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Christine Lutringer

1. Introduction

- 1 European Union (EU) structural funds are used in the context of the European ‘cohesion policy’, which aims to reduce social inequalities and differences, both between member countries and within countries. Of these funds, the European Social Fund (ESF) was the first to be created—already upon the signing of the Treaty of Rome, in 1957. Amounting to about 10 per cent of the EU’s total budget, it is the Union’s main financial instrument for supporting employment and promoting economic and social cohesion. It is used to fund expenditures targeting vulnerable groups, including labour market programmes aimed at reducing unemployment and increasing human capital and social integration. During the COVID-19 pandemic, the ESF and other European Structural and Investment Funds (ESIFs) increasingly took on the role of crucial resources for responding to the socio-economic impacts of the crisis faced by Europe (Aivazidou et al., 2020). Italy has been particularly affected by the pandemic and has been eligible for a substantial amount of funds provided by the European Union via various vehicles: new ones, such as NextGenerationEU, and ongoing ones. As far as the latter are concerned, Italy has been a major recipient of ESIFs since the Funds’ inception because of its low economic growth and its growing north–south divide. But while it has continuously obtained a large share of EU funds, it has also experienced significant issues in policy implementation (Monti, 2016). One indicator of the implementation gap is the level of funds that have remained unspent, or as we will see in this chapter, that have been spent late. Interplays between administrative and political processes shape the time and space in which public funds are allocated and used.
- 2 The objective of this chapter is to critically examine the notion of ‘unspent funds’ in the context of ESIFs by asking the following question: When considering the spending dynamics of the ESF in Italy, how relevant is the notion of ‘unspent funds’, both

empirically and in policy discourse, and what does it reveal? As suggested in this thematic volume, non-spending or—as we will see here in the case of the ESF in Italy, 'late spending'—is not only a marker of a series of institutional blockages, it also reveals a specific mode of governance. That governance can be deemed as functional or dysfunctional. Assessments of it seem, indeed, to vary significantly, both when analysing the policy discourse around the spending of ESIFs in Italy and when interviewing the relevant administrative actors. Methodologically, the study presented here entails a mix of qualitative interviews and desk-based research of primary and secondary documents to trace these processes. It relies on a qualitative assessment of official documents pertaining to the ESF in Italy: official documents (in particular parliamentary proceedings and reports of the Court of Auditors), evaluation studies at both the European and the national level, and administrative data assessments of ESF programmes (Desai et al., 2021). We also conducted key informant interviews with regional administrators. What the analysis presented here suggests is that there are different readings of Italy's achievements in using the ESF. Exploring these contrasts constitutes our entry point to unravelling the puzzle of Italy's unspent funds (Section 1). To further develop the analysis, this chapter examines the institutional conditions and the tensions around the use, lack thereof, or late use of the ESF in Italy (Section 2). It explores how the puzzle of unspent funds plays out and what it reveals about the nature of the ESF (Section 3). What makes the case of Italy's relation to the ESF even more interesting and timely is that it sheds light on a mode of governance shaped at the same time by national, regional and supranational institutions, norms and interests as well as by flows of funds and ideas that converge and materialise in a variety of administrative, political and financial practices. It therefore contributes to a broader reflection on the role (actual and represented) of the state in delivering social commitments at a time of globalisation, European integration, and economic crises.

2. Making Sense of the 'Achievements' in Using Funds

- 3 The state-citizen relationship deriving from the institutional design of European structural and investment funds involves at least three levels of governance, from the subnational to the supranational. Institutional structures and mechanisms of governance derive from rules and governing bodies from the EU, national and regional levels (Moravcsik, 2002). The core linking element of this institutional architecture is the set-up of Operational Programmes (OPs) at the national and the regional level. EU structural funds, and in particular the European Social Fund, on which we focus our analysis, are used to fund both regional and national OPs. They are anchored in EU Directions (through the priority themes of the seven-year programming identified by the EU Commission) as well as in national priorities. One of the principles governing their use and allocation is additionality: these funds are meant to have a complementary function and they do not replace national policies and resources. Over the last seven-year programming (2014–20), which corresponds to our period of analysis, the total amount of these funds is over USD 344 billion (EUR 330 billion).¹
- 4 The note on the budget regarding European cohesion policies published on the Italian Parliament's website reports the financial implementation of European Structural Funds up to 31 December 2019: by this date, which corresponds to the last but final year of the programming period, the total payments made with those funds correspond to

30.7 per cent of the programmed resources. This result is presented as follows in the press release quoted in Note:

By 31 December 2019, [our] EU spending targets were also fully achieved. According to what is reported in the Communication of the Cohesion Agency of 2 January 2020,² the expenditure incurred and certified to the European Commission as of 31 December 2019 is equal to 15.2 billion euros, with a level of the draw of Community resources to be applied to the budget EU [of] around 9.6 billion euros, equal to 113 per cent of the target set at 8.4 billion. This is a result that largely exceeds the expenditure thresholds envisaged by 31 December 2019 for all Operational Programmes (Camera dei deputati, 2022, [author's translation]).

