

THE FAILURE OF BUREAUCRACY ON “NEXTGENERATIONEU” FUNDS DESTINED TO REFURBISHING BUILDINGS IN CATALONIA

ARNAU GUIX SANTANDREU

Universidad Nacional de Educación a Distancia (UNED), Faculty of Law
Madrid, Spain

Abstract The deployment of the «NextGenerationEU» (NG) funds is an exceptional and multifaceted moment. In Spain, among other objectives, such resources help finance the refurbishment of buildings and dwellings with the ultimate goal of increasing the energy efficiency and sustainability standards. Therefore, subsidies contribute to the struggle against the climate crisis and the European energy dependence. Under the framework of the Royal Decree 853/2021, the central government of Spain has regulated six subsidy programmes for such purposes. Regions are entitled to distribute the funds and deploy their own grant proceedings. In Catalonia, the situation is surprising because the exposed subsidies are demanded in very low levels. Thus, the present paper analyses the causes behind the failure of bureaucracy on NG funds dedicated to restoring buildings and dwellings in Catalonia, following an approach based on the analysis of official publications to detect three great administrative inefficiencies and propose corrective measures.

Keywords:

buildings, energy efficiency, refurbishment, grants, *NextGenerationEU*

JEL:

D73, H25, K25

1 Introduction

It is well known the fact that buildings contribute to global warming. Actually, concrete production is responsible of 8% of the global carbon dioxide emissions, equivalent of more than a single country except China or the US (Harvey, 2021). Also, the energy demand required for heating, cooling, lighting and providing electricity to equipment causes 40% of Europe's energy demand, most of it (80%) originated from fossil fuels (United Nations Environment Programme, 2022, 30). Thus, the UN has set a sustainable development goal (SDG) worldwide related to cities (SDG no. 11), aiming to "Make cities and human settlements inclusive, safe, resilient and sustainable" (United Nations, 2023).

In this context, the European Union has presented a large-scale plan, integrated within the *NextGenerationEU* (NG) funds, that pretends to double the annual refurbishing rate of residential and non-residential buildings and thus improve 35 million building units by 2030; to create 160,000 green jobs in the construction sector's renovation wave; and in the long run, to foster building renovation for reaching climate neutrality by 2050 (European Commission, 2020: 2-3). By the Royal Decree 853/2021, the Spanish central government has regulated the framework of six grant programmes that distribute the NG funds for buildings among the 17 regions or autonomous communities of the country. Henceforth, such administrations have determined other public bodies in charge of processing requests, with increasing complexity of procedures and where various professionals are mandatory for a successful application. At present, in Catalonia most of the ownership associations and individual proprietors have omitted to present their requests and funds destined to the 2022 budget are available in the middle of 2023, in significant amounts. Then, our research question is mandatory: "Why NG funds for refurbishing buildings and dwellings in Catalonia are not solicited as expected?"

2 Theoretical Background

In this section is depicted the theoretical and regulatory background behind the deployment of NG funds in Catalonia. It conceptualises the programmes, the policies' characteristics and the territorial distribution of resources. First of all, the Royal Decree 853/2021, of 5 October, has determined the programmes for all Spain. Table 1 illustrates a summary of their properties.

Table 1: Description of the NG programmes dedicated to buildings in Spain, by number.

