

The Coronavirus response in Sicily

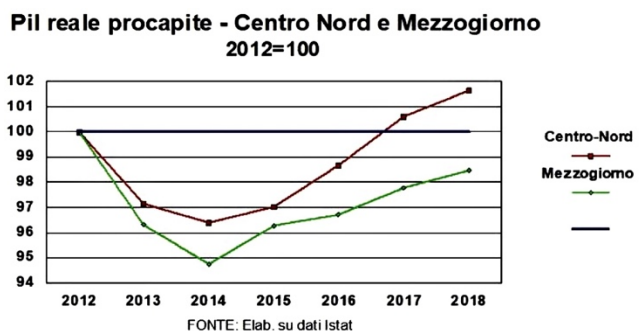
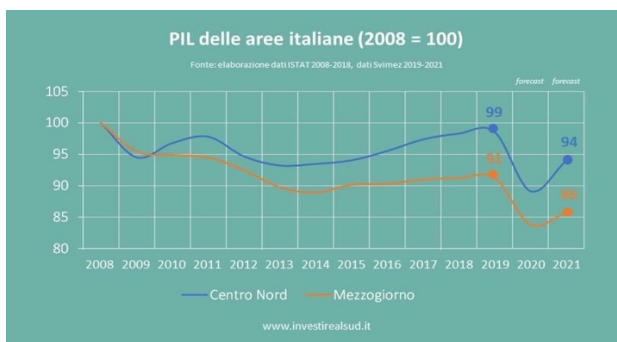
Economic effects and financial supports

by Prof. Gaetano Armao, Councillor for Economy of the Sicilian Regional Government

1. Sicily today has to deal not only with a very serious pandemic that continues dramatically to reap victims, dispensing disease and suffering, but also with the most serious economic recession in its history, which has brought real GDP to the level of 1985 (-7.5 billion € of GDP in 2020).

The framework was drawn up is very different from that in which the document was drafted in July, which foresaw mitigated, albeit more lasting, effects of the post-pandemic economic crisis in Sicily which, added to that of 2007-10, of which in 2019, still much remained to be recovered due to short-sighted national policies in Southern Italy (-12% on 2008).

The following graphs reveal trends.



While economic activity suffered a major shock during the first half of the year, in the third quarter, with the gradual lifting of the containment measures, a growing recovery phase began. However, the serious recrudescence of the pandemic in recent weeks, with new public health measures introduced by national authorities to limit its spread, is at the origin of increasing and serious disruptions.

The *Update Note to the State's Economic and Financial Document* (NaDEF) 2020 intended to outline the organic and coherent strategy to support the relaunch of growth and employment in a dimension of transformation of the country and, at the same time, put public debt on a credible and sustainable path of structural decline.

A perspective that, if it is affected by the period in which the document was drawn up, is nonetheless optimistic in some ways, outside of which a new serious pandemic crisis could have taken place, which was indeed considered inevitable by many, and unfortunately reached the South of Italy too, but which nevertheless highlights the inevitable passage from the phase of protecting the economic and social tissue to that of relaunching growth, also in the light of the decisive strategy for recovery and resilience facility developed by the European institutions.

The high level of uncertainty that characterizes the economic forecasts and the main risk arise from the heavy aggravation of the spread of the pandemic, which has imposed

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and imposes stricter safeguards on public health, with inevitable consequences and a more serious and persistent impact on the economy.

This diversified and changing context has led to a scenario analysis focused on two alternative perspectives of evolution of the pandemic's effects: a more favorable one, directly descending from the state NaDEF¹ and to which we must legally adhere in the preparation of this Note, summarized by a more prudent one on the related multi-year economic impact. This is because there is a risk that the negative dynamics triggered by the pandemic and related safeguards, although accompanied by mitigation initiatives such as subsidies, refreshments, support for families and work, do not prevent the profoundly negative effects on workers and businesses.

In line with this overview, in the forecasts for Sicily on the *trend GDP*, if the trend for the current year (from -7.8% to -8.0%) emerges a worsening of the trend for the current year (from -7.8% to -8.0%), in line with what was already projected in the report to the ARS last year, there is, however, a more robust rebound in growth forecasts for 2021-2023 (starting next year): +5.0%, instead of +3.4% and +3.5% in 2022, while the *programmatic GDP* shows +7.6% in 2021 and +4.7 in '22).