- 5 The updated figures from September 2021 indicate overall spending of 47 per cent, the second lowest percentage among Member States (European Commission, n.d.). It is interesting to note that Italy's spending targets are presented as 'fully achieved', and even as exceeding the target set by the Italian government. The presentation of this 'achievement' is puzzling though. This percentage seems, at first glance, rather low in absolute terms, especially given that there is only one year left to complete the programme cycle. In relative terms too this is a good 11 percentage points below the average of EU countries on the same date; the European average (58.8 per cent³) also seems quite low at first glance, which arguably points to some specificities connected to the use of these types of funds throughout Europe. If we consider the overall value of payments on programmed resources, Italy is in third to last position among all EU Member States, trailed only by Spain and Croatia. It is also third to last in terms of the financial amount relating to the projects that have been selected, in this case with a figure corresponding to 84 per cent of the planned⁴. According to the latest data, available on the open data website of DG REGIO, the EU Commission's department for regional and urban policy, during the period 2014 to 2020 Italy was consistently among the slowest countries to commit planned resources (i.e. to decide on assignments from budget allocations to projects) and to spend them (with the expenditure being certified).⁵ What does the presentation by Italian institutions of their spending 'achievements' tell us? These formal assessments need to be unpacked if we are, on the one hand, to grasp the nature of the funds and, on the other, form understandings of the state accountability and political subjectivity that underlie their use.
- 6 As highlighted by Bubbico and De Michelis (2011, 1), '[t]he financial execution of Structural Funds has become a key topic in recent debates about the functioning and the future of Cohesion Policy'. We argue here that exploring the data, reports, and narratives of financial executions is also a productive way of starting to explore the success/failure represented by the use (or not) of the funds. In the Italian case, in a large part of the policy reporting the objective is said to be met ('target achieved') when the available funds are spent. This also applies in accounts at the regional level, when regional administrations report on use of European funding. Financial execution does not, however, subsume the effective implementation or the effectiveness of the activities that are funded. The absorption versus effectiveness divide is a recurring theme among scholars and practitioners. Existing studies on several EU countries also inspire caution with regard to striving to increase the absorption rate of the funds without supporting regional growth (Aivazidou et al., 2020). This plays out quite clearly in a regional case study conducted by the author in the Italian region of Basilicata. Located in the south of the Italian peninsula, between Campania, Calabria and Puglia, it is one of the main recipients of European funds in proportion to its regional GDP, due to its relatively low development indicators. The regional study conducted there aims

at highlighting some key issues connected to the implementation of ESF programmes and especially how that implementation is presented by among regional administrators. It is not meant to be representative of regional programmes in Italy at large, or of the southern regions. In fact, development indicators and administrative contexts do not always correlate with levels of unspent funds. In Italy, the Apulia region is one of the fastest in its use of ESF resources (Martucci, 2019), outstripping regions with higher development indicators and development capacity: in October 2021, certified expenditures for the regional programming for 2014–20 (composed of the ESF and European Regional Development Fund (ERDF)⁶) amounted to 81.2 per cent of the total budgeted. Only the Piemonte, Valle d'Aosta, and Lazio regions featured higher rates, with 96.1 per cent, 95 per cent, and 87 per cent, respectively. Our case study of the Basilicata region finds that this territory presents significant differences—in terms of inhabitants and the presence of internal resources—to the less developed regions of southern Italy. For the four southern regions (Campania, Puglia, Calabria and Sicilia) that still have an average income of under 75 per cent of the Community average, the projects financed by the ESF and the ERDF represent an important contribution to the growth of employment, the development of tangible and intangible infrastructures, the promotion of professional skills, and social development. Investigating the reasons for funds remaining unspent in any one of these regions may lead to a vision of the development induced by European funds that is different from the one that emerged from the Basilicata case study.

