Italy's National Recovery and Resilience Plan

Latest state of play

OVERALL RESOURCES

In absolute figures, Italy's Recovery and Resilience Plan is the largest national plan under the unprecedented EU response to the crisis triggered by the coronavirus pandemic. Italy has decided to use its entire national allocation under the Recovery and Resilience Facility (RRF), including its loan component. Totalling €191.5 billion, these resources represent 26.5% of the entire RRF, equal to 10.7% of the country's gross domestic product (GDP) in 2019 (the RRF being 5.2% of EU-27 GDP in 2019). In addition, Italy has earmarked national resources worth €30.6 billion to further strengthen a vast programme of reforms and investments that aims to promote the recovery of the Italian economy, while addressing a number of structural weaknesses as well as pursuing major objectives such as the green transition and the digital transformation. Measures under the plan are to be completed by 2026.

Following the Council’s approval of the plan, Italy received €24.9 billion pre-financing in August 2021. Further payments, in 10 instalments each for grants and loans, will depend on progress in implementing the plan. In December 2021, Italy submitted a first payment request worth €21 billion in grant and loan instalments. On 28 February 2022, the European Commission endorsed a positive preliminary assessment of this request.

The European Parliament, which was a major advocate for the creation of a common EU recovery instrument, participates in interinstitutional fora for cooperation and discussion on its implementation and scrutinises the work of the European Commission.
Country-specific challenges

In the context of the European Semester, the Council adopts country-specific recommendations (CSRs), providing Member States with policy guidance on how to boost jobs, growth and investment, while maintaining sound public finances. National Recovery and Resilience Plans (NRRPs) under the Recovery and Resilience Facility must help effectively address at least a significant subset of challenges identified in the 2019-2020 CSRs.

The European Commission groups the CSRs issued to Italy in 2019 and 2020 in 12 broad categories:

1) Public finances and taxation; 2) Labour market and social policies; 3) Education and skills; 4) Healthcare; 5) Research and innovation; 6) Digital infrastructure; 7) Energy, resources and climate change; 8) Transport; 9) Business environment and competition; 10) Public administration; 11) Justice system and anti-corruption framework; and 12) Financial markets and access to finance.

In 2020, the Council recommended that Italy take all necessary measures to effectively address the pandemic, sustain the economy and support the ensuing recovery. Investment should be focused on the green and digital transition, notably on clean and efficient production and use of energy, research and innovation, sustainable public transport, waste and water management, as well as reinforced digital infrastructure, to ensure the provision of essential services. The quality of infrastructure and support for research and innovation need to be upgraded, notably in southern regions, and the resilience and capacity of the health system should be strengthened. The Council also recommended, when economic conditions allow, the pursuit of fiscal policies aimed at achieving prudent medium-term fiscal positions and ensuring debt sustainability, while enhancing investment.

Various CSRs relate to productivity, a factor that different analyses have identified as a major hindrance to long-term economic growth in the country. Relevant challenges ascertained for the Italian economy include inefficiencies in the tax system, which should shift taxation away from labour, and in the labour market, which is characterised by high long-term unemployment. A comprehensive strategy should support and increase women’s participation in the labour market, not least through access to quality childcare and long-term care. Italy is the EU Member State with the highest share of young people (aged 20-34) neither in employment nor in education or training (NEETs), which points to the need for improvements in education and training outcomes, including through targeted investment. Another challenge concerns the effectiveness of the public administration, which requires investment in skills, digitalisation, and quality of local public services. Likewise, the efficiency of the justice system, whose lengthy proceedings have a negative impact on the business environment, needs to be improved.

Other recommendations focus on improving framework conditions for competition, reducing pockets of vulnerabilities in the banking sector and boosting non-banking access to finance for firms, particularly small and medium-sized enterprises (SMEs) and innovative firms.

Objectives and structure of the plan

On 30 April 2021, Italy submitted its €191.5 billion National Recovery and Resilience Plan to the European Commission. In addition, on 6 May 2021 a Complementary Fund was set up, with national resources worth €30.6 billion, to further strengthen the firepower of the NRRP as part of a broader strategy to modernise the country’s economy.

