BRIEFING

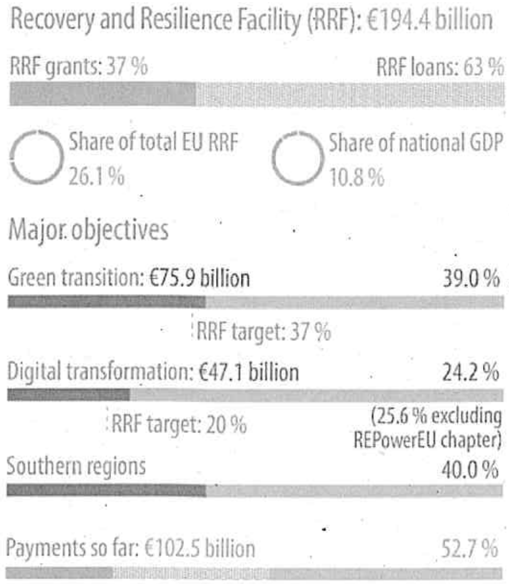
Next Generation EU (NGEU) delivery – How are the Member States doing?

European Parliament

Italy's National Recovery and Resilience Plan

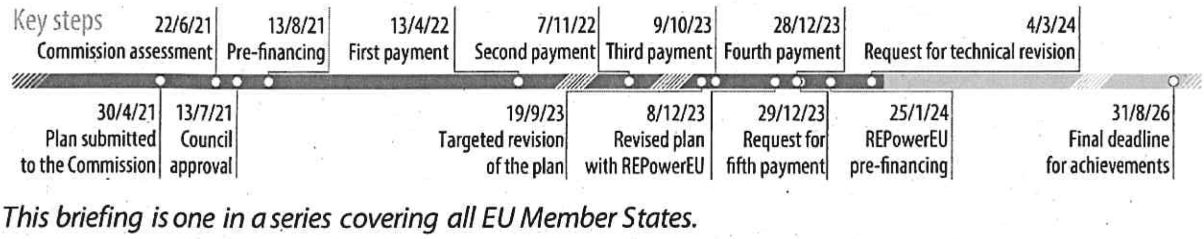
Latest state of play

OVERALL RESOURCES



In absolute figures, Italy's national recovery and resilience plan (NRRP) is the largest national plan under the ground-breaking Next Generation EU (NGEU) instrument. In December 2023, a revision brought about various changes to the plan: it is now endowed with EU resources worth €194.4 billion in grants and loans, representing 26.1 % of the Recovery and Resilience Facility (RRF), or 10.8 % of the country's gross domestic product (GDP) in 2019 (the RRF being 5.2 % of EU-27 GDP in 2019).[1] A slight upward revision of Italy's grant allocation in June 2022 and the inclusion of a new energy-focused REPowerEU chapter resulted in a €2.9 billion increase on the initial plan. In addition, Italy has earmarked national resources worth €30.6 billion to strengthen a vast programme of reforms and investment designed to promote Italy's economic recovery, while addressing a number of structural weaknesses and pursuing major objectives such as the green transition and digital transformation. Measures under the plan are to be completed by 2026.

Italy has so far received 52.7 % of the resources (€102.5 billion in pre-financing and four payments for both grants and loans); this is well above the EU average (34.5 %). Another six payments each for grants and loans will depend on further progress in implementation. At the end of 2023, Italy had spent €43 billion or 22 % of the EU resources available for its NRRP, which suggests the importance of the period through to August 2026 for full implementation, not least of its investment measures. A major advocate of creating a common EU recovery instrument, the European Parliament participates in interinstitutional forums for cooperation and discussion on its implementation and scrutinises the European Commission's work.



This briefing is one in a series covering all EU Member States.

EPRS | European Parliamentary Research Service

Author: Alessandro D'Alfonso; Graphics: Lucille Killmayer

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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. NRRPs under the RRF 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: i) Public finances and taxation; ii) Labour market and social policies; iii) Education and skills; iv) Healthcare; v) Research and innovation; vi) Digital infrastructure; vii) Energy, resources and climate change; viii) Transport; ix) Business environment and competition; x) Public administration; xi) Justice system and anti-corruption framework; and xii) 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. In 2022, Italy was the EU Member State with the second highest share of young people (aged 15 to 29) 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.

