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OCCASIONAL PAPERS

Nr. 9 / 2020



Allgemeine Beiträge

Thomas Eisenhut, Die regionale
Forschungspolitik der österreichischen
Bundesländer – Einblick und Übersicht

Gaetano Armao, Italian regions and the
national recovery and resilience plan

Maja Suljetović, Migrant situation in Bosnia
and Herzegovina

Ausgewählte Regional- und Kommunalwahlen

Matteo Desantis, Italian Regional Elections in
Emilia-Romagna and Calabria 2020

Franz Schausberger, Landtagswahl im
österreichischen Bundesland Steiermark 2019

Bernadette Pointl, Gemeinderatswahlen im
österreichischen Bundesland Niederösterreich
2020

Franz Schausberger, Landtagswahl im
österreichischen Bundesland Burgenland 2020

Kommentare und Interviews

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Institut der Regionen Europas
pm verlag
ISBN 978-3-902557-22-3

Italian regions and the national recovery and resilience plan

Gaetano Armao

1. In the first place, my heartfelt thanks are given to the Institute of the Regions of Europe (IRE) in Salzburg for the courageous and efficient organization of this 16th Summit and to its tireless Chairman, Prof. Franz Schausberger, friend and authoritative colleague of the European Committee of the Regions and my regards to President Tzitzikostas and to the speakers of this Dialogue.

The Europe we knew until the start of the COVID-19 pandemic is no longer there while the foundations are being laid, amidst difficulties and contradictions, for the birth of the new Europe that will be outlined by the Conference on the Future of Europe, expected to strengthen citizens' participation in EU democracy beyond elections and ensure their voices better heard and listened to.

2. The COVID-19 pandemic has produced and is producing very heavy effects on the economic and social level; triggering the most serious crisis since World War II, of far greater dimensions than those of the economic-financial crisis of 2007-10. The COVID-19 crisis has put to test the capacity of European States and the Union to cope with large and unexpected shocks. The crisis is multidimensional. The resulting economic crisis is affecting EU and its Member States' capacity to grow while exacerbating existing, and possibly creating new, macroeconomic imbalances.

Italy has faced this dramatic health and economic crisis first of all with determination, and my Region in particular, Sicily, has shown resilience and strong civic sense, despite the risks associated with heavy immigration, but above all the dramatic and lasting economic effects resulting from the pandemic on an island with a weak economy that Eurostat has still indicated among the most exposed to the risk of poverty in EU.¹

According to the data of the last ECONOMIC Bulletin COVID-19 impact and response

¹ EUROSTAT, Regional yearbook 2020. Regional diversity in the EU – how does your region fare?, 140/2020 - 18 September 2020.

measures (No. 8), from Econ Committee of the European Committee of the Regions², it is useful to point out that the Sicilian Region is one of the first among the European Regions that have adopted more actions to combat the postpandemic economic crisis. These include: establishment of credit lines with advantageous terms, expansion of the guarantee schemes for loans, support systems for the granting of loans at 0% rate, exemption, discount, deferment or fractionation of regional taxes.

The EU, through the Commission, has demonstrated to be looking to the future by launching measures of significant financial impact and proving capable of overcoming any initial national selfishness.

As the CoR President Apostolos Tzitzikostas recent pointed out: “If we want to act effectively for our people and businesses, we must avoid bureaucratic silos or over-centralisation and encourage more pan-European coordination. The Conference on the Future of Europe is a good occasion to improve the functioning of EU democracy. ...Now is the time to ensure that, in addition to the national and EU authorities, regional and local authorities are recognised once and for all as one of the three dimensions of our European House of Democracy.”

This is the perspective of the “Declaration of the European Committee of the Regions on Local and regional authorities as actors of the European response to the COVID-19 crisis” (submitted by EPP, PES, Renew Europe, EA and the Greens at the Committee)³: Covid-19 pandemic shows both a vulnerability in the EU’s functioning and the extent to which the EU Member States and the EU citizens are connected.

The EU can only resolve this crisis and any future crises if all levels of government (EU, national, regional and local), economic/social actors and citizens in the EU take their responsibilities.

