A European Public Investment Outlook

This outlook provides a focused assessment of the state of public capital in the major European countries and identifies areas where public investment could contribute more to stable and sustainable growth.

A European Public Investment Outlook brings together contributions from a range of international authors from diverse intellectual and professional backgrounds, providing a valuable resource for the policy-making community in Europe to feed their discussion on public investment. The volume both offers sector-specific advice and highlights larger areas which should be prioritized in the policy debate (from transport to social capital, R&D and the environment).

The Outlook is structured into two parts: the chapters of Part I respectively explore public investment trends in France, Germany, Italy, Spain and Europe as a whole, and illuminate how the legacy of the 2008 Global Financial Crisis is one of insufficient public investment. Part II investigates some areas into which resources could be channelled to reverse the recent trend and provide European economies with an adequate public capital stock.

The essays in this outlook collectively foster a broad approach to and definition of public investment, that is today more relevant than ever. Offering up a timely and clear case for the elimination of bias against investment in European fiscal rules, this outlook is a welcome contribution to the European debate, aimed both at policy makers and general readers.

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4. Public Investment Trends across Levels of Government in Italy

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Introduction

Italy, over this last decade, has experienced the worst economic crisis in its history. A double recession, during which GDP contracted by approximately 9%, was followed by weak and stunted expansion: from 2013 to the present day, less than half of the ground lost has been regained. As a result of the crisis, Italy has seen a real slump in investments. In this context, there is mounting pressure for greater public investment to stimulate economic activity in the short run and to impact the potential for long-term economic growth.

As a result of the severe economic and financial crisis, Italy has had to implement extraordinary actions to contain and reduce its public debt. Public investment has been curtailed the most, with respect to other categories of expenditure. Sub-national governments (Regions, Provinces and Municipalities) have been forced to implement quite stringent containment measures. According to the Parliamentary Budget Office (Ufficio Parlamentare di Bilancio (UPB)), from 2009 to 2016 the primary expenditure of central government increased by 5.7%, while the primary expenditure of sub-national governments decreased by 7.2%.

It has not been easy for Italian sub-national governments to implement the necessary fiscal adjustments since they have been subject to continuously changing fiscal rules and regulations. From 2010–2015, Italian sub-national governments were subject to the so-called Internal Stability Pact. According to this law, sub-national administrations were only allowed to spend revenues collected during the fiscal year, while savings accumulated over the previous years were “frozen” at the Central Treasury in Rome. This created the need for a budget surplus. However, since the existing, immediately available, public revenues were just enough to cover the current expenditure, public

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investments collapsed. And unfortunately, sub-national investments account for more than half of overall public investments.

Moreover, in 2016, the Internal Stability Pact was substituted by a new fiscal rule (law 164/2016) which requires a non-negative budget. Under this new framework, the control of debt once again prevails over the aim of relaunching investments, since debt (the main source for financing public investment) and the use of surpluses are excluded from calculating the “final budget” (Giorgiantonio et al. 2018). Another change was the introduction of vertical/horizontal National Agreements and Regional Agreements (also known as Solidarity Agreements). These measures do not allocate new financial resources for investment, but only increase the sub-governments’ budget-margins. This does allow for greater public capital expenditure in specific strategic sectors (i.e., school buildings, the prevention of hydro-geological risk, post-earthquake reconstruction). Moreover, the National Agreements support the development policies of disadvantaged local governments (e.g., small municipalities), while Regional Agreements aim to optimize the use of budget-margins at multiple levels of government, consolidated at the regional level. Unfortunately, the Solidarity Agreements in general have had little success, with the exception of Lombardy and Emilia Romagna (Sciancalepore 2017; Ferretti et al. 2018).

This chapter aims to provide a run-through of the public investment trends across levels of government in Italy from 2000 to 2017. We consider the breakdown of public investment by levels of government as quite important. Since the reform of the Italian Constitution in 2001, the interactions between levels of government in Italy has become increasingly challenging. Coordination challenges between the central government and sub-national governments in running current and capital expenditures as well as the financing of local expenditures (both current and capital) remain unsolved problems, which most obviously impact the time required to make an investment. As stressed by Lee Mizell and Dorothée Allain-Duprè (2013), since sub-national governments are important actors when it comes to implementing public investment strategies for economic growth, it is important to develop good practices in terms of institutional arrangements. For instance, it must be clearly established “who is responsible for what.” An effort in this direction has been pursued over the last years, as just mentioned above; and these types of interventions have ensured that, at least for some municipalities, investment resources stopped declining (Ferretti et al. 2019).