Under the 2023 European Semester, the country report on Italy identified challenges in the areas of public administration and administrative capacity, renewable energy and energy infrastructure, energy efficiency, sustainable transport, and green skills. In the 2023 CSRs, among other points, the Council recommended that Italy ensure an effective governance and strengthen the administrative capacity, particularly at subnational level, to allow for a continued swift and steady implementation of its recovery plan, as well as swiftly finalising the REPowerEU chapter and starting its implementation. In this context, the European Commission assessed the implementation of Italy's NRRP as under way, albeit with increasing risk of delays.

Objectives and structure of the plan

On 30 April 2021, Italy submitted its €191.5 billion NRRP to the European Commission.[2] Following its December 2023 revision, the Italian NRRP is now worth €194.4 billion and covers one additional field of intervention (the new REPowerEU chapter focused on energy).

In line with RRF provisions, the plan's **objectives** are to: i) help Italy recover from the severe socio-economic impact of the COVID-19 pandemic; ii) 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 iii) focus on the three strategic axes agreed as common challenges at EU level (digitalisation and innovation; ecological transition; and social inclusion).

Figure 1 – Breakdown of funding by mission

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Addressing the seven flagship areas for investment and reforms identified by the Commission for the RRF, the Italian NRRP is now structured around seven fields of intervention ('missions') and includes 17 components, each to be implemented through a mix of investments and reforms. In addition to introducing the REPowerEU chapter, the December 2023 revision has brought about modifications and resource shifts in all of the plan's existing components (see Table 1 below), including to address objective circumstances (e.g. high inflation and supply chain disruptions) that hindered the fulfilment of certain investments as originally planned. In total, 145 measures have been either modified or added. The objectives of the **seven missions** are as follows:

1. '**Digitalisation, innovation, competitiveness, culture and tourism**' aims to strengthen the Italian public administrations' administrative capacity 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. 3
2. '**Green revolution and ecological transition**' seeks 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. 4
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. 5
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. 6
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. 7
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. 8
7. '**REPowerEU**' focuses on accelerating the green transition, improving the regulatory framework that enables the rollout of renewable energy sources, and meeting immediate security of energy supply needs in line with REPowerEU objectives. 9

Table 1 – Components of Italy's NRRP

Mission (M)	Component (C)	RRF resources (€ billion)	Share	Change vs initial plan (%)
Mission 1: Digitalisation, innovation, competitiveness, culture and tourism	M1C1. Digitalisation, innovation and security in the public administration	9.74	5.0 %	+ 0.2 %
	M1C2. Digitalisation, innovation and competitiveness in the production system	24.99	12.9 %	+ 4.6 %
	M1C3. Tourism and culture 4.0	6.60	3.4 %	- 1.0 %
Mission 2: Green revolution and ecological transition	M2C1. Circular economy and sustainable agriculture	8.12	4.2 %	+ 54.1 %
	M2C2. Renewable energy, hydrogen, grid and sustainable mobility	21.97	11.3 %	- 7.6 %
	M2C3. Energy efficiency and renovation of buildings	15.57	8.0 %	+ 1.3 %
	M2C4. Protection of land and water resources	9.87	5.1 %	- 34.4 %
Mission 3: Infrastructures for sustainable mobility	M3C1. Investments in the rail network	22.79	11.7 %	- 8.0 %
	M3C2. Intermodality and integrated logistics	0.95	0.5 %	+ 51.4 %
Mission 4: Education and research	M4C1. Strengthening the provision of education services: from crèches to universities	19.08	9.8 %	- 1.8 %
	M4C2. From research to business	11.00	5.7 %	- 3.8 %
Mission 5: Inclusion and cohesion	M5C1. Employment policies	7.71	4.0%	+ 15.8 %
	M5C2. Social infrastructure, households, the community and the third sector	8.32	4.3 %	- 25.8 %
	M5C3. Special interventions for territorial cohesion	0.88	0.5 %	- 55.3 %
Mission 6: Health	M6C1. Local networks, facilities and telemedicine for local healthcare	7.75	4.0 %	+ 10.7 %
	M6C2. Innovation, research and digitalisation of the national health service	7.88	4.1 %	- 8.7 %
Mission 7: REPowerEU	M7C1. REPowerEU chapter	11.18	5.7 %	NEW
	Total	**194.42**	**100.0 %**	**+ 1.5 %**

Source: EPRS, based on European Commission, SWD(2021) 165 and SWD(2023) 392.

