Guide to NextGenerationEU: doing more harm than good

An analysis of the European recovery and resilience funds: opportunities, shortcomings and proposals.

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Title: Guide to NextGenerationEU: doing more harm than good.
An analysis of the European recovery and resilience funds: opportunities, shortcomings and proposals.

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WHY THIS GUIDE?

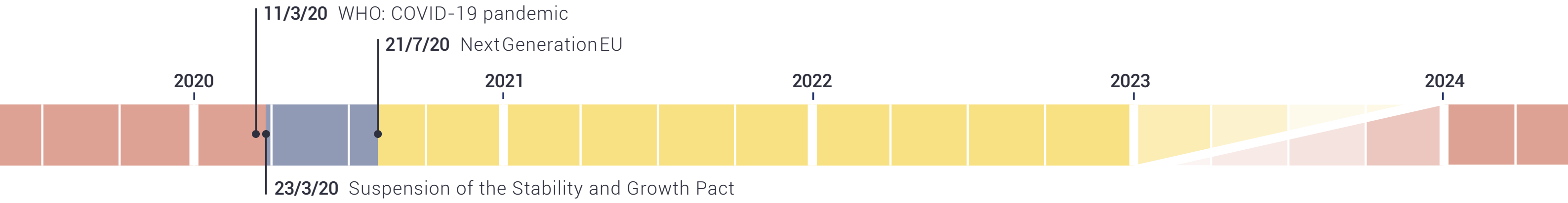
This guide is intended as a practical tool for collectives, social movements, journalists, the technical staff of councils and public institutions and citizens in general. Its objective is to enhance understanding of the processes and risks associated with the European NextGenerationEU (NGEU) funds. In addition, the guide offers 8 proposals for how the Spanish Government can use the funds to contribute to a just ecosocial transition.

1

Why NextGenerationEU?

When the COVID-19 outbreak was declared a pandemic by the World Health Organisation (WHO) on the 11th March 2020, public institutions at European and State level set various mechanisms and public assistance programmes in motion to rescue the European economy. The first wave of bailouts has essentially been implemented with no regard to climate, ecological, social or gender criteria and has especially benefited large companies and conventional sectors such as aviation and energy.[1]

Figure 1: MULTI-MILLION EURO SUPPORT TO ECONOMIES WITH PUBLIC FUNDS



Stage 1

Bailouts and emergency measures

European Central Bank
€1,850 billion
for the pandemic emergency public and corporate debt purchasing programme.

European Investment Bank
€200 billion
for COVID-19 emergency funds, loans and guarantees for companies.

European Union SURE Mechanism:
€100 billion
in emergency finance for unemployment.

European Union, European Stability Mechanism (ESM):
€240 billion
to finance the pandemic emergency.

Spanish government:
€140 billion
in guarantees and debt purchasing for businesses, managed by the Official Credit Institute (ICO);

€10 billion
to maintain solvency of strategic companies, managed by the State Industrial Ownership Corporation (SEPI).

TOTAL:
€2,54 trillion

Stage 2

"Recovery and resilience" plans

European Union:
€750 billion
for the temporary economic recovery instrument NextGenerationEU.

€1.074 trillion
for the long-term budget (2021-2027).

TOTAL:
€1.824 trillion

Stage 3

Indebtment

Reactivation of the Stability and Growth Pact

Austerity measures and cuts

The first stage began with the start of the COVID-19 pandemic, which unleashed an economic recession in 2020 the like of which had not been seen for a century. Against this backdrop, the European Commission responded quickly, temporarily suspending the Stability and Growth Pact on the 23rd March of the same year. This decision allowed Member States to take on unlimited levels of debt to soften the economic impacts of the health emergency. Therefore, we can characterise the measures and instruments implemented to rescue the economy as "bailout" or "emergency" policies.[2]

On the 21st July 2020, a second stage began with the introduction of NextGenerationEU, a distinct phase which the European Commission itself describes as the "green and digital recovery". The environmental aspects are shaped by a programme which already existed years before the pandemic: the European Green Deal.[I] This establishes that a minimum of 37% of investments and reforms should contribute to European climate neutrality by 2050, and similarly a minimum of 10% should contribute to biodiversity and 20% to the digital transition. Furthermore, all investments and reforms should respect the "do no significant harm" principle and therefore cannot hinder climate and environmental objectives. These appear to be exciting steps against the ecological emergency, but as we will see, the detail and implementation of the policies invite questions as to whether they are the solution to the emergency we are living in.

The third stage will begin with debt repayments and austerity policies. The Stability and Growth Pact has been suspended since March 2020, but the European Commission can reactivate it at any moment. This will probably happen at the end of 2021 or in 2022.[II] The clause which was activated to allow States to exceed their debt ceilings (in other words, take on unlimited levels of debt) is the "general escape clause". This clause stipulates that its application should not put fiscal sustainability at risk and that deviations should be temporary. The Commission claims that the clause will remain active for as long as is necessary, but this does not imply that the Pact will cease to apply. When the European Commission reactivates the Stability and Growth Pact, States will be highly indebted and a return to the fiscal requirements will not be easy.

I The European Commission announced the European Green Deal Investment Plan (EDGIP) on the 14th January 2020. Its objective is to mobilise €1 trillion in "sustainable investments" over the next 10 years using the EU budget and various associated instruments, in particular InvestEU. This instrument is the continuation of the European Fund for Strategic Investments, popularly known as the Juncker Plan, an initiative from the European Investment Bank (EIB) and the European Commission to mobilise private capital for strategic investments between 2016 and 2018.

II The Pact, signed in 2011 in the middle of the financial crisis, contains two exceptional clauses for moments of emergency in the EU: the "unusual events clause" and the "general escape clause". The first allows States to use their budgets to respond to the emergency outside the supervision of the Stability and Growth Pact. The second, according to the Commission, allows measures to go further to respond to an emergency, but they should still follow the rules of the Pact.