A more cautious forecast (*risk scenario*) linked to the possible continuation of the second wave of pandemic contagion - and which we intend to propose for a more complete forecast - shows a contraction in GDP for 2020 of 9.5% and a slower recovery in *trend GDP* in the following period. Although in this case, the effects of the policies of development, recovery and resilience by the state and regional governments, with an increase in GDP in the three-year period 2021-23 of 16.3%, would allow not only to recover what was lost in 2020, but even much of the contraction of the last decade, thus bringing the Sicilian economy back to the highest levels of growth.

According to the European Commission's Autumn Economic Forecast², the resumption of the COVID-19 pandemic, interrupts the short summer economic recovery and exacerbates the uncertainty, representing a huge shock for the world economy and the EU economies, causing very serious social and economic consequences. The worsening of the epidemiological situation determines that the growth projections in the forecast period are characterized by an extremely high degree of uncertainty and risk. Consequences that have even more significant effects in economically weak regions - such as Sicily - to which the vulnerability of the economic environment is added the limited ability to react in terms of resilience and recovery at the end of the effects of the pandemic.

While Banca d'Italia has highlighted that since last March, after two months of substantial stagnation, employment has suffered the most significant consequences of the COVID-19 pandemic emergency and the consequent measures to suspend activities. The drastic contraction in economic activity was further aggravated in the second quarter: 1.2 per cent in the North, 1.1 in the Centre and 4.4 in the South with a rapid drop in hours worked³.

These negative dynamics, as is known, have penalized and still penalize the South and the Islands, Sicily in particular, mainly due to the different productive structure of the macro-area, more oriented towards activities that have been more affected by the effects of

¹ Ma già in senso analogo le previsioni SVIMEZ 2020-21 <https://lnx.svimez.info/svimez/previsioni-regionali-svimez-2020-2021/>

² https://ec.europa.eu/italy/news/20201105_previsioni_economiche_d_autunno_2020_it

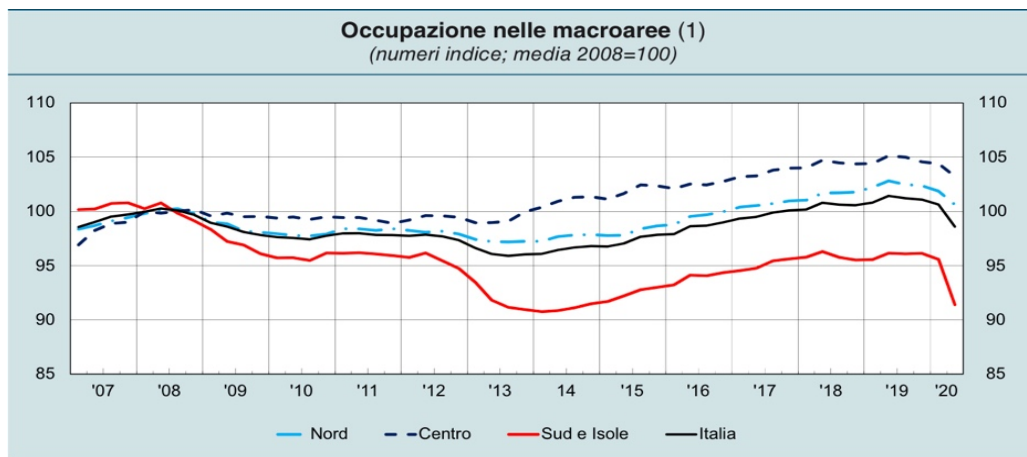
³ BANCA D'ITALIA, *Economie regionali. L'economia delle regioni italiane Dinamiche recenti e aspetti strutturali*, 11/2020, in <https://www.bancaditalia.it/publicazioni/economie-regionali/2020/2020-0022/20-22-eco-regioni.pdf>

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the post-pandemic crisis (tourism and services related to the cultural heritage), and the different morphology of the labor market, where there is a more marked presence of temporary employment contracts.

By contrast, in permanent employment the constraints on layoffs and the use of wage subsidies have limited the impact of the crisis. The decrease in the intensive margin, also due to the flexibility of the types of work and the greater incidence of distance working in the North, has also been more pronounced in the South and the Islands. From this data the State must start not only in providing the necessary measures of rebalancing and equalization, but especially in developing infrastructure and investments to be included in the *National Plan for Recovery and Resilience* (NRRP).

This plan represents the last opportunity to face and start to solve the economic, social and territorial gap that has afflicted Italy for 160 years.



Fonte: Istat, *Rilevazione sulle forze di lavoro*; cfr. nelle Note metodologiche la voce *Rilevazione sulle forze di lavoro*.
(1) Dati trimestrali destagionalizzati aggregati per tre macroaree: Nord, Centro e Sud e Isole.