Declaration that highlight that the impact of the unprecedented crisis for local and regional finances could seriously undermine the capacity of local and regional authorities to meet an increased demand for health, sanitary and social services for citizens, public transport, education and other public services, as well as for economic incentives to local businesses and for the implementation of actions towards sustainability and climate neutrality.

² https://cor.europa.eu/en/news/Documents/ECONomic_Bulletin-08.pdf in <https://ec.europa.eu/eurostat/documents/2995521/11337697/1-18092020-AP-EN.pdf/bfd412a2-0bba-7387-a8abb387364d2044>

³ Bruxelles, 8 May 2020, in <https://cor.europa.eu/en/engage/Documents/Declaration%20on%20the%20COVID-19%20Response/Declaration%20of%20the%20European%20Committee%20of%20the%20Regions%20on%20local%20and%20region.pdf>

For this purpose the declaration underline: “any centralisation of new financial support schemes would further increase this risk, therefore, the CoR calls for access to the EU financial instruments which are responding to the impact of the crisis to be decentralised within the Member States and for the regional authorities to have their own direct access to these resources”.

We are at a crossroads, we can tackle this crisis by looking at Europe and the role of the Regions, with a correct multilevel approach and it is the only path to development. Or this crisis and the opportunities it offers can be tackled with a statistic and bureaucratic approach, and failure will be assured.

The contrast to the heavy postpandemic economic crisis can be an opportunity for the development of Europe and the renaissance of the Regions, as prefigured in the title of this morning’s seminar.

3. As part of the Next Generation EU, in the european coordinated response on Coronavirus the Member States’ National Plans for Recovery and Resilience (PNRR) may be submitted for evaluation by the Commission on 30 April 2021. The European Commission will have two months available for its evaluations and to propose the approval of the National Plan to the Ecofin Council.

The Ecofin Council will have to approve the Plan with an implementing act, to be adopted by qualified majority within four weeks from the presentation of the European Commission’s proposal. From the formal presentation of the Plan, it could therefore take a few months for approval, as a result of which there will then be the possibility of accessing ten percent of the total amount.

The RRF device identifies the following priorities:

1. Promote the economic, social and territorial cohesion of the Union by improving the resilience and adjustment capacity of the Member States;
2. mitigate the social and economic impact of the crisis, promoting territorial inclusion and gender equality;
3. Supporting green and digital transitions, thereby helping to restore the growth potential of the Union’s economies, stimulate job creation in the post-COVID-19 crisis and promote sustainable growth.

The European Commission's proposal sets out the eligibility criteria for projects that Member States will be able to include in their PNRRs.

The primary condition for the projects submitted to be eligible is that they form part of a coherent package of investments and related reforms. Reform projects and initiatives must comply with the specific Recommendations addressed to the country by the Council as well as with the challenges and policy priorities identified in the context of the European Semester, in particular those related to green and digital transitions.

The close link with the European Semester also recalls the need for measures and projects to contribute to the correction of macroeconomic imbalances, in particular for countries such as Italy whose imbalances have been judged excessive in the context of the relative procedure (Macroeconomic Imbalances Procedure - MIP).

It is also essential that there is consistency between the contents, the objectives of the NRP and the information provided in the National Reform Program, the Energy and Climate Plan (PNIEC), the Plans presented under the Just Transition Fund and the partnership agreements and other EU operational programs.

The links and consistency with reforms and support policies must be clearly explained while timing and methods of implementation must be highlighted, with intermediate and final objectives (milestones), also clearly identifying the implementing body.⁴

4. The proposal drawn up by the Italian government in this regard provides for the adoption of the following measures, between 2020 and 2021, in order to:

1) implement, in line with the general safeguard clause, all the necessary measures to effectively address the pandemic and support the economy and subsequent recovery; when economic conditions permit, pursue budgetary policies aimed at achieving cautious medium-term budget positions and ensuring debt sustainability, while increasing investments; strengthen the resilience and capacity of the health system with regard to health professionals, essential medical products and infrastructure; improve coordination between national and regional authorities;

⁴ The eligibility criteria of the projects can therefore be summarized in the following terms: full consistency with the strategic and macro-sectoral objectives of the NRP; significant positive impact on potential GDP growth and employment; all the costs and the economic, environmental and social impacts must be quantifiable, justified and reasonable clarification of the links and consistency with reforms and supporting policies; indication of the timing and methods of implementation, with intermediate (milestones) and final objectives; clear identification of the implementing body; if they complement existing projects, they must credibly strengthen them.

