and local authorities are also part of the traditional French framework. Nevertheless, cities and metropolises have not been central to conceiving the recovery plan; they have been part of a framework of top-down policies, much of which was already shared. Their main demand – strengthening the revitalisation plan's spatialisation – was in line with the tradition of territorial projects.

An ordinary plan?

In September 2021, the French government launched the Recovery and Resilience Plan after a dialogue with social partners, stakeholders and the European Commission. The French recovery plan amounts to €100 billion (about 4% of GDP), with the European Union contributing roughly 40%. The plan allocates almost equal amounts to the three EU pillars – ecological transition (€30 billion), competitiveness (€34 billion) and cohesion (€36 billion) – and aims to transform the French economy and create new jobs over two years (2021–2022) and consists of 20 reforms and 71 investments.

In the short term, the plan intends to revive all sectors of the economy by 2022 and create 160,000 jobs as soon as 2021, thanks to a rapid increase in public spending and investment. France's plan converged in aims and magnitude with the recovery plans of other EU countries, except Italy's; however, France also invested €20 billion in reducing production taxes. Besides this, it complements and continues the support measures for businesses and employees launched at the start of COVID-19. Furthermore, France's development policies continued through the recovery plan without significant changes. The *Programme d'Investissements d'avenir (PIA)*, for instance, has financed €77 billion of research and innovation projects since 2010, which the recovery plan inherited. Moreover, since 2021, the France 2030 plan has targeted "industrial and technological sovereignty", investing in high-technology strategic sectors such as nuclear energy, the conversion to hydrogen, and the decarbonisation of manufacturing and transport.

DECENTRALISATION AND INTENSE NEGOTIATION BETWEEN STATE AND LOCAL AUTHORITIES ARE PART OF THE TRADITIONAL FRENCH FRAMEWORK.

In detail, 46% of the French plan will support climate objectives, and 21% will foster the digital transition, according to EU sources. Strategic industries receive €34 billion, with the primary beneficiaries being the rail and transport sector, aviation, electric mobility (subsidies supporting the purchase of electric vehicles), cycling and public transport. Then there is energy efficiency and renewable heat and the green hydrogen industry (which will benefit from additional financial aid over the next ten years).

The building sector, in turn, will receive €6.7 billion, mainly dedicated to energy renovation of buildings in the public (particularly higher education and student living), private (which has registered almost 800,000 applications), VSE/SME and social housing sectors, in declining order. Finally, the preservation of biodiversity is given €2 billion, preventing land artificialisation and recycling, and the agricultural sector €1.2 billion. As for cohesion, the plan invests up to €36 billion in supporting young people, employment, associations fighting precariousness, people with disabilities and the most-affected employment areas.

The plan has been generally well-received, though economists are baffled by some incongruous priorities and dimensions (Plane, 2020); others criticise the weak investment in electricity and health (Papon, 2021), conscious of the consolidated deficit in these sectors. In particular, the plan seems to lack innovation and to focus on returning to the situation before the crisis more than promoting the ecological and digital transition (Levratto, 2020). Finally, scattered investments, unconditional tax cuts and the preference for companies over the public sector jeopardise the plan's strategic ambitions (Jouve, 2022). However, government analysts favourably assess the additional options for biodiversity (Bureau et al., 2020).

THE GRADUAL SHIFT IN THE PLAN FROM A VERTICAL TO A MORE HORIZONTAL PATTERN IS EVIDENT, ALBEIT STILL WEAK.

Concerning the measures in the plan, the emphasis on tax reduction, primary national energy and transportation projects jumps out. It should be noted, however, that many investments, for example, those in building rehabilitation and soft mobility, are much more widespread. It will be interesting to see in retrospect how many of these provisions go to the big cities. Indeed, it is reasonable to expect that most industrial, digital, mobility and construction investments will be concentrated in these areas.

A progressive spatialisation of recovery

The gradual shift in the plan from a vertical to a more horizontal pattern is evident, albeit still weak.

As far back as July 2020, the government asked for indications from the Social Economic and Environmental Committee (CESE) on the "territorial implementation in the Overseas Territories" of the recovery plan. It recommended drawing up "territorial recovery plans" with co-construction of the projects, and coherent coordination with land-use and environmental planning. A similar recommendation was also given for the recovery of the dismissed industrial basins policy.

France Urbaine, an association grouping cities and metropolitan areas, emphasised some aspects that already lay at the core of the plan during its preparation, like mobility and the building renovations. However, cities also made claims that were unsuccessful. For instance, an increased transfer of resources, additional fiscality to implement the ecological transition in cities, and the regionalisation and spatialisation of public investments all failed to gain the government's approval. In political jargon, "territorialisation" suggests a convergence process between the country's contractual tools, State–

Region Planning Contracts (CPER), and local strategies, including European programming. This process should lead to cities and agglomerations gaining a more prominent role. However, the salience of local strategy, the "*projet de territoire*" (Rivière, 2022), often oscillated along with political cycles, while remaining central to regional policies. To this regard, France's government finances local community development and infrastructure through "contracts" signed with regions that are valid for six or seven years. The sixth generation of CPERs has mobilised nearly €30 billion for 2015–2020, half of which is for transport infrastructure and mobility, university and research, training and the ecological transition.[1]

REPRESENTATIVES OF MUNICIPALITIES PROTESTED AGAINST THE GOVERNMENT'S BLINDNESS TO THE NEEDS OF THE MOST VULNERABLE SOCIAL GROUPS DURING THE PANDEMIC

In 2020, a contractual framework – the Recovery and Ecological Transition Contracts (CRTE) – became the territorial component of the CPER and the means the state uses for its various territorial public policies. The National Agency for Territorial Cohesion (ANCT, formerly DATAR) looks after the implementation of 847 CRTEs. Most of them coincide with the local tax system's inter-municipal bodies. By the end of 2022, the ANCT website had collected about 819 CRTEs. According to the first assessment by this agency, the ecological transition is the main cornerstone of the CRTEs, particularly when it comes to soft mobility, energy efficiency and the circular economy, such as housing and urban renewal, digital inclusion and access to public services. By contrast, social issues are given less consideration (social inclusion, including disability, demographic transition and intergenerational projects, security, and urban social policies).