- 7 The data collected on the ESF and related OPs and projects, as well as the interviews conducted with regional administrative actors, point to a number of important issues in the implementation phase of ESF-supported projects in Basilicata. The ESF is meant to foster employment, promote social inclusion and develop professional skills. The objectives of supported projects range from socio-occupational integration to disadvantaged people's access to services to continuing education and training activities. However, our interviews highlighted the necessity of combining these funds with long-term investments that are meant to foster employment. Regional socio-economic development seems, in fact, to be understood by regional stakeholders as a primary objective of European funds. As in other regions, the main institutional issues that were raised in Basilicata pertain to the need for long-term programming and planning and procedural simplification. Importantly to our study of the ESF, the fragmentation of objectives and interventions as well as, oftentimes, the lack of additional resources seem to: 1) hinder the Fund's use, 2) affect the quality of the projects, and 3) affect the projects' effectiveness. Besides, tensions and/or inaction may jeopardise effective access to ESIFs at the regional level. The duality between financial stakes and benefits, on the one hand, and project impact, on the other, was also quite clear. Even if they were actually used, they were not always perceived to have been used most effectively. As in the context of scarcity of funds, analysed by G. K. Karanth⁷ in India, being able to generate resources is in fact key for public administrations.
- 8 Financial absorption and execution can serve as proxies for describing the differing regional implementation performance of Member States. Low levels of financial execution tend to be connected to administrative failures (such as inadequate planning) (Terracciano and Graziano, 2016). But as already delineated, Italy's case is outstanding only up to a certain point, the average rate of financial execution across Member States also being rather low. Interestingly, the differences observed do not necessarily superimpose onto the usual distinctions and classifications made in terms

of regional administrative performance.⁸ There are therefore a set of processes and practices, partly connected to the accounting of the funds, that are to be understood as part of the very nature of these funds, and warrant further attention. The specificity of ESIFs, we argue here, is that they are administered in a situation where it is in all stakeholders' interests not to have Member States 'losing' funds. This is reflected, for example, in an interview carried out in 2019 with Loris Di Pietrantonio, Head of Unit at the European Commission for the European Social Fund Policy and Legislation. Answering a question on the progress of Italy's spending capacity, which was reported to be below the European average, Mr. Pietrantonio explained that Italy had lost 'just over 0.2 per cent of its ESF budget for the 2014–20 period to date', adding that 'the Italian authorities, in cooperation with the Commission, [were] closely following the evolution and preparing corrective actions to avoid new losses of resources'.

- 9 For EU institutions themselves—in particular the Commission—ESIFs remaining unspent represents a failure: their activities are therefore also geared towards remedying the causes of this phenomenon and limiting its scale. This leads us to the 'accounting' component of the funds, a key aspect in our understanding of their evolving nature against the backdrop of the reforms enacted at both the EU and the domestic level.

3. Why Are Funds Not Spent, or Spent Late?

3.1 Timeline and Mechanisms of Accounting

- 10 To tackle the broad and complex question of why the funds are not spent, or are spent late, one needs to examine the regulations specific to the funds as well as overall administrative capacities. The complex processes involved in the allocation, management, certification and accounting of funds may lead to delays at various levels. Financial management processes are also subject to legal requirements for financial control, which are periodically revised by the European Commission. The first institutional level at which delays may occur involves the Commission. As explained by Bubbico and De Michelis (2011, 1):

[T]he statements of expenditure from the different operational programmes are collected and submitted by Certifying Authorities to the Commission three times a year. This process automatically results in a substantial delay between implementation in the field, e.g. the start of a project by a beneficiary, and financial execution, corresponding to the European Commission's registration of the claim request. Estimating this delay is difficult, since there is no immediate claim from the managing authorities to the Commission.

- 11 More generally, the identification of funds as 'unspent' is informed by a time factor. A sizeable share of unspent ESF monies is only nominally included in national and regional budgets. In fact, actual money transfers have usually not fully taken place by the cut-off date at which the funds are deemed unspent, since in most cases transfers take place as ex-post reimbursements to Member States by the European Commission (once expenses have been incurred and the activity evaluated).⁹ Therefore, the cut-off date at which funds can be deemed unspent (or decommitted) does not coincide with the end of the programming period. In addition, the European Commission has extended the deadline for the possible use of such funds, which can now be used for up to two years after the programme has formally ended. In this sense, the Italian case

may need to be nuanced, as the data show that much of the spending tends to take place towards the very end date of the programming period. As a consequence, Italy 'shifts its delay' to the following programming as it does not spend much in the first and second years because it still has funds from the previous programming. In fact, the certification of the expenditures is accepted up to three years after the end of the programming period – in the EU administrative language, this is commonly referred to as the 'n + 3 rule'.