The chapter is organized as follows: section 4.1. provides an overview of major trends in public capital expenditure, including local and national public companies, which in Italy are significant contributors to public investment. We focus in particular on investment data on infrastructure, machinery and equipment funded by public expenditure.

The focus is on both the central government and sub-national governments and on investments made by public companies at the national and local levels. This overview is possible considering the “Conti Pubblici Territoriali” dataset (hereafter CPT),
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The dataset covers annual data, in nominal terms, of revenues and expenditures by the Italian Public Administration (PA) and by the Enlarged Public Administration (Enlarged PA). Notice that the PA includes the central government plus local governments and regional governments. Data on the Enlarged Public Administration includes the PA described above plus national and local public companies and utilities.

Considering that the last available data date back to 2017, in section 4.2., we present more recent data taken from 2018, 2019, 2020 budget laws concerning regulatory interventions and proposals to increase public investment. Section 4.3. provides some final remarks and concludes with policy prescriptions.

4.1. Public Investment in Italy

Over the past seventeen years, public expenditure by the Italian PA has steadily grown from 46.5% of GDP in 2000 to 48.7% of GDP in 2017, with a peak of 51% in 2013. The growth is mainly due to total current expenditure excluding interest (from 36.2% of GDP in 2000 to 41.1% of GDP in 2017). As for gross fixed capital formation, the GDP ratio was 2.8% in 2000 and 2.1% in 2018, with a peak of 3.7% in 2009. Consequently, Italy’s infrastructure gap has widened. The “Global Infrastructure Outlook” (published in 2017) calculated for Italy, with reference to seven sectors (electric energy, roads, railroads, telecommunication, water, ports and airports), an annual infrastructural investment need (for the period 2016–2040) of $67 bn, a much higher level of public investment made in 2018.

Real GDP has also declined: -1.4% from 2008–2012, and 0% from 2013–2016. Even though a precise assessment of the macroeconomic effects on growth of an increase in public investment is shrouded with uncertainty (as is well known, the size of the multiplier depends on many factors), estimates by the Bank of Italy indicate that, for...
the Italian case, the multiplier is greater than one (Busetti et al. 2019). The positive effect on growth will also determine a decrease of the debt/GDP ratio. The scenario that a sustained public investment stimulus would create sizeable output effects and positive cross-border spillovers is simulated in the Country report on Italy 2020.7

Fig. 1 Enlarged PA: public capital expenditure components (%)

Source of data: Conti Pubblici Territoriali. Figure created by the authors.

In what follows, we shall focus on public capital expenditure, which consists of three components: i) public investment, broken down as infrastructure expenditure, and machinery and equipment expenditure; ii) money transfers, for example to private companies, public institutions, etc; and iii) shareholdings and the provision of loans.

The shares for each component of the Enlarged PA are shown in Figure 1. On average, public investment accounts for 43%, money transfers for 18% and shareholdings and provision of loans for 39%.8

Figure 2 shows the trends of public capital expenditure9 without shareholdings and the provision of loans by national and local public companies and by the PA.

Since 2009, public capital expenditure by the PA has had a negative trend, and it plummeted to only 1.8% of GDP in 2017. Public capital expenditure by national and local public companies, on the other hand, has had a positive trend: from 1.3% of GDP in 2000, to 2.2% of GDP in 2017.

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7 See European Commission (2020), Box 3.1., p. 23.
8 Focusing only on PA capital expenditure: public investments on average accounted for 35% of capital expenditure, money transfers accounted for 23%, and shareholdings and loans for 41%. For further details and data, see Cerniglia and Rossi (2020).
9 In this chapter, we focus exclusively on flows of public capital expenditure and public investment. For an overview of the stock of public capital, please refer to: International Monetary Fund, Investment and Capital Stock Dataset, 2017, which estimates that the Italian infrastructural endowment was about 56% over GDP in 2015 (Spain’s was 57%, Germany’s 48% and France’s 72%); the first census (2011) of the Public Administration’s real estate holdings (http://www.dt.tesoro.it/it/attivita_istituzionali/patrimonio_pubblico/intersection_immobili_pubblici/rapporti_annuali_immobili/); and Banca d’Italia (2019), pp. 217–20.
In 2000 the PA’s public capital expenditure was almost €40.9 bn in absolute value, and that of national and local companies was €16.2 bn. In 2017, it was respectively €31.4 bn and €37.2 bn.