Eventually, representatives of municipalities protested against the government's blindness to the needs of the most vulnerable social groups during the pandemic, prompting an appeal from Grigny, one of France's most-disadvantaged municipalities, to give more consideration to poor suburbs and working-class neighbourhoods in government policies. As a result, the government held an inter-ministerial Committee for Urban Policies (CIV) in Grigny on January 2021 and finally allocated €3.3 billion additional funding for the 5.4 million people living in the priority neighbourhoods, the *Quartiers de la Politique de la Ville* (QPV). Though the cities did not achieve all their goals, they obtained more than 1% of the recovery fund for local policies.

1. See also *Agence Nationale pour la Rénovation Urbaine* (ANRU).

Metropolitan recovery strategies

It is too early to check the plans of major cities that were approved in mid-2022 and are newly available. Not of great economic size, they seem to reflect national guidelines, albeit strengthening the ecological transition aspects. Inevitably, most mechanisms continue what cities had previously arranged.

For instance, the Greater Paris Metropolis (MGP), the capital's metropolitan body, inserted a strategic vision in its CRTE that was coherent with previous orientations but in line with the aim of the transitions (ecological, digital and productive). The three main axes address economic development and urban manufacturing, notably environmental transition and social solidarity. The third edition of the "*Inventons la Métropole*" call for projects focuses on converting offices into housing, recycling industrial and commercial wastelands, and developing the neighbourhoods around the new Grand Paris Express underground stations. Lyon's CRTE, on the other hand, conceives of sustainable mobility as a means towards an equitable low-energy region; thus, better mobility and the reorganisation of urban planning, lifestyles, services, commerce and teleworking work hand-in-hand to make a more sustainable and just region. To achieve this aim, a mix of hard and soft measures are paramount, like limiting travel demand, promoting cycling and walking, and decarbonising all forms of transport.

Conclusion

The design of the recovery plan gave French cities little room to manoeuvre, although they have contributed to the debate and provided some guidance. Nor are cities among the most significant recipients – firms, industries, rail and transport services get the most, being a wider audience of small beneficiaries. In all likelihood, though, cities are where most of the investments will end up. From this point of view, the instrument of the territorial project and the corresponding contracts seem interesting. Critics might argue that, at the moment, they look like the updating of the "usual shopping list", but there are signs of increasing territorial coherence of investments in the CRTE documents.

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GERMAN CITIES FACING THE POST-PANDEMIC CRISIS: THE ROLE OF THE GERMAN RECOVERY AND RESILIENCE PLAN

The German Recovery and Resilience Plan (GRRP) is largely the result of consultations between the 16 states and federal government. The plan has no explicit urban or territorial dimension and emphasises the nexus of economic recovery and green energy (green hydrogen in particular). Local governments were not strongly involved in the process but will benefit in terms of investments in climate friendly mobility, public health (municipal hospitals), energy efficient buildings and the modernisation of public administration (digitalisation, public procurement).

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Cities in German federalism

Germany is a federal system. The 16 states have competence for municipal codes and the supervision of local governments. They have to follow the rules and principles defined in the basic law and this guarantees a certain degree of coherence and universal standards across the federal republic. However, the institutional factors that determine the performance of local governments differ. For instance, the strength of directly elected mayors can vary – the electoral term in Baden-Württemberg is eight years, while it is five in most other states. In this institutional dimension the federal government has almost no direct intervention. Germany is considered to be a decentralised system, particularly when it comes to the institutional autonomy of local government. However, in other aspects, such as tax autonomy and the importance of transfer payments from other levels of government, the autonomy of German municipalities is rather moderate (BBSR, 2021).

National urban policies do exist, mostly in the form of joint funding programmes where federal government can define policy priorities (Heinelt and Zimmermann, 2016 and 2020). This is common in fields like urban regeneration, energy transition, mobility and, recently, housing. The volume and scope of funding differs according to the budgetary situation and political priorities of the government coalition in power. Whilst joint national funding for urban regeneration is a rather stable source of income for local governments, the same has not been true for social housing and transport.

Is there an urban dimension in the GRRP?

The European Recovery and Resilience Facility (RRF) amounts to €672.5 billion, of which Germany's share is about €23.6 billion (Federal Ministry of Finance, 2021). At first sight, the German Recovery and Resilience Plan (GRRP) has no urban or territorial dimension. The policy priorities indicated in the plan, however, demonstrate that cities will benefit directly and indirectly from the investment priorities.

The GRRP has six focus areas with ten thematic components:

1. Climate policy and energy transition.
   1.1 Decarbonisation using renewable hydrogen.
   1.2 Climate-friendly mobility.
   1.3 Climate-friendly renovation and construction).
2. Digitalisation of the economy and infrastructure.
   2.1 Data as the raw material of the future.
   2.2 Digitalisation of the economy).
3. Digitalisation of education.
4. Strengthening social inclusion.
5. Strengthening of a pandemic-resilient healthcare system.
6. Modern public administration and reducing barriers to investment.
   6.1. Modern public administration.
   6.2 Reducing barriers to investment.

