



CORTE DEI CONTI

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**GOVERNMENT TURNOVER, ORGANIZATIONAL CAPACITY, AND  
THE IMPLEMENTATION OF ITALY'S RECOVERY PLAN**

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\*Disclaimer: I will present my own view, not of the Italian Court of Auditors.



## Insights from Michael Ting's paper

- Is a greater organizational capacity of the administration (bureaucracy) always associated to larger scale of investments and more even distribution of benefits?
- Answer: NO
- Scale (s) and distribution of benefits (w) are set by the party in charge at the beginning of the plan;
  - without political turnover: the party in charge retains a larger share of the benefits;
  - with political overturns: the party in charge chooses a more equal distribution of benefits, but a larger scale (higher execution costs) to avoid triggering an overturn by the opposition.



## Insights from Michael Ting's paper

- Administrative capacity ( $p$  = prob. of completing the plan) plays an important role in changing the faith of public investment plans.
- Greater capacity determines a larger scale, but more unfair distribution of benefits.



## Italy's Recovery Plan

- Large scale investment plan (€672,5 billion for all EU; €191,5 billion for Italy: 68,9 grants and 122,6 loans);
- funds can be used mainly for capital expenditure projects (buildings, infrastructure, etc.);
- strict deadline for completion (by end of 2026);
- political overturns play little role (multiparty renegotiation conducted only at EU level = hard commitment not to renege);
- administrative capacity especially at local level plays an important role;



## Italy's Recovery Plan

Also, **financial aspects** are important:

- RP is an example of a “stage financing” public policy (funding comes after each *ex-ante* committed objectives are reached at a given stage, i.e. specific reforms or acts (*milestones*) and quantitative objectives (*targets*);
- Funding is instrumental to achieve the *milestones/targets* of the plan (for instance if energy costs rise, more money can be claimed, keeping the results unchanged);
- Special laws were enacted to speed up execution (DL 77/2021);
- Financial capability at local level is important since current expenditure is needed to complement the plan (RP does not pay salaries; only temporary hiring);



## Italy's Recovery Plan

€68 billion from RRF for regions and municipalities

SOGGETTI ATTUATORI	RRF	Fondo complementare	Totale PNRR	Quote %
1 STATO	53.807	10.248	64.055	28,8
2 REGIONI-ENTI LOCALI	68.413	8.527	76.940	34,6
3 PRIVATI	47.188	11.847	59.034	26,6
4 UNIVERSITA'	1.600	0	1.600	0,7
5 ISTITUTI SCOLASTICI	2.300	0	2.300	1,0
6 DIVERSI	4.645	0	4.645	2,1
7 ALTRI	11.677	0	11.677	5,3
8 ANCORA DA DEFINIRE	1.870	0	1.870	0,8
<b>Totale complessivo</b>	<b>191.499</b>	<b>30.622</b>	<b>222.122</b>	<b>100,0</b>

Fonte: Elaborazioni su dati Italiadomani  
<https://italiadomani.gov.it/il-piano/Risorse/le-risorse-per-la-crescita.html>