As the boost to economic growth comes from investment — which, as stated above for the period considered accounts for on average almost 43% of public capital expenditure by Enlarged PA — we believe it is important to break down this figure and provide more details. We shall do that by focusing on the public investment trend (Figure 3) and the weights of the PA and of public companies (Figure 4).

Over the past seventeen years, 54% (on average) of public investments in Italy were made by the PA, while 46% by national and local public companies.
Looking at the trend as a percentage of GDP (Figure 3), three periods can be identified: \(^\text{10}^\) i) 2000–2004 — with an increase in investments by both the PA (from 2.1% to 2.5% of GDP) and public companies (from 1.2% to 1.7% of GDP); ii) 2004–2009 — investments by the PA ranged from 2.3% to 2.5% of GDP, while investments by public companies increased from 1.7% to 2% of GDP; iii) 2009–2017 — with a fall in PA investments (from 2.3% of GDP in 2009 to 1.1% of GDP in 2017) and a decrease in public companies’ investments (from 2% of GDP in 2009 to 1.4% of GDP in 2017, excluding a positive peak in 2012).

\(^{10}\) Consider these additional figures: investment by public companies in 2000 were €15.2 bn, while in 2017 they were €24 bn. Investments made by the PA were €26.3 bn in 2000 and €19.5 bn in 2017.
Moreover, public investments consist of different components which are reported in Figure 5: on average, infrastructure investments by the PA and public companies accounted for 69%, while machinery and equipment investments accounted for 32%.

The PA predominantly invested in infrastructure (on average, 46%), while, from 2005 onwards, public companies increasingly invested in machinery and equipment. Let us provide a few examples in monetary terms: for instance, in 2017, investments in infrastructure by the PA amounted to €15.2 bn, investment in machinery and equipment by PA amounted to €4.2 bn; investment in infrastructure by public companies amounted to €9.6 bn, investment in machinery and equipment by public companies amounted to €14.4 bn.

Since sub-national governments have a crucial role in Italy, it is interesting to figure out the contribution of each level of government and of public companies to the Enlarged PA. Figure 6 speaks for itself: public investment was primarily made by sub-national governments (local and regional governments, on average 41%) followed by national public companies (30%), and local public companies (15%).

![Fig. 6 Public investment by PA levels of government and by public companies (%)](chart.png)

*Source of data: Conti Pubblici Territoriali. Figure created by the authors.*

To have a deeper understanding of the period considered, Figure 7 shows the evolution of the annual growth rates of public investment considering in turn central government and sub-national levels of government as well as public companies (both national and local). Between 2001 and 2009, the annual growth rate remained positive, with the exception of 2005 (-2.8%). Excluding 2012 (when an increase in investments by national public companies compensated for the decrease in investment...
by the other actors), the annual growth rate of public investment remained negative until 2017.\footnote{Notice that in 2015 data indicate the extraordinary expenditure reporting due to the 2007–2013 European Structural Funds programme.} It must be pointed out that the reduction in investment by sub-national governments and national public companies contributed the most to this negative trend in public investments over the period considered. Not only in Italy, but also in most OECD countries (see OECD 2017) —more than half of public investments occurred at the sub-national level. However, in the economic literature, an issue which needs investigation is to estimate the effect of capital (de)centralization on economic growth. An attempt has been made by Cerniglia et al. (2017) with reference to Italy. The findings are that decentralization in current expenditure has no effect on economic growth, whereas a critical mass of decentralized capital expenditure may have a positive effect. Results suggest a positive role for local governments in creating conditions for effective public investments.