In total, the GRRP includes about 50 measures. The largest shares are allocated to component 1.1 (11.1%), 1.2 (22.6%) and 5 (15.36%). Focus area 1 (climate and energy) adds up to more than 40% of the budget. The distribution of the funding between the priorities shows that cities will benefit from a significant share. Replacement of vehicle fleets (€2.5 billion), building renovation (€2.5 billion), hospitals (€3 billion) and digitalisation of public administration (€3 billion) are the largest individual measures. In particular, components 1.2, 1.3, 4, 5, 6.1 and 6.2. will impact local governments, as these policies are in part their responsibility. This is the case for investments in public transport, renovation of public and private buildings, digitalisation of local public administration and acceleration of public procurement (reducing barriers to investment).

Energy efficient buildings will particularly help urban dwellers and house owners, but not local governments as institutions. As they are often implemented at local level, measures involving public services are among those that most closely involve local government (including their governance and implementation), such as 1.3 "Local living labs for the energy transition" (€57 million), subsidies for charging and filling stations (€700 million), future-proof hospitals (€3 billion), financial support for buses with alternative drives (€1,085 billion) and digitalisation.

There is, however, no doubt that the German green hydrogen strategy is the main focus of investments. At first sight there is no urban dimension but, as many technologies and infrastructure hubs have yet to developed, cities with strong research facilities or other locational advantages will benefit. In fact, some cities and regions have worked out green hydrogen strategies, as they feel that they are predestined for the roll-out of this new technology. Duisburg, a post-industrial city in the Ruhr region is a case in point. The city won a national competition and is now one of four national technology hubs for green hydrogen.

THERE IS NO DOUBT THAT THE GERMAN GREEN HYDROGEN STRATEGY IS THE MAIN FOCUS OF INVESTMENTS. AND, AT FIRST SIGHT, ALTHOUGH THERE IS NO URBAN DIMENSION, CITIES WITH STRONG RESEARCH FACILITIES OR OTHER LOCATIONAL ADVANTAGES WILL BENEFIT.

It should be noted that the GRRP is only one of many existing national funding schemes (Heinelt and Zimmermann, 2020). Being both temporary and unique makes this plan less relevant for cities, as many funding programmes for a variety of purposes already exist in Germany, some of which also offer greater continuity.

Involvement of local governments

According to information given in the GRRP, German municipalities are responsible for 37% of public investments (see also BBSR, 2021, where the figure is lower). This indicates that local government will implement a significant, though not large, share of the measures. With regard to the decision-making process, local governments were not strongly involved. The Federal Ministry of Finance took the leadership and negotiated the plan with the governments of the 16 states (vertically) and with the other ministries (horizontally). The German Städtetag was part of a consultation but not very influential on the details.

The Städtetag is one of three associations of local governments in Germany and represents the big cities, while smaller municipalities are usually members of the Städte- und Gemeindebund. Counties – the second tier of local government – are represented by the German Landkreistag. Note that these associations represent local government politically but have no constitutional mandate or veto option. The interests of local governments are also represented in federal policies by the state governments, which act as gatekeepers.

As the process of elaboration of the GRRP needed to be rather quick, the German federal government referred to the existing national recovery programme and the German national hydrogen strategy in order to create synergies, as well as using existing programmes that favoured fast implementation. There is, however, no new mechanism in terms of multi-level governance. As a result, the head of the German Städtetag stated in an interview:

"By resorting to the extensive projects in the areas of renewable energies, climate protection, health and digitization provided for in the Konjunktur- und Zukunftspaket [the national economic stimulus programme from 2020], the municipalities now automatically benefit from the German Recovery and Resilience Plan, even if the central municipal organizations are unfortunately no longer involved in the specific elaboration" (Dedy, 2021).

Opportunities and constraints around local goverment participation in the GRRP

With regard to the role of cities, the implementation of the GRRP differs a lot from EU cohesion policy and other funding streams that have a clear multi-level consultation and implementation structure. Cities are certainly beneficiaries of the GRRP but we are unable to know if an unequal geographical distribution of the funding occurs, and nor is there any emphasis on specific types of cities (small and medium-sized, rural, large cities). Implementation, supervision and monitoring of the GRRP is led by the Federal Ministry of Finance. This is a lean structure. As the GRRP is temporary, the federal government decided not to create a dedicated governance structure that involves all levels of government. The state governments (ministries for economic development in particular) will play a key role as gate-keepers in the implementation process.

The GRRP will nevertheless offer opportunities for some cities to initiate an economic transformation in the wider context of the national green hydrogen strategy (i.e. Duisburg, but also Chemnitz).

Conclusion

The GRRP has no explicit urban or territorial dimension and, in this regard, there is a difference between the German plan and other European countries (Eurocities, 2021). The main focus is on economic development projects of national relevance (digitalisation, green energy, green mobility). Cities will, however, benefit from the funding opportunities due to the detailed priorities given in the plan: digitalisation and modernisation of public administration, hospitals and public transport. As a result, cities will be involved in implementation. Along with Duisburg, three other cities will benefit in the wider urban development context as national technology hubs for green hydrogen, which will give a stimulus for local research and development facilities. To develop future policies for economic recovery there is a clear need to investigate and evaluate the direct and indirect positive and negative effects of the GRRP for cities.

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POSSIBILITIES AND LIMITATIONS: FINNISH MUNICIPALITIES IN THE EU RECOVERY PROCESS

In Finland, the ageing population has diminished governmental financial resources for organising public services. Hence, the recovery plan from the pandemic builds on the idea of sustainable growth. For municipalities, the planning process of the plan was a collaborative and satisfactory experience identifying urban needs. The difficulties and limitations lay in the implementation via existing instruments scattered across various branches of the national government. There were also limitations on how municipalities could impact the final process.

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CIDOB REPORT

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Finnish policy context lays the ground for recovery

Finland, as a Nordic welfare state, has extensive publicly funded welfare services. However, its ageing population has already increased pension outlays over the past ten years and creates significant pressure on the sustainability of public finances over the longer term (Ministry of Finance [MoF], 2020). In particular, spending on social and health care services will increase, and the current total tax rate will not be sufficient in the future. Simultaneously, the working-age population, which finances public services and social security through its taxes, is shrinking. Thus, government financial resources for organising public services have decreased, resulting in a significant imbalance between tax revenues and public expenditure, in other words, a sustainability gap or deficit (MoF, 2022). This structural imbalance between public service spending and tax funding posed a challenging context for Finland's handling of the COVID-19 pandemic and recovery from the turbulent years.