2. The severe economic crisis related to the COVID-19 pandemic, which is global before continental and national, requires effective and far-sighted measures that - at the same time - can respond to the demand for support of families and economic categories most affected by the pandemic measures but prepare the recovery and the future through investments and strategic choices.

Europe that we knew until the outbreak of the COVID-19 pandemic is gone, while the foundations are being laid, among difficulties and contradictions, for the birth of a new Europe that has found its own proposal in the *Recovery and resilience facility* and that will be outlined by the *Conference on the future of Europe*, designed to strengthen the participation of citizens and territories in EU democracy beyond the elections and to ensure that their voice is heard and understood better.

COVID-19 pandemic has caused and is still producing extremely severe economic and social effects, triggering the most serious crisis since World War II, much bigger than the economic and financial crisis of 2007-10. The COVID-19 crisis has severely tested the ability of European states and the Union to cope with large and unexpected shocks. A multidimensional crisis whose induced effects are influencing the growth capacity of the

EU and its Member States, while aggravating macroeconomic imbalances and, with good probability, creating new ones.

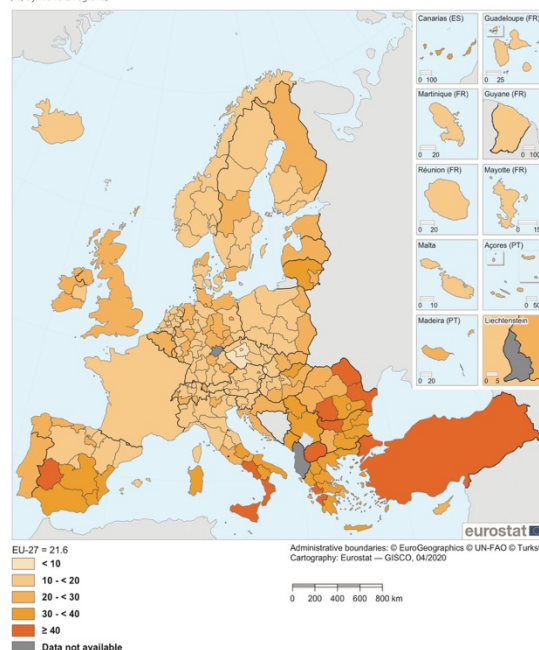
Italy has faced the dramatic economic and health crisis with determination, and Sicily has shown in recent months to have good resistance and strong civic sense, despite the risks related to immigration, but especially the dramatic and lasting economic effects of the pandemic on an island with a vulnerable and weak economy that *Eurostat* has indicated among the most exposed to the risk of poverty in the EU⁴.

Italian institutions have arranged, also thanks to the relevant exemption granted at European level, a decisive reaction at both state and regional level⁵, although the worsening of the spread of the pandemic and the related safeguard measures risk to frustrate its scope.

According to the data of the *ECONomic Bulletin COVID-19 impact and response measures* (n. 8), of the *Economic Commission of the European Committee of the Regions*⁶, the Sicilian Regional Government is among the first European regions to have adopted the broadest range of actions to combat the post-pandemic economic crisis. Among these are: establishment of credit lines on advantageous terms, expansion of loan guarantee schemes⁷, support systems for granting loans at preferential or non-repayable rates⁸, exemption, discount, deferred or split regional taxes⁹, additional transfer to local authorities¹⁰. This analysis was confirmed by the *Eurobarometer 2020 on regional and local policies* by the same Committee, which indicated the measures adopted by the Sicilian Regional Government as a European reference for differentiation and relevance¹¹ and for the simplification of liquidation procedures¹².

The EU, through the Commission, has shown that it is looking to the future by launching measures of remarkable financial impact and proving capable of overcoming initial national selfishness. The severe economic crisis caused by the pandemic and the measures to combat its spread must be tackled and overcome by preparing for the future.

Map 5.1: People at risk of poverty or social exclusion, 2018
(%, by NUTS 2 regions)



⁴ *Eurostat regional yearbook 2020. Regional diversity in the EU – how does your region fare?*, 140/2020 - 18 September 2020, in <https://ec.europa.eu/eurostat/documents/2995521/11337697/1-18092020-AP-EN.pdf/bfd412a2-0bba-7387-a8ab-b387364d2044>

⁵ In tal senso si è mossa l'azione della Regione con la legge regionale di stabilità 2020-22 (n. 9 del 2020) e le relative misure attuative.