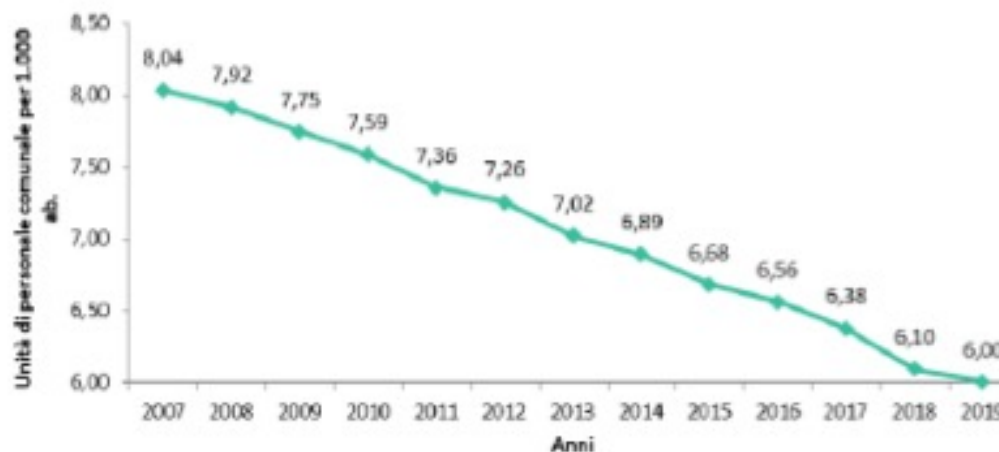
## Some considerations

- **Human resources (technical skills)** at local administrative level are crucial in all stages, but especially when applying for projects in competitive bidding procedures (not in case of allocation of funds from the central administration), then at the stage of execution and completion.
- The local administration must have capacity to expand current budget deficit to hire doctors, nurses, teachers, etc. However, the **initial financial situation** matters (keep in mind that also distressed municipalities can apply for funds according to d.l.77/2021)
- The plan provides money to build infrastructure, hospitals etc. (how successful were **previous public investment plans**? (Fondi di coesione, EU Funds))



## Human resources

Hiring freeze in municipalities



Fonte: elaborazione IFEL-Dipartimento Economia Locale e Formazione su dati Ministero dell'Economia e delle Finanze, anni vari





## Human resources

Average age of directors in municipalities is quite high

**Tabella 6 L'età dei dirigenti comunali a tempo indeterminato, per genere, 2019**

Classi di età	Valore assoluto			Valore percentuale	Incidenza % donne
	Uomini	Donne	Totale		
Fino a 29	0	0	0	0,0%	0,0%
30 - 39	7	1	8	0,3%	12,5%
40 - 44	34	9	43	1,9%	20,9%
45 - 49	148	102	250	10,8%	40,8%
50 - 54	356	220	576	24,9%	38,2%
55 - 59	413	269	682	29,5%	39,4%
60 e oltre	494	259	753	32,6%	34,4%
<b>Totale</b>	<b>1.452</b>	<b>860</b>	<b>2.312</b>	<b>100,0%</b>	<b>37,2%</b>

Fonte: elaborazione IFEL-Dipartimento Economia Locale e Formazione su dati Ministero dell'Economia e delle Finanze, 2021



## Human resources

Low education achievements among employees in municipalities (median on secondary school)

**Tabella 9 Il titolo di studio dei dipendenti comunali a tempo indeterminato, per genere, 2019**

Titolo di studio	Valore assoluto			Valore percentuale	Incidenza % donne
	Uomini	Donne	Totale		
Scuola dell'obbligo	37.500	25.077	62.577	19,3%	40,1%
Scuola superiore	77.931	102.512	180.443	55,7%	56,8%
Laurea breve	3.285	7.590	10.875	3,4%	69,8%
Laurea	23.092	43.066	66.158	20,4%	65,1%
Dottorato	791	1.591	2.382	0,7%	66,8%
Altro titolo post laurea	557	873	1.430	0,4%	61,0%
<b>Totale</b>	<b>143.156</b>	<b>180.709</b>	<b>323.865</b>	<b>100,0%</b>	<b>55,8%</b>

Fonte: elaborazione IFEL-Dipartimento Economia Locale e Formazione su dati Ministero dell'Economia e delle Finanze, 2021



## Initial financial situation

14% of municipalities in Italy are in default or in distress with some regional heterogeneity

Source: Fondazione Ca' Foscari di Venezia e Dipartimento Finanza Locale del Ministero dell'Interno

Regione	Dissesti	Riequilibr	n.comuni	n	Regione
ABRUZZO	29	14	305		14.1%
BASILICATA	24	13	131		28.2%
CALABRIA	206	94	411		73.0%
CAMPANIA	181	82	552		47.6%
EMILIA ROMAGNA	8	7	363		4.1%
FRIULI VENEZIA GIULIA	0	0	225		-
LAZIO	57	38	379		25.1%
LIGURIA	5	11	236		6.8%
LOMBARDIA	18	29	1.572		3.0%
MARCHE	8	6	245		5.7%
MOLISE	18	19	136		27.2%
PIEMONTE	10	15	1.226		2.0%
PUGLIA	46	38	259		32.4%
SARDEGNA	3	0	532		0.6%
SICILIA	96	100	390		50.3%
TOSCANA	8	10	301		6.0%
TRENTINO ALTO ADIGE	0	1	366		0.3%
UMBRIA	5	7	92		13.0%
VAL D'AOSTA	0	0	74		0%
VENETO	3	2	597		0,84%
	<b>725</b>	<b>486</b>	<b>8392</b>		<b>14,4%</b>