The starting point for the National Recovery and Resilience Plan (NRRP) is Finland's national policy context. Long-term welfare and local and regional government reforms are coming into effect in the country in 2023. A historical change will hence take place in government responsibilities and finances, with the responsibility for organising public healthcare, social welfare and rescue services transferred to so-called county wellbeing services. The key objective of the health and social services reform is to improve the availability and quality of public services and secure adequate financial resources. Simultaneously, approximately €20 billion of tax money is circulating via a new route through state budgets to the counties (Korhonen and Vuorento, 2022).

FROM THE PERSPECTIVE OF FINNISH LOCAL GOVERNMENTS, THE RECOGNITION OF THEIR RECOVERY NEEDS IN THE PLAN WAS SATISFACTORY.

In Finland, the recovery process is planned through a NRRP which forms part of the Sustainable Growth Programme for Finland (Finnish Government, 2021). In the NRRP, the government has selected investment projects and reforms which aim to promote the structural adjustment of the economy through particular packages of measures. The preparatory work centres on four priorities (pillars): 1) Green transition, 2) Digitalisation, 3) Employment and skills and 4) Health and social services, with the idea of creating a significant impact rather than small and fragmented projects.

Identifying urban needs – planning the national recovery process in Finland

Finland's NRRP sets national objectives to support sustainable growth. The plan promotes green and digital transitions, the development of employment and skills and improves the availability of health and social services. The starting points for the recovery planning process relate to sustainability of public finances, the cost-effectiveness of social and health services, development of services for the unemployed and those left outside labour markets and green investments.

From the perspective of Finnish local governments, the recognition of their recovery needs in the plan was satisfactory. The main needs the municipalities and the Association of Finnish Municipalities pointed out were the importance of promoting and supporting the green transition, the accessibility of public services and digitalisation (Association of Finnish Municipalities, 2021). While companies are the focus of the practical actions, municipalities and cities play an integral role, for instance, in building environments that support innovations, ecosystem development and sustainable communities. Moreover, municipalities are key actors in activities to boost employment and social and welfare services. Therefore, there is also a need for direct funding for municipal and urban activities.

The planning process of the recovery plan was orchestrated by the MoF in coordination with other ministries, regional and local actors, and the business and research sectors. Several consultation and stakeholder sessions were held during the planning phase. The collaborative preparation phase was satisfactory, and it provided fruitful ground for implementation.

Seeking urban solutions – implementing the national recovery process in Finland

The planning of the NRRP has been firmly in the MoF's hands. Although this created a clear point of departure and a division of responsibility for the planning phase, it has become an issue in later phases of implementation and evaluation. The beginning of the process, which featured shared understanding, was promising. However, from the municipalities' viewpoint it looked like the final plan highlighted the already recognised development needs of the branches of national government. There were even disappointments concerning the final content of the NRRP. Municipalities expressed concerns that the recovery plan was used to promote and support activities that were already ongoing. For example, pillar 4 of the recovery plan is closely linked to the ongoing health and social services reform and is used as a significant driver for the reform and support mechanism for setting up the operations of the new counties. It seems that the plan is used to promote activities that should be promoted and financed from the government budget and it is fair to question whether the recovery funding is used to patch the gaps of the government budget.

It soon became evident that, due to the tight schedule, existing instruments and systems were being deployed to allocate the funding, rather than new instruments being created. This meant that the funding would be allocated as government subsidies. Moreover, the funding was scattered across different branches of government. For instance, pillar 4 on health and social services was administrated by the Ministry of Social Affairs and Health and pillar 3 on employment and skills was administrated by the Ministry of Economic Affairs and Employment. For applicants, this created difficulties following current and upcoming calls for funding. The fragmented structure was challenging for municipalities. All the pillars in the plan had elements that affected municipalities but forming an overview of the totality of the funding possibilities was difficult. The result could be seen in how municipalities' situations varied. Some municipalities had good resources and skills to apply for funding, while others had difficulties keeping up to date with the open calls. The municipality itself was responsible for keeping track of when the calls were open.

In the planning phase, it had been suggested that if necessary new fund allocation models would be created. However, in the end, the tight time-span and the temporary nature of the funding instrument meant that there was no time to set up new instruments. As suggested above, the implementation of the plan was also fragmented and scattered across different branches of government. This created difficulties securing the awareness of municipalities, but it also made monitoring the completeness of the implementation challenging. Above all, this concerned whether the municipalities that needed the financial support were reached at the right time. In this context, regional councils played important roles in spreading the word on open calls towards municipalities, companies and other interested parties.

IT IS FAIR TO QUESTION WHETHER THE RECOVERY FUNDING IS USED TO PATCH THE GAPS OF THE GOVERNMENT BUDGET.

Opportunities and limits of participation for Finnish municipalities

The MoF is responsible for monitoring the recovery plan, but Finnish local government is unsure that implementation can be monitored successfully. For instance, the Association of Finnish Municipalities stated that in practice it is not possible to gather information on the use of recovery funding in municipalities. There are limited opportunities to monitor the numbers of applications and positive funding decisions and it would require more resources, as well as transparent and open ways of monitoring at the national level. There are further difficulties monitoring the impact and evaluation of the outcomes and effectiveness of the recovery plan and funding received and used. There are concerns that municipalities are left with the role of bystanders.