- 12 More generally, EU member states have tried to maintain the possibility of using EU resources through reprogramming the Operational Programme set out at the beginning of the cycle, adding or modifying the actions foreseen in the original planning in order to facilitate their use¹⁰. The timeline and the control of timing have therefore been key to efforts to address the challenges of financial execution. The first years of a programming feature low absorption rates, which are followed by increasing yearly expenditures in the middle and final years of implementation. In practice, however, the end of the programming period overlaps with the start of the new one, and different programming periods run simultaneously under the supervision of the same authorities (Bubbico and De Michelis, 2011). This particular time—the transition between two programmings—has proven particularly challenging for administrations, especially in countries prone to late spending, such as Italy, as they have to continue managing the previous period while starting work on the new one, adapting administrative structures to new regulations and rules; all with essentially the same administrative and human resources. Seen from this perspective, the year 2021 was an even greater challenge, as the first year of the new 2021–27 programming coincided with the launch of new European funding instruments for sustaining the economy in response to the disruptions caused by the pandemic (Monti, 2021).
- 13 For the EU programming period 2021–27, the Commission proposed to 'modernise Cohesion Policy, the EU's main investment policy and one of its most concrete expressions of solidarity' (European Commission, 2018). This modernisation comprises simplified access to funds, a single rule book, and more flexibility in order to cope with unforeseen events. The simplifications proposed are also expected to reduce delays compared to previous cycles (Agrello, 2019). Regarding the decommitment of resources, in order to promote sound financial management, the regulation provides for the rule 'n + 2' (instead of the current 'n + 3'). This means that the verification by the Commission of the certification of expenditures is carried out at the end of year 'n + 2', one year earlier than before. The resources allocated to an OP may then be automatically decommitted after two years.
- 14 In parallel, there have been reforms in Italy itself around the management of ESIFs.¹¹ Starting from the 2000–06 programming cycle, subnational governments were assigned the most significant portion of resources in areas including material and intangible infrastructures. The importance of the regional level in Italy must be highlighted, especially given the changes in overall constitutional arrangements provided for by a 2001 reform. The interplays between national and regional levels have not necessarily been smooth. Institutional reforms enacted since 2011 may also be read as attempts, on behalf of the central government, to (re)gain more leverage in the political and administrative steering of ESIFs.
- 15 In August 2013, a new agency in charge of the monitoring and control of funds was created by the government. The mission of the Agenzia per la coesione territoriale (the

Territorial Cohesion Agency), placed under the direct responsibility of the President of the Council, is to support, promote and accompany projects concerned with the development and the cohesion of territories. The steering role of the Presidency of the Council was reinforced in 2018,¹² especially in terms of planning and direction, while the Territorial Cohesion Agency was resized, becoming an 'ancillary' body that ensures support for the activities of the Presidency of the Council, to whom it can also propose measures to speed up interventions. The Agency, meanwhile, is now entitled—generally, and no longer only in an experimental fashion—to the direct functions of a Managing Authority for programmes financed from ESIFs. In the event of inaction or default by public administrations, the government can exercise substitute powers in order to avoid the decommitment of European funds. To this end, the Presidency of the Council makes use of Invitalia, the national agency tasked with attracting investment and with business development.¹³ The role of Invitalia has therefore been strengthened, as its support seems to have become a mandatory step in the exercising of any substitute powers (Agrello, 2019).

- 16 As already mentioned, a variety of factors determine the absorption of EU funds, both specific to the funds themselves, on the one hand, and related to the state and its administration, on the other. To what extent, then, does administrative capacity determine absorption?

3.2 Administrative and Budgetary Capacities

- 17 The lack of expenditure (and late expenditure) in Italy is connected to the country's capacity for absorbing funds. *Capacità di spesa* (spending capacity) is a recurring theme in the Italian political and scholarly debate over EU funds. Besides administrative capacity, budgetary capacity affects the absorption of funds, particularly because of the co-financing principle (Van Wolleghem, 2020). However, the availability of those resources is variable: regional governments are subject to constraints around cash payments linked to the rules of the *patto di stabilità interno* (internal stability pact), which are increasingly restrictive. According to Terraciano and Graziano (2016, 295),

The '*patto di stabilità interno*' implies that even when there are no anomalies on the reporting side, the government cannot deliver the sum due: this results in delays in both the implementation of interventions and in expenditure reporting. In other words, financial constraints, mainly related to the ever-changing financial framework and the problematic state of public finances, strongly impact on the capacity of regional governments to spend Structural Funds and ultimately to implement the interventions outlined in their regional Operative Programmes. [author's translation]