Fonte: [https://mizar.unive.it/gsi/studi/public/elen\\_info.php](https://mizar.unive.it/gsi/studi/public/elen_info.php)



## Initial financial situation

Municipalities with budget in dis-equilibrium  
Again with some regional heterogeneity

Source: Deliberazione Corte dei conti  
n.11/sezaut/2022/FRG

Comuni con Equilibrio complessivo W3 negativo (2020) sul totale regionale  
(incidenze percentuali)



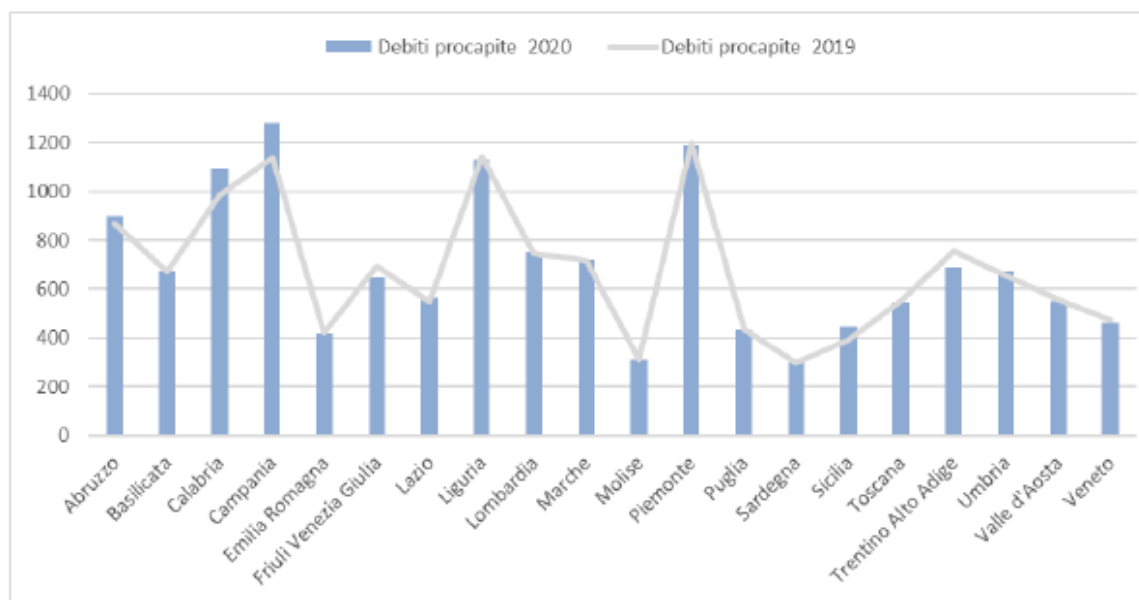


## Initial financial situation

Per-capita debt at municipality level

Source: Deliberazione Corte dei conti n.11/sezaut/2022/FRG

Figura n. 4/DEB/COM - Incidenza pro capite dei debiti di finanziamento dei Comuni (anno 2020)