To promote synergies, Italy will use the NRRP governance structure and system of milestones and targets (see below) for the projects financed by the Complementary Fund.
In line with RRF provisions, the plan’s objectives are to: 1) help Italy recover from the severe socio-economic impact of the coronavirus pandemic; 2) contribute to addressing structural weaknesses of the Italian economy (i.e. low productivity growth; significant and persistent gaps in territorial development; women’s low participation in the labour market; delays in digitalisation, education and research systems); and 3) focus on the three strategic axes agreed as common challenges at EU level (digitalisation and innovation; ecological transition; and social inclusion).

More than 63% (€122 billion) of the RRF allocations are expected to be additional public investment that was not planned before the creation of the RRF. Compared to a scenario without the RRF, the government estimates that this increase in investment should raise GDP by up to 3.6% and employment by up to 3.2% by 2026. The unemployment rate is expected to decrease from 10.5% in May 2021 to 7.1% in 2026 as a result of both investments and reforms. In addition, the RRF is projected to increase overall investment in the Italian economy by 10.6% in 2026 compared to the baseline scenario, which should improve the country’s potential output in the long term.

Addressing the seven flagships areas for investments and reforms identified by the Commission for the RRF, the plan is structured around six fields of intervention (called ‘missions’) and includes 16 components (see Table 1 below), each to be implemented through a mix of investments and reforms. The objectives of the six missions are as follows:

1. ‘Digitalisation, innovation, competitiveness, culture and tourism’ aims to strengthen the administrative capacity of the Italian public administrations at central and local levels, support the digital transformation and the innovation of the production system, and invest in the competitiveness and resilience of two key sectors for the Italian economy, namely the tourism industry and the creative and cultural sector.

2. ‘Green revolution and ecological transition’ aims to increase the sustainability and resilience of the Italian economy, by supporting a fair and inclusive transition. Relevant measures relate to sustainable mobility, the production and use of renewable energy, energy efficiency of private and public buildings, the circular economy, and management of water and waste as well as hydrogeological risks.

3. ‘Infrastructures for sustainable mobility’ focuses on developing and reinforcing a high-speed rail network connecting all Italian regions, strengthening the regional network and improving the competitiveness and sustainability of Italian ports. Relevant initiatives should support modal shifts from road and air to rail, by improving rail capacity, connectivity and quality of service in key connections.

4. ‘Education and research’ aims to promote a knowledge-intensive, competitive and resilient economy, by strengthening the entire education and training system, enhancing digital and STEM (Science, Technology, Engineering, and Mathematics) skills, and supporting research activities and technology transfers.

5. ‘Inclusion and cohesion’ seeks to enhance employment opportunities, as well as social and territorial cohesion. Its measures are designed to facilitate participation in the labour market, strengthen active labour market policies and vocational training, support women’s empowerment and foster social inclusion.

6. ‘Health’ seeks to strengthen prevention and health services in Italy, modernise and digitalise the healthcare system and ensure fair access to care, with a view to responding to the increasing demand for healthcare stemming from the country’s demographic and epidemiological trends.

Across its six missions, the plan exceeds the expenditure targets that the RRF Regulation sets, at 37% of NRRP resources for the green transition and 20% for the digital transformation (see first page).

In addition, the NRRP identifies three horizontal priorities (youth, gender equality and territorial cohesion) that all missions are to address, in line with the specific challenges of the Italian economy.
According to government estimates, the plan should increase youth and female employment, by 3.2% and 4% respectively by 2026. In southern regions, such increases are projected to exceed the national average, reaching +4.9% for youth employment and +5.5% for female employment. Earmarking 40% of its resources for southern regions, the NRRP should help the South reduce its gap with the rest of the country and increase its contribution to national GDP from 22% in 2019 to 23.4% in 2026.

