

### **Italian Recovery Plan, ideas for its necessary reformulation <sup>1</sup>**

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The controversy on the role of the McKinsey consultancy in the drafting phase of the Italian Recovery Plan requires more efforts than it's worth. Despite this, observers, parliamentarians and the Government should take into account international best practices and proceed to a thorough reformulation of the Recovery Plan project inherited from the previous Government. Indeed, the current version of the Italian Recovery Plan satisfies neither the European guidelines (modified in recent weeks) nor the principles of truly efficient management. In these conditions, the worst-off would be, above all, young people and women, and, in general, the chances of economic recovery in our Country would be reduced.

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<sup>1</sup> Translated into English by Anna Rita Ceddia. Original version in Italian available on LUISS School of Government website at the following link [https://sog.luiss.it/sites/sog.luiss.it/files/LUISS\\_SOG\\_policybrief%2011\\_21\\_OK.pdf](https://sog.luiss.it/sites/sog.luiss.it/files/LUISS_SOG_policybrief%2011_21_OK.pdf)

## **The dilemma between urgency and foresight**

The draft of the Italian Recovery and Resilience Plan (NRRP) appears as a plan that is difficult to reform. The document has been approved on 12 January 2021, namely before the publication of the updated version of the guidelines prepared by Brussels on the following 22<sup>nd</sup> of January, and before the approval of Regulation (EU) 2021/241 of 12 February 2021, which provides the rules for the new Next Generation EU device.

Among the various reasons Italy had to present the plan so hastily, there were the following. First and foremost, the hope (which turned out to be an illusion, later) that it would have been possible to obtain the first resources already at the end of 2020. The second – whether the first ever came true – was to archive forever the thorny and politically explosive issue around the European Stability Mechanism for Healthcare.

The deadline for the submission of the plan is near, and once submitted it will be subjected to the evaluation of the Commission and the watchful eye of the other Member States. However, the risk is not really on incurring in a resounding rejection (that would be the lesser of evils), rather the adoption of a plan doomed to certain ineffectiveness (we will not spend the money) or, even worse, still at the mercy of contingent interests (we will spend too much money for an ephemeral recovery and too little for the resilience that future generations would benefit from). This would lead the government to "go back to square one".