Moreover, national legislation set some limitations for municipalities. One practical example municipalities experienced is the national programme to promote broadband networks to cover the different parts of the country more evenly. As the recovery plan leans on the potential benefits and cost savings of digitalisation, the broadband network has practical significance. Before the NRRP was accepted, an amendment was made in the legislation on the co-financing portions of the broadband investments, and the portions related to municipalities were increased. The result was that the co-financing is just as high in the Next Generation EU recovery funding instrument because the funding is allocated according to the national legislation.

The constraints for municipalities to participate in the EU recovery process may be summarised as follows. The Next Generation EU-funding instrument in Finland has a relatively short time-span and the process was characterised by a rushed schedule and a temporary nature. Although the plan was orchestrated by the MoF and Finnish government, there was uncertainty in the division of responsibilities and work after the planning phase. The process could be seen as intra-governmental with multiple opportunities to collaborate in the planning phase but less in the implementation and evaluation phases. Municipalities found that they had limited possibilities to influence the process. Existing legislation set the framework for the implementation, and changes or amendments to the legislation were not possible in such a short period of time. The national recovery plan was thus linked to existing and upcoming reforms, boosting and financially supporting their coming into force.

The evaluation phase has also raised concerns in municipalities. Mainly they relate to similar issues: whether the funding will be used, whether it will be used effectively, whether the funding will meet the needs of municipalities, how to monitor the whole, how to evaluate effectiveness, how to communicate effectiveness and overall impact, how to obtain up-to-date information, and how to ensure the best use of the one-time and temporary funding instrument. There are also limitations on more concrete participation: projectisation, project fatigue, skills, competences and resources for applying funding, keeping up-to-date with the various calls and the limited monitoring of the whole of the recovery plan. Furthermore, possibilities for applying for funding varied between municipalities. Generally, municipal employment and business support services are skilled in applying funding for development. However, applying for government subsidies is a different kind of process.

Best practices and lessons learnt

The participatory planning process of the NRRP got good attention, was time-appropriate and able to acknowledge global concerns. The idea of creating new mechanisms while recovering was accepted and shared, with urban needs recognised in a satisfactory manner. Yet, the possibilities for participating in the implementation and evaluation of the recovery process were not as visible as they were in the beginning.

The lesson that can be learnt from Finland concerns the significance of adapting and adjusting the recovery plan to the national context. Although it is reasonable to take the advantage of the Next Generation EU instrument in promoting and boosting existing strategies, programmes and reforms, it is valid to question whether those activities should be financed through this instrument. At the same time, the tight scheduling created pressure to find optimal solutions for allocating the funds. Municipalities also experienced time pressure when applying for funding. In general, the fragmentary nature of the Finnish plan has resulted in difficulties monitoring and evaluating the whole of the process at other levels than national government.

General recommendations for the effective delivery of the national recovery plan can thus be drawn as follows: clear divisions of responsibilities and work, breaking the silos of governmental branches, identifying the phases for participation of all sectors of society, avoiding the overly government-led approach, identifying the limitations of national legislation and the traceability of the effectiveness of the recovery process.

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THE HUNGARIAN RECOVERY AND RESILIENCE PLAN: NEGLECTING CITIES' CONTRIBUTIONS

The Recovery and Resilience Facility (RRF) is an innovative and exceptional European Union initiative to provide financial help to countries to fight the dramatic consequences of the pandemic. For reasons of urgency, member states were given decisive roles, with low involvement of sub-national authorities in planning and implementation. The case of Hungary is amongst the most extreme in neglecting the contribution of sub-national actors to resilience planning.

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The process of recovery and resilience planning in Hungary

The case of Hungary's Recovery and Resilience Plan (RRP) is unique: to date (October 2022) Hungary is one of the only two EU countries whose RRP has yet to be approved, and the only country which is still working on a new version. There are two main reasons for this. On the one hand neither of the two versions of the RRP, sent to the European Commission in April and in May 2021, fulfilled the basic conditions required by the Recovery and Resilience Facility (RRF) regulation – such as being based on an overall resilience strategy and addressing the Commission's country-specific recommendations. On the other hand, there is an ongoing Rule of Law conditionality procedure against Hungary and the envisaged sanctions, on which the European Council decided on December 2022, also affect Hungary's RRP, as well as 15% of its total Cohesion Policy allocation.

Currently, the Hungarian government is busily adopting 17 laws to show its willingness to address the problems highlighted by the Commission regarding serious shortcomings in the situation of the rule of law in the country (corruption, connections between the judicial institutions and the ruling party, etc.). Besides that, a third version of the RRP is under preparation in the relevant ministry, in total confidentiality. It is in these particular circumstances that this paper will focus on analysing local government involvement in public consultations during the preparation of the first two versions of the RRP in 2021. To this regard, there is no Hungarian experience of local governments participating in the implementation, monitoring and evaluation of the RRP – simply because no approved plan exists yet.

The public discussion around the RRP

The meaningful involvement of local authorities in the preparation and implementation of the national RRPs is key to the real success of the EU-funded recovery. In terms of consultation with local governments over the reform plan, Hungary can be considered one of the worst examples in the EU. Less than one month before the deadline for submission to the European Commission at the end of April 2021, the country's RRP was still not public in its entirety. Meaningful consultations have never been organised, and the government was not open to accepting constructive proposals formulated at the local level. In fact, the government released the 432-page document only on April 16th 2021, that is, two weeks before the deadline for submission to Brussels. By postponing the RRP's publication to the last minute, the government purposefully avoided the possibility of a meaningful discussion about the plan.

Page 32 of the RRP says that the preparation of Hungary's Recovery and Resilience Plan and the process of compiling the related reforms/ investments were preceded by extensive public consultation by the Hungarian Government. The central element of this process was the government portal on which, after registering on the recovery and resilience sub-page, anyone (individuals, civil organisations, economic operators and professional forums and groups) could consult the plan as a whole, or its individual component parts.

