

ODG's position on the European recovery funds

Next Generation EU

23 November 2021

Since July 2021, Pedro Sánchez's government has been allocating Next Generation EU funds through strategic Public-Private Partnership projects (PERTEs, after the Spanish acronym) and funding calls, which are directed at various sectors of the productive economy – and in some cases at public administrations.



What are our criticisms and what proposals are we putting forward?

After more than a year's work on the NGEU recovery funds, the criticisms we made in March 2021 in our Guide to Next Generation EU: doing more harm than good, published in collaboration with the Observatory on Multinationals in Latin America (OMAL after the Spanish acronym) and Ecologistas en Acción, are still as valid as ever. To begin with, there is still a lack of transparency in almost all processes and almost all levels, there is still no clarity around or access to information which should be public (such as the names of beneficiary companies with the amounts allocated and the projects proposed), and there is still no unified set of social, gender or

environmental criteria or indicators linked to all the projects to be funded. In addition, the deep, structural criticisms we made highlighting the long-term risks involved still apply.

Specifically, we wish to highlight the «blindness» of the funds with regard to the following points and for the following reasons:

- **Financial justice: the way in which the EU finances the NGEU funds brings with it conditionality, austerity and long-term financial risks.** We are concerned that the European Union continues to issue Eurobonds to finance the NGEU funds through debt. This is increasingly becoming the “default” mechanism for financing public spending, aggravating the existing situation of excessive public debt. Debt as a funding mechanism has brought on austerity policies, cuts and privatisations and has no consideration for people or for future generations who will have to pay the price.
- **Social and care justice: the proposals, in their current form, do not guarantee to meet basic needs or combat social inequality.** We are talking about human rights such as social care, healthcare, education, and access to energy, water, food and housing. These are not protected as the proposed measures are to be implemented through a public-private agenda which promotes models such as the well-known public-private partnerships (known as PERTEs in this case but working in a similar way to public-private partnerships). This model is not focused on the common good, sovereignty and collective rights, nor on the prioritisation of socially necessary work, nor on the protection of guaranteed quality public services.
- **Climate and environmental justice: NGEU funds finance the European Green Deal strategy, and therefore an approach to the economic recovery and the green, digital transition which continues to be based on the capitalist idea of unlimited economic growth.** This is now known as “green growth”. But the magnitude of the demand for critical materials will lead to an increase and a deepening of extractivism and the externalisation of socio-environmental impacts. The NGEU funds are being channelled towards new spaces for wealth accumulation and business for the big companies (and in many cases the most polluting companies) in sectors which are key to the ecological transition, rather than towards making radical changes in the ways we produce and consume.

Therefore, here is our proposal: to co-finance the economic recovery and transition using other mechanisms which do not generate more debt or come along with conditionality. In this sense, we support the following initiatives:

- The implementation of a **fair, ecological fiscal reform** to increase taxes and limit tax allowances for property, inheritance and donations tax, corporate tax and income tax. VAT on luxury goods could be increased and new taxes could be introduced, such as taxes on

financial transactions or on the large technology companies. Furthermore, a fair and ecological fiscal reform should incentivise environmentally-friendly behaviour change as well as increasing tax income to tackle the multiple crises we find ourselves in. This should form part of a wider environmental, economic, social and care policy strategy which avoids any harm to less advantaged classes and groups.

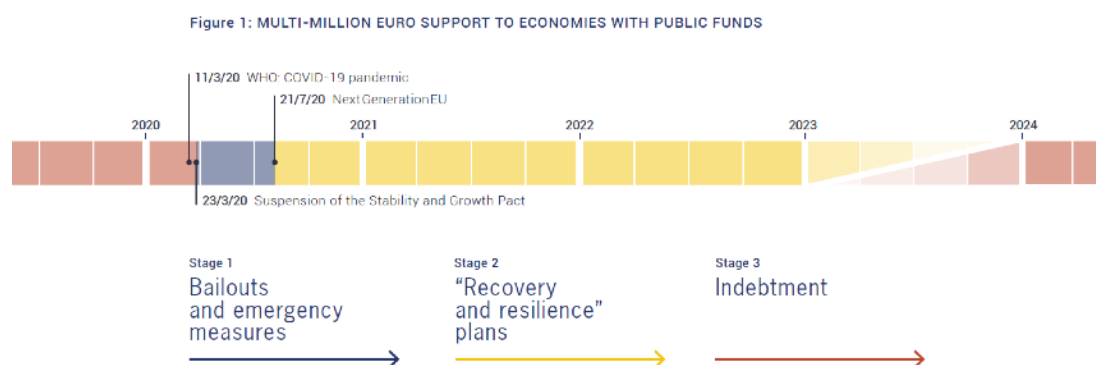
- Enabling access to information so that a **citizen public debt audit** can be carried out and the non-payment of illegitimate debt can be declared. Citizen audits involve the active participation of the public and independent associations in checking that administrative activities, concessions and contracts, loans and financial operations have been carried out in the interests of society as a whole.