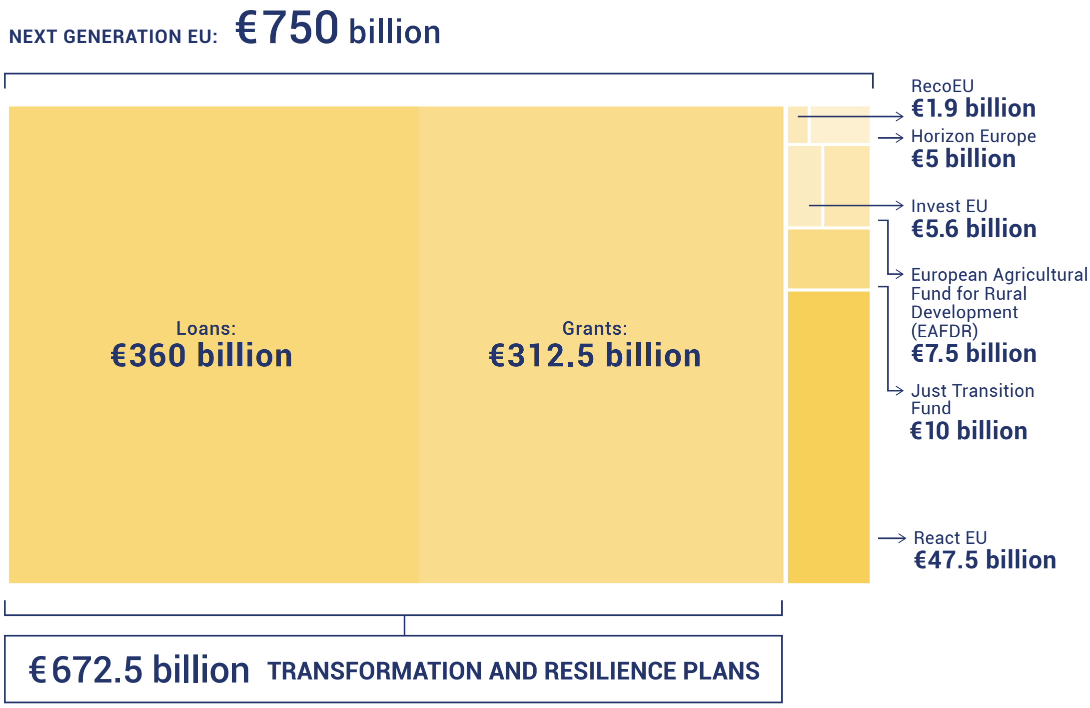
2

What is NextGenerationEU?

NextGenerationEU: an ambitious financial instrument

According to the European Union, NGEU is a temporary instrument for financing the green, digital transformation and modernisation of the European economy. It contains €750 billion which will provide loans and grants to EU Member States over the next 7 years. €390 billion is allocated to grants, and slightly less (€360 billion) is allocated to loans.

Figure 2: THE NEXTGENERATIONEU INSTRUMENTS



The funds are intended to repair the economic damage directly caused by the COVID-19 pandemic and, at the same time, to modernise the productive economy in a green and digital way. NGEU is joined by the EU's long-term budget which has also increased to €1.074 trillion. In total, between the EU budget and NGEU, €1.8 trillion will be available between 2021 and 2027, practically double what was spent in the previous 6 years.

REQUIREMENTS FOR NEXTGENERATIONEU INVESTMENTS AND REFORMS

37% climate	10% biodiversity	20% digitalisation

Comply with the principle of "doing no significant harm" to the environment

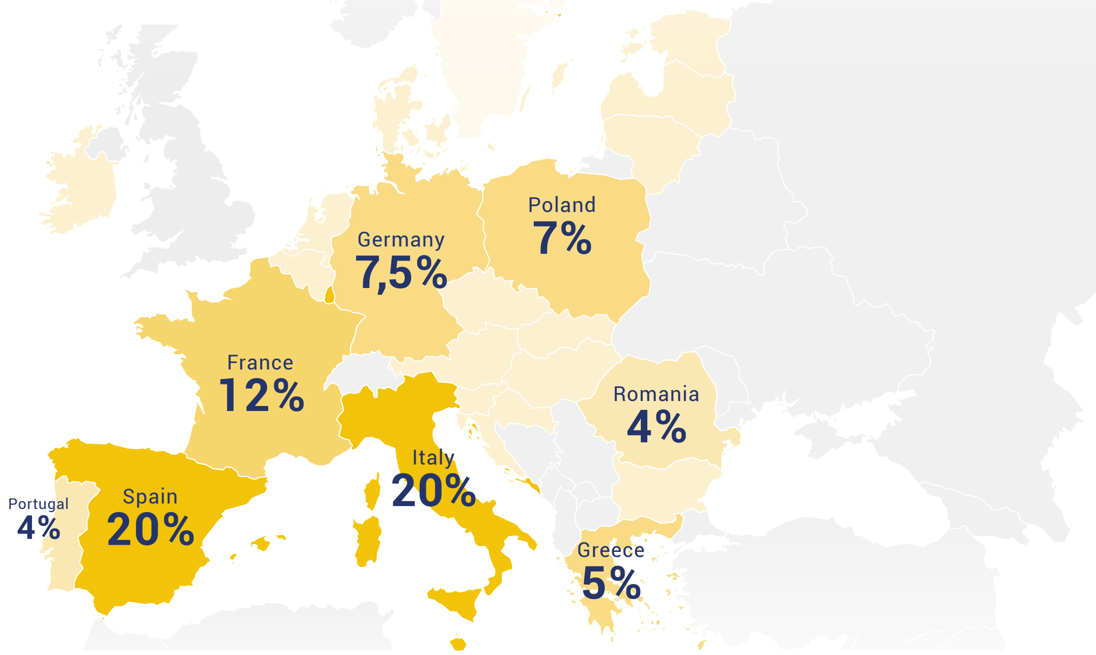
The Recovery and Resilience Facility (RRF)

Among the various NGEU instruments, the Recovery and Resilience Facility (RRF) is the most prominent as it is equipped with 90% of the total budget: that is to say, with €672 billion euros. To access RRF funding, Member States must present national plans and commit 70% of the money in the first two years (2021 and 2022).