1	Refurbishment grants at the neighbourhood level. The funds are destined to restore buildings with residential use and re-urbanisation of public spaces inside the so-called ERRP (letters that stand for “Residential Areas of Programmed Refurbishment”, in Castilian), which have been delimited in municipalities previously. Population is not a determinant factor for establishing an ERRP. The main goal is reaching at least 30% savings in primary energy consumption. Subsidies range from 8,100 to 21,400 euros per refurbished dwelling, depending on the energy efficiency attained.
2	Support funds for refurbishment offices. The Spanish legislator has created a category which does not seem much related to the other programmes, as resources are only destined to the bureaucratic apparatus and not to improvements in energy efficiency in buildings. The funds are destined to the autonomous communities, local administrations and other public and private bodies to coordinate, inform and manage the grants, excluding the ones of the first programme.
3	Refurbishment grants for buildings. They are destined to residential buildings with one or more households, with the goal of increased energy efficiency. A technical analysis has to endorse significant savings in the consumption of non-renewable primary energy (at least 30%, compared to before the implementation) and energy demand (at least 35% or 25% in heating and cooling demand, depending on the climate of the geographic area where the building is located). In this case, the grant ranges from 6,300 to 18,000 euros per dwelling, subject to energy efficiency improvements. There are extra funds for the removal of asbestos, up to 12,000 for each entire building.
4	Refurbishment grants to increase the energy efficiency of dwellings. Such funds are destined to the owners of dwellings who desire to improve the energy efficiency of their usual residence. The resources cover the replacement of doors, windows or variations in the climate control systems to start renewable energy or biomass equipment, instead of fossil fuels. The minimum cost of the intervention is fixed at 1,000 euros and the grant reaches a maximum of 3,000 euros, reaching up to 40% of the whole refurbishing costs.
5	Grants for Building and Project Book preparation. A Building Book is a technical report which depicts the properties of a building, including use and maintenance. It describes the necessary measures for improvements in energy efficiency. The programme funds the professional expenses of the elaboration of the Building Book and the development of technical refurbishment projects. There are different grant ranges, with top amounts set at 3,500 euros for the Building Book and 12,000 for the technical refurbishment projects.
6	Construction of dwellings under social rent schemes in energy efficient buildings. The programme pretends to build from scratch or rehabilitate buildings situated on terrains of public ownership, with the aim of incorporating them as affordable housing assets. Public-private partnerships (PPP) are considered to be the priority for optimising the allocation of funds. Social housing financing has a limit of 700 euros per square metre of useful surface of residences, with a maximum of 50,000 euros per dwelling.

Source: Adapted from the Royal Decree 853/2021, of 5 October. Ministry of Transports, Mobility and Urban Agenda of Spain (2021).

The Spanish regions manage the NG funds with a relative self-ruling competence. In Catalonia the situation is characterised by a notable fragmentation. At first, an office dependent on the City Council of Barcelona, the Barcelona Housing Consortium (CHB, in Catalan), concentrates its services on the petitions coming from the largest city of the region. Secondly, an office of the Metropolitan Area of

Barcelona (AMB), called the Barcelona Metropolitan Housing Consortium (CMH), attends the requests coming from municipalities situated in the metropolis, but excluding the city of Barcelona. Finally, the Catalonia Housing Agency (AHC) offers administrative coverage for the rest of the regional territory (Figure 1).

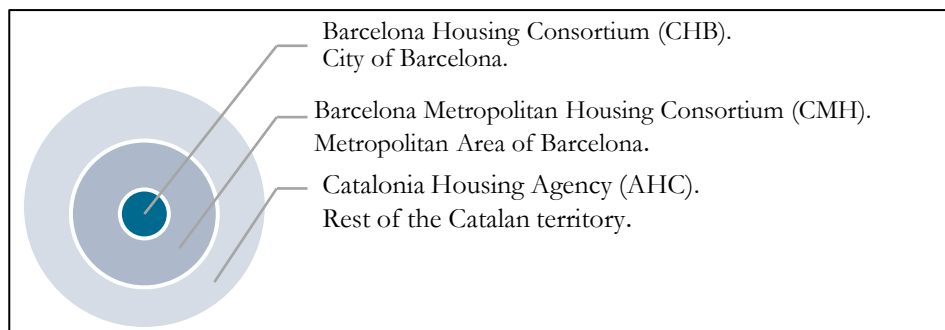


Figure 1: Institutions involved at refurbishing grants in Catalonia.

Source: Graph elaborated by the author.

Table 2: Calls for refurbishing grants in Catalonia (Programmes 1 to 5 currently in force)

Institution	Territory	Programmes	BDNS ref.
Catalonia Housing Agency (AHC)	Catalonia without the city of Barcelona and the metropolitan area	3 4 5	616994
	Whole Catalonia. After the <i>pre-selection</i> phase, the call for applications is expected to be published during April-May 2023.	6	Not available
Barcelona Metropolitan Housing Consortium (CMH)	Metropolitan area of Barcelona (AMB) excluding the city of Barcelona	1 3 4 5	623085
Barcelona Housing Consortium (CHB)	City of Barcelona	3 4 5	632786
	City of Barcelona, only defined ERRPs	1 4 5	634272
	City of Barcelona, only defined ERRPs of the Neighbourhood Plan	1 4 5	634273
	City of Barcelona, <i>Besòs - Maresme</i> area	1 4 5	634274
	City of Barcelona, <i>Can Peguera</i> area	1 4 5	634275
	City of Barcelona, <i>Canyelles</i> area	1 4 5	634276
	City of Barcelona, <i>Congrés - Indians</i> area	1 4 5	634277
	City of Barcelona, <i>La Pau</i> area	1 4 5	634278
City of Barcelona, <i>Trinitat Vella</i> area	1 4 5	634279	

Source: 2022 calls published at the Official Journal of the Government of Catalonia (DOGC).