- 2) provide adequate replacement income and access to the social protection system, in particular for atypical workers; mitigate the impact of the crisis on employment, including through flexible working arrangements and active support for employment; strengthen distance learning and the improvement of skills, including digital ones;
- 3) ensure the effective implementation of measures aimed at providing liquidity to the real economy, in particular small and medium-sized enterprises, innovative enterprises and the self-employed avoiding late payments; anticipate mature public investment projects while promoting private investment to foster economic recovery; focus investments on the green and digital transition with a particular focus on clean and efficient energy production and use, research and innovation, sustainable public transports, waste and water management and an enhanced digital infrastructure for ensure the provision of essential services;
- 4) improve the efficiency of the judicial system and the functioning of the public administration.

In this context, the National Reform plan of the Italian government has drawn up a recovery plan - based on the analysis of the country's strengths and delays in the context of the crisis caused by the pandemic - built around three strategic lines: modernization of the country; green transition; social and territorial inclusion, gender equality.

These strategic lines have been developed along the nine lines of intervention: a completely digital country; a country with safe and efficient infrastructures; a greener and more sustainable country; a more competitive and resilient economic fabric; an integrated plan to support the production chains; a public administration at the service of citizens and businesses; greater investments in research and training; a more equal and inclusive Italy; a more modern and efficient legal system.

The proposal for guidelines for the definition of the National Recovery and Resilience Plan was presented by the Italian Government to Parliament and to the Regions on the past September 15th.

In the guidelines drawn up by the Government was specified that it intends to configure the plan on these axes:

- challenges that the country intends to face;
- missions of the program, in turn divided into clusters (or sets) of homogeneous projects aimed at carrying out the missions and, consequently, overcoming the challenges themselves;

- individual investment projects, which will be grouped into clusters;
- reform initiatives that will be linked to one or more intervention clusters.

Among the challenges were identified: improving Italy's resilience; reduce the social and economic impact of the pandemic crisis; support the green and digital transition; raising the growth potential of its economy and maximize job creation.

There are six missions and they cover the following topics:

- 1) Digitalization, innovation and competitiveness of the production system;
- 2) Green revolution and transition;
- 3) Infrastructure for mobility;
- 4) Education, training, research and culture;
- 5) Social, gender and territorial equity;
- 6) Health.

5. What we regret to observe so far is the scarce involvement ensured by the Regions not only in financial terms, but also in the elaboration of measures for the revitalization of the country.

From the financial point of view, it should be noted that unlike other countries characterized by a regional structure such as Spain (which supported its Regions providing them with 16 billion euros) and Germany (13 billion euros) where all measure had been carefully coordinated with the Länder, in Italy, the State government limited itself to covering the lower revenues of the Regions allocating around 6 billion euros.

But what appears more serious is the lack of involvement guaranteed so far to the Regions which, if we exclude a purely informative activity, are not adequately involved in the indication of the projects to be included in the National Plan for Recovery and Resilience (PNRR).

The Italian Conference of Regions and Autonomous Provinces has presented documents and requests for greater involvement consistent with the Italian Constitution which entrusts economic development to the State and Regions.⁵

⁵ The Regions propose themselves for the role of 'hub' as implementing bodies, in particular, at the level of provinces and municipalities, for all public investments in order to respect the timeframes required by Europe - reforms four years - investments seven years. In both cases is from the EU an impact on the economy and employment is expected.

Already in the opinion of the PNR, in the Permanent Conference of Public Finance, the regions and auto-

In the document, drawn up on the Recovery Fund, the Italian Regions noted that the investment priorities indicate that they are configured in line with the strategic assets to be developed as part of the National Recovery and Resilience Plan.