⁶ https://cor.europa.eu/en/news/Documents/ECONomic_Bulletin-08.pdf

⁷ Attraverso la “*Sezione Sicilia*” del Fondo centrale di garanzia. Ma anche alle moratorie dei crediti bancari estese agli enti finanziari regionali.

⁸ Si pensi alle misure a valere sul “*Fondo Sicilia*” presso IRFIS-Finsicilia S.p.a. ed erogate attraverso intermediari finanziari (la “*Misura straordinaria di liquidità*”, Confidi, Crias ed Ircac, ma anche alle forme di finanziamento a tasso zero con BEI.

⁹ Il riferimento è alle esenzioni per le concessioni marittime, alla riduzione del bollo auto, ai differimenti dei versamenti all'erario regionale, sino alle misure agevolative appena varate con il “*Resto in Sicilia*”.

¹⁰ Si pensi al fondo perequativo per i Comuni che ne ha quasi raddoppiato la dotazione finanziaria annuale trasferita dalla Regione.

¹¹ <https://cor.europa.eu/en/our-work/Pages/EURegionalBarometer-2020.aspx>

¹² Si ricordino le misure di semplificazione delle procedure di controllo delle ragionerie centrali degli assessorati adottate con diverse circolari dell'Assessorato all'economia-Ragioneria generale.

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The forecasts for the recovery in the three-year period 2021-23 are unanimous and focus on the extraordinary measures that will be included in the NRRP, but also on the definition of the new European programming and that of the national cohesion policy 2021-27.

To this regard the Sicilian Regional Government has requested, together with the other Regional Authorities, that:

- agreements for the reprogramming of *ERDF* and *ESF* 2014-2020 O.P. and new development and cohesion plans in the light of the agreements made with the State should urgently lead to the recovery of expenses for health emergency;
- timely involvement in the preparation of the new programming cycle 2021-27, which must be defined in the light of the negotiations at EU level for the Cohesion Policy 2021-27, and the progress of the Partnership Agreement and the complementarity of the timing of the *ReactEU* and the *NRRP* with the 2021-2027 programming, with the urgent need to strengthen with an appropriate fund the staff of the Regions;
- a commitment on the issue related to the simplification of procurement regulations (Italian Procurement Laws) and to the removal of the limitation to subcontracting that has been found to be in conflict with European directives.

The regional law nr. 9/2020 (regional financial budget law) has provided for the reprogramming of european and extra-regional funds for about €1.4 billions.

By EU Commission Decision No. 6492 of 18 September 2020 and Resolution No. 459 of 26 October 2020, have been reprogrammed 1.2 billions of european and extra-regional funds for measures of financial support to municipalities, businesses and families.

Unfortunately, the limited involvement of the Regions must be noted so far, not only in financial terms, but also in the development of measures for recovery.

From the financial point of view, it should be noted that unlike other countries characterized by a regional structure such as Spain (which has supported its Autonomous Communities by providing € 16 billion) and Germany (€ 13 billion) where all measures had been carefully coordinated with the Länder, in Italy the central government has limited itself

Regione Siciliana
Programmazione unitaria
Sintesi stanziamento risorse a contrasto dell'epidemia da Covid 19

