

NOTA

**THE ITALIAN NATIONAL RECOVERY AND RESILIENCE PLAN (NRRP)
AND THE ROLE OF REGIONS AND LOCAL ENTITIES¹**by **Giacomo Menegus**

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I. INTRODUCTION

The Recovery and Resilience Facility (RRF) allocates to Italy resources amounting to EUR 191.5 billion, of which 68.9 billion are grants, and 122.6 billion are loans. Italy is, therefore, the first beneficiary of the Facility in absolute terms and is among the top EU countries concerning grants (considering the proportion to their GDPs).

This massive amount of money reflects the country's difficult economic situation, hit hard by the pandemic and affected by years of stagnation. It also reflects the substantial territorial divide between Northern and Southern Regions, which increased during the pandemic. As is well known, Southern Italy suffers from lower GDP per capita, higher unemployment rate, lower productivity, and poorer infrastructure. An example taken from the BES report of 2020, issued by ISTAT (the Italian national statistical authority), can offer an idea of how dramatic this divide is: in Southern Italy, the non-participation rate of the population aged 15-74 in 2020 (unemployed plus available to work, but not seeking) amounted to 34,6%: non-participation was thus three times higher than in the Northern Regions.

Along with gender inequality and generational gaps, Article 4 of Regulation 2021/241 addresses this issue of the territorial gap, stating that "the general objective of the Facility shall be to promote the Union's economic, social and territorial cohesion." Bridging the gap between North and South is, therefore, at the same time, a priority identified at the European level and a central challenge for Italy (Poggi 2021).

The Plan has a threefold function: first, to address the well-known structural weaknesses of the Italian economy identified in the country-specific recommendations (CSRs) of 2019 – but many of them are the 'revivals' of recommendations of the previous years; second, to prepare the country for the post-pandemic recovery, repairing the economic and social damage of the pandemic crisis in line with the CSRs of 2020; last, to achieve the green transition.

The Plan is developed around the three famous strategic axes shared at a European level: digitalisation and innovation, ecological transition, and social inclusion. It encompasses six policy areas corresponding to six missions: digitisation, innovation, competitiveness and culture; green revolution and ecological transition; infrastructures for sustainable mobility; education and research; inclusion and cohesion; healthcare.

The Plan also includes a reform agenda, which envisages reforms divided into horizontal, enabling, and sectoral.

Horizontal reforms, which are cross-cutting to the six Missions of the Plan, aim to prepare the Italian public administration and the judicial system to absorb the significant resources to be invested over the period 2021-2026, and thus to create a more favourable business environment.

Enabling reforms aim to improve the regulatory framework to facilitate the Plan's implementation and maximise investment impact by removing administrative, regulatory and procedural barriers. There are two major reforms in this respect: simplification of legislation (such as the procurement code) and promotion of competition.

Sectoral reforms are embedded within the six Missions and address specific infrastructures or areas of economic activities, aiming to make the regulatory and procedural aspects more efficient.

As it has been noted, the Italian NRRP has a fundamental focus on public administration reforms, much more robust than in other countries (Mainardis, 2021:150). The centrality of public administration reforms reflects the content of CSRs and, at the same time, the need for a more efficient machinery of government to ensure the correct and timely implementation of the Plan itself.

II. THE DRAFTING OF THE NRRP OF ITALY

When the agreement on the RRF was reached at the European level, the Italian Prime Minister was still Giuseppe Conte. Therefore, the first version of the Italian NRRP was laid down by the Government led by Conte (so-called 'Conte II') during the second half of 2020.

A preliminary phase took place in the 2020 spring, when a Committee of experts, chaired by the manager Vittorio Colao, drafted a 'Recovery Plan' for the country. On the basis of this draft, the Prime Minister confronted the stakeholders, unions, and civil society in the second half of the year. However, the real NRRP was drafted within the Interministerial Committee for European Affairs, which gathered projects and requests mainly from central administrations and drew up some guidelines (Manzetti, 2021). In this context, Regions complained about their poor involvement and the lack of transparency in the process, claiming that the main projects having territorial effects were not shared in advance with the local autonomies (Profeti, Baldi, 2021:436-438).

After this preliminary phase, the draft proposal of NRRP was submitted to the Parliament at the beginning of 2021, but faced scepticism within the governing coalition and eventually caused the fall of the same Government (more precisely: the Government gained a vote of confidence from the Parliament, but there was no more a stable majority).

After the unsuccessful attempts to form a new majority, Giuseppe Conte resigned. Mario Draghi was then appointed as Prime Minister by the President of the Republic, with a large consensus in Parliament (from Lega to Forza Italia, from Democratic Party to the Five Stars Movement). The new Government rewrote the NRRP to address the main criticism and lack of coherence but had to base its work mainly on the first draft due to the tight schedule. The short time left before the European deadline of 30 April 2021 restricted the room for a proper confrontation with other constitutional bodies. This was true, particularly for the Parliament: the new draft was submitted only on 25 April 2021, and the Prime Minister provided a communication on the Plan to the Chamber of Deputies and the Senate of the Republic on 27 and 28 April. Regions and

local authorities have been even more marginalised: a communication on the Plan was provided by the Ministry for Regional Affairs to the State-Regions Conference just a couple of days before the deadline. In the previous days, other Ministries had brief communications concerning projects and reforms in their respective areas. However, all these activities were purely for informative purposes (Profeti, Baldi, 2021:438-439).