The distribution of the RRF funds among the Member States is very uneven. Italy and Spain, the States most affected by the first wave of the pandemic, are entitled to claim up to 40% of the total.[4]

Figure 3:

DISTRIBUTION OF THE RECOVERY AND RESILIENCE FACILITY FUNDS AMONG THE MEMBER STATES



“España puede”:
the Recovery, Transformation and Resilience Plan

Member States have to undertake a series of steps to access RRF funds. To begin with, they should create a national plan, taking into account the 7 flagship areas determined by the European authorities for all Member States (3 relating to the energy transition, 3 to digitalisation and 1 to vocational skills) and also the specific European Semester recommendations for each country, set out by the European Commission in 2019 and 2020.[5] In line with this, the plan must contain not only the investments planned for the funds requested, but also a programme of associated reforms.

Figure 4:

ESPAÑA PUEDE.

Recovery, Transformation and Resilience Plan

Grants:	**72 billion**
Loans:	**68 billion**
Total:	**140 billion**

Next, the plan must be sent to the European Commission for approval before the 30th April 2021 (although this deadline could be extended until June). The Commission then has a period of two months in which to assess it. Once the plan has been approved, it should be ratified by the EU Economic and Financial Affairs Council (ECOFIN), composed of the Finance and Economy Ministers of all EU countries. This process takes one month. After one final process called an implementing act, it is estimated that around the month of July every Member State will be able to receive the first tranche of funding, specifically a 13% upfront payment of the total allocation.

In the Spanish State’s case, President Pedro Sánchez presented a draft national plan to Brussels on the 7th October 2020. This is the “España puede” [“Spain can”] Recovery, Transformation and Resilience Plan which aspires to obtain €140 billion (comprising €72 billion in grants and €68 billion in loans[6] which aspires to obtain €140 billion (comprising €72 billion in grants and €68 billion in loans[7] – although to begin with the intention is to only apply for the grants).

3

How is NextGenerationEU financed?

NGEU is financed by taking on debt through the financial markets. The European Commission plans to issue bonds (debt) to the value of €900 billion euros up to 2026, which will turn the EU into the largest supranational bond issuer in the world.[8] The decision to issue the so-called Eurobonds was an act of historic significance, because the bonds have been vigorously resisted throughout the last decade. Germany in particular was very against debt pooling[9] (the German government opposed backing the bonds with the financial solvency of all Member States, spreading the risks and the responsibilities to private creditors). In practice, the owner of these Eurobonds is the European Union.

What are Eurobonds?

Eurobonds are bonds issued by the European Union itself and guaranteed directly by the community budget and indirectly by the financial solvency of Member States. In practice, the European Union acts like any other debt issuer on the capital markets, turning to the market to obtain funds just like any state or company. In order to do this it contracts 4-6 banks which manage the operation in exchange for a variable percentage in commission. These managers choose moments to issue bonds when they see "appetite" in the market. First thing in the morning they announce the issue of a certain number of millions, with established durations and interest rates, and contact large investors (investment fund managers like BlackRock, pension funds, commercial banks, insurers etc.). During the morning they gather orders and at noon they close the ordering period and divide the bonds up amongst all the orders received. Later, these Eurobonds, like any other bonds, can be freely bought and sold on the financial market without restrictions or controls.

4

Who decides how the funds will be distributed and what criteria do they use?

The bodies and criteria used to select NGEU projects are organised at two levels: the European Union level and the Spanish government level. The European Commission proposes criteria and key flagship areas and controls the ultimate distribution of the funds. It approves RRF national plans based on their compliance with the 7 key flagship areas and assesses whether they meet the climate requirement to "do no significant harm" to the environment. It also has the ability to freeze or recall funds if European regulations are breached.

In the Spanish State, it is the central government which decides on strategic projects and where the funds will be invested. This is done starting from the European criteria already discussed and the 10 guiding policies of the "España puede" plan.[III] It does all this with the support of its advisory arm, the technical committee.

European money does not come directly to the Autonomous Communities and will not be distributed according to their population or GDP. It will be allocated thematically: and ministries will work with the Autonomous Communities as the Communities implement projects together with the private companies involved.

In terms of ecological and sustainability criteria, European institutions are still working on a general framework to specify what the "do no significant harm" principle means on a technical level. The EU taxonomy could establish a framework and classification system for green and sustainable investments for the private sector. This could be a useful instrument for NGEU. However, it is still going through the negotiation process. According to the European Commission, it will probably come into force at the end of 2021 (the climate taxonomy – mitigation and adaptation) and 2022 (the taxonomy on water, the circular economy, pollution and biodiversity).[10] As the taxonomy will come too late, the European Commission raced to present draft technical recommendations regarding the "do no significant harm" principle in relation to the national RRF plans. However, these technical recommendations came in February 2021, when Member States were already 5 months into developing their NGEU proposals.

III Guiding policies:
1. the Urban and Rural Agenda and the fight against depopulation.
2. Resilient infrastructure and ecosystems.
3. Just and Inclusive Energy Transition.
4. Public administration for the 21st century.
5. Modernisation and digitalisation of the economic ecosystem.
6. Pact for Science and Innovation and strengthening of the National Health System.
7. Education, knowledge, continuous professional development and capacity building.
8. New economy of care and employment policies.
9. Development of culture and sport.
10. Modernisation of the fiscal system for inclusive and sustainable growth.