In reality, the first information about the RRP was only uploaded to the website in December 2020. This was a mere 12.5 pages of material that is devoid of all substantive and numerical information. The process of publishing more detailed versions of the nine components of the RRP (albeit still without financial allocations) started only on February 24th 2021. Local governments and other organisations were allowed from December to give their project ideas: the government asked the 19 counties, as territorial institutions that are exclusively dominated by governing parties and thus are the *most politically credible*, to collect "bottom-up" proposals. But even the counties were not commissioned to organise coordination meetings in their territory. In this way any substantive regional planning and coordination in connection with the huge RRP development opportunities has been avoided. It is clear that the uncoordinated collection of local projects is only good for covering up the lack of substantive consultation, as the government can easily influence the national evaluation of projects that are isolated from each other in terms of space and content.

According to page 33 of the RRP, the government held a parliamentary debate day with the participation of all representative groups, where it gave a detailed presentation of the RRP's reforms, investments and objectives and the expected results. In reality, the parliamentary debate day only took place on March 22nd 2021, in reaction to a joint request by the opposition parties. By that day, more detailed (10–12-page) materials were available for only four of the nine components of the reform plan and no information was available on the financial allocation. Thus, by the day of the parliamentary debate, local governments, civil organisations, economic actors and the like could only "review" a short pamphlet instead of professional material.

THE CASE OF HUNGARY IS AMONGST THE MOST EXTREME IN NEGLECTING THE CONTRIBUTION OF SUB-NATIONAL ACTORS TO RESILIENCE PLANNING.

The parliamentary debate

It is worth talking about this debate in more detail because this is the only source that reflects the government's arguments and true intentions.

Based on the detailed minutes (published by the National Assembly of Hungary, accessed in April 2021), the debate began with the State Secretary of the Prime Minister's Office praising the programme without providing any further details beyond the meaningless information available on the website at the time. After that, the state secretary immediately diverted the matter to the political sphere, criticising the past activities and attitude of the opposition. According to the speakers from the governing party, there should be national consensus on the planning of this huge amount of money, and during the debate "the political recolouring of professional issues" should be avoided.

The opposition speakers criticised the entire procedure, emphasising that without knowing the details of the plan, well-founded criticism was not possible. The state secretary explained that through the sending of letters sent to more than 500 organisations and interest representatives, as well as organizing press conferences, online and personal conferences, they continuously encouraged a process of gathering as many opinions as possible.This argument was refuted by the opposition, saying that in the absence of the detailed plan it was not possible to comment on anything. The government should have published the exact plan with the planned financial allocations so that the professional organisations could have expressed their opinions aware of the detailed plan.

For its part, the government explained why certain plans were only posted on the internet so late. It claimed that a procedure was in place whereby, first, a draft plan is drawn up, then the consultation with Brussels takes place, then the plans have to be reworked, then the public dialogue takes place, the proposals are incorporated, more and more plans are made, and they are continually uploaded to the internet.This government justification shows a complete (and intentional) misinterpretation of the public debate: the government prioritised the consultations with Brussels instead of consulting the municipalities, organisations and interest representatives of its own country. In some EU countries the process was different, for example Finland and Spain, where the main components of the reform were made public in the fall, preliminary territorial needs surveys were conducted, the government's ideas were presented to the parliament, and the plan was finalised after an open and meaningful debate. In contrast, the Hungarian government had no intention of discussing the priorities of the RRP at home. No wonder, then, that the speakers of the opposition during the parliamentary debate expressed their hope that the EU institutions would not accept the RRP, as the public consultation did not fulfil the minimum requirements of any meaningful consultation.

In the end, and primarily because of the government's attitude, the parliamentary debate was more like an unproductive give-and-take than a meaningful discussion of a topic affecting the fate of the country as a whole. This was not unexpected from the Orbán government, which does not usually get involved in parliamentary debates, and when, as an exception, it does, degrades them to a terribly low standard.

The continuation of the story

Over the course of the last two weeks of April 2021, following the last minute publication of the full RRP, the disappointed local stakeholders made a final attempt to change the situation. The Association of Hungarian Local Governments formulated comprehensive alternative ideas for the resilience plan. Realising that the government had deaf ears when it comes to alternative proposals, the idea was raised that specific investments in line with the reform plan should not be decided immediately, only later, after regional consultations, giving the opportunity for the territorial actors to at least influence the concrete interventions. Besides this, the option was also raised of transferring a given portion of the RRP funds directly to local governments to decide by themselves, in the light of local needs and realities, planning in micro-regional coordination what improvements could best be implemented.

Nevertheless, all these ideas were disregarded by the government and the RRP was officially delivered to Brussels. This first version of the Hungarian RRP was, however, rejected by the Commission. It became clear that the Hungarian RRP lacked any comprehensive vision for post-COVID recovery. Instead, planning was carried out along traditional lines, arbitrarily choosing between acute problems, focusing on institutional and political interests, exclusively at the national level, and not involving any ideas from sectoral or territorial organisations. Quite quickly, in May 2021, the government handed in a second, substantially different, version of the RRP, again without any consultation with stakeholders. Since then, no details have emerged about the negotiations between the government and the Commission over the RRP. The only thing that is clear is that the mounting problems with Hungary in the rule of law procedure also affected the fate of the RRP. As the final deadline for the decision on the RRP (December 2022) approaches, the government is working on a third version, for eventual Commission approval in the last weeks of 2022.

THE RRF REGULATION ONLY APPLIES TO MEMBER STATES; IT DOES NOT CONTAIN A SPECIFIC, NON-GENERAL OBLIGATION TO INVOLVE SUB-NATIONAL AUTHORITIES IN PLANNING AND IMPLEMENTATION.