Fondo	Importo stanziato	Eventuale riferimento legge di Stabilità II regionale		Iniziativa introdotta	Provvedimento di determino dello stanziamento
		Art.	comma		
POC 2014/2020	70.000.000			Contributo per beni di prima necessità da destinarsi ai comuni	Delibera di Giunta Regionale 124 del 28 marzo 2020
FSE 2014/2020	30.000.000			Contributo per beni di prima necessità da destinarsi ai comuni	
PO FESR 2014/2020	15.000.000	5	20	Nuova Azione per acquisto materiale didattico per didattica a distanza	Decisione C (2020) 6492 final del 18 settembre 2020
	25.000.000	5	24	Nuova Azione per potenziamento sedi didattiche di scuole statali e università	
	20.000.000	5	26	Piano straordinario 2020, 2021 e 2022 per il contrasto alla dispersione scolastica e di recupero dei ritardi anche con riferimento alle problematiche di inclusione soggetti svantaggiati e del miglioramento del servizio a disposizione dell'utenza scolastica anche mediante la fornitura di strumenti per favorire la didattica a distanza per le fasce deboli	
	80.500.000	10	1	Fondo di Garanzia - IRFIS	
	40.000.000	10	9	Istituzione, presso la CRIAS, del fondo per il credito di finanziamento degli artigiani "Fondo per la ripresa-Artigiani"	
	75.000.000	10	12	Iniziative di supporto al settore turistico (progetto seesicily)	
	130.000.000	10	16	Aiuti alle imprese (Bonusitalia)	
	10.000.000	14	9	Supporto alle attività dei soggetti titolari di attività di servizio pubblico da trasporto non di linea in servizio di piazza, di servizio NCC, di noleggio natanti ed i trasporti marittimi di passeggeri	
	4.325.838			Interventi sul tema sanitario attivati dal Dipartimento Protezione Civile e dal Dipartimento Pianificazione strategica	
	140.000.000			Contributi alla finanza pubblica (comma 881 bis dell'articolo 1 Legge 30 dicembre 2018, n. 145)	
FSC 2014/2020	263.500.000	11	1	Fondo perequativo degli Enti Locali	Delibera di Giunta Regionale n. 459 del 26 ottobre 2020
	115.000.000			Rate di mutuo dei comuni alternativa a quella prevista con l'art. 1, comma 10 della L.R. 10/2020	
	55.000.000			Interventi a salvaguardia del patrimonio forestale e naturale della Regione e prevenire fenomeni di dissesto idrogeologico	
	3.500.000			Società Airgest - perdite maturate nel corso del 2020	
	50.000.000	13	1	Interventi di manutenzione straordinaria, restauro e risanamento conservativo degli immobili appartenenti al patrimonio e al demanio regionale, ivi compresi i bacini di carenaggio, nonché degli immobili di interesse storico artistico e monumentale.	
	20.000.000	10	4	Concentrazione e patrimoni all'azione dei consorzi Fidi	
	15.000.000	10	15	Incremento del fondo di solidarietà della pesca di cui all'art. 39 della L.R. 20 giugno 2019	
	15.000.000	10	13	Interventi a supporto delle aziende agricole siciliane (DGR 299 del 16/07/2020)	
	10.000.000	10	4	Finanziamenti in favore dell'editoria, sia cartacea che digitale, delle emittenti radiotelevisive e delle agenzie di stampa	
	27.000.000			Edilizia residenziale pubblica - Interventi diretti a supporto economico ad inquilini degli immobili ad uso abitativo gestiti da IACP (ex DGR. 127 del 7/07/2020)	
	2.000.000	10	4	Contributi per Agenzie di distribuzione e servizi stampa	
	3.000.000	10	4	Contributi per Edicole	
Totale	1.218.825.838				

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to cover the lower revenues of the Regions by allocating about € 6 billion. But what seems more relevant is the lack of involvement so far guaranteed to the Regions which, if we exclude a purely informative activity, are not adequately involved in the selection of projects to be included in the National Recovery and Resilience Plan.

The Conference of Italian Regions and Autonomous Provinces has presented requests for greater involvement, consistent with the Italian National Constitution which entrusts economic development to the State and Regions. In the document, drafted on the Recovery Fund, they noted that the investment priorities indicate that they are configured in line with the strategic assets to be developed within the NRRP.

The "challenge" with regard to the full use of the recovery funds and those already allocated by current legislation for investment expenses, must be addressed with the new model of multi-level development for the growth of territories in full inter-institutional collaboration. This is a general trend in regional systems and in many federal systems, the pandemic increases conflicts between the federal and sub-national levels or even between sub-national units with regard to the competences and measures adopted.

In the same way, despite the branched guidelines, it is not clear how the Plan intends to address the recovery and with what measures of cohesion and territorial rebalancing, in particular, in a country strongly divided on the economic, social and territorial level as Italy. Just think of the economic and social gap between the North and South of the country, which has increased dramatically in recent years (over € 60 billion per year withdrawn from the economy of the South), but also the condition of insularity, one of the essential elements for cohesion policies and territorial rebalancing.



Condition of insularity for which the Sicilian Regional Government Council has fought at national level, obtaining direct recognition by the central government in the agreements signed, but also providing, in accordance with constitutional jurisprudence, to identify the "costs of insularity": over 6.5 billion of hidden taxation for citizens and businesses which the State must take into account in the definition of financial relations with the Region.

Italy is the country with the most dramatic failure of integration at national level in Western Europe, with a poor effectiveness of integration policies pursued in the last 50 years and this is emblematically confirmed by the level of young people who do not work, do not study and do not receive training (neet).

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This unfair dichotomy is one of the main causes of Italy's very low growth, together with social and economic imbalances that are unparalleled in other countries of the Eurozone. Moreover, due to the migration to the North (not only of Italy) of highly qualified human resources, the South continues to weaken.