Overall, the plan exceeds the 37 % expenditure target for the fight against climate change, devoting €75.9 billion (39 %) to this objective. The highest contributions come from missions 2, 3 and 7. Conversely, mission 1 provides more than half of the digital contribution, followed by missions 4 and 6. With relevant expenditure estimated at around €47 billion (25.6 % of the resources without REPowerEU),[3] the plan meets the 20 % digital target as well. In addition, the NRRP identifies **three**

horizontal priorities (youth, gender equality and **territorial cohesion)** for all missions, in line with the Italian economy's specific challenges. Earmarking 40 % of its resources for southern regions, the NRRP should help Southern Italy reduce its gap with the rest of the country. Under the original plan, more than 63 % of the RRF allocations were expected to be **additional public investment**.

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 plan's missions, 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 investment 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 new Council implementing decision on Italy's NRRP (see below) lists 66 reform measures (+7 as compared with the initial plan, of which 5 under REPowerEU), 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

	Mission 1	Mission 2	Mission 3	Mission 4	Mission 5	Mission 6	Mission 7
No of measures	21	14	9	10	5	2	5
Examples of reform measures	- ICT procurement - Tax administration - Spending review framework - Civil justice - Criminal justice - Industrial property system - 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	- Streamlining permitting procedures for renewable energy at central and local level - Reduction of environmental harmful subsidies - Plan for new skills: transitions

Investment

Over the 1999-2019 period, a relatively low level of investment, especially in the public sector, is deemed to be one of the factors that hindered the growth of the Italian economy.[4] The NRRP's investment component aims to address this challenge, focusing its €194.4 billion of grants and loans on 149 measures[5] that should help to increase the country's growth potential in the long term. In the initial plan, 61.8 % of the resources was classified as public investment; 19.6 % as current expenditure, transfers to households and reduction in employers' social security contributions; and 18.7 % as tax incentives for businesses. Table 3 provides an overview of measures and resources, including the three largest measures and examples of activities for each mission. After the revision, two measures (green fleet for regional public transport and smart grids) have entered the list of the 10 largest of the plan thanks to additional resources earmarked under REPowerEU.

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

	Mission 1	Mission 2	Mission 3	Mission 4	Mission 5	Mission 6	Mission 7
Allocation € billion	41.3	55.5	23.7	30.1	16.9	15.6	11.2
No of measures	29	42	13	24	16	8	17

	Mission 1	Mission 2	Mission 3	Mission 4	Mission 5	Mission 6	Mission 7
Three largest projects and % of the mission	Transition 4.0 – Digitalisation of manufacturing system: 32.4 % Ultra-fast networks: 12.8 % Support for the production system for the ecological transition, net zero Technologies, and strategic supply chains: 6 %	Energy efficiency and safety of buildings: 25.1 % Renovation of bus fleets and green trains: 6.8 % Strengthening smart grids: 6.5 %	High-speed railway lines: 36.8 % High-speed railway connections to Southern Italy: 16.2 % Upgrading metropolitan railway junctions and key national rail networks: 12.5 %	Plans for upgrading school buildings and making them safe: 14.6 % Nursery plan: 10.8 % School 4.0 – innovative schools, new classrooms and labs: 7 %	Innovative quality of living programme: 16.5 % Urban regeneration projects: 11.8 % Integrated urban plans: 5.3 %	Home care and telemedicine: 30.4 % Upgrading hospital technology: 25.9 % Community houses: 12.8 %	Transition 5.0 – Energy transition of production processes: 56.4 % Financial instrument for energy renovations of public and social housing: 12.4 % Regional public transport railway fleet (scale-up): 9 %
Examples of activities	At least 111 700 tax credits to firms under Transition 4.0 Fast internet for at least 3.4 million additional house numbers as well as 8 700 hospitals and 9 000 schools 70 % reduction in the number of pending cases in administrative regional courts and the Council of State 42.3 million citizens with an eID	Installation of at least 1 383 000 kW solar power generation capacity Enhanced electricity grid Purchase of 3 000 low-emission buses Completion of at least 365 km of cycling lanes in metropolitan areas and 746 km of tourist cycle paths	Increased railway connections and reduced journey times Upgrade of 38 railway stations, including improved accessibility Renewable energy and energy efficiency interventions at ports	150 480 new places in nurseries Connected learning devices for 100 000 classrooms 165 000 scholarships to facilitate university access New research doctorates responding to enterprises' innovation needs	Enhanced job centres and new programmes for upskilling and reskilling New women's company fund Support for at least 5 000 people with disabilities for renovation of home space and/or provision of ICT devices At least 1 080 urban regeneration projects	307 renovated community hospitals and 1 038 new community health houses Purchase of 3 100 state-of-the-art items of large sanitary equipment Digitalisation of 280 hospitals	Electrification of energy consumption reaching at least 1 730 000 inhabitants 300 MW increase in the electricity interconnection nominal capacity between Italy and Austria Smart National Transmission Grid: New 5G equipment or ICT architecture in at least 40 stations