Conclusion

Local communities are the most affected by the economic and social consequences of the pandemic. Municipalities face increasing challenges while their revenues are declining, jeopardising the delivery of public services. Moreover, in the European recovery, local authorities and cities can be considered the drivers of the green, digital and equitable transition, so their meaningful involvement in the planning and implementation of recovery is key.

This line of thinking was partially mirrored in a December 2020 European Council document on the provisions on public consultation over the RRP: "The recovery and resilience plan shall be duly reasoned and substantiated.

It shall in particular set out the following elements: […] a summary of the consultation process, conducted in accordance with the national legal framework, of local and regional authorities, social partners, civil society organisations, youth organisations, and other relevant stakeholders, for the preparation and, where available, the implementation of the plan and how the inputs of the stakeholders are reflected in the plan".

In reality, however, the RRF regulation only applies to member states; it does not contain a specific, non-general obligation to involve sub-national authorities in planning and implementation. Consequently, most EU countries followed centralised planning and RRPs were usually prepared by ministries, more or less omitting the sub-national level. There are, of course, exceptions: in some countries, such as France, Spain, Finland and Poland, the national level at least consulted the regions, while in Italy some portion of the resources has been transferred to the sub-national level.

While the general picture is not satisfactory from the perspective of local influence on the RRPs, the Hungarian case is amongst the most extreme in neglecting sub-national actors when planning for resilience.

"LEVELLING UP" AND THE ROLE OF CITIES IN THE RECOVERY PROCESS IN UNITED KINGDOM[1]

COVID-19 exacerbated significant territorial inequalities in United Kingdom (UK). Cities with concentrations of low-paid jobs, tourist resorts and town centres have suffered the most. Recovery responses in cities draw on a "Levelling Up" agenda, combining existing "deal-based" instruments, capital investment programmes and remaining European Union (EU) funds. These have strengthened strategic coordination and capacity but reliance on centrally controlled competitive funding is a constraint. Institutional and policy flux and uncertainty over replacements for EU Cohesion Policy are concerns.

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CIDOB REPORT
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UK policy context: institutional complexity

The UK's complex institutional arrangements framed the policy responses to the pandemic. These combine: centralised, UK-wide policy competences (which include economic development interventions at city authority level within the devolved nations); a unitary system in England, nationally managed but with a role for local entities (including city authorities); and, devolved competences in Scotland, Wales & Northern Ireland.

Initial priority was placed on UK-wide emergency responses set by central government. Local and city authorities played a crucial implementation role but coordination was uneven. The immediate health and economic effects of the COVID-19 pandemic were severe. In 2020, the economy shrunk by 20.4%, its deepest recession on record. The government response included:

1. This work draws on research carried out under EoRPA regional policy research consortium funded by national government departments across Europe and organised by the European Policies Research Centre, particularly UK country research by Rona Michie of EPRC.

health and social care measures, testing and vaccine development, public services; direct support to individuals or households (including a £70bn Job Retention Scheme); and, support for businesses. Central–local coordination varied. The government's Test and Trace programme was criticised for a centralised approach that lacked coherence and left implementation gaps to be filled locally. In contrast, the vaccine rollout used local knowledge and networks, supporting a more efficient process.

The urban dimension of the pandemic

Impacts: exacerbating substantial territorial disparities

The pandemic magnified long-term socio-economic disparities at local level and, along with the Brexit process, exacerbated long-standing structural challenges and large territorial disparities. Persistent and significant inequalities in productivity, pay, skills and health, particularly at local levels, have all been worsened by COVID. For urban areas, a key issue is the impact of deprivation and the geographical differences in pandemic effects. Large cities suffered outbreaks and death rates significantly worse than rural areas, with a disproportionate number of deaths in Manchester, Birmingham and Liverpool. Local labour market inequalities were aggravated, especially in deprived cities with industrial legacies and concentrations of workers in low-paid service sector jobs (McCurdy, 2020), and coastal towns associated with tourism. Recovery has been fastest outside large cities, in commuter towns and affluent semi-countryside conurbations, and strongest in areas with robust business, education and heritage centres. Moreover, local authorities have suffered cuts in central government funding over many years. During the pandemic, urban areas were particularly affected, as income was lost from commercial properties, parking charges, public transport ticketing, etc.

Measures: deals, investment, ERDF & "Levelling Up"

Beyond the immediate crisis response, recovery measures comprise new and existing initiatives, some with explicit territorial dimensions. Relevant from the perspective of cities are existing "deal-based" mechanisms between central government and cities. Recent years have seen the devolution of some powers and resources to functional urban areas, including the introduction of directly elected mayors (in England) and combined local authorities covering city-regions. This generated different types of agreement between central government, city authorities and other partners – City Deals, Growth Deals and Devolution Deals. Arrangements are negotiated separately based on local proposals, but all include devolved responsibility for delivery of aspects of infrastructure, business, jobs support, and so on.

These "deal-based" measures were adapted in response to the pandemic. In England, Devolution Deals were extended to areas outside metropolitan city-regions. Investment in City and Growth Deals accelerated, including in the devolved administrations, with city authorities drawing down funding more frequently, speeding up project development.

Capital investment in local infrastructure, including town centre and high street regeneration, has been a priority. In 2020, the government announced a New Deal for Britain, followed by the launch of a Plan for Jobs, focussing on job creation and greening of infrastructure. This included £900 million for local projects in England in 2020–22 (e.g. regeneration of local sites, investment in transport and digital connectivity, technology centres), with funding provided to Mayoral Combined Authorities. The £3.6 billion Towns Fund supports struggling towns across England. An additional 45 Towns Fund recipients were announced in March 2021, with funding to help towns implement a growth strategy for local recovery from COVID-19. A Future High Streets Fund is supporting areas to recover, helping transform underused town centres. Additional funding was provided to the Devolved Administrations. The Scottish government launched a Place Based Investment Programme to support community-led regeneration and town-centre revitalisation.