The gap between North and South is persistent despite the substantial financial transfers intended to promote the socio-economic development of this part of Italy. The funds are provided by the national budget for investment and the European Structural Funds. The territorial disparities are a serious issue, with very serious consequences for the competitiveness of the country, which undermine the consideration of Italy in the EU.

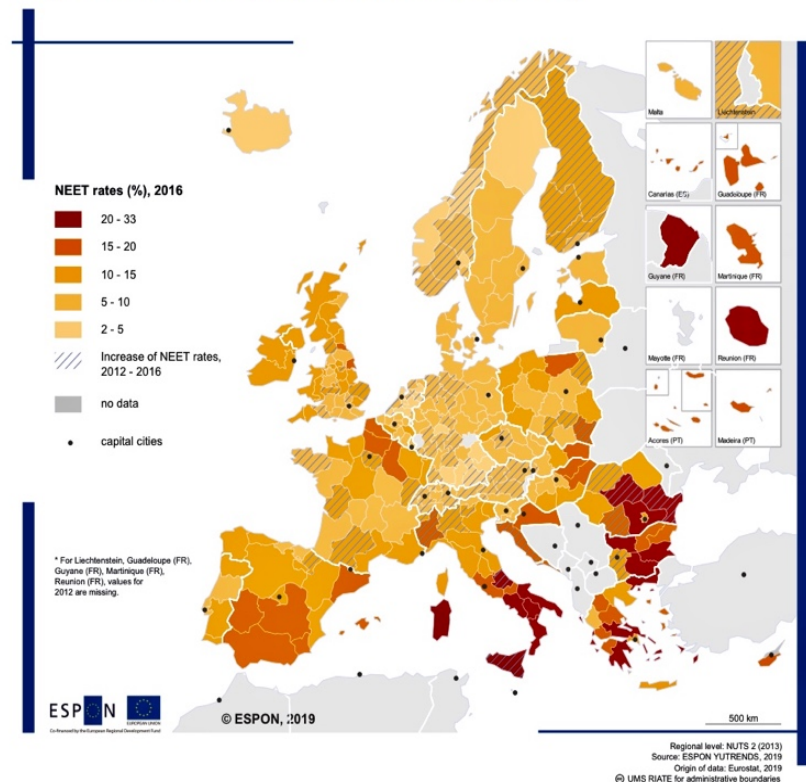
The national vision is entangled in descriptions that emphasize traits of persistent socio-economic dualism. Many reforms, resulting from the spirit of modernization of the last thirty years, have been designed to facilitate the adaptation of the system to global competition and market pressures, to strengthen the capacity of the state in planning and developing new government strategies.

On the contrary, the dichotomy is growing, as SVIMEZ pointed out in its last report. From this point of view Italy is a "divided country" and its South is defined "a land at risk of human industrial desertification where people continue to move, have no children and become poor", without support, this involutive process can lead to a situation of irreversible underdevelopment.

Such cultural and economic division finds its roots in elements of historical, geographical, economic and cultural character, which have contributed to the most distinctive character of Southern Italy. However, it is clear that the Next Generation EU launched by the EU Commission is the last opportunity to solve "the biggest failure of the Italian State", after 160 years of national unification with a significant cohesion response, also counteracting the effects induced by the pandemic of widening the North-South divide.

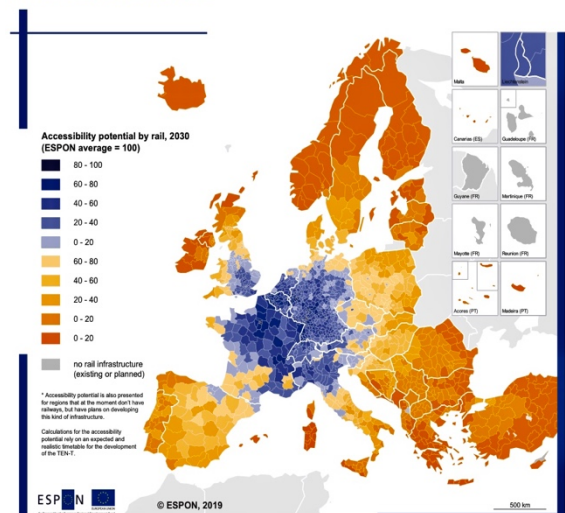
After Brexit, Italy is the European state with the highest number of island citizens (6.5 million). Well, in the documents drafted so far by the Italian Government, the main work that could have a positive impact is not yet supported, but doubtful: the Bridge over Messina Strait, a project strongly desired by Sicily and Calabria and now requested by all Italian Regions. Being one of the most important European infrastructures, in line with the green new deal for the positive influences on the environment, the bridge is not only a