Table 1 – Components of Italy’s NRRP

<table>
<thead>
<tr>
<th>Mission (M)</th>
<th>Component (C)</th>
<th>RRF resources (€ billion)</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mission 1: Digitalisation, innovation, competitiveness, culture and tourism</strong></td>
<td>M1C1. Digitalisation, innovation and security in the public administration</td>
<td>9.7</td>
<td>5.1%</td>
</tr>
<tr>
<td></td>
<td>M1C2. Digitalisation, innovation and competitiveness in the production system</td>
<td>23.9</td>
<td>12.5%</td>
</tr>
<tr>
<td></td>
<td>M1C3. Tourism and culture 4.0</td>
<td>6.7</td>
<td>3.5%</td>
</tr>
<tr>
<td><strong>Mission 2: Green revolution and ecological transition</strong></td>
<td>M2C1. Circular economy and sustainable agriculture</td>
<td>5.3</td>
<td>2.7%</td>
</tr>
<tr>
<td></td>
<td>M2C2. Renewable energy, hydrogen, grid and sustainable mobility</td>
<td>23.8</td>
<td>12.4%</td>
</tr>
<tr>
<td></td>
<td>M2C3. Energy efficiency and renovation of buildings</td>
<td>15.4</td>
<td>8.0%</td>
</tr>
<tr>
<td></td>
<td>M2C4. Protection of land and water resources</td>
<td>15.1</td>
<td>7.9%</td>
</tr>
<tr>
<td><strong>Mission 3: Infrastructures for sustainable mobility</strong></td>
<td>M3C1. Investments in the rail network</td>
<td>24.8</td>
<td>12.9%</td>
</tr>
<tr>
<td></td>
<td>M3C2. Intermodality and integrated logistics</td>
<td>0.6</td>
<td>0.3%</td>
</tr>
<tr>
<td><strong>Mission 4: Education and research</strong></td>
<td>M4C1. Strengthening the provision of education services: from crèches to universities</td>
<td>19.4</td>
<td>10.1%</td>
</tr>
<tr>
<td></td>
<td>M4C2. From research to business</td>
<td>11.4</td>
<td>6.0%</td>
</tr>
<tr>
<td><strong>Mission 5: Inclusion and cohesion</strong></td>
<td>M5C1. Employment policies</td>
<td>6.7</td>
<td>3.5%</td>
</tr>
<tr>
<td></td>
<td>M5C2. Social infrastructure, households, the community and the third sector</td>
<td>11.2</td>
<td>5.9%</td>
</tr>
<tr>
<td></td>
<td>M5C3. Special interventions for territorial cohesion</td>
<td>2.0</td>
<td>1.0%</td>
</tr>
<tr>
<td><strong>Mission 6: Health</strong></td>
<td>M6C1. Local networks, facilities and telemedicine for local healthcare</td>
<td>7.0</td>
<td>3.7%</td>
</tr>
<tr>
<td></td>
<td>M6C2. Innovation, research and digitalisation of the national health service</td>
<td>8.6</td>
<td>4.5%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>191.5</strong></td>
<td>100%</td>
</tr>
</tbody>
</table>

Data source: European Commission, <SWD(2021) 165>. 
Reforms

The Italian NRRP stresses that reforms are an essential part of it and a catalyst for its implementation. Three broad categories of reforms are identified:

1. **Horizontal or context reforms** include various structural initiatives in two broad areas – public administration and the justice system – that are meant to improve the equity, efficiency, competitiveness and business environment of the country. They address a number of structural weaknesses, such as an ageing and understaffed public administration (13.4% of national employment vs. a 17.7% average in OECD countries) and lengthy proceedings in the justice system against the backdrop of a high backlog of pending cases. Reforms of civil and criminal procedures, tax courts, and public employment are examples in this category.

2. **Enabling reforms** concern other cross-cutting initiatives that support the implementation of all the missions in the plan, by promoting competitiveness and reducing administrative, regulatory and procedural red tape. Examples are the reform of public accounting rules, initiatives to reduce payment times by the public administration, and the annual adoption of a law for the market and competition to review regularly the state of legislation and remove possible regulatory constraints on the competitiveness and functioning of the markets.

3. **Sectoral reforms** support investments under individual missions of the NRRP, with a view to improving the efficiency of the regulatory and procedural frameworks in their respective fields of intervention.

Overall, the *Annex* to the Council Implementing Decision on Italy’s NRRP (see below) lists 60 reform measures, attributing each of them, including horizontal and enabling reforms, to an individual mission (see Table 2 below).

Table 2 – Reforms to receive support under Italy’s NRRP

<table>
<thead>
<tr>
<th>Mission 1</th>
<th>Mission 2</th>
<th>Mission 3</th>
<th>Mission 4</th>
<th>Mission 5</th>
<th>Mission 6</th>
</tr>
</thead>
<tbody>
<tr>
<td>No of measures</td>
<td>19</td>
<td>14</td>
<td>9</td>
<td>11</td>
<td>5</td>
</tr>
</tbody>
</table>

