

Organizational Capacity and Project Dynamics

How does it relate to Italy's Recovery and Resilience Plan?



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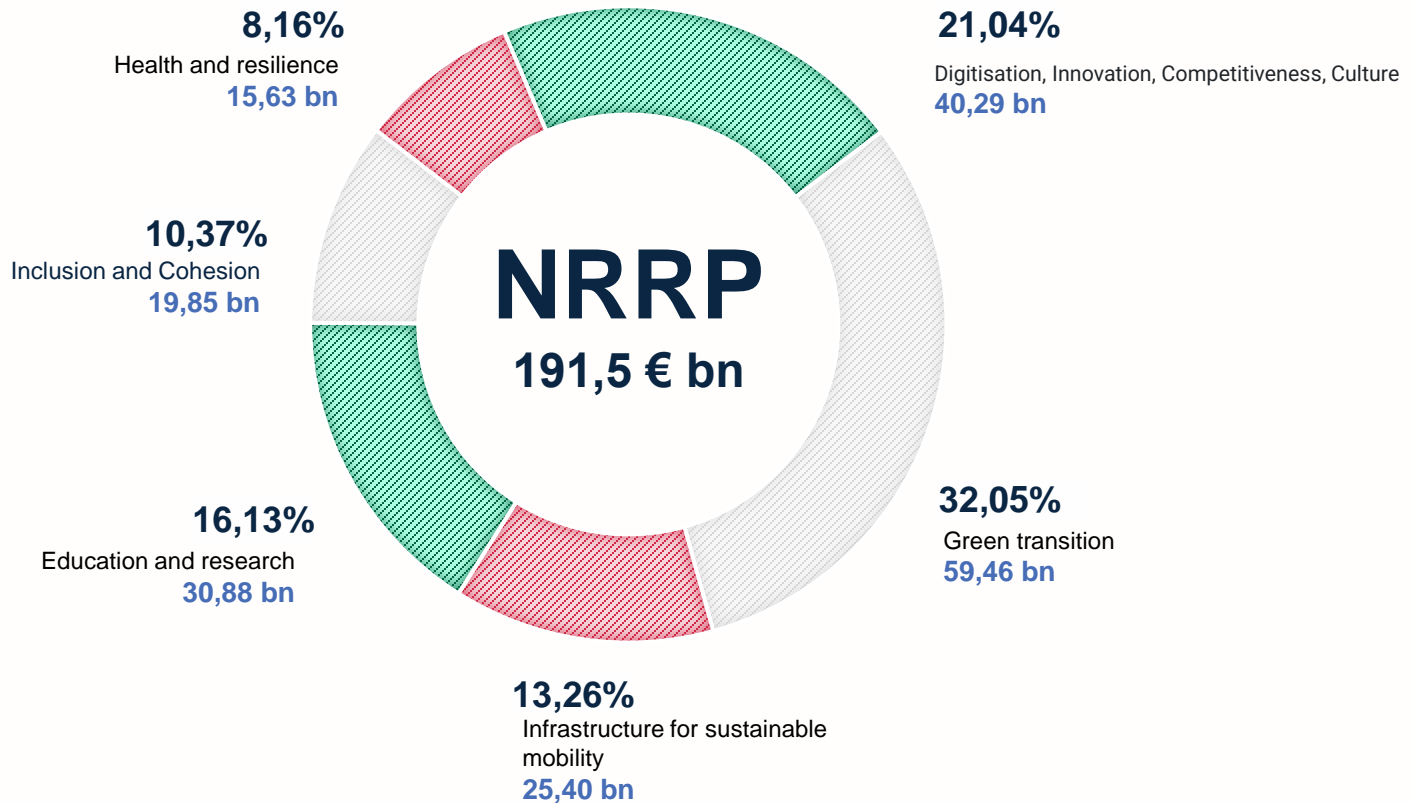
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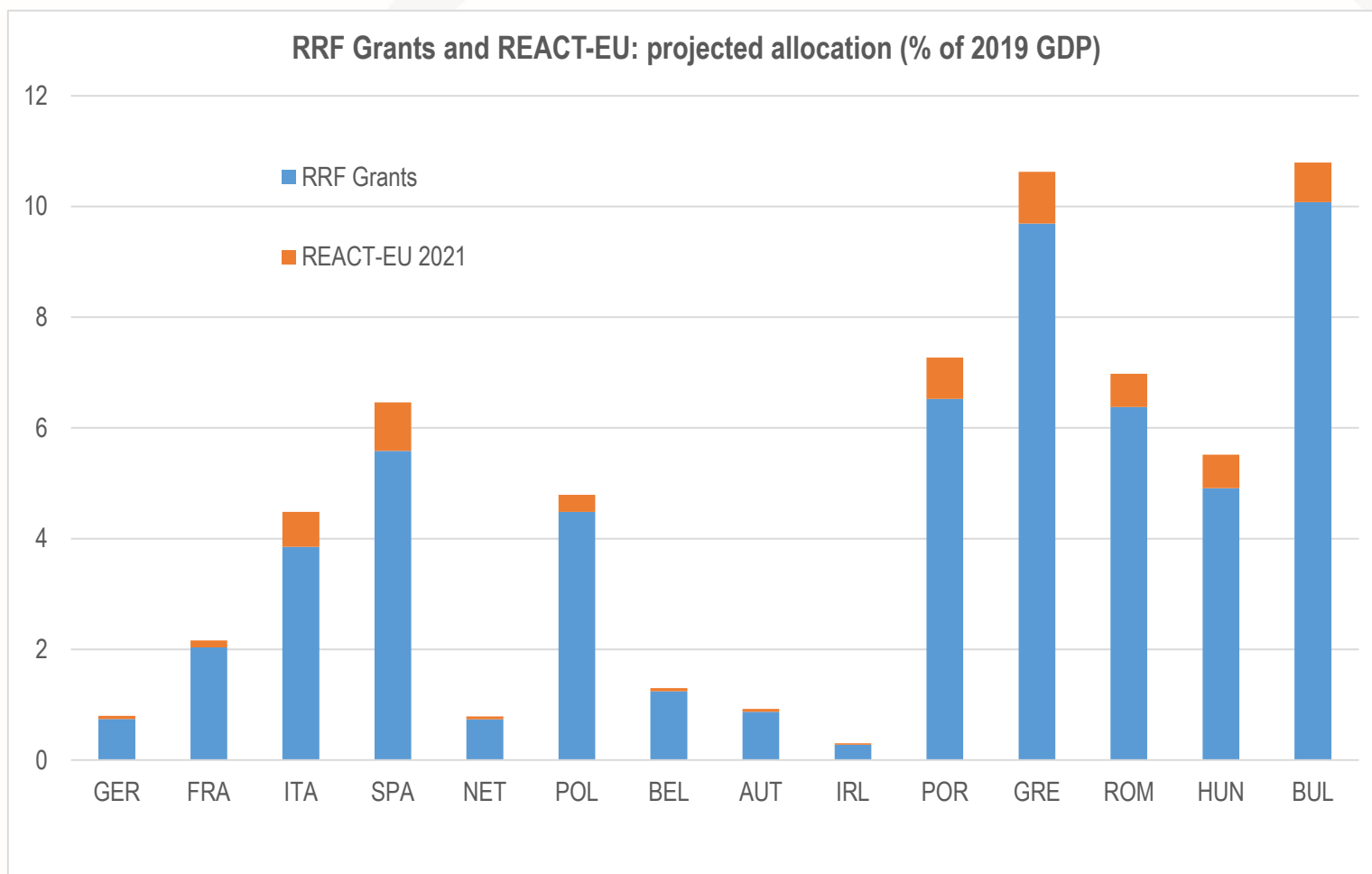
Key features of the National Recovery and Resilience Plan (NRRP)