- 18 Cash flow issues may therefore be relevant to the application of ESIFs in many instances. Besides, Italy's administrative capacities have been the object of much attention in policy fora and in scholarly research. Management responsibilities being shared between the European Commission and Member States and the involvement in the various implementation stages of a plurality of actors, both public and private, have resulted in a very complex system of procedures and controls that, in turn, require a high level of capacity of public administrations (Polverari, 2020).
- 19 Managing ESIFs requires a sound administrative and organisational structure, on the one hand, and national budgetary capacity, on the other. 'Capacity', however, takes on different meanings according to the funds concerned. Italy has a high and steady

implementation rate compared with other EU countries for other EU schemes that are not as demanding as ESIF as far as budgetary and administrative capacities are concerned. This is the case for the European Integration Fund (EIF), the Fund for the integration of third-country nationals, where Italy has one of the highest levels of funds absorption among EU member (Van Wolleghem, 2020). This Fund is characterised by simplified spending rules and fewer co-financing requirements. It also precludes the principle of subsidiarity, allowing funds to be used for activities under the purview of regular state activities.

- 20 Administrative capacity refers to the ability of an administration to evaluate, contract, implement and monitor the projects supported by the Fund (Milio, 2007). As described by Van Wolleghem (2020),

In order to use the amounts [...] allocated, the state must ensure it follows management and financial rules and foresees monitoring and control mechanisms; notably through the designation of a responsible authority (usually ministries of the interior for the EIF), a certifying authority (for the expenditure) and an audit authority. Accordingly, administrative capacity likely eases implementation; and the higher the administrative capacity, the swifter the adaptation to EU requirements (and hence the higher the implementation rate).

- 21 Without the necessary human and organisational resources, the administrative machinery of the state can not function effectively and efficiently in its role as a bridge between public policy objectives and their actual realisation (Polverari, 2020). However, processes of state restructuring in countries such as Italy have further reinforced divergence in administrative capacities (Ciani and de Blasio, 2015). Italy's expenditure per inhabitant on public administration is among the lowest in Europe (De Masi, 2020, 7). The limits of Italian administrative capacities are illustrated by reductions in its personnel: in the last decade, the Italian public administration has lost 9 per cent of its staff (Polverari, 2020, 52).¹⁴ This crucial problem is temporarily tackled, in the context of ESIFs, by the outsourcing of technical assistance, expenses for which can be covered by the Funds themselves. After Poland, Italy in fact devotes the largest sum of all European countries to Technical Assistance (TA). Outsourcing government activities is a common way to cut public expenses. But as shown by Polverari (2020), instead of supporting the processes of strengthening administrations from the inside, Technical Assistance tends to fill the existing capacity gaps within the administrations through only a temporary use of external resources. Moreover, it does so at a high cost—with much more being paid for consultancy activities than the equivalent salaries of civil servants. Finally, TA tends to be oriented in support of management processes and the implementation of programmes (and therefore in favour of the Managing Authorities of programmes and/or intermediate bodies that have management functions), and only to a very limited extent in support of beneficiaries. Externalising TA corresponds to a temporary and costly intervention, but it is seen as an enabler of the proper implementation of programmes. Importantly, it is supposed to minimise the risk of having to return resources or of incurring penalties as a result of negative audits.
- 22 The 'Plan for the South', launched in February 2020 by the Minister for the South and Territorial Cohesion, emphasised that the 'improvement of administrative capacity is a priority need at all levels of government and in all public policies' and announced the creation of a programme for reinforcing administrations and for 'administrative regeneration' (Governo Italiano, 2022). The Council of the European Union has itself issued several statements and has recommended Italy adopt 'structural measures in

order to improve the management of EU funds in the Southern Regions'.¹⁵ Taking stock of these structural issues, the Partnership Agreement with Italy that governs the 2014–20 programming cycle includes an administrative strengthening strategy. Furthermore, there is a National Operational Programme targeted at 'governance and institutional capacity' that mobilises public investment of around USD 834 million (EUR 800 million) (European and national resources combined) to develop administrative and institutional capacity, modernise the public administration, and strengthen multilevel governance.

- 23 Besides administrative and budgetary capacity, policy capacity plays an important role in the delivery of effective public action. Policy capacity is the ability to drive the necessary resources to set strategic directions for the allocation of scarce resources to public ends (Painter, 2002). However, it is informed by a number of supranational processes, as highlighted by Painter and Pierre (2005):

Administrative reforms in much of the Western world have arguably removed some of the policy capacity of the state by displacing political and institutional capacity downwards in the political system, outwards to agencies and NGOs, or upwards to transnational institutional systems such as the European Union (EU).