How the central government will apply these recommendations in the definitive "España puede" RRF plan is still up in the air, as the technical details of the obligatory criteria to be used regarding the "do not significant harm" principle have not yet been published. Although the central government incorporates environmental criteria in its discourse, this are limited to the rhetorical level. In practice, the situation is exactly the opposite: urgently aiming to obtain as many RRF projects as possible, the government has proposed reducing the period allowed for project environmental impact assessments.[11] And even worse, it has broadened the consideration of exceptional circumstances, excluding whole categories of NGEU projects from environmental impact assessments.

5

How will the governance of NGEU work?

The governance of the funds at State level is regulated by **Royal Decree-Law (RDL) 36/2020** *approving urgent measures for the modernisation of Public Administration and for the implementation of the Recovery, Transformation and Resilience Plan.* The RDL is currently being processed as an urgent draft law in a process open to amendments from parliamentary groups.

Organised civil society is also participating in this process,[12] highlighting the following deficiencies and absences of safeguards in the law:

- Lack of transparency safeguards and a single portal for accessing information (unlike in other countries).
- Inadequate auditing processes, with no guarantee of a process for citizens' audits.
- Inadequate guarantees of disclosure, competition, objectiveness, equality and prevention of discrimination with regard to access: there is no clarity on access for SMEs, self-employed people or actors in the social and solidarity economy.
- Reduced and inadequate environmental controls and assessment.

The amendment process is being constantly extended by the PSOE and therefore there is no conclusion in sight. This is a frequent practice when a government does not wish to see a proposal amended. In the meantime, RDL 36/2020 remains in force.

The RDL envisages the following spaces for decision-making and consultation:

- **Inter-ministerial Commission and technical committee**
  Chaired by the President of the government, this is the highest decision-making body. For advice it depends on a technical committee comprised of senior officials, although it "does not discard the possibility of incorporating persons from the private sector", according to the government Secretary General for Economic Affairs, Manuel de la Rocha.[13] De la Rocha, head of the Moncloa Economic Office, is mandated with monitoring the Recovery, Transformation and Resilience RRF plan and will coordinate the government's work, along with Nadia Calviño (Minister of Economy), María Jesús Montero (Minister of Finance) and Teresa Ribera (Minister for the Ecological Transition and the Demographic Challenge).

- **High-level sectoral forums**
  These will be spaces in which the Administration can consult with companies or receive "advice" from them regarding the development of its plans. Information on the sectoral forums is very scarce, limited to a few press releases.

- **Sectoral conferences with Autonomous Communities**
  This is a forum organised by the Minister of Finance with representatives of the Autonomous Communities which will be used for the geographical allocation of funds.

- **Participation forum**
  This is the forum where the government will brief the representatives of the main employers' organisations (amongst others, the Confederation of Business Organisations (CEOE) [an institution representing the Spanish business community]) and trade unions (the General Workers' Union (UGT for the Spanish acronym) and the Workers' Commissions (CCOO for the Spanish acronym).

- **The directorate of the Ministry of Finance responsible for European funds** (currently the Directorate-General of European Funds within the Ministry of Finance) will answer to the European institutions with regard to accountability and the control of the NGEU instrument.

6

Who proposes the projects to be funded by NextGenerationEU?

Once the 30 components comprising the national RRF plan of the Spanish State have been defined, it is the turn of the governments of the Autonomous Communities and the ministries to collect, identify and propose the projects to be financed by means of various processes. Some autonomous governments have launched digital platforms where private companies and other economic actors can present projects[14] or called for "expressions of interest", while others have made their selections directly.[15]

The Autonomous Communities presented their own plans to the central government before the 1st February 2021. The lack of citizen participation has been all-pervasive, and in many cases so has disinformation. Except for a few governments which have published the plans (the Basque Country[16], Catalonia[17] and Aragon[18], in all cases once the plans had already been presented to the central government), citizens got informed mainly through the press, revealing in many cases only incomplete information. In this way we know that the government of Andalusia has presented a package of 40 projects (€4 billion); Cantabria, 103 projects (€2.163 billion); the Basque Country, 12 projects (€12 billion); Catalonia, 27 projects (€40 billion) and Galicia, 108 projects (€9.5 billion).

In Galicia's case, even the choice of strategic guidelines for the allocation of funds was privatised. The autonomous government has delegated everything related with NGEU funds to a private management company in which it is a minority shareholder (with a 40% share). Another 40% is owned by financial entities and the rest by other private companies.[19]

Based on the information published so far, it is possible to draw some (not too encouraging) conclusions about the Autonomous Communities' plans. The majority of the projects relate to infrastructure and renovation, promoting hydrogen, the digitalisation of electricity networks, wind and solar farms, high-speed rail, the extension of 5G, digitalisation of companies, battery gigafactories and smart mobility. Amongst these, hydrogen projects stand out by the sheer numbers which have been proposed. Despite the idea of "green hydrogen", the projects always appear to be supported by large oil and gas companies with track records which are not green in the slightest. For example, amongst the promoters of the Hydrogen Valley Catalonia project (from the "Plan Next Generation Catalonia") we find the steel company Celsa along with the Israeli mining concern ICL, the water transnational Suez and the gas company Naturgy. The Basque hydrogen corridor, presented as a public-private partnership (specifically a Strategic Project for Economic Recovery and Transformation, PERTE for the Spanish acronym) in the "Euskadi Next" plan counts Petronor, Repsol, Nortegas, Enagas and even Aramco (the Saudi oil and gas company) amongst its promoters.