- National Plan financed by **Recovery and Resilience Facility (RRF)** within **NGEU**
- Scope of the Plan, key goals and constraints set by **RRF regulation...**
- ...albeit with significant room for national priorities and approaches.
- Italy opted for a **large plan**: the NRRP amounts to 191.5 bn (68,9 bn grants and 122,6 bn loans) plus a 30.6 bn national fund and up to 14.4 bn from REACT-EU.
- The NRRP is a **package of reforms and investments...**
- ...with **527 milestones (M) and targets (T)** divided into **10 instalments from 2021 H2 to 2026 H1.**
- More **milestones in early reviews**, more **targets in later instalments.**
- For instance, first stage 49 M and 2 T; second 44 M and 1 T; third 39 M and 16 T.

Allocation of NRRP resources among 'missions'



RRF Grants and REACT-EU (2021) as a share of GDP



Source: Computations on data from European Commission and AMECO online database



Milestones, targets and disbursements of Italy's NRRP

	Deadline	Milestones and targets (number)	Gross amount (bln €)	Disbursement* (bln €)	Date of disbursement
Pre-financing				24.9	13.08.2021
First instalment	31.12.2021	51	24.1	21	13.04.2022
Second instalment	30.06.2022	45	24.1	21	
Third instalment	31.12.2022	55	21.8	19	
Fourth instalment	30.06.2023	27	18.4	16	
Fifth instalment	31.12.2023	69	20.7	18	
Sixth instalment	30.06.2024	31	12.6	11	
Seventh instalment	31.12.2024	58	21.3	18.5	
Eighth instalment	30.06.2025	20	12.6	11	
Ninth instalment	31.12.2025	51	14.9	13	
Tenth instalment	30.06.2026	120	20.8	18.1	
Total		527	191.5	191.5	

*Amounts net of the 13% share of pre-financing received on 13 August 2021

Source: Italiadomani, *Relazione sullo stato di attuazione del PNRR*, 5 October 2022.