**Reform measures**

- ICT procurement
- Tax administration
- Spending review framework
- Civil justice
- Criminal justice
- Industrial property system
- Tourist guide profession
- Environmental criteria for cultural events
- Energy efficiency measures
- Green hydrogen incentives
- Waste management
- Water network
- Renewable plants
- Contract approval procedures for railway system
- National logistics for ports
- Bridges: risk classification and safety assessment
- Customs control desk
- Technical/vocational schools
- Qualifying diplomas for certain professions
- Teacher recruitment system
- R&D support measures
- Active labour and training policies
- Special Economic Zones governance
- Legal framework for disability
- Plan against undeclared work
- New governance for research and care institutes
- New strategy for the National Healthcare System
Investment

Over the 1999-2019 period, a relatively low level of investment, and especially in the public sector, is deemed to be one of the factors that hindered the growth of the Italian economy. The investment component of the NRRP aims to address this challenge, focusing its €191.5 billion of grants and loans on 132 measures that should help to increase the country’s growth potential in the long term. Table 3 provides an overview of measures and resources, including the three largest measures and examples of activities for each mission.

Table 3 – Largest measures to be supported under each mission of Italy’s NRRP

<table>
<thead>
<tr>
<th>Mission 1</th>
<th>Mission 2</th>
<th>Mission 3</th>
<th>Mission 4</th>
<th>Mission 5</th>
<th>Mission 6</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allocation € billion</td>
<td>40.29</td>
<td>58.46</td>
<td>25.40</td>
<td>30.88</td>
<td>19.85</td>
</tr>
<tr>
<td>No of measures</td>
<td>27</td>
<td>45</td>
<td>11</td>
<td>24</td>
<td>17</td>
</tr>
</tbody>
</table>

### 3 largest projects and % of the mission

- **Transition 4.0 - Digitalisation of manufacturing system**: 33.2%
- **Ultra-fast networks**: 16.7%
- **Investment in human capital to strengthen courts**: 5.6%

### Examples of activities

- **Grants for high-tech investments**
- **Ultra-fast broadband for 8.5 million families and businesses**
- **State-of-the-art internet connections for 12,000 hospitals and 9,000 schools**
- **Investment in the Space economy**
- **Sustainability of tourism facilities**

- **Energy efficiency and safety of buildings**: 23.5%
- **Territorial resilience of urban areas**: 10.1%
- **Renovation of bus fleets and green trains**: 6.1%

- **High-speed railway lines**: 33.7%
- **High-speed railway connections to the South**: 18.3%
- **Upgrading metropolitan railway junctions and key national rail networks**: 11.7%

- **Nursery plan**: 14.9%
- **Plans for upgrading school buildings and making them safe**: 12.6%
- **School 4.0 - innovative schools, new classrooms and labs**: 6.8%

- **Urban regeneration projects**: 16.6%
- **Innovative quality of living programme**: 14.1%
- **Integrated urban plans**: 12.5%

- **Upgrading hospital technology**: 26.2%
- **Home care and telemedicine**: 25.6%
- **Community houses**: 12.8%

### Ten largest measures

- **Ecobonus and Sismabonus up to 110% for energy efficiency and building safety (M2)**: €13.95 billion
- **Transition 4.0 (Digitalisation of businesses, R&D) (M1)**: €13.38 billion
- **High-speed railway lines (M3)**: €8.57 billion
- **Ultra-fast networks - ultra-wideband and 5G (M1)**: €6.71 billion
- **Safer districts and buildings, more efficient public lighting (M2)**: €6.00 billion
- **High-speed passenger and freight railway connections to the south (M3)**: €4.64 billion
- **Nursery plan (M4)**: €4.60 billion
- **Upgrading hospital technology (M6)**: €4.05 billion
- **Home as the primary venue of care, home care and telemedicine (M6)**: €4.00 billion
- **Plans to upgrade school buildings and make them safer (M4)**: €3.90 billion

### Share of total national RRF

- **36.4%**
Governance

Italy has created a multi-level governance system to ensure the implementation, monitoring and control of the plan. A legal act (Decree Law of 31 May 2021, No 77) sets governance provisions, identifying the responsible bodies and defining their competences and duties, while simplifying administrative procedures. Another legal act (Decree Law of 9 June 2021, No 80) sets measures to strengthen administrative capacity, including at local level, for implementation and monitoring.