Ten largest measures

Share of total national RRF

	€ billion
Ecobonus and Sismabonus up to 110 % for energy efficiency and building safety (M2)	13.95
Transition 4.0 (Digitalisation of enterprises, R&D) (M1)	13.38
High-speed railway lines (M3)	8.73
Transition 5.0 (Energy transition of production processes) (M7)	6.30
Ultra-fast networks - ultra-wideband and 5G (M1)	5.29
Zero-emission trains and buses for regional public transport (M2 + M7)	4.80
Home as the primary venue of care, home care and telemedicine (M6)	4.75
Plans to upgrade school buildings and make them safer (M4)	4.40
Strengthening smart grids (M2 + M7)	4.06
Upgrading hospital technology (M6)	4.05

Governance

Italy has established a multi-level governance system to ensure the NRRP's implementation, monitoring and control. Law of 29 July 2021, No 108 set governance provisions, identifying the bodies responsible and their competences and duties, while simplifying administrative procedures. Law of 6 August 2021, No 113 set measures to strengthen administrative capacity, including at local level, for implementation and monitoring. Following its taking up office, the new government introduced changes to the plan's governance under Law of 21 April 2023, No 41.

A **Steering Committee at the Prime Minister's Office** regularly monitors progress towards implementation of the plan, ensures cooperation with economic, territorial and social partners, and interacts with authorities in charge of measures for which implementation-related issues might arise. Relevant ministers and state secretaries take part in the Steering Committee 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; the fourth report was released on 22 February 2024.

In the updated governance system, the **Minister for European Affairs, Southern Italy, Cohesion Policies and the NRRP** is the plan's Delegated Political Authority, responsible for its central coordination and negotiations with the European Commission. Within the General State Accounting Department of the **Ministry of Economy and Finance**, a dedicated General Inspectorate is in charge of operational coordination on the implementation, financial management and monitoring of the plan, control and reporting to the EU, as well as of support for the Delegated Political Authority and for implementing administrations. Likewise, an independent and dedicated audit body for the NRRP is established within the General State Accounting Department.

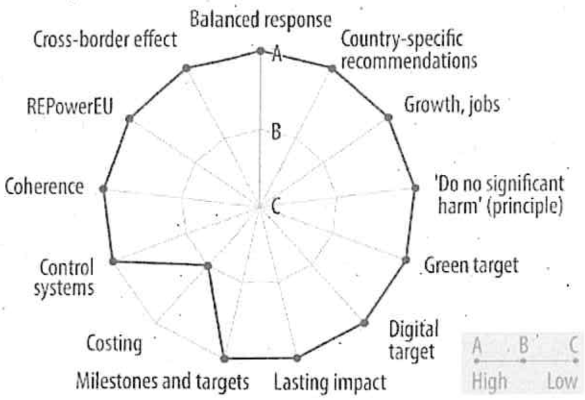
Central (ministries), regional and local administrations are in charge of implementing individual investment and reform measures, based on their respective areas of activity. At central level, the administrations responsible for implementing the largest envelopes of EU resources under the NRRP are: the **Ministry of Infrastructures and Transport** (€39.8 billion, 15.2 % of which spent at the end of 2023); the **Ministry of Environment and Energy Security** (€33.7 billion, 41.6 % spent); the **Ministry of Enterprises and Made in Italy** (€28.9 billion, 47.7 % spent); the **Ministry of Education and Merit** (€17.1 billion, 17.5 % spent); and the **Ministry of Health** (€15.6 billion, 3.8 % spent). Regional and local authorities are expected to play an important role. Contributing to the implementation of various measures, many of these authorities are mentioned in the September 2023 list of the plan's 100 largest beneficiaries, including: **Lombardy** (€16.4 billion), **Campania** (€15.9 billion), **Latium** (€13.2 billion), **Apulia** (€12 billion), **Rome** (€10.9 billion) and **Palermo** (€7.1 billion).