First and second instalment completed, third in the works.



Expenditures recorded to date

NRRP expenditure as of 31 August 2022 by component (million euros)

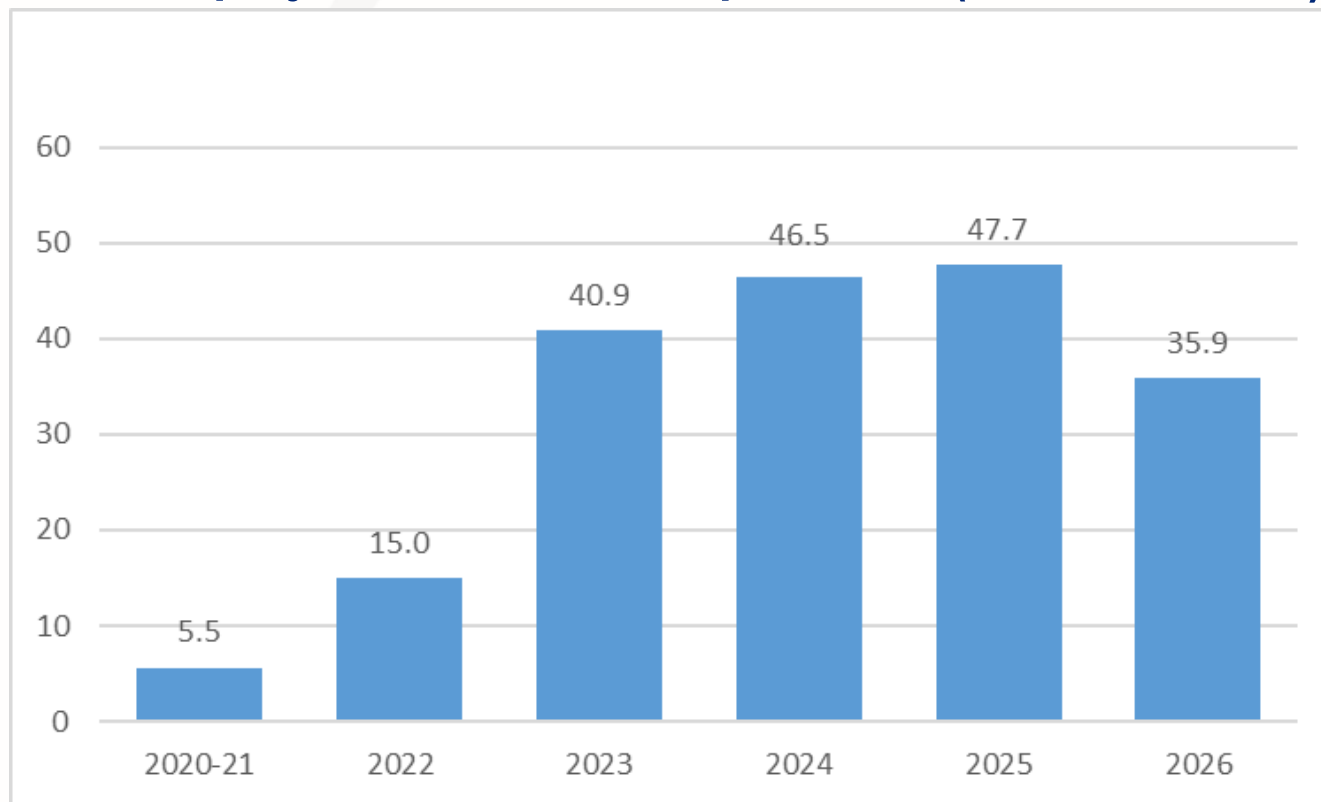
Infrastructure and transport	3,617
Transition 4.0	2,965
Ecobonus-Sismabonus	2,774
Resilience and enhancement of municipal territories	1.200
Innovative schools - School building safety	396
Refinancing of SIMEST Fund	398
Water Management - Reduction of hydrogeological risk	181
Digitization	128
Other*	90
Total	11,749

Source: Italiadomani, *Relazione sullo stato di attuazione del PNRR*, 5 October 2022.

*As required by MEF-RGS No. 27/2022, data is uploaded to the Regis system on a monthly basis. In particular, the data must be communicated by the actuators within 10 days from the end of the reference month, in order to be validated by the Mission Units of each administration within the 10 days following the hydrogeological risk.