Likewise, ministries are also identifying projects through their own calls for "expressions of interest", to be funded through the RRF or other future NGEU instruments. These are not formal calls for tenders, but market research aimed at determining the number of potential projects existing in each sector.

In a third parallel process, the government has left room for large companies to present projects directly[20] "through the back door" (through *ventanillas informales* as consultants in the Spanish State call them).[21] Large companies and consortia which have been formed have direct contact with ministries and can make proposals which affect all regions. In this way, Endesa has presented 110 projects with a value of €19 billion [22]; Iberdrola, 150 initiatives for €21 billion[23]; Naturgy, €13 billion; ACS, €4.5 billion and so on up to a total of approximately €100 billion for Ibex35 companies.[24]

7

Who will implement NGEU-funded projects?

It is the private sector which will deliver NGEU funded projects. The Royal Decree-Law sets out a privatisation model for the NGEU funds, promoting public-private partnerships (PPPs). It establishes a new structure, a mixture of public administrations and companies called a "Strategic Project for Economic Recovery and Transformation" (PERTE for the Spanish acronym). This will apply to structural projects with the potential for large impacts on growth, employment and the competitiveness of the Spanish economy. The PERTEs form part of the "mixed economy" (very lightly regulated in the Spanish State), in which the public sector takes on risks and provides guarantees whilst the private sector takes the profits from the construction and/or management of goods or services.[25] The danger is that the "urgency" of the current situation will be used to allow PERTEs to bypass current public contracting legislation.[26] No other, more socially beneficial structures have been considered, such as public or public-community models, and no guarantees of environmental, social and/or gender monitoring have been demanded from those PERTEs.

8

What role do private consultants play?

Consultants are playing a central role in both the formulation of projects (through consultancy to companies) and in NGEU funding assessments.[27] Administrations at national level and at Autonomous Community level have not invested in staff to manage the NGEU funds better, but have chosen to outsource: that is to say, privatise the management of the funds to private consultants like Deloitte, PricewaterhouseCoopers (PwC), KPMG and Ernst & Young (EY).[28] For example, the Ministry for the Ecological Transition has contracted Deloitte to help it obtain and deliver European funds.[29] The same consultant has also been contracted by the transnational corporation CEPSA to formulate its NGEU projects[30], a fact which could raise suspicions about the consultant's impartiality.

The capacity to tailor the management of the funds to the interests of the consultants and their clients is evident in Royal Decree-Law 36/2020. On the 15th November 2020, the Confederation of Business Organisations (CEOE) submitted a proposal[31] to the government outlining how public contracting should be reformed to expedite the delivery of European funds. The document was drafted jointly by lawyers from Cuatrecasas, Garrigues, Uría-Menéndez and PwC.[32] This very proposal is what the government later transformed into the Royal Decree-Law.

Three more examples. Firstly, the key points of the national plan itself ("España puede") include a significant proportion of the proposals drafted by PwC and presented to the government by the CEOE in the document "21 iniciativas estratégicas de país para la recuperación y transformación de la economía española" ["21 national strategic initiatives for the recovery and transformation of the Spanish economy"],[33] which (as can be seen) has been taken down from the web. Secondly, in July 2020 KPMG presented a document to the government, which (in their own words) contained "information and ideas which could be useful in the elaboration of the Recovery Plan which Spain should submit to the European Commission and which will ultimately contribute to a greater guarantee of the delivery of the funds received". In drafting this document, KPMG carried out a survey amongst its clients and various sectoral organisations. Many of its proposals[34] are incorporated in the national plan that the government presented three months later, and several of these large-scale projects are already being identified as the main PERTEs: industry, the automotive industry, telecommunications and tourism. Thirdly, PwC is collaborating with various public institutions. For example, it co-drafted the plan "Euskadi Next 2021-2026" which the Basque government submitted to the central government.[35]

9

What is the timeline for NGEU?

There are several processes running concurrently at European, State and Autonomous Community levels.
Here we provide a summary of the most important processes.

EUROPE SPAIN

21st July 2020 (Europe)
The European Council (European heads of state) reaches an agreement on NextGenerationEU.

September 2020 (Spain)
Autonomous Communities begin to gather ideas for NGEU projects.

7th October 2020 (Europe)
President Pedro Sánchez presents the draft of the Recovery, Transformation and Resilience Plan "España puede" to the European Commission. It contains broad strategic outlines and little concrete detail.

November 2020 (Spain)
Ministers begin to invite "expressions of interest" for NGEU funding.

17th December 2020 (Europe)
After the approval of the European Parliament (the day before), the European Council adopts the Regulation which lays down the EU Multiannual Financial Framework (MFF) for the period 2021-2027. The long-term budget containing €1.074 trillion is added to the €750 billion in the NGEU recovery instrument. Together they form the most ambitious economic stimulus package ever approved.

22nd December 2020 (Spain)
Approval of the 2021 General State Budget, which incorporates €26.634 billion from NGEU funds.

31st December 2020 (Spain)
Publication of Royal Decree-Law 36/2020 in the BOE [Official State Gazette], approving urgent measures for the modernisation of Public Administration and the implementation of the Recovery, Transformation and Resilience Plan.

2021

31st January 2021 (Spain)
Deadline for Autonomous Communities to present projects to the central government for the (definitive) "España puede" Recovery, Transformation and Resilience Plan.

10th February 2021 (Europe)
The European Parliament votes in favour of a political agreement reached in December 2020 with the European Council on the most significant NGEU instrument, the Recovery and Resilience Facility (RRF).

From 10th February 2020
All Member States should approve the "own resources decision", a decision on the EU taking on debt through Eurobonds. They should do so in accordance with their own constitutional regulations.

April 2021 (Spain)
The Spanish Parliament approves the Royal Decree-Law 36/2020 (now draft law) approving urgent measures for the modernisation of Public Administration and the implementation of the Recovery, Transformation and Resilience Plan.