Table 2 illustrates the grant procedures produced by the exposed institutions that are currently in force in Catalonia. The state of affairs is particularly difficult in the city of Barcelona, where CHB has participated in numerous calls that can be overlapping and thus oblige citizens to consult a grant specialist. The National Grant Database of Spain (BNDS) provides an individual code for each proceeding, which is paramount for successful call identifications, as CHB omits publishing any other references. The numerous calls try to target certain areas affected by gentrification and speculation; however, public intervention in the city produces inefficiencies and distortions (Uzqueda et al., 2021).

3 Methodology

The methodology is characterised by a literature review of official publications, centred in grant regulations destined to restoring buildings and dwellings in Spain and particularly in Catalonia. They were issued during the years 2021 and 2022, under the *NextGenerationEU* framework, and are currently in force. It is expected that the programmes will last until June 2026 with small variations. As the deployment of such public policies is relatively new and is on the move right now, the scientific literature in the field is limited. Qualitative content analysis and close reading of the applicable regulations allow identifying the relevant alignments and weaknesses of the policies. The objective of the research is to identify the reasons behind the lack of demand in Catalonia for NG funds destined to refurbishing.

4 Results

The first aspect to be analysed is the territorial distribution of resources in the country. Setting four outlier regions apart, it is clear that the prevalent factor has been the fraction of the Spanish population in 2020-2021, with slight variations among territories. At first sight, there are no detectable correlations that can explain the existing gaps in population and assigned funds, like urban vs. rural areas, high vs. low income territories, more vs. less populated regions, or even the north vs. south divide. The Principedom of Asturias holds the highest positive variation of funds compared to its population, while the autonomous cities of Ceuta and Melilla register the weakest ratios. Catalonia is to some extent underserved of resources at -1.35%, compared to its population. If the transfer was remarkable, we could infer

that the hypothetical extraordinary funds would explain the lingering resources, but it is not the case. Table 3 presents regional distribution of the NG funds.

Table 3: Regional distribution of the NG funds (Programmes 1 to 5 of the RD 853/2021).

Autonomous community / Region	% of the total funds	% of the State population (2021)	Differential (% funds minus % population)	% of disparity (funds compared to the population in 2021)	±
Andalucía	17.370	17.880	- 0.510	- 2.85%	
Aragón	2.897	2.799	+ 0.098	+ 3.50%	
Principado de Asturias	2.429	2.135	+0.294	+ 13.77%	
Illes Balears	2.461	2.475	- 0.014	- 0.57%	
Canarias	4.591	4.586	+ 0.005	+ 0.11%	
Cantabria	1.296	1.234	+ 0.062	+ 5.02%	
Castilla y León	5.441	5.029	+ 0.412	+ 8.19%	
Castilla – La Mancha	4.212	4.325	- 0.113	- 2.61%	
Catalunya / Catalonia	16.163	16.384	- 0.221	- 1.35%	
Com. Valenciana	10.821	10.675	+ 0.146	+ 1.37%	
Extremadura	2.305	2.236	+ 0.069	+ 3.09%	
Galicia	5.845	5.689	+ 0.156	+ 2.74%	
Com. de Madrid	14.007	14.248	- 0.241	- 1.69%	
Región de Murcia	2.939	3.205	- 0.266	- 8.30%	
Com. Foral de Navarra	1.380	1.396	- 0.016	- 1.15%	
País Vasco (Euskadi)	4.858	4.672	+ 0.186	+ 3.98%	
La Rioja	0.698	0.675	+ 0.023	+ 3.41%	
Ceuta	0.146	0.176	- 0.030	- 17.05%	
Melilla	0.141	0.182	- 0.041	- 22.53%	
Total of Spain	100.000	100.000	0.000		

Sources: Data adapted and calculated from the Ministry of Transport, Mobility and Urban Agenda of Spain (2021: article 5) and National Institute of Statistics of Spain (2022).

Therefore, inefficiencies that explain the low demand may be observed directly at the grant procedures that are currently deployed in Catalonia. To simplify the viewpoint, here is a brief analysis of a possible request made for restoring a building located in the city of Barcelona. In this context, it is applied the framework of the Programme 3 of the Royal Decree 853/2021, under the call of the Barcelona Housing Consortium (CHB) with BDNS ref. 632786 (Figure 2).