Commission assessment

On 22 June 2021, the European Commission positively assessed the Italian NRRP, proposing that the Council approve it. On 24 November 2023, the Commission published a positive assessment of the revised plan including the additional REPowerEU chapter. For 12 of the 13 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.

Under criterion No 1, the Commission concludes that Italy's plan keeps providing 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 CSRs, including those adopted in 2022 and 2023 (criteria Nos 2 and 11).

Figure 2 – Commission ratings by criteria



Data source: European Commission, SWD(2023) 392.

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).

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 investment, with a special focus on young people and women.

The Commission estimates the share of the allocation devoted to the green transition at 39 % (criterion No 5), up from 37.5 % in the initial plan thanks to the significant green dimension of the new REPowerEU chapter. 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, reduction of greenhouse gas emissions from transport and agriculture, and investment 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 25.6 % of its allocation (excluding the REPowerEU chapter) 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.

According to the Commission, the measures in the plan do no significant harm (DNSH) to the environment, in line with the relevant principle embedded in the RRF provisions. A targeted exemption to the DNSH principle was granted to two measures in the REPowerEU chapter (the Adriatic gas pipeline and the related compressor stations), since the Commission concluded that these enable diversification of energy supply in the interest of the EU as a whole, and Italy has undertaken satisfactory efforts to limit their potential harm to environmental objectives (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 considered reasonable, plausible, in line with the principle of cost-efficiency and commensurate with its expected impact (criterion No 9).

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 are well defined and in line with the intended purposes (criterion No 8).

Reinforcing the plan's ambition in terms of green transition, the REPowerEU chapter should, to a large extent, contribute effectively to energy security; the diversification of the EU's energy supply; an increase in the uptake of renewables; energy efficiency; an increase of energy storage capacities; and the reduction of dependence on fossil fuels before 2030. Nine of its measures (17 % of the chapter's costs) have a multi-country or cross-border dimension (criteria Nos 12 and 13).

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. Following Italy's request for an update in August 2023, the Council approved the revised plan on 8 December 2023. The annex to the new 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 now set to receive €194.4 billion (current prices, rounded) over the lifetime of the plan, of which €71.8 billion in grants and €122.6 billion in loans. Notably, the grant component has increased by €2.9 billion as compared with the initial plan thanks to a slight upward revision of Italy's RRF grant allocation for 2023 (+ €0.14 billion) and its share (€2.76 billion) of the new REPowerEU grants made available to help Member States end the EU's dependence on Russian fossil fuels and accelerate the green transition.[6]

Following the Council's initial 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 initial grant and loan allocation. The approval of the revision led to the payment of an additional €0.55 billion in pre-financing for REPowerEU (see annex to this briefing). On 4 March 2024, Italy requested a technical revision of the plan.

In December 2021, the Commission and Italy signed the operational arrangements (revised in November 2023) for monitoring the NRRP, a pre-condition for Italy to submit payment requests. For both grants and loans, subsequent payments are made in instalments subject to progress in the implementation of investment and reforms, based on a decision by the Commission that Italy has satisfactorily fulfilled relevant milestones and targets (see below). The pre-financing will be cleared over time, being proportionally deducted from subsequent payments. The final deadline for completing milestones and targets is 31 August 2026.

