Call for risk assessment of unspent public funds.

Deval Desai, Christine Lutringer, Luciano Monti *

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The limits to actual spending capacities represents a matter of critical policy relevance as well as political importance. It is even more urgent to examine and address it as governments and other executive bodies have mobilized massive amounts of funds to respond to multifaceted economic crises and the still ongoing energy crisis. Financial indicators are no more recognized as the most appropriate way to evaluate programmers' performance as proxies for output and outcome indicators. Against this backdrop, we suggest that an analysis of past expenditure trends may point to underspending or delays that, in turn, could represent a "warning bell" of scarce impact and underperformance both in current and future investments implemented with similar financial instruments and in the same area.

**Respectively: Lecturer Edinburgh Law School; Executive Director, Albert Hirschmann Centre on Democracy, Graduate Institute di Ginevra; Director of Policy Observatory, Luiss School of Government*

Introduction

In the context of SNSF Sinergia project "Reversing the Gaze", the Edinburgh Law School hosted an international workshop on the management and expenditure of public funds in Europe. The context of the workshop is the project team's ongoing study, across developmental contexts, of unspent and underspent public funds. This research captures the institutional context, and technical and political drivers, of underspending and of failure to achieve targets. The limits to actual spending capacities represents a matter of critical policy relevance and political importance. It is even more urgent to examine and address it as governments and other executive bodies have mobilized massive amounts of funds to respond to multifaceted economic crises, and as they are willing to act in similar ways to address the energy crisis. Both within and beyond the EU, the ways in which democratic governments have designed, funded and delivered welfare since the pandemic have led to political and institutional reconfigurations of the administrative state, as well as to changing citizen's expectations.

In terms of underspending, the brute financial indicator is no more recognized as the correct way to evaluate programmers' performance as output and outcome indicators – indeed, the latter could better test the impact of public investments. Nevertheless, full and timely expenditure could be considered the precondition of any good performance of public investments.

Late or partial expenditure might be symptomatic of a range of factors. These include resource management challenges; public – or public-private – administrative limitations, including in fiscal capacity; and a high volume of projects to be managed. These factors can negatively impact current and future public investment. Other interdependent factors can also shape public investment patterns, including the local context, the rules settling investments and identifying beneficiaries, and contingent macroeconomic conditions.

While an investigation into past expenditure trends might not isolate specific causal factors, underspending or delays in spending public funds could be considered a "warning bell" of scarce impact and underperformance both in current and future investments implemented with similar financial instruments and in the same area.

The public database Opencoesione collates large-scale fiscal data about the expenditure and use of European Regional Funds and European Social Funds in Italy. This national database allowed the Policy Observatory of the Luiss School of Government to explore underspending and/or expenditure delays through the EU's Multiannual Financial Framework (MFF) 2007-2013 and MFF 2014-2020 (to be spent before December 2023) in Italy – a period of more than 15 years.

Using this data, the Policy Observatory identified sectors where public investments have consistently and significantly been underspent. The starting point was the median percentage expenditure (total payments divided by total public financing) in each sector (individual projects funded by MFF funds are allocated to "sectors" of activity, ranging from infrastructure to welfare). Researchers then drilled down into the data to identify subsectors (e.g. social services, active policies public security, sport and leisure) and by territorial macro-areas (NUT 1 level) that had the lowest percentage of expenditure of funds over the programming cycles MMF 2007-2013 and MFF 2014-2020.

Recommendations

On the basis of this analysis, the Luiss researchers then produced a score-board of underspending by project subsector in macro regional areas. This is proposed as an initial framework for a rapid risk-mapping within new programmed investments (i.e., MFF 2021-2027, or National Recovery and Resilience Plans-RRNPs).

This work also provides an invitation to other researchers to study similar databases; and to provide input for civil servants to provide risk assessments for ongoing and future investments in Europe or in other national or multilateral investments.