- 24 An idea of fragmentation in the overall development strategy emerged from the interviews conducted. The use of the expression *mettere a sistema* (include in the overall system) by informants denoted the need, in their view, to integrate European financial resources with other resources with a view to ensure regional social and economic development. This points to the centrality of policy capacity at the regional level in a context where, in Italy, the regional level of governance has been entrusted with key planning competencies, including producing development plans. While specific capacities have been reshaped and redistributed among actors and across levels of governance, funds themselves have been informed by a series of evolutions, induced by practices and revealed by crises, as will be explored in the next section.

4. The Nature of 'Social Funds' in the Context of European Integration

- 25 Analysing administrative practices along the flows of funds in Italy, and the overall discourses around them, enables us to gauge how these funds are represented in social and political imaginaries. A structuring question that emerged during fieldwork in Basilicata was to what extent ESF-funded projects are and can be part of the journey to regional development. European funds are understood as shapers of some types of activities in southern Italy. These activities tend to be perceived as scattered and oftentimes not connected with the territory's most urgent needs. Significantly, the timeline of European programming cycles has become predominant, taking over the former, longer-term cycle of policy planning. Relatedly, European funds have informed policy and political processes at regional and local levels. At the same time, they represent sizeable financial resources, which may enhance and/or substitute national funds. The representation of ESF as substitutes for state funding at times of scarce liquidities was quite widespread in our interviews. This aspect is to be further investigated in practical and formal terms, since the possibility of formally using ESF for activities that are ordinarily covered by state budgets would change the very nature

of the Fund, and also, as a consequence, affect mandates, beneficiaries, and benefits from the Fund.

- 26 Overall, ESIFs are governed by the principle of additionality, which prevents Member States from substituting their national funding with EU funding (Dellmuth et al., 2017; Monti, 2016). The flexibility that was allowed in the context of the emergency response to COVID-19 (Desai et al., 2020; Tesche, 2021) with regard to the use of ESIFs for activities that were previously excluded from the purview of the Funds (since they would not have been in line with the principle of additionality) is actually not completely new. By tracking the data on potential adjustments with regard to greater flexibility in this respect before 2020, one can recast an evolution that had started already a decade earlier. This evolution was prompted by the 2008 financial crisis, which had widespread socio-economic impacts. Italy in particular faced an acute crisis of liquidity and investments—a situation close to a *de facto* lack of additionality, characterised by fewer resources being available for public investments and by greater constraints on the use of those resources that were available. It turns out that some administrations, especially local ones, used ordinary public investments as ESIFs co-funding, while central, and to some extent also regional, administrations increasingly chose to report as ESIF-funded projects that had already been implemented with other resources. As explained by Agrello (2019), these are the so-called coherent projects, carried out using other financial resources, which can then be claimed under Structural Funds provided they are consistent with the objectives of the EU-funded programmes.
- 27 In particular, since the 2008 crisis—the long-lasting effects of which were still manifest when the COVID-19 pandemic hit Italy—ESIFs have constituted, to an extent that still needs to be assessed, 'replacement' resources. A side note made by Gagliardi (2014) in his study of the then-upcoming ESF programming cycle draws attention to an interesting case. It relates to a social safety net called *Ammortizzatori Sociali in Deroga* (ASD). Financed by the Italian state and not reliant on contributions from companies or workers, it was introduced in 2008 to cover sectors otherwise ineligible for any safety net (hence the term 'in derogation'). ASD have been used to extend the duration of welfare provisions to those who had already benefited from social safety nets.¹⁶ Gagliardi (2014) observes:

[T]he aspect that is believed to have marked negatively the programming cycle that just ended is represented by having hijacked in 2009—for public budget needs—an important share of resources for the planning of the ESF (about 25 per cent) on the financing of social safety nets in derogation (30 per cent until 2011; 40 per cent until 31.12.2012). This operation turned out to be complex, as, being to the regulations of the Structural Funds and the ESF in particular, it is forbidden to use Structural Funds to finance subsidies, be these to the unemployed or—as in the Italian case—of people on layoffs in derogation. In fact, it is assumed that this type of expenditure falls within the fully qualified public spending tasks of a country, and cannot be financed by the EU (...). [author's translation]

- 28 The amounts indicated by Gagliardi are sizeable (25 per cent of ESF planned resources in 2009) and the procedural aspects are intriguing. How could such large amounts be 'hijacked', to use his term? A thorough scrutiny leads to a more nuanced qualification. Already, in Gagliardi's account there are certain formal aspects of compliance whereby ASD beneficiaries were to undertake (uselessly, according to Gagliardi) training activities in order to comply with the requirements of the ESF. Moreover, as far as the interplays between national procedures and EU norms are concerned, there are elements of formal embracing of the funding of ASD through the ESF on the European

Commission's behalf. But this practice of co-funding through the ESF was discontinued in 2012 according to the National Social Security Institute (INPS), which distributes social welfare benefits.