People not in Education, Employment or Training (NEET)

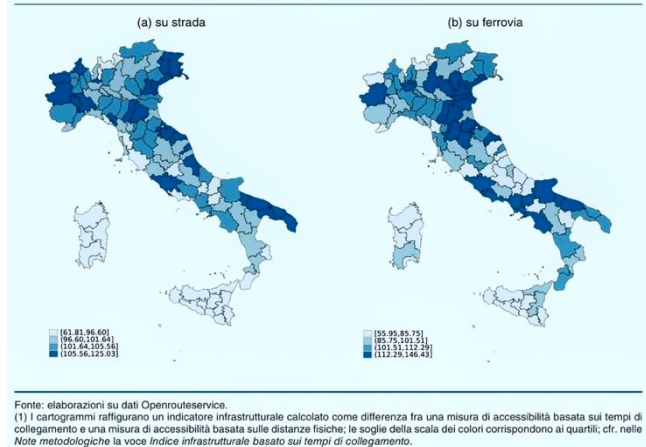


practicable project, but above all an essential step to complete the Scandinavian-Mediterranean European corridor.

Accessibility potential by rail



Divari infrastrutturali a livello provinciale in Italia in base ai tempi di collegamento (1)
(numeri indice: Italia=100)



Unlike previous crises, the post-COVID-19 crisis has been symmetrical in hitting Member States, but the impact will further aggravate economic, social and territorial divisions, especially in those regions where the situation before the crisis was already more fragile and where the prospects for recovery are compromised due to geographical disadvantages and greater difficulties in benefiting from the single market. It is therefore unavoidable, at this stage of the recovery of measures to combat the pandemic, to think about saving the Sicilians first of all from contagion and at the same time from the devastating economic consequences. This must involve immediate compensation to those who have had to close their businesses or lost their jobs, as requested by the Regional Government.

In terms of economic-financial balance, even in a particularly critical context, the positive judgments of the rating agencies (most recently Moody's) should be mentioned, which have confirmed the forecasts of regional economic-financial stability, pointing out the reduction in debt (which fell below € 7 billion), accompanied by a drastic reduction in cost, the progressive increase in liquidity over the two-year period (well over € 1 billion), with a more comfortable situation of government revenue.

In this sense, the multiple agreements with the State have also been decisive in this regard, which have, in just one year, led to the decennial settlement of the deficit (art. 7 of Legislative Decree no. 158 of December 27, 2019), to the full recognition of the coverage of the expected lower revenue for 2020 (art. 111, May 19, 2020, no. 34), the extension of the mortgage deferral for 2020 (art. 42 of Legislative Decree no. 104 of August 14, 2020), but also the important exception to the use of the administrative surplus (art. 33 of Legislative Decree no. 137 of October 28, 2020).

It should also be noted that the effects of the current pandemic, also thanks to these agreements, will have a limited impact on the budget forecasts for 2020/2021, further demonstrating the judgement of financial strength. The considerations on the improvement

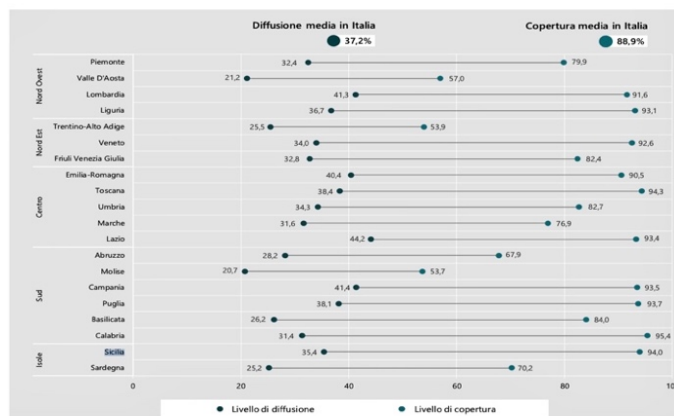
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of the administrative management of the Region through budget policies defined as "credible and restructuring", ensuring transparency and detail in the information through open data, also underlined the importance of the financial autonomy deriving from the Statute of which negotiations are being defined for full implementation with the State, achieving important recognition of higher revenues for Sicily.

