Assessing the drivers of project time efficiency under Next Generation EU: Evidence from Italy

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Extended abstract

The paper examines the drivers of time efficiency in projects financed under Next Generation EU (NGEU) focusing on the Italian case.

Ex ante macroeconomic assessments estimated sizable medium-run impact from NGEU interventions. Yet the magnitude and persistence of these effects depend on Member States' ability to identify high-quality investments and deliver them efficiently. Indeed, evidence from EU cohesion policy reveals important cross-country heterogeneity in absorption capacity and implementation performance.

As the largest beneficiary of NGEU resources in absolute terms, Italy constitutes a particularly interesting case. Its pronounced regional disparities and prior difficulties in EU cohesion funds absorption suggest that it may provide a potential testing ground for assessing the replicability of the NGEU governance model. Moreover, the availability of detailed project-level information through ItaliaDomani and OpenPNRR enables granular empirical assessments.

The study takes into account the regional dimension of implementation performance by examining the regional factors that influence the time efficiency of NGEU projects. In addition, we analyse the role of the different levels of implementing body, distinguishing between centralized and decentralized execution and test for potential non-linearities in the relationship between institutional quality and time efficiency conditional on the level of the implementing body. Project-level characteristics, such as the financing amount and presence of co-financing from other funds beyond NGEU, are also incorporated to account for project dimensionality and complexity as well as coordination effects.

Among the main findings, regional context factors, such as development level, institutional quality and agglomeration economies, emerge as a key determinant of project execution speed.

Centralized implementation at the national government level by ministries proves significantly more time-efficient than decentralized implementation involving regions and municipalities. Moreover, the centralized implementation is particularly effective in context where regional institutional capacity is weak. Among institutional dimensions, control of corruption, rule of law, and voice and accountability are most strongly associated with execution speed. Projects co-financed by other sources exhibit longer execution times, likely reflecting coordination efforts, including procurement of additional funds. Many robustness checks substantially corroborate the results.

Our findings carry relevant policy implications. Slower implementation in less-developed regions, particularly in Southern Italy, risks exacerbating existing North-South disparities. Linked to this point, low absorption rates under the 2021-27 cohesion policy, which is the policy specifically designed to mitigate regional inequalities, further raises concerns.

If the governance model developed under NGEU were to be incorporated into the design of the 2028-34 cohesion policy framework, the role of regional programming, together with the principles of subsidiarity and partnership, long-standing cornerstones of EU structural funds, could be significantly downsized.

At the same time, it is worth considering whether a more centralized governance model could better support less developed regions, a conclusion increasingly supported by recent literature.

Keywords: Next Generation EU, Recovery and Resilience Facility, Italian regions