30th April 2021 *(possibly postponed until June)* (Europe)
Deadline for the submission of the "España puede" Recovery, Transformation and Resilience Plan to the European Commission.

30th June 2021 (Europe)
Over a period of two months, the European Commission should review the national recovery and resilience plans. The European Commission will ask for the opinion of the Economic and Financial Affairs Council for this assessment.

31st July 2021 (Europe)
Over a period of one month, the European Council should approve the national plans.

From August 2021 *(possibly postponed until October)* (Europe)
The European Commission adopts the decision to disburse funds and begins to transfer funds to Member States.
In the case of non-compliance, the payments can be completely or partially suspended.

2022

December 2022 (Spain)
Deadline for committing 70% of RRF funds.

2023

December 2023 (Spain)
Deadline for committing 100% of RRF funds.

2026

December 2026 (Spain)
Deadline to finish the implementation of projects.

10

What are the risks of NextGenerationEU in the short, medium and long term?

1. Overindebtedness and austerity

The EU will finance its economic stimulus package through the issue of bonds (i.e. through pooled debt), with the risks shared amongst Member States. In the next 5 to 30 years, the European Union must pay back the funds to the financial markets. To do so it will need to collect the funds from States, and the most probable method (given what happened after the 2008 global crash) is the application of reforms (like labour and pension reforms) and austerity measures. Therefore, the grants from the European funds do not come for free, but have strings attached. When the Stability and Growth Pact is reactivated and debt ceilings come back into force, it is very probable that we will see a new wave of structural reforms and cuts in public spending. In fact, the current debate on the reform of the pensions system is aligned with the privatisation and austerity policies which we already experienced in the previous crisis.

What is more, of the €140 billion from the RRF, €68 billion will be loans. If a company collapses and cannot pay back the money, it is the State who is ultimately responsible to the European Union. The public administration guarantees the repayment of the loans and must assume the debt if the projects financed by the NGEU funds go badly.

2. Concentration of funds in large companies

Given the processes for the presentation and approval of projects and the proposals which are already known, there is an elevated risk that the European funds will be hoarded by large companies to fund mega-projects. Many of these are old projects which have been pulled out of the woodwork, having failed to find funding due to the previous crisis. They are large-scale infrastructure and reform projects[36], which will allow companies like Endesa, Iberdrola, Inditex, Repsol or El Corte Inglés to pocket billions of euros of public money. The projects presented by Endesa and Iberdrola alone represent one of every two euros of the total European support available to the entire State.[37]

There is an evident and enormous asymmetry in opportunities when it comes to presenting projects. Companies and corporations have access to the services of consultants which allow them to present multitudes of projects, whilst small and medium enterprises (SMEs), entities from the social and solidarity economy, self-employed people, feminist projects and even small municipalities do not have the capacity to present their projects - which, in many cases, are the truly transformative and resilient projects with positive social, gender and environmental impacts.

3. NextGenerationEU could be a greenwashing exercise and ignores the lessons learned from the pandemic

The majority of the proposals for large projects which are currently on the table will have environmental and climate impacts and severe consequences for local territories and populations. These projects can be incorporated into recovery plans through a process of greenwashing.[38] The winners are the large polluting companies such as Naturgy, Iberdrola, Endesa and Repsol.

It appears that no effective mechanisms will be applied to tackle the climate emergency, such as eligibility criteria, exclusion lists, conditionality, taxonomy, the “do no significant harm principle” and any other element which could be used to determine what is green and climate friendly and what is not.

There is also a lack of binding conditions at European and national level regarding social and gender aspects or economic justice. In other words, companies which have dubious track records or violate human rights can take advantage of the NGEU funds.

Furthermore, the pandemic has underlined even further, if that were possible, the importance of investment in quality public services, such as health, care and socially necessary activities. All of these have proved themselves vital to society during the months of lockdown. These key sectors, necessary to take on the future crises like the climate emergency, do not play a central role in NextGenerationEU. All the signs show that funds will firstly be spent on modernising conventional sectors. This leads us to question the European Commission's promise that "Post-COVID-19 Europe will be greener, more digital, more resilient and better fit for the current and forthcoming challenges".[39]

4. Lack of transparency and citizen participation

To date, the process of bailing out companies and allocating European funds has been characterised by its lack of transparency, information access, public control and good governance. No processes or spaces have been created for real participation by civil society, understood in a broader sense than the traditional employer-trade union dichotomy. Good governance, transparency and public participation are fundamental principles of the Aarhus Convention on access to environmental information. However, the Spanish government is not engaging in democratic dialogue with all actors, including Autonomous Communities, municipalities, small actors such as SMEs, self-employed people, the social and solidarity or feminist economies and civil society.

Dialogue is, however, happening with the large companies and employers. The CEOE has created a technical office together with the consultant PwC to compile projects from large companies and present them directly to the government. This is a lobby like any other, which offers a service whereby it presents its clients' projects to the right people in the ministries through the *ventanillas informales* [back doors], bypassing even the most minimal principles of transparency or fair competition by using "urgency" as an excuse.

5. Inconsistent policies to the detriment of the common good

Royal Decree-Law 36/2020 prioritises public-private collaboration through large transfers of public money to the private sector, justified by the "spillover effect" and the private sector's larger capacity to invest the funds. The Autonomous Communities, for their part, increase this diversion of public funds to private companies even further, even privatising the management of the funds themselves. However, the associated reforms fall exclusively on the public sector and on citizens, given the trend of favouring private interests over public interests. These include the calls to guarantee "budgetary prudence" or "sustainable pensions", and also the specific EU recommendations which must be incorporated in the national plan.