A Steering Committee at the Prime Minister’s Office will regularly monitor progress towards the implementation of the plan (including the planned reinforcement of administrative capacity), ensure cooperation with economic, territorial and social partners, and interact with authorities in charge of measures for which issues related to implementation should arise. Likewise, horizontal priorities (green transition, digital transformation, territorial impact, gender equality, and youth) will be monitored. The Steering Committee is chaired by the Prime Minister; relevant ministers and state secretaries take part in its meetings, depending on the topics on the agenda. Every six months, the Steering Committee is to submit a report on the implementation of the NRRP to the two branches of the Italian Parliament. In addition, each year by 30 June (until 2027), the Government will provide the Italian Parliament with an annual report on the use of recovery funds and the results achieved thus far.

The Italian Ministry of Economy and Finance is responsible for the central coordination of the NRRP and is the single contact point for the European Commission on the plan. Its tasks concern monitoring, reporting and control of implementation, and include the establishment of an independent and dedicated audit body for the NRRP.

Central (ministries), regional and local administrations are in charge of implementing individual investment and reform measures, based on their respective areas of activity. They are to report to the Ministry of Economy and Finance on progress in implementation. Local authorities are expected to play an important role, since the investment measures entrusted to them amount to some €87 billion, accounting for over one third of the NRRP. At central level, the Ministry of Sustainable Infrastructures and Mobility (MIMS) is an example of an administration with a major investment portfolio under the NRRP, since it will manage projects worth €61.8 billion (of which €41 billion from EU resources and the remainder from national resources), which should create over 600,000 new jobs (around half of which in the construction sector). Fresh resources (€46.9 billion) that would not have invested without the NRRP represent 75% of the total amount. Another example of central administration with a key role is the Ministry of Ecological Transition (MITE) that was reorganised and reinforced to ensure proper implementation of the green dimension of the NRRP.

Commission assessment

On 22 June 2021, the European Commission positively assessed the Italian NRRP, proposing that the Council approve it. For 10 of the 11 assessment criteria set in the RRF Regulation (Annex V), the Commission attributed the highest possible rating (A) to the plan (see Figure 2). Criterion No 9, on cost justification, was the only one to receive a B (medium), the same rating the Commission attributed to all the NRRPs that it had positively assessed by the same date.

Under criterion No 1, the Commission concludes that Italy’s plan provides a comprehensive and adequately balanced response to the economic and social situation, contributing appropriately to the six pillars under the RRF (green transition; digital transformation; smart, sustainable and inclusive growth; social and territorial cohesion; health, and economic, social and institutional resilience; and policies for the next generation). The NRRP includes an extensive set of coherent and mutually reinforcing reforms and investments that help to effectively address all or a significant subset of the economic and social challenges outlined in the 2019 and 2020 CSRs (criteria No 2 and No 11).
The Commission finds that the plan focuses on growth-enhancing reforms and investments that are set to improve Italy’s growth potential, labour market conditions and social resilience (criterion No 3). According to **QUEST model simulations** carried out by the Commission, the economic impact of the NRRP could increase Italy’s GDP by between 1.5% and 2.5% and result in up to 240,000 additional jobs by 2026. However, these simulations do not include the possible positive impact of structural reforms, which could be substantial.

A wide range of NRRP reforms in key policy areas aim to address long-standing barriers to economic growth, which should enable the plan to bring enduring structural changes and have a lasting impact on the Italian economy and society (criterion No 7). To this end, effective and swift implementation will be key. Medium- and long-term increases in productivity growth should stem from various measures, such as investments in digitalisation, the green transition and education and research, as well as reforms (e.g. of public administration and the justice system) expected to improve the business environment. In addition, labour supply and equal access to skills are likely to increase thanks to labour market reforms and targeted investments, with a special focus on young people and women. The plan includes measures to strengthen the provision of social services, support the healthcare system and promote urban regeneration, which should increase economic resilience and social and territorial cohesion.

The Commission estimates the share of the allocation devoted to the green transition at 37.5% (criterion No 5), which is a downwards revision of the government’s assessment (40%), but still above the RRF requirement (37%). The plan is consistent with the Commission’s 2020 country-specific guidelines on the implementation of the Italian national energy and climate plan. Examples of measures include energy efficiency in residential buildings, production and use of renewables (clean hydrogen and bio-methane), reduction of GHG emissions from transport and agriculture, and investments in sustainable urban mobility and railway infrastructure. Reforms relevant to the green transition include those facilitating the authorisation of renewable power production.

