

## ITALIAN CITIES AND THE RECOVERY: A NEW MODEL OF URBAN CENTRALITY?

*Italian cities are peculiar protagonists of their National Recovery and Resilience Plan (PNRR): despite having a limited role in its design, they have become important actors in its implementation. This imposes huge responsibility on local administrations. Weakened for decades by public spending cuts, they are now asked to play a new role in close association with national counterparts.*



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### **Italy, among the countries most affected by the pandemic, is one of the leading beneficiaries of the recovery funds**

Italy was one of the OECD countries most affected by the economic fallout from COVID-19 (OECD, 2020). In 2020, Italian GDP recorded one of its lowest post-WWII growth figures, among the worst in the European Union (Banca d'Italia, 2021). The crisis hit an already-fragile country, from an economic, social and environmental standpoint, characterised by significant problems, including productivity slowdown, limited digitalisation, a lack of adequate infrastructure, a fragmented and low-skilled labour market, and vulnerability to climate change. Over the last decades, the decline in public as well as private investments (in the 1999–2019 period total investments increased by only 66%, compared to 118% on average across the euro area) consistently limited the country's modernisation, which has also suffered from the slow design and implementation of public sector reforms. This is the picture given by the foreword to the **National Recovery and Resilience Plan (PNRR)** issued by the Italian government to access the Next Generation EU funds (NGEU). Italy is now one of its foremost beneficiaries.

## **The National Recovery and Resilience Plan: among the largest post-WWII public policies**

The plan is based on six missions (digitisation, innovation, competitiveness, culture; green revolution and ecological transition; infrastructure for sustainable mobility; education and research; inclusion and cohesion; health-care), 16 chapters and 43 fields of action. It sets an ambitious framework to foster reforms that have remained unattained for decades: public administration and justice, the simplification of legislation and the promotion of competition. As such, it will pose a major challenge in terms of both design and implementation throughout its six-year time-frame. As highlighted by the Banca d'Italia (*Banca d'Italia, 2021*), the growth of public expenditure based on the exceptional funding provided by the EU will be strategic for the country only if new capacity for action can be generated, especially in the public sector. As in the foreword to the Plan, "Italy must combine imagination, design capacity and concreteness to deliver to the next generations a more modern country within a stronger and more inclusive European Union". The total resources for this endeavour are around €235.6 billion.

### **Cities as recipients ...**

What is the role of cities and urban areas in these aspirations? Have cities and urban areas been given a central place in designing and implementing the PNRR?

The plan can be considered a large-scale public works project, with 62% of funding allocated to public works, according to the Italian Court of Auditors (*Corte dei Conti*). As such, it provides a unique opportunity for a country that has over recent decades witnessed the progressive and continuous diminishment of material welfare, particularly within the urban sphere. It also presents a significant challenge.

It should, thus, on the one hand, include a vision and prospects for cities to play a role in addressing new social questions in an urban country such as Italy; on the other, it should count on the capacity of the public sector, especially at the local level, to design and implement projects effectively and in due time. However, the PNRR is not characterised by a clear identification of territorial targets and priorities, except for earmarking 40% of the resources to southern regions – an attempt to address the long-standing divide between the country's north and south. Indeed, the plan comes with no specific spatial vision - to get a picture of its territorial impacts, one must rely on the work of academic or independent observatories, which show that in only a few cases is there explicit territorial orientation or attention (*Viesti et*

*al., 2022*). Implementation is shaped by the distribution of resources mainly based on competition, especially involving municipalities and other public local bodies; this is the case of funding related to urban regeneration projects. A few initiatives with a structural role have been predefined at the national level, particularly infrastructure projects. This also reflects the nature of the plan, which seeks to support locally designed projects, in correspondence with the indicators and criteria shaped at the national/EU level. As a result, the plan's territorial impact will mainly be detectable in the coming years as the result of the local processes and capacities (*Ibid*).

This policy orientation is in line with mainstream public policies in Italy, which have lacked a specific urban focus, despite multiple and heterogeneous initiatives and funding promoted by different governments over recent decades. Italy still lacks a clear urban agenda, according to *Urban@it*, an independent academic think tank founded in 2014 to generate debate on the role of cities in the country and the need for an urban agenda.<sup>1</sup> Recent years have brought several attempts to deal with the urgent problems facing urban areas, from large cities and metropolitan areas to small and medium-sized cities. However, they have remained isolated, with a shared vision of the role of cities and urban areas in the country's future seeming difficult to achieve.

### **... cities challenged by the new abundance (and old lack) of resources**

The PNRR is an excellent chance for cities but also a possible trap. It includes four measures that directly target cities: 1) urban regeneration projects; 2) urban integrated projects; 3) quality of life and large cultural magnets; 4) rapid transport systems. In addition, a chapter is dedicated to port interventions and special economic zones; finally, unique resources have been dedicated to the capital city of Rome. The total amount of funding distributed to local bodies is estimated to be around €66 billion; approximately €28.2 billion will go to municipalities and metropolitan areas (30 million inhabitants) under the above-described chapters (*Viesti et al., 2022*).