European Parliament

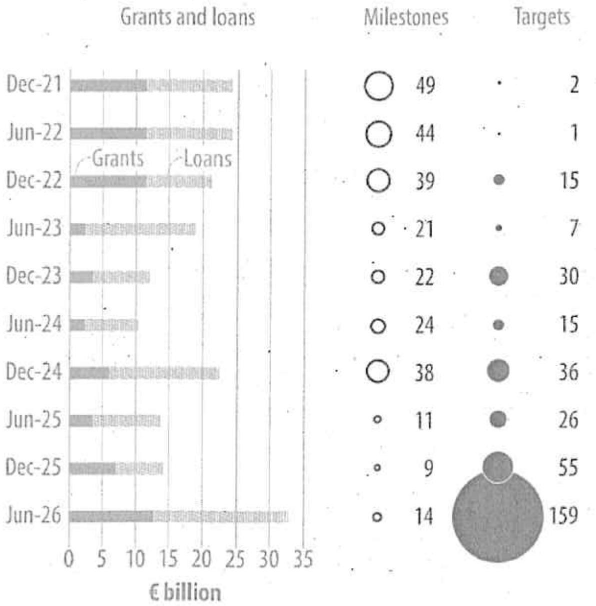
Following the outbreak of the pandemic, the European Parliament was a major advocate of launching a common EU recovery instrument and established the RRF as a co-legislator with the Council. Based on the RRF Regulation and the Interinstitutional Agreement (IIA) on budgetary matters, Parliament can scrutinise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

Within 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). The working group prepares and follows up the recovery and resilience dialogue Parliament holds every two months with the European Commission representatives.

In addition, the IIA provides for dedicated interinstitutional meetings between Parliament, the Council and the Commission on the implementation of the broader NGEU recovery instrument. These meetings are organised *in camera* at least three times per year. Through the discharge procedure, Parliament also ensures democratic scrutiny of how NGEU resources are spent.

Milestones and targets

Figure 3 – Envisaged instalment schedule



Apart from pre-financing (see above), all other NRRP payments 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 is set to reduce the actual disbursements for each instalment. Each instalment is linked to achieving various milestones (qualitative goals) and targets (quantitative goals). In line with the RRF Regulation, Italy committed RRF resources by the end of 2023. All payments must be made at the latest by end-2026. Figure 3 shows that around half of the payments for grants are concentrated in the first three instalments, while those for loans are more evenly distributed across the lifecycle of the plan.

Italy has to meet 271 milestones and 346 targets to implement its NRRP entirely. The former, which relate to qualitative achievements, are predominant in the first part of the plan (56 % of total milestones are linked to the first four 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. Overall, the revised plan has 90 milestones and targets more than the initial plan. The revision shifted parts of the resources and objectives towards the end of the plan. The tenth instalment has become the largest (€32.7 billion in grants and loans, including pre-financing) and 46 % of all the targets are now linked to it.

So far, Italy has received four instalments for both grants and loans. When including pre-financing, the country has received more than half of the planned resources, which is well above the current EU average (34.5 %) (see annex for additional detail on payments disbursed to Italy so far).

The indicative timeline of completion for the fifth tranche was 31 December 2023. Two days earlier, Italy submitted the related payment request amounting to another €10.6 billion (net of pre-financing) in grants and loans, covering various reforms (e.g. in public procurement, frameworks for spending review, industrial property system, competition law, waste management, and education) and investments (e.g. in digital services for citizens, construction of new schools, public transport, and water infrastructure). For grants, the fifth instalment is worth €3.5 billion (including pre-financing), based on the achievement of 11 milestones and 11 targets. These include: the award of all public contracts for the interventions to manage the digital and green transition of cultural operators; the full operation of the national e-procurement system; and the entry into force of a legislative decree aiming to reform the Italian industrial property code. For loans, the fifth instalment totals €8.6 billion (including pre-financing) and is linked to 11 milestones and 19 targets, such as: the award of all public contracts for the strengthening of the regional public transport bus fleet with at least 3 000 zero-emission low-floor buses; the completion of 150 km of works relating to the upgrading, electrification and resilience of railways in the Southern Italy; and the launch of at least one telemedicine project per region.

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 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 judged 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.

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 plan's intergenerational impact.

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 plan their activities properly.