The „challenge“ in order of full use of the recovery funds and of those already allocated by the current legislation for investment spending, must be faced with a new development model as the key to the growth of the territories in full and fair interinstitutional collaboration.

It is a general trend in regional and in many regional and federal systems, the pandemic enhances conflicts between the regional/federal and subnational level or even between the subnational units with regard to competences and enacted measures.

Like in Austria where the Federal Parliament enacted (and continues to enact) COVID legislation that has amended not only dozens of Federal Acts and created new Acts but also amended even the Federal Constitution with a view to, inter alia, centralize competences. In several fields, such as energy law or procurement law, the Länder lost some competences which is in line with the general trend towards centralization in this Country.⁶

In Italy, like in others regional o federal european State the central government of emergency triggers the following phenomena: (a) the prevalence of executive over legislative bodies, (b) the prevalence of small or monocratic bodies over large collegiate bodies, and (c) the prevalence of centralism over regionalism or federalism. It should also be noted that in Italy, following the spread of the COVID-19 pandemic, an attempt at centralization is underway in contrast with constitutional principles.

Likewise, it is not clear how the government intends, unlike the French one for example, to tackle the recovery and with what measures of cohesion and territorial rebalancing. In particular in a Country that is strongly divided on the economic, social and territorial level such as Italy.

Just think of the economic and social divide between North and South of the Country,

mous provinces have expressed their candidacy as implementing body and programmer which, in light of the amount of investments required, the timing and the size of the objectives set European Recovery and Resilience Facility appears to be the only possible way to make the required reforms concretely feasible without running the risk of losing the resources for the country's economic and social growth.

⁶ See A. GAMPER (2020), Austrian Federalism and the Corona Pandemic, in http://www.foederalismus.at/blog/austrianfederalism-and-the-corona-pandemic_237.php

which has increased dramatically in recent years, (60 billion euros are annually subtracted to southern economy, being invested in the North), but also to the condition of insularity, one of the essential elements for cohesion policies and territorial rebalancing.⁷

Italy is the country with the most relevant failed integration at the national level in Western Europe with a failure of integration policies pursued over the last 50 years.⁸

The term “Mezzogiorno d’Italia” describes a macro-region where economic and cultural connotations are very different from the rest of the Italian State and corresponds, to a large extent, if not fully, with today’s “South”.⁹ That dichotomy is one of the main causes of Italy’s very low growth, together with social and economic imbalances that are unparalleled in other euro zone countries. Moreover, due to the fleeing toward the North (not only of Italy) of highly qualified human resources, the south keeps getting weaker.¹⁰

The gap between North and South is evident and persistent despite substantial financial transfers designed to boost the socio-economic development of this part of Italy. Funds are provided by the national budget for investments and by the European structural funds.

Territorial disparities constitute a serious matter, with awful consequences for the competitiveness of the country, prejudicing the way Italy is seen in the European Union. The national image is entangled in descriptions which emphasize traits of persisting socio-economic dualism. Several reforms brought about by the spirit of modernization over the last 3 decades have been designed to facilitate the economic and political system to adapt to global competition and market pressures, to strengthen the State’s capacity in programming, budgeting and monitoring in the development of new governmental

7 See the Manifesto for European Islands of the Regional Intergroup on Insularity of the European Committee of the Regions, in

<https://cpmr-islands.org/uncategorized/the-regional-intergroup-on-insularity-of-the-cor-adopts-its-manifesto/5544/>

8 See, e.g., my work. (2017), European cohesion principle and the institutional and economic development of an insular region: the case of Sicily, in http://www.ambientediritto.it/wp-content/uploads/2018/04/European-principle-and-the-institutionaland-economic-the-case-of-Sicily_Armao.pdf

9 The Regions to which the area corresponds are: Sicily, Sardinia, Abruzzo, Basilicata, Campania, Calabria, Puglia and Molise.