Most of the resources for cities are in Mission 5, dedicated to cohesion and inclusion, especially component 3, on territorial cohesion. The first chapter funds urban regeneration projects (PINQUA, Innovative Programme for the Quality of Living, already promoted by the previous government)

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1. *Urban@it* is an association of Italian universities formed in 2014 by urban studies and planning researchers to support Italian policymakers to adopt an urban agenda by producing and exchanging knowledge and research on the topic.

to revitalise public housing and spaces, financing material and immaterial policies (integrating social and cultural dimensions) with more than €2.8 billion. The second, of around €2.7 billion, is earmarked for metropolitan areas and targets more significant interventions to regenerate public areas and buildings in degraded and peripheral areas to turn them into smart and sustainable places (PUI, Integrated Urban Plans). The third chapter allocates €3.4 billion to urban regeneration producing a better quality of life in municipalities above 15,000 inhabitants. In these three cases, resources are assigned based on competition for funding, while the remaining were

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pre-identified by the government. Among the indicators for allocation is the social and material vulnerability index, which was elaborated by the National Statistical Institute (ISTAT). Finally, MRT, mass rapid transport, receives €3.6 billion for public transportation in large metropolitan areas, focusing on sustainable mobility.

The number of projects funded, and their budget, reflect the nature of the challenges facing mayors and cities. On the one hand, cities and metropolitan areas are central actors in the PNRR, as they have the specific role of identifying, designing and implementing the projects.

On the other, the PNRR institutes a direct relationship between cities and the state, which requires cities to bid and apply for funding and follow a tight schedule and often complicated bureaucratic procedures to respect the PNRR milestones and pursue its targets.

This new shared responsibility is particularly stressing local bodies. According to the president of the [National Association of Municipalities \(ANCI\)](#), cities have been emptied of human resources and competencies due to a long period of public spending reviews. Cities are expressing their concern about this situation – a major obstacle to the plan's implementation – and on the one hand have obtained the introduction of Territorial Framework Agreements (Accordi Quadro Territoriali), and on the other the support of Invitalia, the National Agency for Development, which helps them in project management, design and implementation. Furthermore, to help municipalities, the government envisages hiring 3,800 experts (of which 2,800 in the southern regions), where larger gaps exist between the tasks to be fulfilled and the human resources and skills available. However, this is quite a diffuse phenomenon, as shown by the fact that some competitive funding procedures had to be postponed and relaunched due to the lack of proposals received.

### **... dealing pragmatically with the state's renewed centrality**

The governance of the PNRR remains fairly hierarchical: local bodies have had only limited involvement in designing the plan, but oversee multiple projects (EU, 2021). At the same time, a series of mechanisms and ad hoc bodies are in place at the national level for monitoring and implementing the plan, which allows the government to step in if local-level implementation is not efficient. Some of these, especially the Cabina di Regia (steering committee), will be in place until the plan ends in 2026, thus changing the principle that ad hoc bodies step down together with the government that nominated them, thus avoiding spoiler processes. This principle obliges the national government, whatever its political orientation, to pursue the plan's objectives and implement it, taking all the responsibility for its final success.

The plan also consistently limited the role of regional governments, particularly during the design and negotiation phase, probably because of the conflicts and contradictions that emerged during the pandemic crisis. However, the public discussion of the plan has been minimal due to the urgency and schedule of its presentation and approval at EU level. The Italian experience is not unique in this respect: the quasi-federal structure, which is particularly problematic, is the product of the principles of subsidiarity and the process of decentralisation promoted for decades.

Experts say that despite beginning as an exception resulting from the pandemic, this represents a new (open and problematic) phase in the relationship between the national and regional government levels. The role of the "Tavolo permanente per il partenariato economico, sociale e territoriale" (Permanent Table for the Economic, Social and Territorial Partnership), a unique body designed to enable greater regional and provincial participation, has been minimal and almost consultative, when compared with other member states' experiences. As the official report explains, over 20 meetings have been organised and widely attended in its first year. At these meetings, concerns have been expressed about more substantial involvement for society in the plan and the need to support local public bodies in its implementation. In terms of the urban dimension, the report requests renewed national urban policy governance based on a unified strategy and subject in order to avoid the action of several ministries overlapping and fragmenting, including a national observatory on housing conditions and

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the reactivation of the Inter-ministry Committee for Urban Policy (CIPU). That both measures were recently implemented gives some hope that the PNRR might be a crucial opportunity for cities and metropolitan areas in the longer term, in spite of its origin and scope.

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