Expert debate

In September 2021, the OECD Economic Survey of Italy assessed the Italian NRRP positively, concluding that it was appropriately ambitious and prioritised reforms for critical constraints in the country. The OECD identified three steps to reinforce further the impact of the plan: i) supportive and increasingly targeted policies should be maintained until the recovery is well under way; ii) ongoing efforts to strengthen the effectiveness of the public sector should be stepped up; and iii) 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 2024 edition of the OECD Economic Survey, Italy has weathered recent crises well, not least thanks to a strong fiscal policy response. High public debt and rising spending pressures linked to challenges such as an ageing population and higher interest rates now point to the need for a steady fiscal consolidation over several years. The authors stress that public investment in the NRRP should be protected and fully implemented, since the plan with its mix of structural reforms and investment represents a major opportunity to reinvigorate growth and improve the prospects of public finances. Overall, the progress in the implementation of the plan thus far is assessed as significant, including on the basis of the adoption of ambitious reforms in the areas of public administration, civil justice and competition. Weak over the past two decades, public investment is picking up, supported by the NRRP. However, against the backdrop of a public administration still perceived as less effective than in most OECD countries, the implementation of related projects was considered behind schedule. Putting a stronger focus on large and centrally managed projects, the 2023 revision of the NRRP is expected to increase the likelihood of full implementation.

Professor Jean Pisani-Ferry considers the massive size of the Italian plan to be an appropriate response to the challenges of a country whose debt situation stems not from fiscal laxity but from lack of growth. According to Pisani-Ferry, 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. 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 CEPS think-tank views the frontloading of reforms in the first years of the plan as 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

Economic and Budgetary Outlook for the European Union 2023, EPRS, January 2023.

EU recovery instrument, EPRS infographic, updated weekly.

National Recovery and Resilience Plans: Latest state of play, EPRS blog, last updated February 2024.

Next Generation EU: A European instrument to counter the impact of the coronavirus pandemic, EPRS, 2020.

Recovery and Resilience Facility, EPRS, 2021.

OTHER SOURCES

Italiadomani web portal on the NRRP, Italian government.

ENDNOTES

1 This briefing focuses on the revised plan as approved by the Council in December 2023. The graphics and tables are based on data from the Commission assessment, the annex to the new Council implementing decision, reports to and documents of the Italian Parliament on the plan, 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 addition, on 6 May 2021, a Complementary Fund was set up, with national resources worth €30.6 billion, to further strengthen the NRRP's firepower as part of a broader strategy to modernise the country's economy. In the context of NGEU, Italy has been allocated a further €13 billion for cohesion policy spending under the REACT-EU programme.

3 Or 24.2 % when including the REPowerEU chapter, to which the digital target does not apply.

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 Two measures have a total of five sub-measures. These calculations are based on the annex to the December 2023 Council implementing decision. In it's press release, the Commission mentions 150 investment measures.

6 A. D'Alfonso, Agreement on REPowerEU chapters in recovery and resilience plans, EPRS, European Parliament, February 2023.

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eprs@ep.europa.eu (contact)

www.eprs.ep.parl.union.eu (intranet)

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Sixth edition. The 'NGEU delivery' briefings are updated at key stages throughout the lifecycle of the plans.

Annex – Payments received by Italy so far

Table 4 provides an overview of the RRF payments that Italy has received so far. On 13 August 2021, the Commission disbursed the pre-financing of €24.9 billion to Italy. In December 2021, the Italian 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 grant and loan instalments linked to 49 milestones and 2 targets. On 28 February 2022, the Commission endorsed a positive preliminary assessment of the request. Following the favourable opinion from the Council's Economic and Financial Committee (EFC), the Commission disbursed the resources on 13 April 2022.

More specifically, for grants, the first instalment amounted to €11.5 billion (or €10 billion net of pre-financing) and was linked to 28 milestones and one target. These included 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 were meant to facilitate the rapid and effective launch of investments, including: legislation to provide technical assistance and strengthen administrative capacity for implementing the NRRP; 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 amounted 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 legislation for the construction of new waste management plants and modernisation of existing ones.