- 29 Gagliardi's critique is grounded in what he presents as the 'necessity to use the ESF in a systematic and concentrated way'[author's translation], avoiding dispersion in small projects and/or in policy issues that should be financed by ordinary national public resources. Else, the critical nodes that significantly limit the development of Italy's regions may not be addressed (Gagliardi, 2014, 23). This example is useful to illustrate the ambiguities and the tensions over the nature of the ESF (and ESIFs in general). Is the ESF meant/able to act as an extraordinary or supplementary driver for social cohesion? What would be its effectiveness and legitimacy if it were to also supplement ordinary allocations of the state, especially in the context of crises? The second scenario opens up a different identity of the interventions financed by the funds, as the shift from investments to safety nets affects their temporality, the identification of beneficiaries, the types of benefits, et cetera. Especially if those safety nets are not designed at the European level, or with an attempt to harmonise them across Member States, the identification of the community at the receiving end is affected too, as is whether it is constructed by or beyond national markers.
- 30 Examining the spending dynamics of European funds in Italy through the prism of 'unspent funds' therefore reveals a set of processes that are connected to 1) administrative practices and capacities at national and regional levels, 2) the political dynamics that inform those processes and the governance of the funds, and 3) changes to the original institutional design of the funds in the context of emergency and crises, which can be understood as important markers in the evolution of the European integration project. From this perspective, EU funds and institutions have been taking on a greater role in delivering social commitments at a time of economic and health crises, a process that is likely to significantly impact the interplay between regional, state and supranational institutions in the long term.

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NOTES

1. Conversions throughout this chapter are based on the rates for June 2022, when EUR 1 was worth USD 1.04.
2. See https://www.agenziacoesione.gov.it/news_istituzionali/programmazione-comunitaria-2014-2020-centrato-obiettivo-target-di-spesa-raggiunti-da-tutti-i-programmi/ (accessed on 7 July 2022; author's translation).
3. Author's calculation based on <https://cohesiondata.ec.europa.eu/overview#> (accessed on 7 July 2022).
4. The financial execution of EU structural funds takes place according to four sequences, each one being referred to by a specific term: 1) Funds are first 'decided', i.e. allocated from the European Commission to the Member States, based on mutually agreed objectives and operational programmes; 2) Funds are then 'allocated' to projects, with managing authorities taking the programming decision to allocate the funds decided upon to projects; 3) They are subsequently 'committed' to operational programmes and finally 4) They are 'paid' when they are transferred by the Commission to the managing authorities. See Bubbico and De Michelis (2011).
5. See, also, Polverari (2020, 65).

6. In European programmings, OPs can be fund-specific or multi-fund. They can cover entire Member States and/or regions. OPs provide for selecting, implementing, monitoring and evaluating the individual projects according to the priorities and targets agreed between the Commission and the national or regional Managing Authorities. See Ceddia, this volume.
 7. See his chapter in this volume.
 8. See Luciano Monti's chapter in this volume.
 9. The Commission acknowledged the issue of delays in reimbursements, and tackled it by increasing the rate of advance payments in 2009.
 10. See Ceddia's chapter in this volume.
 11. For details of specific reforms around management issues, see Triulzi (2020), Migliaccio (2011) and Molinari (2015).
 12. art. 4-ter del DL 86 del 12 luglio 2018, <https://www.normattiva.it/uri-res/N2Ls?urn:nir:stato:decreto.legge:2018-07-12;86> (accessed on 7 July 2022).
 13. Invitalia is the National Development Agency, and is the responsibility of the Ministry of Economy and Finance. See <https://www.invitalia.it/chi-siamo/agenzia> (accessed on 7 July 2022).
 14. According to the Ministry for the South and Territorial Cohesion (2020, 60) 'The data are even more worrying if attention is focused on employees of local authorities and the southern regions'. Overall, Boeri and Rizzo (2020) estimate that only in the next three years the Italian public administration will lose about 300,000 staff members.
 15. A 2013 statement reads, 'The low capacity of the public sector, especially at the local level, to administer funding represents a barrier to investments in all sectors due to complexity procedures, overlapping of responsibilities and poor management of the public service. The inadequacy of skills in the public sector limits the ability to evaluate, select and manage investment projects [...] The improvement of administrative capacity it is an indispensable prerequisite to ensure effectiveness in the provision of public investments and the use of Union funds, with positive spillover effects on investments private individuals and GDP growth'.
 16. See <https://www.lavoro.gov.it/temi-e-priorita/ammortizzatori-sociali/Pagine/orientamento.aspx> for an overview of the social safety nets (accessed on 11 August 2022).
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ABSTRACTS