Italy’s plan devotes 25.1% of its allocation to supporting digital transformation (criterion No 6), exceeding the RRF requirement (20%). The wide range of measures in this area include enhanced connectivity (expansion of ultra-fast broadband networks), digital transformation of the public administration, support for the digitalisation of Italian businesses, and skilling, upskilling and reskilling activities. In addition, the plan promotes the development and deployment of advanced digital technologies, albeit to a more limited extent.

According to the Commission, no measures in the plan significantly harm the environment, in line with the ‘do no significant harm’ (DNSH) principle embedded in the RRF provisions (criterion No 4). While the volume and quality of information about the cost estimates vary between measures, the estimated total costs of the NRRP are deemed reasonable, plausible, in line with the principle of cost-efficiency and commensurate with its expected impact (criterion No 9).

According to the Commission, no measures in the plan significantly harm the environment, in line with the ‘do no significant harm’ (DNSH) principle embedded in the RRF provisions (criterion No 4).

In addition, the assessment deems the control systems put in place by Italy adequate to protect EU financial interests, concluding that the plan provides sufficient details on national measures to prevent, detect and correct cases of conflict of interest, corruption and fraud in the use of financial resources (criterion No 10). A multi-level governance system to ensure effective implementation and monitoring of the plan has been established. The monitoring and reporting mechanisms, which include clear, realistic and appropriate milestones and targets, are well defined and in line with the intended purposes (criterion No 8).
Italy's National Recovery and Resilience Plan

Council decision and pre-financing

On 13 July 2021, EU economic and finance ministers approved the assessment of the Italian NRRP, as part of the first batch of 12 implementing decisions adopted by the Ecofin Council under the RRF.

The Annex to the Council Implementing Decision on the Italian NRRP sets the reforms and investment projects under the plan, and the arrangements and timetable for its monitoring and implementation, including relevant milestones (qualitative achievements) and targets (quantitative achievements), as well as the related indicators.

The Council confirmed that Italy is set to receive €191.5 billion (current prices, rounded) over the lifetime of the plan, of which €68.9 billion in grants and €122.6 billion in loans. The grant component has two parts: a fixed allocation amounting to €47.9 billion, to be committed by 31 December 2022; and a provisional allocation of €21 billion for 2023 commitments, to be updated on the basis of the relevant provisions in the RRF Regulation.

Following the Council’s approval, the European Commission and Italy signed the financing agreement (for the grant component) and the loan agreement, which cleared the way to a pre-financing payment equivalent to 13% of the country’s grant and loan allocation. On 13 August 2021, the Commission disbursed the pre-financing of €24.9 billion, which enables Italy to kick-start the implementation of the NRRP.

Part of the pre-financing will cover projects already ongoing in 2020-2021 and consistent with RRF provisions, since the RRF enables Member States to cover eligible measures that have started since 1 February 2020 (the outbreak of the pandemic). Notably, 106 projects are expected to receive funding, including €1.7 billion for the Simest Fund (internationalisation of SMEs), €1.6 billion for high-speed railways, and €0.5 billion to enhance the Ecobonus and Sismabonus schemes for energy efficiency of residential buildings and for anti-seismic interventions.

In December 2021, the Commission and Italy signed the operational arrangements for monitoring the NRRP, a pre-condition for Italy to submit payment requests. For both grants and loans, subsequent payments will be made in instalments subject to progress in the implementation of investments and reforms, based on a decision by the Commission that Italy has satisfactorily fulfilled relevant milestones and targets (see below). The Commission may pay the pre-financing and the instalments in one or several tranches, depending on the availability of funds. The pre-financing shall be cleared over time, being proportionally deducted from subsequent payments. The final deadline for completing milestones and targets is 31 August 2026.

European Parliament

Following the outbreak of the pandemic, the European Parliament was a major advocate of launching a common EU recovery instrument and established the RRF as a co-legislator with the Council. Based on the RRF Regulation and the Interinstitutional Agreement (IIA) on budgetary matters, Parliament can scrutinise the work carried out by the Commission in the assessment of national plans.

Within the European Parliament, the Conference of Presidents has established a Standing Working Group on the scrutiny of the RRF, comprising the Committee on Budgets (BUDG) and the Committee on Economic and Monetary Affairs (ECON). This Working Group prepares and follows up the recovery and resilience dialogue that Parliament holds every two months with the representatives of the European Commission.