Finally, it may be useful to look at specific sectors of investment. Figures 8 and 9 show the average shares over the 2000–2017 period for public companies and the PA respectively.
First, we can highlight that public companies and the PA invest in different sectors.\textsuperscript{12} Indeed, the majority of investments by public companies were in transports\textsuperscript{13} (30%, or on average €7.2 bn per year), energy (28%, or on average €6.9 bn per year), others in

\textsuperscript{12} The Global Infrastructure Outlook (Global Infrastructure Hub (2017)) calculated the annual infrastructure investment needs for Italy, for the 2016–2040 period. The annual estimates for the seven sectors are as follows: 15$ bn for electric energy, 12.3$ bn for roads, 19.6$ bn for railroads, 8.1$ billion for telecommunication, 3.5$ bn for water, 4.6$ bn for ports and 1.1$ bn for airports.

\textsuperscript{13} The building, running and maintenance costs of the following transportation infrastructures: rail, maritime, aviation, lake, river, including ports, airports, stations and freight villages.
the economic field (10%, or on average €2.5 bn per year), telecommunications (8%, or on average €1.9 bn per year) and water (6%, or on average €1.4 bn per year). While the majority of investments by the PA went to roads, highways and motorways (24%, or on average €6.9 bn per year), general public administration (13%, or on average €3.9 bn per year), education (9%, or on average €2.6 bn per year), health (8%, or on average €2.4 bn per year) and residential and urban buildings (7%, or on average €1.9 bn per year). Other somewhat relevant sectors include the environment (6%), other transports (5%), culture (5%) and public safety (5%).

4.1.1. Public investments across regions

Italy’s regional divide remains large, and sadly, it continues to grow. The population in the southern regions (or “Mezzogiorno”) is almost 34% of the total population, but in 2018, its share of GDP amounted to almost 22.3%, in 2000 it was 24.7%. In the last decade, public expenditure has decreased in the southern regions. Since public investment is a powerful instrument to promote convergence across regions, it is fundamental to consider its territorial distribution. We do so in the present section. It should be noted that data include both ordinary and additional resources (i.e., from the European Union Funds). This explains the positive trend for some of the years in the Mezzogiorno.

Table 1 shows the shares of public investment and public capital expenditure (without shareholdings and provision of loans) in the Mezzogiorno, considering both the Enlarged PA and PA. In 2017 only 30% of the public investment by the Enlarged PA was devoted to the Mezzogiorno (€11.6 bn — in constant 2010 euros), overall, during the period considered (2000–2017), the share was always below 34% (with the exception of 2015). On the other hand, in 2017, 36.4% of the public investment made by the PA were devoted to the Mezzogiorno (€6.04 bn — in constant 2010 euros). The largest share (44.5%) of public investment made by PA in the Mezzogiorno in 2015 can be exclusively ascribed to the expenditure reporting of the 2007–2013 European Structural Funds programme.

Disparities across regions still emerge if we look at per capita investments. Figure 10 shows the relation between per capita GDP in euro and per-capita public investment by the PA in 2016. In the bottom-left part of the graph, we see that the Mezzogiorno area is characterized by low per capita GDP and low per capita public investment, while the upper-right part shows the three Northern regions with the highest GDP and per capita investments in Italy.

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14 See SVIMEZ (2019). Notice also that per capita GDP (2010 price) in 2018 was €31,498 in the Central-Northern area and €17,436 in the Mezzogiorno. North-Central Italy includes the following Italian regions: Piemonte, Lombardia, Liguria, Valle d’Aosta, Emilia Romagna, Trentino Alto Adige, Veneto, Friuli-Venezia Giulia, Lazio, Marche, Toscana and Umbria. The Mezzogiorno consists of: Abruzzo, Basilicata, Calabria, Campania, Molise, Puglia, Sardegna and Sicilia.

15 See SVIMEZ (2019); Ufficio Parlamentare di Bilancio (2017); and Conti Pubblici Territoriali (2019, p. 17).
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*Source of data:* Conti Pubblici Territoriali.

![Graph showing per capita public investment by the PA and per capita GDP by Italian regions in 2016](image)

*Fig. 10* Per capita public investment by the PA, and per capita GDP by Italian regions in 2016

*Source of data:* Conti Pubblici Territoriali. Figure created by the authors.
Figure 11 shows the distribution of public investment by the PA and by public companies, GDP and population for each Italian Region in 2017: Lombardia is the region with the highest population concentration (17%), GDP (22%) and investments by the PA (12%). If we look at investments made by public companies, the main beneficiary is Lazio (21%), followed by Lombardia (16%), Emilia Romagna (9%) and Veneto (8%). In all of the Mezzogiorno area, the shares of investment by the PA are higher than the shares of investment by public companies.  