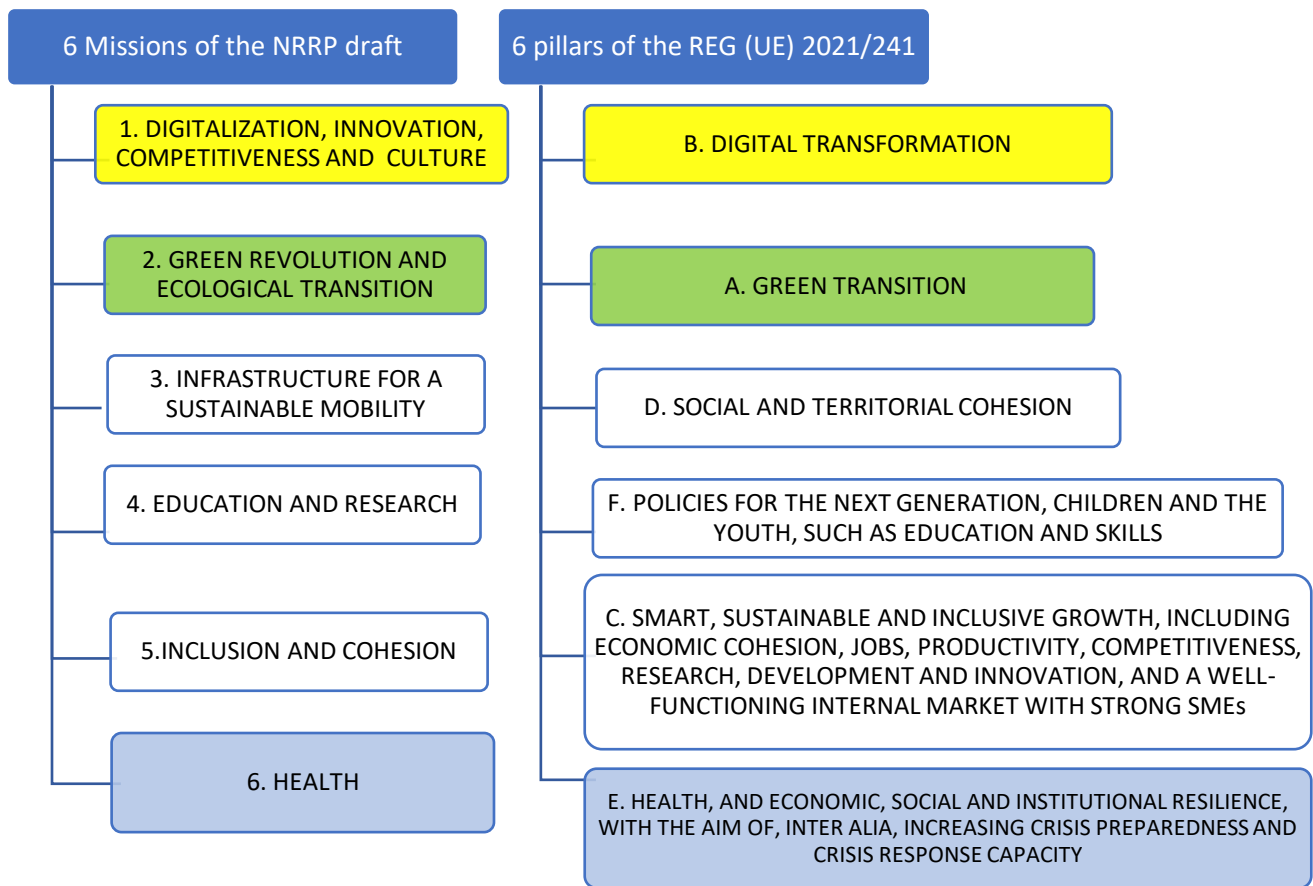
There are at least two reasons: the first is the defect in design phase of the current NRRP, while the second, which require a more complex solution, is the necessity of ensuring the efficiency of the recovery Plan despite the fact that the track record of our Country in the field of expenditure the European funds seem to suggest a failure. Below I present these two issues in more detail.

## **Watching what others are doing is not wrong, it is useful**

The defect in design, that emerges already after a first look on the programmatic document index, is the evident mismatch between the missions foreseen in the NRRP wanted by Conte and the missions introduced by the European Regulation (see the figure below, where the missions of the NRRP that directly match with one of the pillars foreseen by art. 3 of Reg (UE) 2021/24 are marked with the same color, while the others are left colorless).

This appears even more clearly from the compared analysis that McKinsey has conducted for the Ministry of Economy and Finance, which has been working on the observatory for the Recovery Plan for months, as also other multinational consulting agency and international research centers. More in general, there are numerous studies on how COVID-19 has impacted on the processes on recovery and resilience, among which is worth to mention the one developed by the Frederick S. Pardee Center for International Futures of Denver University in the USA, that has published the report entitled 'Impact of COVID-19 on the Sustainable Development Goals: Pursuing the Sustainable Development Goals (SDGs) in a World Reshaped by COVID-19' last December.

Evidently, it is not a matter of wording. Instead, it appears to confirm an avoidance of responsibility, as for the fact that in the Italian Plan the pillar for the youth, children and the next generations is missing, as already noticed (Policy Brief n. 02/2021).



However, it is possible to remedy this gap by reallocating components and investments of the NRRP within the new pillars. This is not just a formal but a substantial exercise, with evident implications on the *governance* and the coordination of the interventions foreseen in each pillar, as on the consistency of the resources relocated to each one. This is the case of Education and Research included in the homonymous mission (mission 4 of the current NRRP). A setting that ends up with sacrificing two components that are very important for the relaunching of our country, to which the EU Regulation assigns a vast space in two distinct pillars, one for youth and future generations (where the component education is included) and the other for the smart, sustainable and inclusive growth (where the component research is present).