III. THE GOVERNANCE OF THE NRRP

Despite this unfortunate start, regional and local autonomies may regain a vital role in the management of the Plan.

The governance proposed in the first draft included a control room with three members (including the Prime Minister), six commissioners, one for each mission of the Plan, and a specific task force, with a general tendency to centralisation. Not surprisingly, many commentators have described this structure as a 'parallel administration' (Claroni, 2021:23); and, indeed, the disagreements within the majority over the structure of the governance were the main reason for the fall of the Government (Guidi, Moschella, 2021:421-423).

Contrary to this approach, the new governance established by the Draghi government with Decree-law no. 77 of 2021 relies mainly on existing government bodies, adding some special temporary ones for the implementation of the Plan (Menegus, 2021). There is still a tendency to centralisation, but with elements for coordination between the different levels of Government.

First of all, a control room (or *Cabina di regia*) was set up, chaired by the Prime Minister, in which the competent ministers participate from time to time on the basis of the subject matter. The control room has tasks of direction, impulse, and coordination for implementing the interventions. The Presidents of the single Regions are also invited to participate in the meetings of the control room when dealing with issues concerning that specific Region. If the issues dealt with concern more than one Region, the participation of the President of the Conference of Regions and Autonomous Provinces is provided. With an amendment added during the parliamentary debate on Decree-law no. 77 of 2021, the possibility to invite representatives of the territorial entities to the meetings of the control room was also extended to representatives of local authorities, namely the President the Union of Provinces (UPI) and the one of the National Association of Italian Municipalities (ANCI).

The decision to directly involve the leaders of regional governments in decision-making processes confirms a strengthening trend over time in Italian regionalism (Bin 2021a; Mainardis 2021:141-142). Before the pandemic, political agreements between the Government and Regions tended to be reached within the so-called 'Conference System', the primary institutional instrument for multilevel cooperation in Italy. As its name suggests, the Conference System is built upon different conferences involving representatives of the executive power at the national, regional and local levels. This system has a relatively limited legislative basis (Legislative decree n. 281 of 1997) and lacks a constitutional framework. Nevertheless, it conquered a solid and stable institutional position over time.

During the pandemic period, the confrontation between the Government and the Regions always took place at the level of the executives, but with the direct involvement of the President of the Conference of Regions and Autonomous Provinces or even with the single Presidents of the Regions, who gained a growing political role even in national politics (Bin 2021a; Bin 2021b; Di Cosimo 2021; Cosulich 2021).

The involvement of Regions and local entities is not limited to the control room. The Decree-law no. 77 of 2021 states that the Minister for Regional Affairs promotes the initiatives of impulse and coordination of Regions and local entities, also within the conference system, the importance of which is thus confirmed. Representatives of the Regions and local entities have a sit also in the so-called ‘Permanent roundtable for economic, social, and territorial partnership’, together with stakeholders, universities, civil society. This last body has nonetheless purely consultative functions, and – at the moment – it is unclear the role that local autonomies can play within it. On the contrary, the involvement in the control room and the Conferences appears much more relevant in political terms.

Despite their involvement in the governance of the Plan, Regions and local entities risk having a minor influence on decision making because their contribution is part of a top-down and not a bottom-up process: Regions are called upon to implement rather than define the contents of the Plan.

However, there have been some developments in this respect, thanks to the coordinated pressure of the Regions on the Government. In late October, a new decree-law was announced establishing that each Region and each Autonomous Province will have a sort of ‘flagship project’ with ‘particular strategic importance,’ consistent with the guidelines of the PNRR. The Decree-law No. 152 of 2021, adopted on 6 November, established a new coordination unit between regional and local institutions and the central Government (namely ‘*Nucleo PNRR Stato-Regioni*’) under art. 33, which among other things, has the task to support local entities in elaborating the above-mentioned flagship project.

IV. THE IMPLEMENTATION OF THE NRRP

Even though the Regions and local entities have not been involved in the planning and maybe are not adequately involved in the governance of the Plan, most of the reforms programmed in the NRRP regard matters falling within the competence of the Regions under art. 117 Cost. (both concurrent and residual). In addition to that, a significant part of the investments – almost one-third of the total, about 87 billion, according to government estimates – is the responsibility of the Regions and local entities.

Therefore, greater involvement of the Regions and local entities in the implementation phase of the Plan is essential.

On the one hand, the Regions will have to implement on the administrative level the many projects and reforms under their responsibility, but also many which are elaborated by the central State; on the other hand, they will be called upon to play an essential role in the rewriting and updating of a substantial part of the regulatory framework.