The issue of having shares of public investments in North-Central Italy and the Mezzogiorno that proportionally reflect the population in those areas, has been a serious political concern these last years. Two aspects are at stake: i) investments by public companies have been incredibly low in the Mezzogiorno, with few exceptions; and ii) if we exclude resources coming from EU funds, the proportion of public investment

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16 For an overall picture of annual data see Cerniglia and Rossi (2020). Moreover, SVIMEZ (2019, pp. 483–84) provides indexes on transportation infrastructure (highways, roads etc.) in relation to the population by region. For example, the Italian infrastructure index for 2015 was 116.0 overall, but 156.5 for the North Central regions, and barely 38.6 for the Mezzogiorno. In other words, the Mezzogiorno has seen a constant decrease in investments in public works from 1970 to 2018. This means that while the nation-wide decrease was 2%, the Mezzogiorno had a whopping 4.6% cut, but investments for the Central Northern regions contracted by only 0.9% (SVIMEZ 2019, p. 488).

17 See CPT (2019, p. 46). For instance, the Ferrovie dello Stato (the Italian Railway Network) reduced the shares of expenditure in the Mezzogiorno in 2017 from 34.7% to 29.1%; in 2013, the share was 14.3%.
in the Mezzogiorno is much lower than 34%. Indeed, when analysing the breakdown of public capital expenditure between North-Central Italy and the Mezzogiorno, it is important to distinguish between ordinary and additional resources. The CPT data presents the so-called Single Financial Framework ("Quadro Finanziario Unico (QFU)"), which estimates the shares of both ordinary and additional resources attributed to the two macro-areas. For instance, CPT data show that in 2017 the public capital expenditure of the PA was around €32.548 bn. However, only €27.600 bn were ordinary resources and of this amount about €6.04 bn went to the Mezzogiorno. Therefore, the Decree-Law n.243/2016 and Law n.18/2017 introduced the "34% clause", meaning that this proportion (net of additional resources) is the amount of capital expenditure that should be allocated to the Mezzogiorno since the population in this area is around 34%. The 2019 Budget (Law n.145/2018) modifies the aforementioned Law n.18/2017 extending the "34% clause" also to public companies (Anas and the Italian Railway Network).

Very recently, an appreciable emphasis on the regional divide, caused also by a lack of public investments by the government, was highlighted in "Piano Sud 2030". According to this document, in order to allow the Mezzogiorno to reach its 34% benchmark, €5.600 bn in ordinary capital expenditure need to be given from 2000 to 2022.