Fonte: elaborazione Corte dei conti su dati BDAP, importi in euro

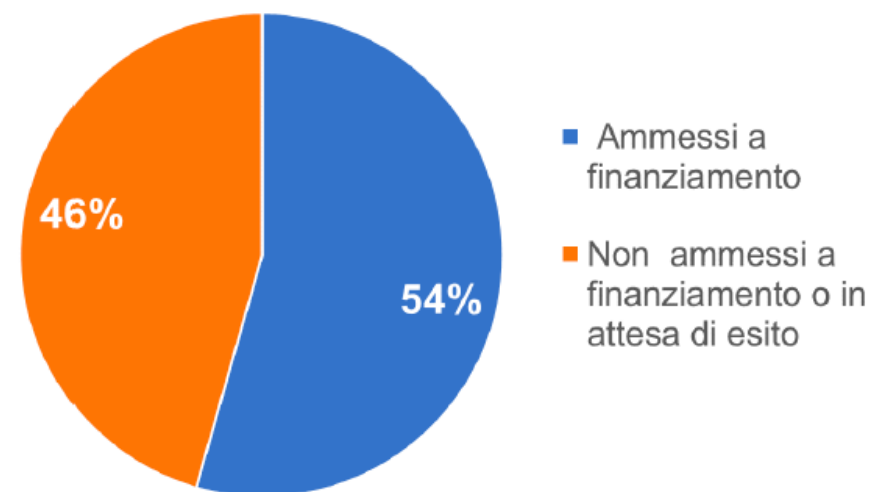


## Success in application for RP funds

Survey by ANCE (association of builders) in april 2022 to 255 municipalities for 783 applications for a total investment of € 2,2 billion:

85% from Northern regions  
11% for Southern regions  
4% from Center of Italy

46% not selected or waiting for being selected for RP funding

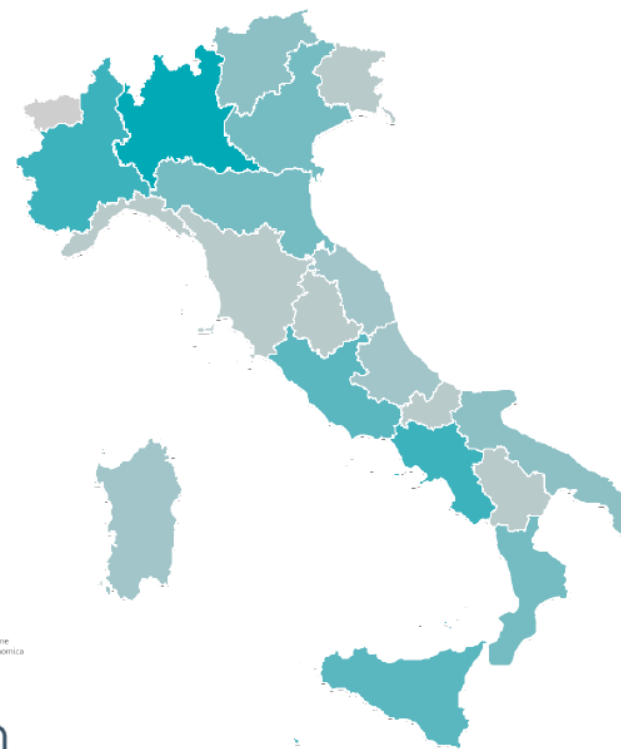




## Success in application for RP funds

Intensity = number of PNRR CUP per region

CUP is the number associated to a receiver of RP funds



Source: OpenCUP



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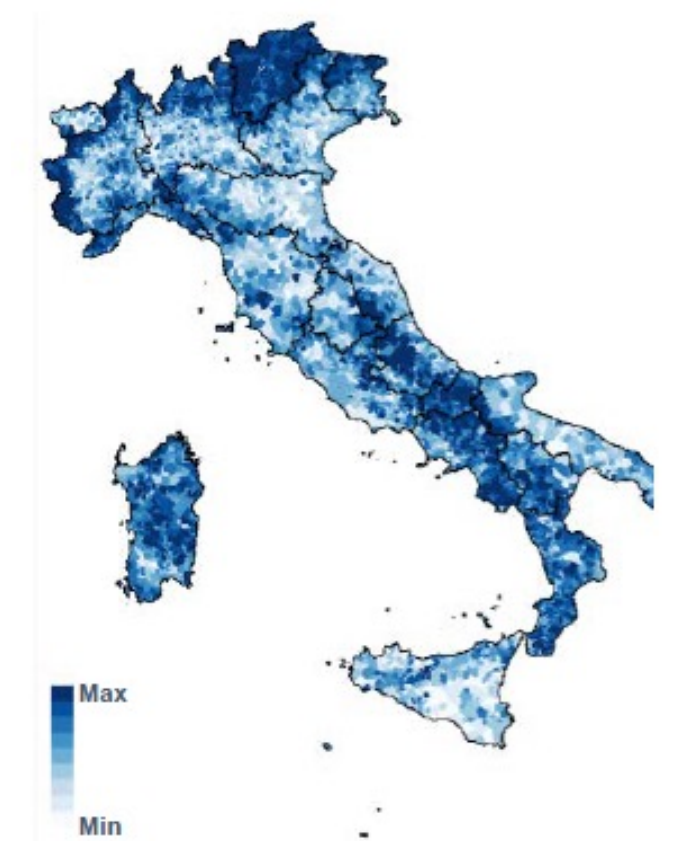