10 V. DANIELE, P. MALANIMA (2017), Regional wages and the North-South disparity in Italy after the Unification, <https://www.siecon.org/sites/siecon.org/files/oldfiles/uploads/2017/04/Daniele.pdf>, E. FELICE, M VASTA (2015), Passive modernization? The new human development index and its component in Italy’s regions (1871-2007), in *European Review of Economic History* 19, 44 ss.; G. VECCHI (2017), *Measuring Wellbeing: A History of Italian Living Standards*, Oxford: Oxford University Press.

strategies.¹¹

Unfortunately, the dichotomy is growing up, like SVIMEZ (Association for Industrial Development in the South, a think-tank for development in Southern Italy) pointed out in the last report. From this point of view Italy is a „divided country“ and its South is facing possible human and industrial desertification, according to an industry and employment report. Svimez called the area „a land at risk of human industrial desertification where people continue to relocate, don’t have children and become poor“. It added that, without assistance, this could lead to permanent underdevelopment.¹²

This cultural and economic division finds its roots in elements of historical, geographical, economic and cultural nature, which contributed to the most distinctive character of the Southern Italy.

But it’s clear that the Next Generation EU is the last opportunity to solve “the biggest failure of the Italian State”¹³ after 160 years of National unification with a significant cohesion response while Coronavirus risks widening North-South divide. After Brexit, Italy is the European state with the most island citizens (6.5 million out of about 17 in the Union).

Well, in the documents drawn up so far by the Italian government, there is no mention of this and does not yet find a firm endorsement, but doubts and concerns, the main work that could have an impact in this sense, the Bridge over the Strait of Messina, a project strongly desired by the Sicily and Calabria and now required by all Italian Regions. Being one of the most important European infrastructures, in line with the green new deal for positive environmental influences, the bridge would not only be a project ready for construction but above all an essential step to complete the Scandinavian-Mediterranean European corridor, as can be seen below from the site considered by the European Commission to be among the new infrastructure to be built.¹⁴

11 See. E. FELICE (2018), The socio-institutional divide. Explaining Italy’s regional inequality over the long run, in <https://www.carloalberto.org/wp-content/uploads/2018/11/no.503.pdf>

12 See SVIMEZ, Report Mezzogiorno 2019, <http://lnx.svimez.info/svimez/il-rapporto/>

13 S. CASSESE (2016), Il maggiore fallimento dello Stato unitario, in <https://www.storiairreer.it/sites/default/files/convegni/2016%2011%2012%20cassese%20II%20maggiore%20fallimento%20dello%20Stato%20unitario.pdf>

14 The Scandinavian-Mediterranean Corridor represents a crucial north-south axis for the European economy. The corridor stretches from Finland and Sweden in the North, to the island of Malta in the South, taking in Denmark, Northern, Central and Southern Germany, the industrial heartlands of Northern Italy and the southern Italian ports. Cfr. https://ec.europa.eu/transport/themes/infrastructure/scandinavian-mediterranean_en

As the COR declaration pointed out stresses that contrary to previous crises, the post COVID-19 crisis has been symmetrical in affecting all Member States, but the differentiated geographical impact “will further exacerbate economic, social and territorial divides, especially in those regions, where the situation prior to the crisis was already more fragile and where the prospects for recovery are compromised because of geographical handicaps and greater difficulties in benefiting from the single market”.

EU Commission, in the “Commission staff working document, guidance to member States recovery and resilience plans”¹⁵, recently pointed out, in the same way, that Member States are invited to detail the processes and structures set up at national and regional levels to ensure complementarity and coordination of the management of various EU sources of funding”.

Recovery strategies must therefore be based on local and regional needs and opportunities and rely on partnerships of businesses, public administration and civil society, therefore, for Italy, as any other European country, a centralized approach by the States in the elaboration and definition of the relaunch strategy must be considered unacceptable, as well as in contrast with the principles of European law, as well as with internal constitutional law.

Together with the partners of the Cohesion Alliance, the CoR will fight for a stronger and place-based cohesion policy to be provided with the appropriate resources. This encompasses strengthening the role of decentralised authorities in managing and investing EU funds, in cooperation with national and EU authorities.

¹⁵ https://ec.europa.eu/info/sites/info/files/3_en_document_travail_service_part2_v3_en_0.pdf.