Considering the strict schedule established by the Plan, the Decree-law no. 77 of 2021 mentioned above introduced special legal instruments to overcome any delays and obstacles, such as special substitutive powers and a procedure for overcoming dissent. In relation to both instruments, the Conferences play, in any case, a crucial role.

In general, there seems to be a further strengthening of the administrative role of the Regions, to the detriment of their legislative one (Mainardis 2021:147-150). This is a consolidated trend in the Italian context, which contradicts the constitutional scheme of allocation of competencies between the Central State and Regions, centred on the role of statutes (both of the State and the Regions). However, it must be noted that the ‘decline of Regional statute’ does not necessarily confine Regions to a secondary

political role compared to the State. On the contrary, during the pandemic, the crucial role of the health administration management, which is the responsibility of the Regions, emerged, as well as the relevance of many administrative decisions taken by Regional executives.

V. CHALLENGES AND OPPORTUNITIES

The biggest challenge posed to Italy – and autonomous entities in particular – is implementing the Plan correctly and timely. As is well known, Italy suffers from structural weaknesses in planning and implementation. This is a problem of limited administrative capacity, which affects, in particular, the public administrations in Southern Italy, which had chronic difficulties in absorbing public funds, both national and European (Polverari 2020).

First of all, the Italian public administration has a numerical issue: according to years of ‘spending review’ policies, turnover has been blocked, and the number of public employees in Italy has been significantly reduced (since 2008). In addition, there was a progressive reduction of public investment in upskilling and reskilling of public administration employees, who face complex tasks in a complex regulatory environment. Moreover, public employees are ageing since generational turnover has been slow, partial, and even blocked.

The Government addresses these issues by improving personnel selection mechanisms, simplifying procedures and processes, investing in human capital, and strengthening digitalisation.

New special recruitments are planned to reinforce the staff of the administrations in Southern Italy, even though these appointments will be made on fixed-term contracts. In addition, the Government will provide expert tasks forces to support local and regional administrations should operational or implementation problems arise.

In any case, the Plan can offer the opportunity to solve public administration problems in Italy and recover the territorial gap between Northern and Southern Italy.

The NRRP and the Complementary fund – established by Italian Decree-Law No. 59 of 2021 – have earmarked approximately EUR 82 billion to the South, out of a total of EUR 206 billion that may be distributed based on the geographical criterion. Further funds are coming from React-EU, special national funds, the EU Development and Cohesion Fund. As stressed by the Government in every public statement, investments of this magnitude are unprecedented, at least in the country’s recent history, and Italy must not miss this great opportunity. At least 40% of the funds deriving from the RRF will be allocated to Southern Italy. According to Art. 2.6-bis of Decree-law No. 77 of 2021, the compliance with this proportion will be monitored by the Minister for Southern Italy and Territorial Cohesion with the support of the Central Service for the NRRP (the technical body competent for the general monitoring of the implementation of the Plan).

As Mario Draghi himself stated, the problem is that “there will always be too few resources if those available are not spent” (Draghi 2021). The real danger is that the very problems that PNRR investments are called upon to solve – particularly the limited administrative capacity of public administration in the South – may become the cause of the failure of the reforms programmed.

An alarming example in this respect comes from a recent event.

Among the criteria used by Government to assign the RRF funds, a selection criterion based on ‘completion feasibility’ of the projects was introduced, at least for some investments. This criterion reflects the fact that the resources provided under the NRRP must be used within five years, so there is a need for ‘ready-to-go projects.’

According to this approach, local authorities were requested by the Ministry of Agriculture to submit strategic projects in the irrigation sector as part of mission 2 Component 4 (M2C4) called ‘Investments in the resilience of the irrigation agrosystem for a better management of water resources.’ The Regions most concerned are those of the South, affected by desertification and climate change. Unfortunately, the selection did not reward Southern Regions: no one of the 31 investment projects proposed by the Sicilian *Consorzi* and *Enti di Bonifica* (which are the administrative bodies competent) was able to fulfil all the criteria established for the admissibility. Calabria also scored a very poor result.

VI. CONCLUSIONS

This scenario requires the Regions to make a drastic change of approach, with a shift from competitive regionalism to cooperative regionalism.

On the one hand, the Regions of Southern Italy must be aware of their operational limits and work on overcoming the long-standing inertia of their administration, if necessary also accepting the support of the central State without perceiving it as an undue intrusion into their field. On the other hand, the Northern regions should cooperate to ensure that even Southern regions can present projects and benefit from the funding because a failure of the Plan in the South would have repercussions on the whole country.

This new approach requires overcoming sterile divisions and controversies, such as those concerning the allocation of funds between North and South that has been on the news in the last weeks. Regions need to combine their forces to defend their role and competencies in implementing the Plan and ensure the necessary resources and administrative capacity. Only this way Regions can prevent further marginalisation and their downgrading to the role of mere enforcers of projects decided by the central Government.

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