## Previous public investment levels

Intensity = average capital expenditure at municipality level between 2009-2018

Source: CDP Think Tank



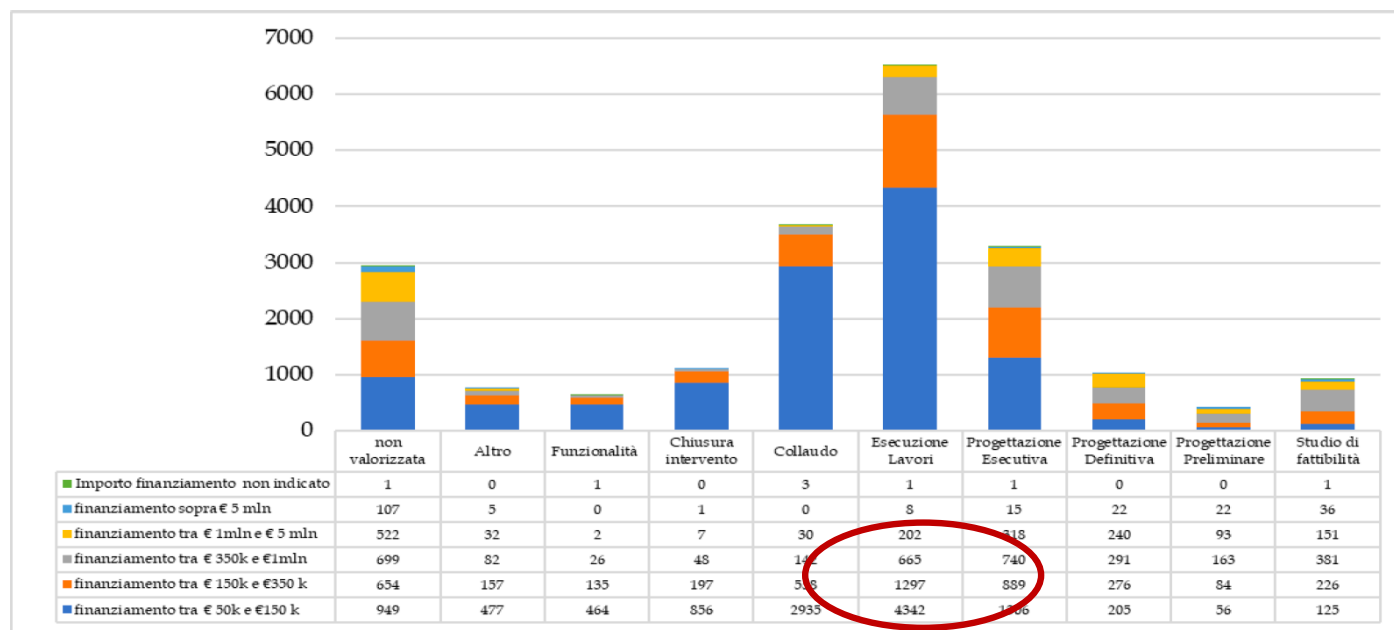




# Execution and completion of previous public investments

Larger scale investments have a smaller prob to reach completion

Grafico 7/SPINV/COM - Fase attuativa e importo finanziamento numerosità di CUP nel triennio



Fonte: elaborazione Corte dei conti su dati BDAP - MOP, aggiornamento al 09/02/2022



## Distribution of the benefits across territories

At least 40% of the RP resources must go to Mezzogiorno (Southern regions)

However, the success of the RP will depend upon:

- administrative capacity: funds accrue to the most capable local administrations.
- initial financial situation: Southern regions have less ability to complement capital expenditure.

We need to monitor the disparity across regions and across municipalities in the implementation of the RP.



Thank you