In addition, the IIA provides for dedicated interinstitutional meetings between Parliament, the Council and the Commission on the implementation of the broader Next Generation EU recovery instrument. These meetings are organised in camera and are to take place at least three times per year. Through the discharge procedure, Parliament will also ensure democratic scrutiny of how NGEU resources are spent.
Milestones and targets

Apart from the 13% pre-financing disbursed in August, all other NRRP payments will depend on progress in implementing the Italian plan. In total, 10 instalments are planned for grants and 10 for loans. The gradual clearing of the pre-financing (see above) is set to reduce the actual disbursements for each instalment by 13%. Each instalment is linked to achieving a number of milestones (qualitative goals) and targets (quantitative goals). Based on the RRF Regulation, Italy must commit RRF resources by the end of 2023, while payments must be made at the latest by the end of 2026. Figure 2 shows that around half the payments for grants are expected to be concentrated in the first three instalments, while those for loans are more evenly distributed across the life-cycle of the plan.7

Overall, Italy will have to meet 213 milestones and 314 targets to implement its NRRP entirely. The former, which relate to qualitative achievements, are predominant in the first part of the plan (over 60% of total milestones are linked to the first three instalments); Italy has planned a significant frontloading of reforms. Various milestones and targets may be linked to a single investment or reform, corresponding to different steps in their implementation.

For grants, the first instalment amounts to €11.5 billion (or €10 billion net of pre-financing) and is linked to 28 milestones and one target. These include measures in the context of planned reforms, such as: enabling legislation for the civil justice, criminal justice and insolvency framework reforms; a review of possible actions to reduce tax evasion; and the reforms of the tertiary education system to improve educational outcomes. Various milestones are meant to facilitate the rapid and effective launch of investments, including: legislation to provide technical assistance and strengthen administrative capacity for implementing the NRRP; the reform of the public procurement framework; provisions to improve project evaluation in the local public transport sector; and decrees to promote the use of biomethane in the transport, industrial and residential sectors. For loans, the first instalment amounts to €12.6 billion (or €11 billion net of pre-financing), based on achieving 21 milestones and one target. Many of these measures should contribute to the roll-out of planned investments. Examples include: the plan for the digital update of hospitals' technological equipment by the Ministry of Health and Italian regions; a fund to support women's entrepreneurship; and a decree to implement new waste management plants and modernise existing ones.

In December 2021, the government sent the first implementation report on the NRRP to the Italian Parliament. On 30 December 2021, Italy submitted a payment request worth €21 billion (net of pre-financing) for the first instalments linked to the above-mentioned 49 milestones and 2 targets. On 28 February 2022, the Commission endorsed a positive preliminary assessment of the request. The Council’s Economic and Financial Committee (EFC) has one month to deliver its opinion, following which the Commission will adopt the final decision on the disbursement of the resources.

Views of Italian stakeholders

Carlo Bonomi, President of Confindustria (the association representing manufacturing and service companies in Italy), said that the NRRP is a unique opportunity that the country cannot afford to

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Figure 3 – Envisaged instalment schedule
miss, and especially so for southern regions. He argued that a public-private partnership is the only way to make a success of the plan.

A few days before the Italian Government submitted the NRRP to the Commission, the CGIL, CISL and UIL trade unions deemed their involvement in defining priorities, objectives and resources thus far to be insufficient, and called for trade unions to be effectively involved in the participative governance of the plan and the monitoring of its missions, components and horizontal priorities. The engineering branches of the same trade unions positively assessed Mission 5 of the plan and its contribution to industrial sectors and the labour market, underlining that the key challenge is now implementation.

Italian universities, which should receive €15 billion under the NRRP, see these resources as an unprecedented opportunity for investment. The Consiglio nazionale dei giovani (CNG, National Youth Council) deemed the measures addressed to youth to be in line with its proposals, but called for the creation of a committee tasked with monitoring the intergenerational impact of the plan and introducing corrective measures if needed.

Ahead of the presentation of the plan, Giovanni Sabatini, Director-General of the Italian Banking Association (ABI), outlined how the use of financial instruments planned under the NRRP to attract additional private investment could be streamlined. He stressed that incentives should be clear, easy to access and stable over time to enable potential investors to plan their activities properly.