4.2. 2018, 2019 and 2020 Budgets:
The Financial Resources for Public Investments

Additional funds for public investment were allocated in the 2018, 2019 and 2020 Budget Laws. The main instrument for managing public investments in the 2017 and 2018 Budgets was the Fund for Investment, Financing and Infrastructural Development (Investment Fund, from here on). The 2017 Budget (Law n.232/2016) established this Fund with an initial endowment of €47.55 bn spread over fifteen years: €1.9 bn in 2017, €3.15 bn in 2018, €3.5 bn in 2019 and €3 bn for each following year from 2020 to 2032. The 2018 Budget (Law n.205/2017) added €36.1 bn to the Investment Fund for the period from 2018 to 2033. Therefore, the Fund’s financial endowment rose to €83.7 billion spread over the 2017–2033 period. Also, both the 2017 and 2018 Budgets allowed local governments, in good financial conditions, to use budget surpluses and take out new loans (limiting the allocation of the resources for investments). The Investment Fund should have become the cornerstone of the Italian infrastructure policy, but it accumulated numerous setbacks, which deeply limited the impact of the investments, as compared to the Government’s forecasts. Other negative aspects are the extremely...
long time-lags for the actual allocation of funds, and the uncertainty derived from the Constitutional Court case (n.74/2018), which found certain constitutional-related problems in the law establishing the Fund. Notwithstanding, the Fund does contain effective and policy measures, for example: bridging the technical-organizational gap of public administrations in planning and evaluating public investments and simplifying the regulatory framework (in particular, the Public Procurement Code and the fiscal rules for local authorities). The 2019 Budget (Law n.145/2018) establishes a new Fund with the aim of relaunching the central governments’ investments and the country’s economic development. The total budget package is €43.6 bn for the 2019–2033 period (broken down as follows: €740 mn in 2019, €1.26 bn in 2020, €1.6 bn in 2021, and €40 bn spread over the 2022–2033 period). In addition, the 2019 Budget has established a Fund for re-launching local government infrastructure investments: €2.78 bn for 2019, €3.18 bn for 2020, €1.255 bn for 2021 and €27.88 billion spread over the 2022–2033 period (for a total of €35.095 bn). Furthermore, the Government has decided to consider small public works (for ordinary and extraordinary maintenance) a priority. In order to address the problem of an existing technical-organizational gap between public administrations in planning and evaluating public investments, the Government has planned to create various agencies. A new temporary agency, InvestItalia, has the aim of supporting the initiatives of the Prime Minister in the political and administrative management of public and private investments. In particular, InvestItalia analyses and evaluates investment programmes for tangible and intangible infrastructures; determines the feasibility of investment projects; and supports public administrations in implementing investment plans and programmes. Finally, it also identifies obstacles and critical issues related to the implementation of investments and implements the appropriate solutions to overcome them. InvestItalia should work alongside the Centrale per la progettazione delle opere pubbliche, which is supposed to support central and local governments in the following fields: designing the proposal for the public work, managing the procurement procedures, and providing economic and financial evaluations of the works and technical assistance to the administrations involved in public/private partnerships. These two new temporary agencies should cooperate with “Strategia Italia”, an economic control room instituted by the so-called “Genova Decree” (d.l. n.109/2018). Strategia Italia verifies the state of implementation of infrastructure investment plans and programmes, in particular those related to hydrogeological instability, and the seismic vulnerability of public buildings and environmental degradation. Moreover, it proposes suitable solutions to overcome obstacles or delays. The Government has also prepared two sets of measures to support investments. The first is the so-called “Growth Decree-Law” (n.34, 30 April 2019), has introduced measures to stimulate capital accumulation and private investments. The second instrument, “Sblocca Cantieri” (d.l. n.32/2019, converted into Law n.55/2019), aims to speed up procurements, especially in the field of public works, by overcoming some weaknesses of the Public Procurement Code. Sub-contracting procedures
have also been simplified, for instance the threshold for the sub-contracts have been increased to 40% of the total amount of the procurement, and the requirement to indicate the list of sub-contractors in the tender has been eliminated till 31 December 2020. Finally, one of the most significant measures in the 2020 Budget (Law n.160/2019) is the establishment of the Fund for relaunching central government investments: around €110 mn in the first year, €400 mn in the second year and €770 mn in the third year. The 2020 Budget will provide resources up to 2034, with a budget of €22 bn for the 2020–2034 period. In particular, the Fund aims to finance investments which improve environmental sustainability (e.g. reduction of emissions, increase of energy efficiency) and, more generally, innovation. This Fund has the same characteristics as the one (with the same name) established by the 2019 Budget. The 2020 Budget also allocates some resources for investments by local administrations, especially for municipalities. Indeed, the Budget assigns resources to every municipality, based on its population (from €5,000 for the municipalities with up to 5,000 inhabitants, to €250,000 for municipalities with at least 250,000 inhabitants), for an overall total of €235 mn in 2020, €400 mn in 2021 and €500 mn in 2022. These resources aim to support small investments in the fields of energy efficiency and sustainable territorial development. Another new aspect of the 2020 Budget which is worth mentioning is the so-called Green New Deal, with an endowment of €470 mn for 2020, €930 mn for 2021 and €1.4 bn euro to be distributed over the 2022–2023 period. Moreover, the 2020 Budget has strengthened the 34% clause in favour of the Mezzogiorno: according to this budget, the additional resources are excluded from the computation of the 34%.

4.3. Conclusions and Some Policy Prescriptions

As underlined throughout the chapter, there has been a dramatic decline in public investment in Italy since 2009, implying a substantial investment gap. This decrease has mainly been driven by the decrease in investments by local governments, which have historically accounted for roughly 60% of the country’s overall public investments.

