

Italy: Confidence vote in the Senate passes easily; House of Deputies up next

A focus on the pandemic emergency, on the use of Next Gen EU funds and the implementation of reforms will be the backbone of Mario Draghi's government, which we expect to last until the end of the legislature



Former ECB president Mario Draghi to form a national unity government in Italy after the previous coalition collapsed

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A quick solution to the government crisis

The Italian government crisis proved relatively short-lived, as expected. It took only 23 days from former PM Conte's resignation until the full installation of Draghi. The first confidence vote, held last night in the Senate, was uncontroversial. 262 MPs voted in favour, and only 40 against, with a required majority of 152. Today's vote in the House of Deputies looks set to confirm a very ample parliamentary support.

The high standing of Mario Draghi and the precise presidential mandate to form a high-profile government not constrained by any pre-set political formula had created the pre-conditions for an ample majority to be formed.

Draghi managed to bring on-board all members of the majority that supported the Conte 2.0 government

Indeed, after a couple of rounds of consultations Draghi managed to bring on-board all members of the majority which had supported the Conte 2.0 government with the addition of Forza Italia and, more notably, of the League, which had to profess a pro-European and pro-Atlantic conversion. The decision to support Draghi cost the 5SM the defection of a small group of MPs. The only party that consistently decided not to support the Draghi government was the right wing Fratelli d'Italia.

A mixed technocrats/politicians roster for the new national unity government, with a focus on Next Gen EU

The genesis of the new government builds on a very strong coordination between President Mattarella and Mario Draghi, who convened to give birth to a cabinet combining some technocrats and politicians. Reportedly, PM Draghi had a very ample margin of manoeuvre in the choice of technocrats for the ministries which will have to manage the Next Generation EU funds. Here his choice fell on an experienced safe pair of hands: the new Economic and Finance Minister is Daniele Franco, the former director general of the Bank of Italy, with a very strong background in the analysis of public finance issues. Roberto Cingolani, the former head of the Italian Institute of Technology, will head the Ministry for Ecologic Transition; Vittorio Colao, a former CEO of Vodafone, will lead the Ministry for Technological Innovation and Digital Transition, and Enrico Giovannini, a former head of the National Statistical Institute, will head the Ministry of Infrastructures.

Beyond Covid-19 emergency, Draghi will focus on reforms and efficient use of EU Recovery and Resilience Funds

In his programmatic speech yesterday at the Senate, PM Draghi sketched the priorities of his government, whose objective will be to help “reconstruct the Country, like in the post-war era” within an undisputable pro-European and Atlantic framework. He understandably started mentioning his intention to strengthen the fight of the Covid-19 pandemic through an acceleration of the roll-out of vaccines, but soon after it became clear that the main focus will be on completing and implementing the national recovery and resilience plan and the set of reforms which will have to accompany it. The reform of the public administration, of justice, of competition and education were all mentioned together with that of the tax system, which, according to Draghi, will be tackled with a comprehensive approach. Interestingly, he spent a good deal of time stressing the need to fill the employment and career gender gaps. This whole effort of reforms and investments is obviously meant to help the Italian economy shift to a higher growth potential, incidentally helpful in fostering debt sustainability in the medium term.

Not necessarily easy sailing, as the alliance is very heterogenous

The heterogeneous nature of the new government coalition might solicit ideologic calls on past flagship themes when divisive dossiers such as justice or migrants will eventually be tackled.

However, overall, we believe that the overarching need to act quickly, both on the vaccination and on the RRF fronts, will in principle limit the scope for sterile wars of position among the different souls of the majority. It will not necessarily be easy sailing, but we expect that some form of auto-containment of dissent will eventually prevail, limiting the scope for the risk of another government crisis to become uncontrollable and an inevitable snap election the only possibility left.

Political incentives might help Draghi complete the legislature

Indeed, the balance of political incentives should work in that direction. If the members of the past coalition would likely have a lot to lose from a snap vote (think of the 5SM, very close to a split), the new joiners, and in particular the League, will need some time in power to reassure the European establishment that their swift pro-European and pro-Atlantic conversion was not instrumental to jump on the bandwagon and have a part in the management of EU funds. Having said that, we believe that PM Draghi will have to constantly exert his art of reconciliation to avoid unnecessary delays, a practice which might prove fatiguing.

The finalisation of the National Recovery and Resilience Plan the first field test

The first relevant field test for the new government will be the amendment and integration of the national recovery plan, which has to be submitted to the EU Commission before the end of April. Here Draghi anticipated that the new governance will be coordinated by the Ministry of Economy and Finance, in cooperation with the other involved ministries. With the deadline getting closer, an acceleration will be of the essence.

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