

## Italy: Election day's results support government continuity, for the time being

The election day which combined the constitutional referendum with 7 regional elections was not disruptive for the government coalition members, reducing the scope of short-term political risk. An electoral law reform is likely to add to an already challenging list of recovery fund-linked reforms



Source: Flickr

### Italians strongly in favour of trimming the number of MPs

The referendum question submitted to voters asked them whether they wanted to confirm the constitutional laws proposing the reduction of the total number of Italian MPs to 600 (from 945), which had already been passed by votes in both branches of the Italian parliament. Opinion polls published before the 15-day blackout period preceding the vote had anticipated the victory of the Yes vote (confirming the reduction) with a range of 65% to 70% of votes in favour.

The vote followed a dull campaign, in which most party leaders expressed a preference driven

either by consistency with previous parliamentary votes (this is the case of Salvini, the leader of the League, and by Meloni, the leader of Fratelli d'Italia, which had supported the reduction in the parliamentary passages) or by government alliance concerns (the case of Zingaretti, the leader of the PD party, which had opposed the reform in the parliamentary passages and quietly supported it during the referendum campaign) rather than by strong conviction. Only the 5SM, and more notably Di Maio, the current foreign minister of the Italian government and former leader of the 5SM, campaigned actively for the approval of the constitutional amendment. The referendum, which did not require a quorum, had a 53.8% turnout. It was a relatively high number, possibly helped by the concurrence with the regional vote for some 18 million voters.

In line with what opinion polls had anticipated, the referendum ultimately approved the reduction by a very ample margin, with 69.9% in favour and 30.1% against.

## **The referendum result a victory for the 5SM, and positive for the government coalition**

The referendum result is politically relevant because the reduction in the number of MPs has historically been one the strongholds in the political offer of the 5SM. The result comes at a time when the 5SM, still led by a pro-tempore leadership, is still living with an identity crisis, torn between anti-establishment calls and government duties. Existing divisions between the different souls of the party might be temporarily smoothed as a result of the vote, and the risk of a party split possibly diluted.

Another side effect of the referendum will likely be to accelerate the genesis of a new electoral law. As requested by the PD and agreed by the 5SM, a reduction in the number of MPs would call for a different electoral law to preserve representativeness. We expect the debate on the issue to gain traction over the next few weeks, possibly in the direction of a proportional model corrected with a parliamentary entry threshold, whose details would call for negotiations with the junior allies of the current government coalition.

## **The PD managed to hold the three key regions, limiting damages**

The regional election round took place in 7 regions (Veneto, Liguria, Tuscany, Marche, Puglia, Campania and Valle d'Aosta), some of which are dimensionally relevant. Only in Liguria did the PD and the 5SM (the main partners in the national government) manage to strike a local alliance for the vote; in all other regions they competed against each other. This by itself shows that so far the government alliance has failed to find common ground other than to fight the centre-right.

In the regional elections the focus was on whether the PD party would prove able to remain in power in Tuscany, a long time stronghold for the party, and in Campania and Puglia, currently run by PD governors. A defeat in Veneto was almost certain, and defeats in Liguria and Marche highly likely. According to partial data, it seems that the PD party managed to win in the three key regions, losing all the other tests. In our view such a result should temporarily strengthen Zingaretti's wobbling leadership within the PD party and reduce the short-term political risk for the Italian government alliance.

## Political risk temporarily down, focus back on recovery plan and reforms

Looking beyond the local relevance of the vote, the election day was seen as a potential source of political volatility should the final result point to a weakening of the current national government alliance. Based on the combined result of the constitutional referendum and of the regional votes, we believe this was not the case. The 5SM, notwithstanding a poor showing in the regional elections, could claim victory on the referendum front. The PD party, holding on in the big three regions contested by the centre right, could have its leadership bolstered, better placed to set the timing of reforms within the national coalition majority.

Looking ahead, the selection of projects (and reforms) to be included in the list suitable for recovery plan funding will likely be accompanied by the engineering of a new electoral law better suited to accommodate the new diminished composition of the Italian parliament with the need to guarantee representativeness. Both represent very ambitious challenges for the current government coalition and relevant testing ground for PM Conte's mediation skills.

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