We also believe it is important to chart a new course regarding the model used to organise our societies and rearrange the priorities and policies of any social and economic recovery to protect basic collective rights, in coherence with a just ecosocial transition. or example, this could involve focusing funding on services and work which have shown themselves to be socially necessary, whilst considering environmental impacts, or prioritising the results of social and environmental analyses carried out in a decentralised way when determining the needs to be met in terms of social care, healthcare, education, food, housing and access to energy and water.

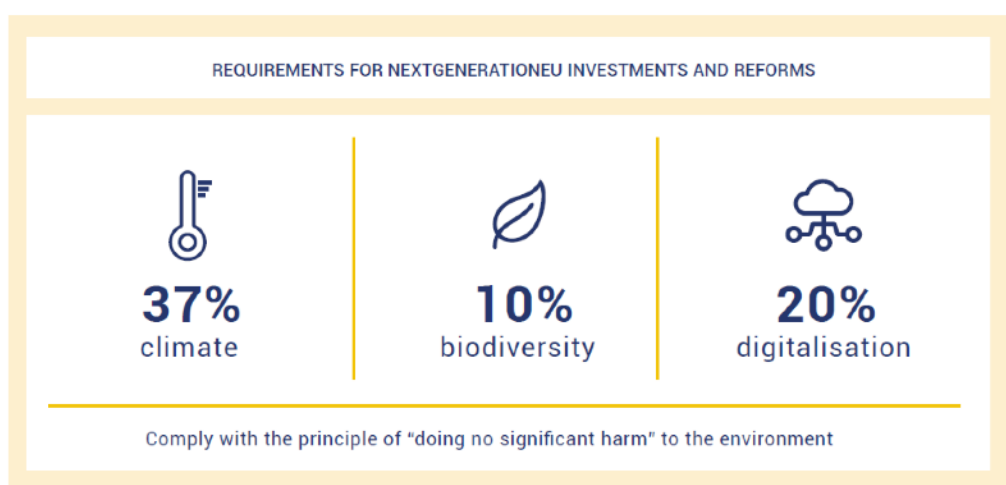


Retrospective – why did begin to work on the NGEU recovery funds?

ODG's work on the NGEU funds began with the identification of a need to monitor and critically analyse the economic recovery policies implemented by national and European administrations in response to the COVID-19 pandemic. This monitoring was initially carried out in partnership with our colleagues from OMAL and Ecologistas en Acción. Between March and July 2020 we focused on the [economic bailout policies](#) implemented by the European Central Bank, the European Investment Bank and the Spanish Official Credit Institute (Instituto de Crédito Oficial). But on the 21st July 2020, our attention was drawn to the European Council agreement to approve a financial instrument called Next Generation EU providing €750 billion in grants and loans to EU member states, of which €140 billion was destined for the Spanish State.



At the beginning the language and concepts used by the European Council drew our attention, because they demanded, for the first time in the Council's history, that the investments and reforms made should contribute to a green and digital transition and meet the emission reduction objectives set out in the [European Green Deal](#). Given the lack of clear criteria, we were concerned by the possibility that the initiative could end in large-scale greenwashing without contributing to an ecosocial transition or engaging with the structural problems which have led to the various emergencies we face (healthcare, social, gender, climate etc).



The Recovery and Resilience Facility (RRF)

How successful have been the actions taken so far?

From September 2020 to June 2021, work done by the groups and networks which the ODG participates in has focused on various aspects including: the lack of transparency, access to funds, unequal distribution of funding, the role of large companies and consultancies, the lack of ecological and social criteria for projects, funding conditions, debt and austerity, the inadequacy of the instrument for creating real structural change etc.

We welcome the awareness-raising, training and political advocacy actions carried out by organised civil society (such as the 'RESPONDEMOS AL NEXT GENERATION EU' –'LET'S RESPOND TO NEXT GENERATION EU'– webinars, the coordination meetings by the national NGEU network, the «Pasteleo a la vista» –«Dodgy dealing in plain sight»– activities, social media campaigns including [#PasteleoFondosEuropeos](#), [#OpenGenerationEU](#), [#NGEULucesYSombras](#), the publication of two guides to the NGEU funds etc.). We also welcome the public and media interest which has been generated on the NGEU funds –the topic was especially prevalent in the media between January and April 2021.