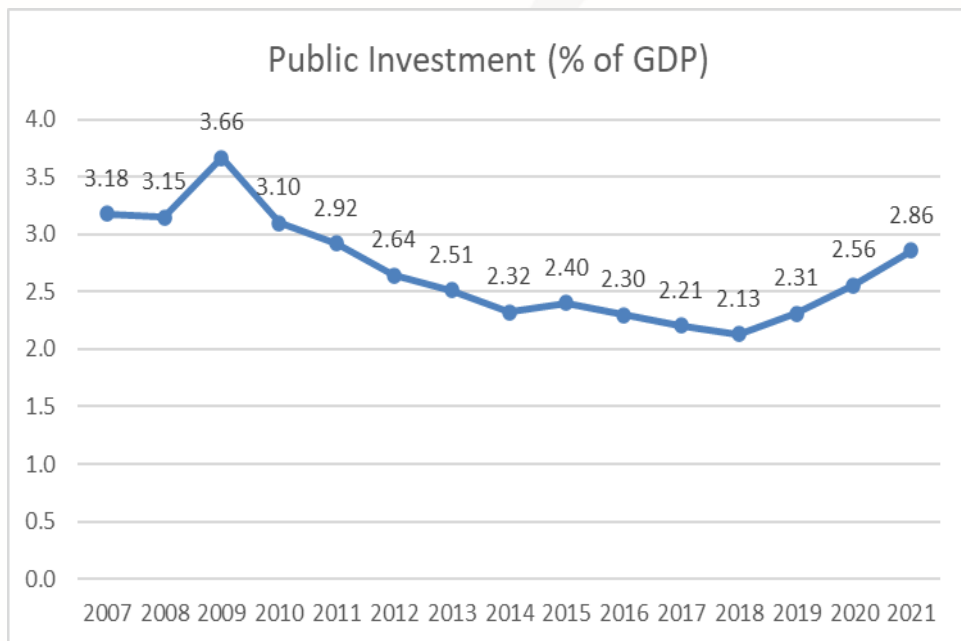
Spending of RRF funds less front-loaded than in original plan

Updated official projection of NRRP expenditure (RRF resources)



Source: Ministry of Economy and Finance - Update of Economic and Financial Document, September 2022.

Revitalising public investment: not as easy at it might seem



Source: Computations on data from AMECO online database

- Only in recent years has the decline in public investment been reversed.
- Public investment easier to cut than current expenditure
- Spending reviews did not take off; employment cannot be reduced, wage moderation the only lever.
- Pressure to increase rather than to reduce pensions spending.

Decline in public investment has multiple causes

- Fiscal austerity has arguably led to a decline in planning capacity
- Bureaucratic hurdles have grown, along with overlap of powers between central, regional and local governments (constitutional reform of 2001).
- E.g., health care is a national service, but it is run by regions.
- Administrative law allows for multiple sources of litigation that can stall project execution
- Anti-corruption legislation, though welcome, added a further hurdle.
- Short duration of governments (and lack of funding) may explain preference for fragmented investment projects as opposed to comprehensive plans.

NRRP purports to streamline investment process

- Given the substantial amount of resources to be spent in five years, the NRRP requires a sharp acceleration in public and private investment projects.
- Public procurement, competition and civil justice reform - which are key components of the NRRP - will contribute to speeding up investment projects.
- Steps were already taken as the NRRP was drafted and negotiated with EC
- Further reforms of public tenders were passed in order to fulfil the first two instalments of the Plan.
- NRRP also increases human and technological resources of public administration
- However, even once some of the obstacles are removed, implementing the NRRP will require a strong impulse from the Government leadership.



The future of the NRRP: political considerations.

- The conception of NGEU and most of the preparatory work for Italy's NRRP took place under a PD-M5S coalition.
- The NRRP was finalised, and the first two instalments were completed, under an enlarged coalition that still included the PD and M5S.
- Large plan, arguably low organisational capacity (with exceptions)... but big announcement effect
- Italy is now run by a different coalition, RRF resources too big to miss.
- However, preferences concerning investment projects *and* reforms may differ.
- At any rate, energy crisis would motivate an even larger allocation to the energy components of the NRRP (in line with REPowerEU initiative).

Analogies with the Foarta and Ting paper

- Defining administrative or organizational capacity is a complex question.
- In Italy's case revealed preference for segmenting investment projects may reveal short political cycles and low organisational capacity
- Insufficient funding may have also played a role.
- Opposing political sides have different views about major projects (similarly to NY-NJ Gateway Project cited by Foarta and Ting).
- In recent decades this has led to inaction: the Italian political system has been unable to endorse major projects and strategies.
- NRRP is an unmissable opportunity to change all this. Hopefully it will be strengthened rather than stalled under the new Government.

Thank you for your attention!



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