**Expert debate**

Professor Jean Pisani-Ferry deems the massive size of the Italian plan to be an appropriate response to the challenges of a country whose debt situation does not stem from fiscal laxity but from lack of growth. The focus on a limited number of priorities and the governance assigning oversight of implementation to the Treasury should help avoid inefficient spending. While the plan is not likely to address all the structural weaknesses of the Italian economy, the key question will be whether it can raise productivity. In his view, the results of the Italian NRRP will determine the economic debate in the EU in the future, promoting either the concepts of solidarity and fiscal risk-taking as good investments, if successful, or a return to fiscal conservatism, if they are judged a failure.

Along similar lines, the European Council on Foreign Relations (ECFR) argues that the NRRP represents a unique opportunity for Italy to launch a medium- and long-term development strategy, and that its results are likely to shape EU integration in the years to come.

The OECD Economic Survey of Italy (September 2021) positively assesses the Italian NRRP, concluding that it is appropriately ambitious and prioritises reforms for critical constraints in the country. The OECD identifies three steps to reinforce further the impact of the plan: 1) supportive and increasingly targeted policies should be maintained until the recovery is well under way; 2) ongoing efforts to strengthen the effectiveness of the public sector should be stepped up; and 3) the NRRP should be coupled with a credible, medium-term fiscal plan, to be implemented only once the economy is fully recovered, to place national public debt on a sustained downward path.

According to the Citibank group, the impact on GDP will be lower than the 3.6% growth estimated by the government in the best scenario, but nevertheless significant, and especially so in 2023-2024. The positive effect will be due to the higher level of public and private investment triggered both by the NRRP and by the structural reforms planned by the government. The latter, if correctly implemented, would raise the potential growth rate of the Italian economy in the medium term.

Noting that southern regions now have a higher level of youth entrepreneurship than the national average but still lag behind in terms of digitalisation and innovation, Studi e ricerche per il Mezzogiorno (SRM), a think-tank linked to the Intesa Sanpaolo Group, considers that the mix of reforms and investment from the NRRP could offer a real opportunity for the South to close, at least partially, its historical gap with the rest of the country.

The CEPS think-tank deems the frontloading of reforms in the first years of the plan appropriate, since this approach should help to increase the structural impact of the NRRP in the medium and
long term. The authors assess most reforms as being in line with the CSRs and the objectives of the RRF. However, reforms in the labour market would address the CSRs only partially, and those in education and skills to a limited extent. Other concerns relate to the temporary nature of new personnel recruitment in the public administration, which might reduce the long-term impact of the measure, and the tight timeline for reforming the judicial system.

EUROPEAN PARLIAMENT SUPPORTING ANALYSIS

Next Generation EU: A European instrument to counter the impact of the coronavirus pandemic, EPRS, July 2020.
Economic and Budgetary Outlook for the European Union 2022, EPRS, January 2022.

OTHER SOURCES

Italiadomani, Web portal on the National Recovery and Resilience Plan, Government of Italy.

ENDNOTES

1 The graphics and tables in this briefing are based on data from the Italian National Recovery and Resilience Plan, documents of the Italian Parliament on the Plan, the Commission assessment, the Annex to the Council Implementing Decision, and the Italiadomani portal. Data used reflect their source at the time of extraction; moreover, there may be discrepancies between data from different sources.

2 In the framework of Next Generation EU (NGEU), Italy is to receive an additional €13 billion for cohesion policy spending under the REACT-EU programme.

3 The flagship areas are: 1) Power up – Clean technologies and renewables; 2) Renovate – Energy efficiency of public and private buildings; 3) Recharge and refuel – Sustainable transport and charging stations; 4) Connect – Rapid broadband services; 5) Modernise – Digitalisation of public administration; 6) Scale-up – Data cloud capacities and sustainable processors; 7) Reskill and upskill – Education and training to support digital skills.

4 M. Draghi, Foreword to Italy’s NRRP. Total investment in this period grew by 66% in Italy, while in the euro area it increased by 118%. In the country, public investment as a share of total investment decreased from 14.6% to 12.7%.

5 Part of the €20.8 billion from national resources are intended to cover additional components of the projects to be completed beyond the end of the NRRP (2026).


7 It should be noted that the expected timeline of disbursements from the Commission to Italy does not coincide with the timeline of RRF investments planned by Italy (see cover page). Reasons for these differences include: 1) the 13% pre-financing; 2) the feature enabling the RRF to retroactively finance eligible measures already started by the Member State (from February 2020); and 3) the Complementary Fund that can pre-finance some RRF activities with national resources.