THE UK'S "LEVELLING UP" AGENDA IS AN IMPORTANT PART OF THE RECOVERY RESPONSE WITH AN EXPLICIT TERRITORIAL DIMENSION.

EU funds have also played a part, as cities remain prominent beneficiaries. European Regional Development Fund (ERDF) is an important component of spatially focused responses, with urban authorities among the principal recipients. A £56 million Welcome Back Fund with ERDF co-funding was launched in March 2021. Coastal towns were allocated funding to support local councils, boost tourism, improve green spaces and provide more outdoor seating areas. This joined the £50 million Reopening High Streets Safely Fund (May 2020), which allocated funding to local councils on a per capita basis, and the £10 million Kick-starting Tourism Package (July 2020), where extra funding was allocated to areas based on existing ERDF allocations and size of local employment bases linked to accommodation businesses.

The UK's "Levelling Up" agenda is an important part of the recovery response with an explicit territorial dimension. A 2022 White Paper outlines plans to address territorial disparities. Several new funding programmes have been launched, mainly in the form of grant awards to local authorities. The £4.8 billion Levelling Up Fund (LUF) supports local infrastructure projects (transport, regeneration and town centre investment, cultural investment), with funding delivered through local authorities. The LUF is competitive, prioritising places with the "most significant need". The £200 million UK Community Renewal Fund (CRF) supports investment in skills, enterprise and employment. The £2.6 billion UK Shared Prosperity Fund supports investment in communities and place, local businesses, and people and skills. Allocations to local areas have been decided using a formula based on previous Structural Funds receipts with some needs-based adjustments. There are plans for new Freeports and Investment Zones using tax incentives to attract private investment to specific territories, including urban areas.

Involvement of cities: bottom-up impulses & constraints

The pandemic intensified debate on the role of local authorities in development processes. There has been criticism of the centralised, sectoral logic of UK policy governance systems and how this has led to a lack of clarity in thinking through place-based issues. Territorially differentiated pandemic impacts have sharpened this debate.

Deal-based structures provided a channel for centre–local coordination. Understanding new funding streams and working together to draw down funds from central government has helped cities respond to challenges (OECD, 2020). City authorities played an important role distributing support from centrally funded measures. There is evidence that COVID-19 boosted partnership by working through these structures, facilitating collaboration across spatial and sectoral boundaries. Coordination bodies have met more often and new recovery and resilience groups work around city–region structures (Hoole et al., 2021).

Pandemic responses strengthened the focus on local strategy-building, cooperation structures and tools for priority-setting. This includes greater scope to gather and feed data into policy design at local and national level. For example, Liverpool City Region (LCR) launched a Recovery Monitor that gathers data on businesses, economic activity, the labour market and COVID-19 tests. The Monitor provides an integrated resource for the combined local authorities and stakeholders with up-to-date data and insights on LCR's economic recovery. This has informed the city-region's Economic Recovery Plan (McClelland and Mason, 2020).

COVID-19 further prompted local partnerships to become more inclusive, with established partnerships widened to admit new members. In particular, partners from public health are now recognised as key members of city-region strategy partnerships. The move is linked to a broader shift from economic development strategies that prioritised high-growth, high-productivity sectors to "broader and deeper" recovery plans in terms of the communities, industry sectors and jobs they seek to support (Hoole et al., 2021).

However, there is also criticism of these initiatives in terms of local involvement. Even allowing for the three devolved administrations and city-region combined authorities, the UK has limited levels of local governance autonomy. The UK's levels of subnational governance autonomy are no more than one-quarter of those in Germany, and only half of those currently in France and Japan, two other large and formerly highly centralised OECD nations.

THE CURRENT POLITICAL AND FISCAL SITUATION IN UK RAISES QUESTIONS ABOUT THE LEVEL OF DECENTRALISATION AND FUNDING ACCOMPANYING THESE MEASURES.

Deal-based initiatives reflect substantial asymmetries in central–local coordination, especially in England, as well as limits on local discretion. A top-down, centrally managed system prevails. Cities enter into deal-making with varied experience and resources, producing an unbalanced set of agreements across the country with competitive bidding that places funding decisions with central government.

Issues of local administrative capacity to contribute to recovery processes, particularly in deprived areas, have been recognised in the Levelling Up agenda. A portion of CRF is reserved for capacity funding to support places to develop capabilities to maximise the benefits of local investment. This comprises up to £2 million to generate bids for CRF support, available to the lead authorities in each of 100 pre-selected priority locations (based on an index of economic resilience). It also offers up to £14 million additional funding to support preparation for the UK Shared Prosperity Fund, to help build capacity and develop project pipelines. A flat £125,000 is allocated to all eligible local authorities to support developing LUF bids.

Conclusions

Initially, the UK pandemic response was largely non-territorial. Later phases included a focus on local growth projects, town centres and high streets. Cities have played key implementation roles and government funding has included contributions to additional costs. The UK's Levelling Up agenda offers new funding streams and an opportunity to increase city engagement in locally identified strategic projects. Existing capacities and experiences for engagement (around Cohesion Policy funding and city–region deals) have demonstrated value in partnership-based responses. However, there has been significant institutional churn and policy fragmentation over the past decade, disrupting centre–local coordination and constraining local strategic capacity-building (Richards et al., 2022). Deal-based approaches by city-regions and combined local authorities have been criticised for limited transparency, asymmetry and reliance on centrally controlled competitive funding procedures. Following Brexit, the current generation of EU Cohesion Policy programmes will be the last, with the new UK Shared Prosperity Fund badged as replacement funding. Arguably, effective involvement of cities in recovery requires substantial Levelling Up and Shared Prosperity Funds, accompanied by further legislative and financial devolution of powers legislative and financial devolution of powers and capacity-building. However, the current political and fiscal situation raises questions about the level of decentralisation and funding accompanying these measures.

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