However, Italy is not only facing a strained situation, where smaller and smaller amounts of financial resources are allocated to public investment. Indeed, one of its main obstacles is transforming the allocated financial resources into actual construction sites: a gap between the planned expenditure for investment and the results exists. The situation is particularly critical regarding suspended public works. Since April 2018, Associazione Nazionale Costruttori Edili (ANCE) has monitored (through www.sbloccacantieri.it) the infrastructure works throughout the country, which are delayed or suspended, due to complex procedures, suffocating bureaucracy, impediments linked to the application of the Public Procurement Code or lack of financial resources, as well as political vetoes, which call into question the start and/or continuation of already planned works.

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22 For further details see Ufficio Parlamentare di Bilancio (2020).
Between April 2018 and January 2019, ANCE identified 574 suspended works worth approximately €39 bn (ANCE 2019). Looking at their territorial distribution, 380 works (66% of the total, worth about €25 bn) were located in the Northern regions; 62 works (accounting for €9 bn) were in Central Italy and 132 works (the remaining €5 bn) were in the Mezzogiorno.

Regarding the size of the suspended sites, 544 are small-medium sized, worth €2.6 bn; 30 are above the €100 mn threshold (for a total value of €36.4 bn) and mainly concern the construction of new transport infrastructures or the modernization of existing ones, aimed at improving the territory’s competitiveness. In addition, there are relevant works underway to improve citizens’ health and safety, such as hospitals and projects which limit hydro-geological instability. Projects greater than €100 mn are mainly concentrated in Northern Italy (17 works account for €24 bn), five works (€8.2 bn) are in Central Italy and eight projects (€3.5 bn) are in the South.

Concerning unfinished work, “Anagrafe delle opere incompiute” (managed by the Ministry of Infrastructure and Transport, according to Law 214/2011) identified 647 public works, which were started, but not completed, for a total value of almost €4 bn at the end of 2017. Among the causes of the stalemates, a lack of funds is indicated in more than half of the cases (a phenomenon that includes slowdowns in the supply of resources).

In conclusion, the limited effectiveness of relaunching economic growth policies is not ascribable to a single factor, but rather lies in the coexistence of several elements. Certainly, the accounting harmonization process has introduced innovations in the management of resources, which have not been completely transposed by administrations, and thus influence their spending capacity. Indeed, the changes to fiscal rules require time to be assimilated by the institutions, especially since their investment capacity, after years of inactivity, has been further weakened by employment turnover (ANCE 2019).

Another element to consider is the implementation of the new Public Procurement Code, and more generally, the excessive bureaucracy and the complex institutional and regulatory framework, which together lead to innumerable obstacles for the actual creation of public infrastructure.

To sum up, policy prescriptions, coming from the main findings of our analysis are as follows:

- Since one of the main causes reported by Anagrafe delle opere incompiute is the lack of funds, an appropriate management of time mismatches in the availability of resources, which come from different sources, is necessary.
- Addressing greater public investments in the Mezzogiorno area, in order to reduce the infrastructure gap. In particular, it is important to avoid the substitution effect between ordinary and additional resources. Indeed, additional resources have often replaced ordinary ones in recent years, rather than being added to them.
Unlocking the turnover of PA personnel and the resources dedicated to professional training, in order to rebuild the technical skills within the administration.

Establishing a precise and clear governance framework, which excludes overlaps and conflicts of competences between institutions and levels of government.

Improving the quality of infrastructure projects.

The reconstitution of a complete and reliable regulatory framework (interventions on Public Procurement Code, the role of the Italian Anticorruption Authority (ANAC) and of Corte dei Conti).

Rationalizing the entire process of public procurement, in particular by eliminating the inefficiencies creating long ‘idle times’.

Pay attention to the maintenance of public infrastructures: the available empirical evidence suggests that, in Italy, the provision of infrastructure is inadequate, or is at risk of becoming so, due to a lack of maintenance.

For Italy, implementing a massive investment program over the next years is a key challenge that needs to be addressed in order to improve GDP growth. But, how might it be financed, given the current concerns regarding Italy’s public finances? As stated by other authors in the above report, the obvious and necessary conclusion is the introduction of a Golden Rule, which excludes public investments from the deficit limits.

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