Concerning impacts on political processes, we would like to highlight the success we had with the OpenGenerationEU platform, which managed to create an opening for amendments to be made to the approved Royal Decree Law 36/2020, which are still waiting to be taken up again by Congress. Furthermore, many collectives and activists from the NGEU funds network have been able to participate in meetings with ministries and hearings of Autonomous Community parliaments (in the Balearic Islands, Catalonia and the Basque Country) as well as twice in the Spanish Parliament (Congreso de los Diputados).



Action #PasteleoFondosEuropeos of the Aliança per l'Emergència Climàtica de Mallorca, 31 January.

Source: Joventut x Clima - Fridays For Future Mallorca.

What is the situation now?

Starting from July 2021, Brussels has transferred the first €9 billion in pre-payment to Madrid and since then the implementation phase of NGEU has started. We have been waiting for four months for the government to specify the projects, companies and amounts allocated. We know that the first strategic PPP project approved by the Cabinet is the 'PERTE for the development of the connected electric vehicle' which will receive €4.3 billion. To date (15th November 2021), another four PERTEs have been announced: the *'PERTE En español: a new language economy'*, the 'PERTE for state-of-the-art healthcare', the 'Aerospace PERTE' and the 'PERTE for a smart, sustainable agri-food chain'. Furthermore, as of the 19th November 2021, the government had published 173 calls on its website, put forward by ministries and their agencies.

In all these processes, the lack of information and transparency has been flagrant. The Ministry of Finance has still not published a register of the PERTEs (although it was obliged to do so within three months of the enactment of the Royal Decree Law), nor have ministries published reports or evaluation criteria for the expressions of interest received. These are two key pieces of information required to carry out citizen audits of the allocation of the funds. There has also been no clear information on how funds are distributed among Autonomous Communities and municipalities. Furthermore, we do not know which territories will be affected by the principal projects and to date, the Royal Decree Law 36/2020 which determines the governance and control mechanisms of the NGEU funds has still not been amended.

In parallel, the Spanish central government has signed an «Operational Agreement» with the European Commission about the investments and reforms to be made in order to receive NGEU funding (the first and only EU member state to do so). This includes labour, pension and fiscal reforms. In the case of the current debate on labour reforms, the European Commission requires that the reforms comply with this agreement: if not, the transfer of the next €12 billion will not be approved. This makes the government's continued defence of the idea that the NGEU funds are free and come with no strings attached concerning.

Where are we heading? What proposals are there for action?

We believe it is key to intervene in public opinion, constructing a counter-narrative about what kind of “transition” we want. We believe that the concept of transition has been entirely co-opted by European institutions, the Spanish government, business owners and large companies. In this sense, we wish to condemn the false ecological and feminist solutions put forward by institutions for the NGEU funds, which are neither ecological nor feminist – simply green- and purple-washing – and at the same time, promote transformative proposals, such as public-public or public-community approaches, which are capable of creating a more just and resilient economy.

To feed this counter-narrative, it is important to generate knowledge through critical analysis to understand and highlight the long-term risks and environmental, social, gender, economic, territorial and offshore (in the Global South) impacts caused by the NGEU funds and the economic recovery and transition model associated with them. For this reason, we are particularly interested in any work which can be done towards an integrated ecofeminist analysis of the NGEU funds, monitoring public debt and the Eurobonds on the financial markets and auditing the green, digital recovery and its impacts in the Global South.

We want to ground the struggle, following the NGEU funds through to concrete examples. We believe that over the next year, the Spanish Government will approve large PERTEs for industrial modernisation (for example, financing mega-projects in the renewable energy or hydrogen sectors) which will cause conflicts and lead to mobilisation within our own territories. Will we find a flagrant breach of the environmental principle to «do no significant harm», involving serious social and gender impacts? What about the social PERTEs, such as the healthcare PERTE? Is there a case which can be publicly denounced?

We believe it is necessary to take action to denounce the lack of transparency and public scrutiny at all levels. For example, according to Royal Decree law 36/2020, the Ministry of Finance should have created a register of the PERTEs: vital for monitoring the companies which benefit from the public NGEU funds. At Autonomous Community level, there is also a long way to go in the struggle to increase transparency and make the NGEU funds more democratic.

At ODG we will continue to research and mobilise to denounce the false solutions embodied within the NGEU funds. The modernisation and transformation of the productive economy in a green and digital way, financed by the NGEU funds finds itself at odds with the continued application of the same privatisation-based approaches and the capitalist mantra of economic growth in production and consumption. The investments and reforms to be financed by the NGEU funds will deepen existing trends towards privatisation and extractivism, endangering our rights. In particular, they are targeted at measures which will not help us to satisfy unmet social needs – needs which have become even more evident during the pandemic. We need grassroots proposals and institutional initiatives which promote a real ecosocial transition, create exciting futures and push for structural changes to the current model which put life, social needs and natural equilibrium centre-stage.



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