This chapter focuses on the spending dynamics around one of the largest social funds globally: the European Social Fund (ESF). More specifically, it explores the institutional conditions and the tensions around its use/lack thereof in Italy, one of the largest recipients of the Fund. While financial execution does not subsume the effective implementation or the effectiveness of the activities that are funded, the chapter suggests that it is a key marker in the policy debate in Italy, and seeks to analyse the terms of this debate by placing it in its institutional and financial context, in particular against the backdrop of reforms enacted at both the European Union (EU) and the domestic level. It argues that late spending is not only a marker of a series of institutional blockages, it also reveals a specific mode of governance that is shaped at the same time by national, regional and supranational institutions, norms, and interests as well as by flows of funds and ideas that converge and materialise in a variety of administrative, political and financial practices.

Ce chapitre traite de la dynamique des dépenses de l'un des plus grands fonds sociaux au monde : le Fonds social européen (FSE). Plus précisément, il explore les conditions institutionnelles et les tensions qui entourent son utilisation ou son absence en Italie, l'un des principaux bénéficiaires du Fonds. Bien que l'exécution financière ne soit pas synonyme de mise en œuvre effective ou d'efficacité des activités financées, le chapitre suggère qu'il s'agit d'un marqueur clé du débat politique en Italie, et cherche à analyser les termes de ce débat en le plaçant dans son contexte institutionnel et financier, tant dans le contexte des réformes adoptées tant au niveau de l'Union européenne (UE) que sur le plan national. Il soutient que les dépenses tardives ne sont pas seulement le marqueur d'une série de blocages institutionnels; elles révèlent également un mode de gouvernance spécifique qui est façonné tout à la fois par des institutions, des normes et des intérêts nationaux, régionaux et supranationaux ainsi que par des flux de fonds et d'idées qui convergent et se matérialisent dans une variété de pratiques administratives, politiques et financières.

Questo capitolo si concentra sulle dinamiche di spesa di uno dei più grandi fondi sociali a livello globale: il Fondo sociale europeo (FSE). Più specificamente, esplora le condizioni istituzionali e le tensioni relative al suo utilizzo/assenza in Italia, uno dei maggiori beneficiari del Fondo. Sebbene l'esecuzione finanziaria non sostituisca l'effettiva attuazione o l'efficacia delle attività finanziate, il capitolo suggerisce che si tratta di un indicatore chiave nel dibattito politico in Italia e cerca di analizzare i termini di questo dibattito collocandolo nel suo contesto istituzionale e finanziario, in particolare sullo sfondo delle riforme promulgate sia a livello di Unione Europea (UE) che a livello nazionale. Il documento sostiene che i ritardi di spesa non sono solo un indicatore di una serie di blocchi istituzionali, ma rivelano anche una specifica modalità di governance che è plasmata allo stesso tempo da istituzioni, norme e interessi nazionali, regionali e sovranazionali, nonché da flussi di fondi e idee che convergono e si concretizzano in una varietà di pratiche amministrative, politiche e finanziarie.

INDEX

Keywords: welfare funds, European Union, European Social Funds, funding mechanisms, income distribution, financing mechanisms, financial globalisation, tax and development, urban development, civil society, transparency and accountability

Geographical index: Italy

AUTHOR

CHRISTINE LUTRINGER

Christine Lutringer is Executive Director and Senior Researcher at the Albert Hirschman Centre on Democracy, Geneva Graduate Institute. Her work explores democratic practices in the context of the mobilisation of new social and political actors. She is Senior Researcher in the SNSF Sinergia project "Reversing the Gaze: Towards Post-Comparative Area Studies", which is coordinated by the University of Basel. As part of a team at the University of Edinburgh, she interrogates theories of the administrative state through an examination of unspent social welfare funds in India and Italy.