

## **Place-neutral policy for place-sensitive societies: A spatial assessment of Italy's PNRR**

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Since the Great Recession, spatial inequalities – and, more precisely, the widening divide in socioeconomic and institutional development between growing and left-behind places – have become a leitmotif. Earlier, the dominant approach to policy intervention for spatial development, both in academia and policy circles, had largely consisted in public investment in such strategic sectors as physical infrastructure, human capital, research and innovation. In recent years, this “sectoral” approach has been challenged by proponents of a more “territorial” or “place-based” approach. The latter discourage policy makers from specifying sectoral interventions *ex ante*, but rather encourage them to understand the specific needs and preferences of each place, and to design policy intervention accordingly. Although it can be traced back to the OECD Territorial Reviews, the place-based approach has gained traction since the publication of the Barca Report in 2009, especially as EU cohesion policy is concerned (see Mendez, 2013). Somewhat surprisingly, however, the EU response to the Covid-19 crisis, and notably the establishment of the Recovery and Resilience Facility (RRF), has marked a return to the sectoral approach: among other things, the RRF has identified six sectoral priorities at which interventions should be targeted, and has concentrated power over implementation in the hands of national executives. That the design of RRF is – in many respects – place neutral, however, does not mean that the RRF does or will not have spatial implications. On the contrary, precisely because of its place-neutral design, we expect that the impact of the RRF will differ remarkably across places. In some contexts, the RRF may even exacerbate spatial inequalities.

In the present paper, we set out to perform a territorial assessment of Italy's national recovery and resilience plan (PNRR per Italian acronym). Spatial inequalities in socioeconomic and institutional development are deeply rooted in Italy – both between and within the twenty administrative regions. Besides, although regional and local government (and social partners) have had little voice in the design of the PNRR, not least because the PNRR had to be drafted within tight deadlines, most interventions are being or will be delivered locally. Thus, we expect that the impact of the PNRR will largely depend on the capacity of local organisations to secure funds for projects, and to manage and/or outsource project delivery. To be sure, because the Italian government has introduced a clause that allocates at least two fifths of the PNRR budget to the southern regions, which have historically been

characterised by lower socioeconomic and institutional development, it is unlikely that resources will cluster in the more developed regions of the North. Yet such a simple tweak may have the side-effect of concentrating resources in those southern places that fare better than the rest of the South.

To study these and other hypotheses empirically, we look at the projects delivered in the PNRR framework until March 2023. We merge the two main datasets compiled by the Italian government with project-level information, isolating over 50,000 single projects. We use spatial data analysis to map out the distribution of projects and project finance across the country. We then estimate multi-level models – with projects clustered in municipalities, in turn clustered in administrative regions – to predict the distribution of projects and project finance with indicators of local socioeconomic and institutional development. We also estimate the effect of the two-fifth clause discussed earlier on the allocation of resources.

Overall, we find that, although the PNRR was designed with little regard for space and places, policy outputs have a markedly territorial character. Our findings invite national and EU policy makers to think much more carefully about the spatial implications of the RRF, and more broadly about the spatial implications of place-neutral policy.