In addition, the successive cuts in public spending over the past decade have left inadequate resources to adequately monitor how the funds are spent. The lack of technical and human resources to evaluate the impacts of projects could be detrimental to the public interest. Potential cases of non-compliance discovered by the European authorities' biannual reviews of Member States could lead to sanctions or to future payments being frozen.

Therefore, it is more than necessary that the NGEU funds reinforce public structures and capacities, allocating them sufficient funding to complete their work thoroughly in the public interest. Management of the funds should not fall to private-sector consultants whose corporate interests are clearly linked to those of the large corporations.

11

What can the Spanish government do?

Eight proposals to use the NGEU funds to contribute to a just ecosocial transition

In November 2020 a network of organisations, social movements, activists, journalists and experts from all over the Spanish state was created, working on NextGenerationEU and aiming to contribute to the public debate from the perspectives of all their various struggles and areas of action. The following demands and proposals have been developed in various collective and territorial working spaces.[IV]

The Spanish government can put these eight concrete and viable proposals into action in the short, medium and long term for an economic recovery which reverses growing inequality, curbs the health, economic, environmental, social and gender emergencies and enables a just ecosocial transition.

1. Guarantee transparency and good governance at all levels.
Transparency and access to information should be priorities governing all disclosure, allocation, management and justification processes related to the public NGEU funds, prevailing over trade secrets when a project or company receives public financial support for a project in the public interest.[40]

The National Subsidies Database (BDNS for the Spanish acronym) should extend the information which it publishes to include final, approved project drafts and budgets, eligibility criteria compliance reports, interim and final monitoring reports and audits verifying good use of the funds and compliance with European regulations.

Moreover, participatory mechanisms must be safeguarded and the monitoring and auditing of NGEU funds must be improved. The strength of the lobby representing large companies should be neutralised, and conflicts of interest avoided.

It is vital to allocate new funding and increased dedicated human resources to the Independent Office for the Regulation and Supervision of Contracts (OIReScon for its Spanish acronym) and reinforce its competencies for monitoring public contracts and the PERTEs. This office should keep watch to ensure that the principles of transparency, security and good governance are maintained in the public interest.

IV The participants of the NextGenerationEU citizen network are: Aigua és Vida, Coordinadora en Defensa de la Bicicleta ConBici, Ecologistas en Acción, Extinction rebellion España, GOB - Grup Balear d'Ornitologia I Defensa de la Naturalesa, Madres por el clima, Money Watchers: The Next Generation, Observatori del Deute en la Globalització (ODG), Observatorio de Multinacionales en América latina (OMAL), Plataforma ciudadana OpenGenerationEU, Red Agua Pública.

2. Promote the deprivatisation and decommodification of basic services and strategic sectors.
The NGEU funds should finance processes to reinstate public and community management, decision-making and control over basic services such as education, health, housing, energy, telecommunications, water, public transport and social services. This is considered key to constructing more resilient protective systems in the future. We need to learn the lessons which the COVID-19 pandemic has presented to us about the incapacity of privatised health systems to manage a public health emergency.

3. Be a public source of support to help social projects and companies access recovery funds to enable the leap in scale required to truly create quality employment and move new economic and social models forwards. To this end, **launch special calls for projects from ministries, to prioritise** access to funds for self-employed people, SMEs, the social and solidarity economy and those companies which contribute to a just ecosocial transition and to new models for delivering goods and services, strive towards specific employment targets to reverse asymmetries of sex, gender, race/ethnicity or disability and provide socially necessary employment.

4. Reinforce public and public-community management models and reduce public-private partnerships. Public-private partnerships have mostly involved the hidden privatisation of public goods or services under various guises (concessions, public-private companies, contracting etc.). These partnerships often serve private interests and not the public interest, leading to corruption, additional costs and the socialisation of losses in various sectors. The European Court of Auditors itself has questioned the alleged efficiency and effectiveness of such partnerships.

5. Align with climate, ecological and social justice objectives, and avoid greenwashing. To do this we need criteria which include targets or indicators which can show measurable contributions to national and European objectives in the areas of energy efficiency, climate change, biodiversity protection, waste and water quality, among others. What is more, the government should make the inclusion of concrete and binding plans to reduce greenhouse gas emissions and biodiversity loss mandatory for relevant sectors and companies. It should also include criteria reflecting the reduction of social inequality and the protection of labour and gender rights to promote a care economy offering public services for the care of children, the elderly and the dependent etc., which would free women from this unpaid work and shift responsibility for care to society as a whole.

6. Prevent IT companies and digitalisation processes from accumulating excessive funding. There are serious doubts as to whether the bid for an accelerated hyperdigitalisation process will contribute to the social and environmental resilience which the current global emergency requires. In fact, there are good reasons to think it will take us further in the other direction. Firstly, the digital transformation (whose keystone is the rollout of 5G) comes accompanied by an exponential increase in energy consumption, extractive mining, technological waste and the potential to control the population using the data collected through online activity. Secondly, hyperdigitalisation and automation in our society in general will destroy millions of jobs over the coming decades.

7. Apply exclusion criteria to projects and companies which apply for NGEU funds or any other public support.

We propose the exclusion of projects and companies whose activities are incompatible with the objectives of the Paris Agreement, the UN Sustainable Development Goals, the Post-2020 Global Biodiversity Framework and the EU decarbonisation and ecological transition targets. These criteria would exclude companies in the fossil fuel and nuclear energy sectors, as well as aviation companies, the automotive industry and mega farms (among others) from receiving funding. The criteria would also exclude companies which have previously breached human rights legislation adopted by the Spanish state through their own activities or those of their subsidiaries, contractors or subcontractors.