At first, citizens with interest in the subsidy will probably take a look at the website of the municipality (Barcelona City Council, 2023). They may have the first impression that the Local Renovation Office is the public body in direct charge of

managing the requests and the funds. However, in this case most of the proceedings will be managed by external professional organisations before reaching the City Council: the Association of Architects of Catalonia (COAC), the Association of Technical Architects and Building Engineers of Barcelona (CATEB) and the Council of Territorial Associations of Property Administrators of Catalonia (CCTAFC). Consequently, citizens will contact the related professionals (step 1).

Before presenting the formal request of the grant (step 4), two verifications will be made simultaneously, which are very demanding in terms of documents (step 2). The “technical suitability” analyses the adequacy of the project and energy efficiency improvements with the subsidy rules. It is managed by the COAC or the CATEB, at the choice of the gran applicant, and requires hiring a professional that has to be a member of an association. The expert will generate the required files and present them online. After verifying 20 documents, the COAC or the CATEB will produce a first suitability code (step 3).

The “administrative suitability” is organised by the CCTAFC. In this case, applicants do not have to hire a property administrator to prepare the documents and present them, but most of the petitioners will not know this advantage. After the verification of 8 documents, most of them forms, contracts and budget plans between the property owners and the chosen refurbishing companies, the CCTAFC produces a second suitability code (step 3). Both suitability approvals allow presenting the formal request of the subsidy at the City Council of Barcelona (step 4). The definitive grant application needs two more forms and after a thorough analysis the City Council will be able to release a favourable resolution (step 5).

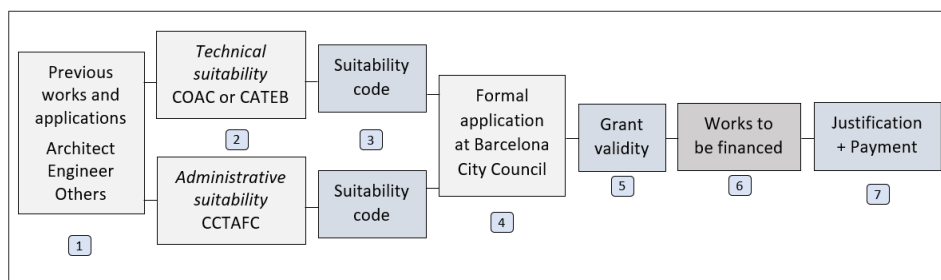


Figure 2: Standard sequence of steps to obtain a renovation grant for a building (Programme 3).

Source: Data adapted from the call of the Barcelona Housing Consortium (BDNS ref. 632786).

It should be noticed that the remunerations of the professionals that participate in this grant process are not covered unless the subsidy is accepted by the administration. Unfortunately, the payment will not be immediate; according to the grant call, only after the verification of the works (step 6) and the delivery of all the required documents, the Administration will order the imbursement of the subsidy (Barcelona Housing Consortium, 2023: art. 9.4) (step 7). The operation of other grant programmes in Catalonia is very similar to the exposed case.

5 Discussion and Conclusion

The present paper has analysed the bureaucracy behind the *NextGenerationEU* funds for renovating buildings in Spain, and particularly in Catalonia. Overall, the administrative apparatus created for the occasion is connected to inefficiencies, second-rate transparency and citizens' dissatisfaction. Our initial question, "Why NG funds for refurbishing buildings and dwellings in Catalonia are not solicited as expected?", can be answered now. It is because:

1. The management of the subsidy implies too many administrations and professional organisations, which are overlapping in tasks. Citizens do not know where to begin. It would have been much easier to concentrate all on the Catalonia Housing Agency.
2. The request of the subsidy obliges citizens to disburse the remuneration of architects, building engineers and other specialists, without knowing the application's success. Moreover, this is a symbolic step, as even if the grant is approved, the funds will come only after an exhaustive justification of the accomplished refurbishing works. Other regions have settled subsidy payments in advance. Their successes could be emulated.
3. Programme 4, more known as the grant "to change windows", only covers up to 40% of the costs, reaching a maximum of 3,000 euros. In other autonomous communities, the administrations have established other subsidies to complement the fraction, and thus numerous applications have been registered. Such policies could be replicated.

Further research can study the effects of eventual corrective policies during the 2023 budget.

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