On 28 June 2022, Italy requested the payment of the second tranche, amounting to another €21 billion (net of pre-financing) in grants and loans, covering various reforms (e.g. in the areas of tax administration, education and territorial healthcare) and investments (e.g. in tourism and culture and the digitalisation of schools). For grants, the second instalment was worth €11.5 billion (or €10 billion net of pre-financing), based on the achievement of 20 milestones and one target. These included: the start of recruitment procedures for administrative courts; revision of the public procurement code; the adoption of savings targets for spending reviews for 2023 to 2025; and the launch of fiscal incentives to promote hydrogen competitiveness. For loans, the second instalment totalled €12.6 billion (or €11 billion net of pre-financing) and was linked to 24 milestones, including: simplification of legislation for interventions in primary water infrastructure for the security of water supply; award of all public contracts for investments in urban regeneration; award of all public contracts for ultra-broadband and 5G connection projects; and the agreement with the implementing partner Cassa Depositi e Prestiti (CDP) establishing the financial instrument to finance start-ups. On 27 September 2022, the European Commission endorsed a positive preliminary assessment and submitted it to the Council's EFC. Following the latter's favourable opinion, the Commission paid the second instalments on 7 November 2022.

The third payment request, submitted on 30 December 2022, was endorsed by the Commission with a positive preliminary assessment seven months later. The relevant net payment, amounting to €18.5 billion (of which €10 billion in grants and €8.55 billions in loans) was carried out on 9 October 2023. It eventually covered 39 milestones and 15 targets, following the transformation of one of the targets, initially envisaged for investment in student housing, into a milestone, and its transfer to the fourth instalment (through a targeted revision of the Italian plan in September 2023 ahead of the broader December 2023 revision). Milestones and targets achieved for the third instalment were related to both reforms (e.g. in the areas of justice, competition, education, undeclared work, and water management) and investment (e.g. in urban regeneration, electricity grids, renewables, railways, research, tourism, and social policies). For example, in the field of the digital transformation, Italy successfully completed testing the datacentres of the national cloud infrastructure and launched the national digital data platform, through which public administrations will be able to smoothly share and mutually access each other's databases. Another four milestones as well as one target were linked to an investment measure in cybersecurity, whose objective is to strengthen Italy's defences against the risks posed by cybercrime, notably by implementing a national perimeter for cybersecurity' (PSNC) in line with EU safety requirements for network and information systems, and by enhancing national cyberdefence capabilities of technical inspection and risk monitoring. As for reforms, one milestone concerned a revised legal framework for tax courts that aims to make the enforcement of tax law more effective and decrease the large number of appeals at the Court of Cassation.

On 28 December 2023, the Commission disbursed the fourth payment worth €16.5 billion net of pre-financing (of which €2.04 billion in grants and €14.45 billion in loans), following its positive preliminary assessment of the request submitted by Italy on 22 September 2023. This payment was linked to fulfilling 21 milestones and seven targets. Relevant achievements include: the entry into force of the reform of the Public Procurement Code (mission 1); the award of all public contracts for strengthening the regional public transport railway fleet with zero-emission trains and universal service (mission 2); the award of the first set of contracts for interventions aiming to increase the overall supply of places in childcare facilities (mission 4); the commitment of financial support for at least 700 women's enterprises (mission 5); and the award of 1 800 scholarships for specific training in general medical practice (mission 6). In January 2024, Italy received an additional €551.2 million in grants as pre-financing for the recently added REPowerEU chapter.

Table 4 – Italy's NRRP: Payments as of 25 January 2024

Grants or loans	Payment	Date	Net resources (€ billion)	Share of total
Grants	Pre-financing	13.8.2021	8.95	12.5 %*
	First instalment	13.4.2022	10	13.9 %
	Second instalment	7.11.2022	10	13.9 %
	Third instalment	9.10.2023	10	13.9 %
	Fourth instalment	28.12.2023	2.04	2.8 %
	REPowerEU pre-financing	25.1.2024	0.55	0.8 %
	Total grants paid so far		**41.54**	**57.9 %**
Loans	Pre-financing	13.8.2021	15.94	13.0 %
	First instalment	13.4.2022	11	9.0 %
	Second instalment	7.11.2022	11	9.0 %
	Third instalment	9.10.2023	8.55	7.0 %
	Fourth instalment	28.12.2023	14.45	11.8 %
	Total loans paid so far		**60.94**	**49.7 %**
	Total grants and loans paid so far		**102.48**	**52.7 %**

Source: EPRS, based on European Commission data. *This pre-financing represented 13 % of the initial grant allocation.