Sicily has to face an epochal challenge that it will be able to accept and win only if it deploys, as it did in other historical events, its strengths and talents. This requires politicians, trade unions, trade associations, universities, professions, and private and social workers to make a choral effort and moral tension without which it will be difficult to react with the necessary determination.

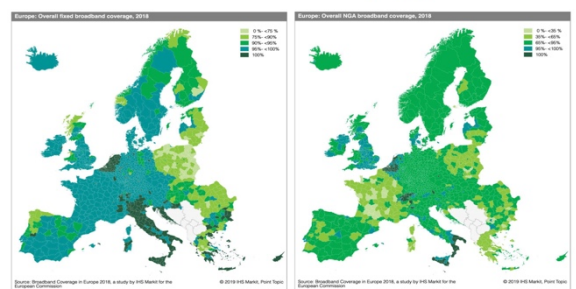
In this context, essential leverages for the recovery of Sicily are: digitalization, simplification and reorganization of the public administration on which the regional government is working.

On digitization, in three years, the expenditure has gone from 1.5 million € to 283 million €, reaching 88% of the European allocation (321 million €) and turning Sicily into one of the most digitized regions. This will be even more evident for the activities that the fight against the pandemic requires remotely (smart working, digital education, etc.), while now the commitment with the competent state institutions (MISE) is on the allocation of vouchers for connections and tablet or computer buying. Digitization is a fundamental axis to combat the migration of young human resources, especially those highly specialized, also through policies of incentives to return ("Sicily working") and to attract "new citizens and entrepreneurs in Sicily", including through the tax development.



Fonte: elaborazioni su dati aziendali (per la diffusione) e dati utilizzati dalla Commissione Europea per il calcolo del DESI indicatore 1b1 Copertura della banda larga veloce - NGA (per la copertura)

Overall fixed broadband and NGA broadband coverage by region.



DESI Report 2019 – Connectivity

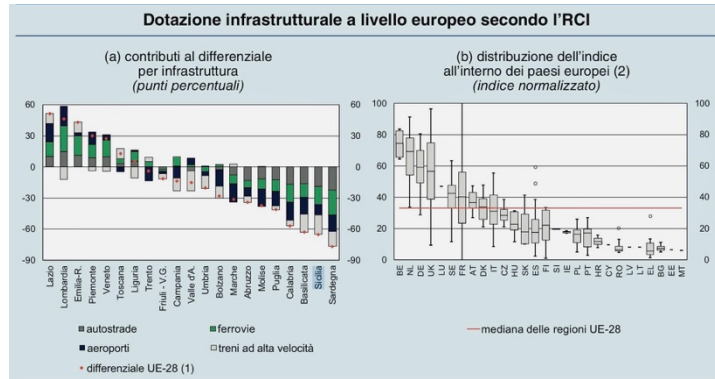
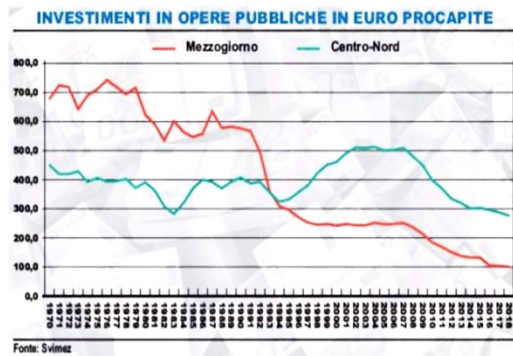
10 European Commission

The administrative streamlining, with an innovative legislation (l.r. n. 7 of 2019 and l.r. 13 of 2020), while d.d.l. n. 774 on the digital transformation (cyber first) of the regional public administration. and the administrative strengthening, starting from the turnover, of obsolete organizational structures, are decisive elements to support the development.

These may represent the basis for the relaunch of the largest Region of Italy, the frontier of Europe, a patchwork of millenary cultures, but also a platform for innovation, elements that are the engine of economic and social progress that needs a great redemption in terms of infrastructure investment, but also immaterial on human capital. The increase in

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spending capacity for investments is, and will be even more, an essential choice to ensure the country's recovery, but absolutely essential for the South and Sicily.



Finally, as President Tajani rightly pointed out, it is necessary to introduce significant temporary changes to the European legislation on impaired loans, built for “normal” times and which has become inadequate following to the Coronavirus-19 pandemic.

With *calendar provisioning*, the ECB regulation that imposes faster provisions and faster write-downs on banks, there is, in fact, a serious risk represented by the probable increase in NPLs and the resulting credit crunch. With the clear objective, which we must pursue as popular, to defend those in temporary difficulty because of the Coronavirus and support credit.