Also excluded should be companies and activities which clearly have negative direct or indirect social impacts, such as the military, the arms industry and also companies which have subsidiaries in tax havens, are owned by groups implicated in or convicted for corruption or serious economic crimes, have been sanctioned by the National Commission of Markets and Competition or have more than 50% of their shares owned by venture capital or investment companies of any description.

The introduction of selection criteria should be accompanied by enforceable clauses. Some of these should be related to social affairs, gender, the environment and climate and compliance with international human rights law, international labour law and other agreements such as the Paris Agreement.

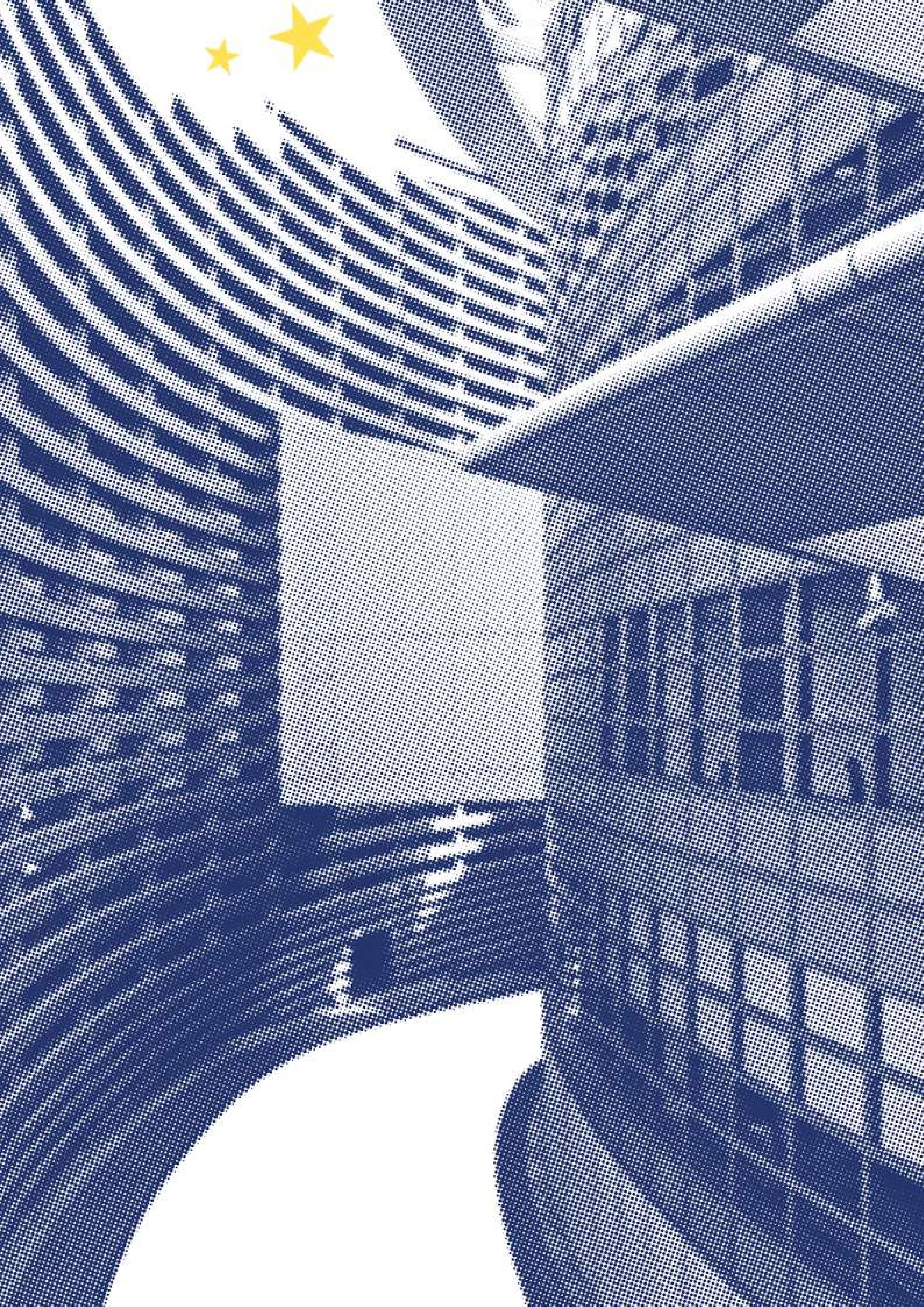
8. Co-finance the recovery with other mechanisms, not only NGEU. European funds come loaded with their own architecture of conditions and can pose a risk to national sovereignty and to the future indebtedness of Member States. Therefore, the following must be demanded:

- The elimination of European conditions for receiving funds. The funds must not be tied to public spending cuts, pensions, labour reform or the prioritisation of debt repayments. In the Spanish State this means repealing article 135 of the Constitution which establishes a debt ceiling for public spending and places debt repayment above all other budget categories.[41]

- The implementation of fiscal reforms to increase taxation and limit tax exemptions on inheritances, donations, corporations and personal income (IRPF for the Spanish acronym). In addition, VAT should be increased on luxury goods and new taxes could be introduced, such as a COVID tax of between 1% and 3% on EU fortunes of more than €1 million, a tax on credit institution deposits, a Google tax on the technology giants and a tax on financial transactions.[42]

- The implementation of an ecological tax reform would allow encouraging positive behavioural changes from the environmental point of view, while increasing tax collection to face this crisis. However, it must be part of a broader environmental, economic and social policy that avoids any damage to the less favoured classes.[43]

- The creation of a citizens' audit of public debt and the non-payment of illegitimate debt. The citizens' audit would involve the active participation of citizens and independent associations, with the aim of ensuring that administration, concessions and contracts, loans and financial operations have been undertaken in the general interest of the population.[44] Continuing in this vein, citizens should refuse to repay debts generated by NGEU funds given to companies whose activities harm the environment, the population or the public interest.



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