### Now we do not need projects, we need indicators and milestones

The second, and even greater, difficulty is to give concreteness to the Italian Plan, that today is based on assumptions and declarations of principles to which do not often follow clear indication on how support their realization.

This is the case, for example, of the horizontal priority given to the Southern regions, with the aim of "Reducing territorial gaps and freeing the unexpressed development potential of the South, maximizing, in the lines of action of each mission, the projects aimed at pursuing this objective, which is also valid as a priority criterion for the territorial allocation of interventions". Specifically, the document refers to the Plan South 2030 launched in February 2020, which asked for the rebalancing of ordinary resources for investments

without an indicator of allocation, with the effective application of the 34% clause, reinforced in the 2020 budget law, that is to say with a distribution at least proportionate to the inhabitants of the eight Southern regions and the emergence in the period 2020-22 of major resources for investments in the South for at least 7.6 billion additional euros.

Also in the mentioned PNRR it is stated that "in the definition of the lines of project and intervention of the PNRR, therefore, the share of total resources destined for the South will be specified, which can also be valid as a priority criterion for territorial allocation of the planned investments" and synergies and complementarity between the resources coming from the Recovery Plan, those provided by REACT-EU, and the advance share of the Development and Cohesion Fund (FSC) 2021-2027 will be favored".

However, in the tables reporting the financial aspects of the plan, only the measures for the South financed with the resources of REACT-EU for a total sum of 8.7 billion are clearly identified. The allocation of resources for the Southern regions to be financed with the Recovery and Resilience Device (RRP) is far too vague, since there are few specific measures that are entirely intended for the Macroarea or have a commitment reserve in this sense, equal to just less than € 20 billion (Estimated Fondazione Bruno Visentini).

Consequently, the predetermined resources for the South, gross of any future reformulations of the PNRR, will amount to € 28,347 billion, that is 12.66% of the total amounts programmed for NGEU in Italy.

For the other programmed resources, there are no indications of their concentration in the Southern areas, that, according with the principle of concentration of European resources towards the less developed regions, should provide for objective criteria, such as the one included in the Annex II of the aforementioned EU Regulation 2021/241 that for the determination of the coefficient of distribution of resources to the Member States refers to the GDP per capita and the average unemployment rate in the three years prior to the epidemic

There are many options on the table, from translating the formula adopted in Brussels in the dynamics of allocation of resources at national level, to predetermining specific coefficients for the individual pillars of the PNRR, taking into consideration indicators that can better capture the real gap between one area of the country with another.

The same problem occurs for equal opportunities issues, also relegated, like the South, (and currently also young people in the PNRR launched by the Conte government) to the intangible area of horizontal priorities.

Leaving aside the specific case of horizontal priorities, in general, then, the rules of planning, internationally recognized in the "Project Circle management" and, more recently, to the formidable apparatus of indicators and targets at the base of the 2030 Agenda for Sustainable Development, have been ignored. Rule number one is that, in all phases of project implementation, there must be a close relationship between the indicators that make it possible to "photograph" a starting situation and predetermine its evolution "when the dust settles" (the so-called baseline) and the targets, that set a bar only after which the planned intervention can be evaluated as effective, or if not, to be remodeled or even interrupted.

The second is that a multidimensional approach must be adopted, according to which a given policy will be effective not only if it achieves its objectives, but if the entire system (in the case of the Recovery Plan, all and six missions or pillars) achieves them.

Rule number three is that the targets and quantitative indicators must be integrated with real milestones, such as reforms, legislative measures, new fiscal instruments, all of which can be objectively ascertained. Now this "ignorance" of the rules of the game can no longer exist, at all levels of administration, and the future NRP must represent the main guideline for achieving the Recovery Plan's resource objectives. It is worth, therefore, reshaping it substantially so as not to miss another opportunity.