

THE IMPLEMENTATION OF ITALY'S RECOVERY AND RESILIENCE PLAN (NRRP)

The implementation of the National Recovery and Resilience Plan requires the achievement of qualitative results ('milestones') and quantitative results ('targets') on the basis of which the funding instalments are disbursed every six months.

In the first half of 2022, all 45 of the milestones and targets agreed at European level were achieved, of which 30 relating to investments and 15 to reforms.¹ This led to the disbursement of the second instalment of funds (€21 billion) last November. For the 55 milestones and targets set for the second half of 2022, the European Commission extended its assessment phase to take a closer look at some of the provisions and this has not yet been concluded. If the Commission were to determine that the required actions had not been achieved, the third instalment of €19 billion would be reduced in proportion to the number and importance of the unfulfilled milestones and targets. Overall, Italy has so far received €66.9 billion (€37.9 billion in loans and the rest in grants), almost 35 per cent of the total available funding.²

Multiple investments were made in 2022, mostly related to digitalization and ecological transition.³ The reforms covered important areas, such as public-sector employment, the regulation of public procurement, competition, and the civil and criminal justice systems.

According to our estimates, at the end of 2022, the cost of the projects included in the Plan had grown by around 10 per cent on average compared with what had been initially budgeted, because of the rise in inflation. The biggest increases were seen in ecological transition and infrastructure building projects. However, some legislative measures have offset a good part of the higher costs of the works by using national resources:⁴ the projects that have not received coverage are currently for a limited amount, but this could increase if inflation continued to grow rapidly.

In order to resolve the remaining difficulties linked to the increase in prices and to address the delay in implementing some of the investments, the government has expressed its intention to request the European Commission to authorize some changes to the NRRP. This may lead to variations in the amounts of the six-monthly funding instalments that Italy expects to receive this year and in subsequent years. These changes will be supplemented by a proposal to introduce new projects under

¹ The NRRP actions referred to as 'investments' include measures to increase physical capital endowment, as well as tax incentives, disbursements for recruitment and other funds needed to implement the Plan's initiatives.

² Includes the €24.9 billion received by Italy in August 2021 as pre-financing.

³ For example, building high-speed internet networks and the digitalization of Italy's public administration; developing renewable energies, batteries, and hydrogen production facilities; building railway networks; accelerating the digital transformation in schools; and urban regeneration. For a list of the missions, see the figure, footnote 1.

⁴ Further information on the measures adopted can be found in the second report on the implementation of the NRRP, which was sent by the government to parliament on 5 October 2022. Of particular importance is the 'Fondo per l'avvio delle opere indifferibili' (the fund for non-postponable works) as established by Decree Law 50/2022. In addition to the initial allocation of €7.5 billion, Decree Law 115/2022 and the 2023 Budget Law contributed a further €1.3 billion and €10 billion respectively.

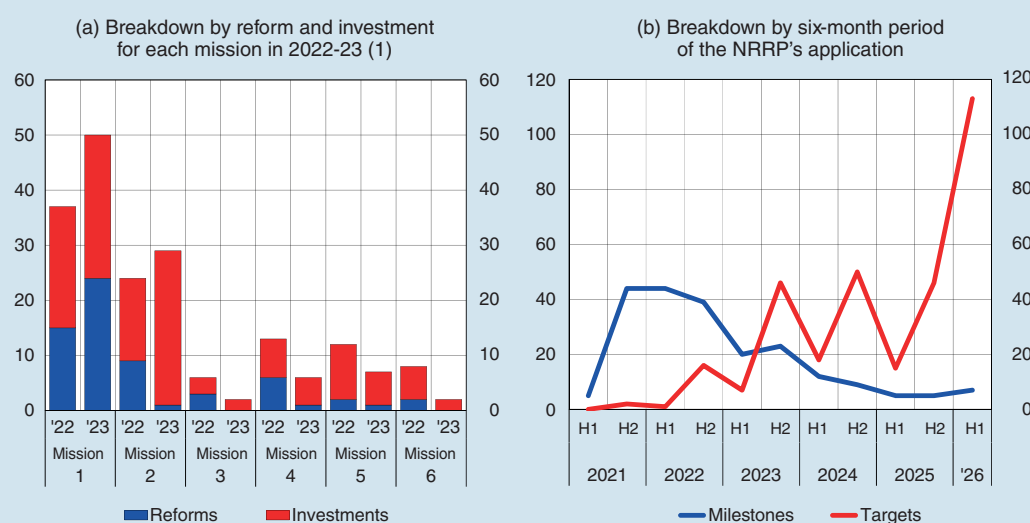
REPowerEU, the EU programme to reduce energy dependency on Russia and accelerate the green transition.

While waiting to hear the result of these requests, the previously agreed deadlines remain in force. There are 96 milestones and targets set for 2023, almost 70 per cent of which relate to investments (see panel (a) of the figure): the amounts of the two six-monthly instalments linked to the fulfilment of all these commitments are €16 and €18 billion. The investments planned are still largely concentrated in the areas of digitalization and ecological transition and include, specifically, digitalizing the public administration, sustainable mobility, and water and energy plants. There are also interventions planned for nurseries and pre-school facilities,⁵ university scholarships, and infrastructure for Italy's Special Economic Zones. Considerable efforts will be required to complete all the actions before the deadline.

With the adoption of the Public Contract Code⁶ and secondary legislation implementing reforms in civil and criminal proceedings, the main interventions of the reform agenda contained in the NRRP will be completed by the end of June. Subsequently, both the continuity of the reform process, starting with the new annual law for the market and competition, and the stability of the laws adopted in the past will have to be ensured.

Figure

Milestones and targets envisaged in the NRRP
(numbers)



Source: Italia Domani portal.

(1) Milestones and targets are considered together. The missions are the thematic areas of intervention covered by the NRRP. Mission 1: Digitalization, innovation, competitiveness, culture and tourism; Mission 2: Green revolution and ecological transition; Mission 3: Infrastructures for sustainable mobility; Mission 4: Education and research; Mission 5: Inclusion and cohesion; Mission 6: Healthcare.

⁵ There are delays in the tender procedure for the nurseries and pre-school facilities, which was to be completed by June this year. For more details, see the report 'Piano asili nido e scuole dell'infanzia: prime evidenze dall'analisi delle graduatorie' (only in Italian), Ufficio parlamentare di bilancio, Focus tematico, 9, 2022. A request may be made to the European Commission to restructure this milestone.

⁶ Already finalized with the adoption of Legislative Decree 36/2023.

As a result of the regulatory and planning activities gradually coming to an end and the simultaneous expansion of the phases linked to the actual deployment of the investments, from the second half of 2023 the quantitative requirements will start to surpass the qualitative ones (see panel (b) of the figure). The capacity to meet deadlines and to spend the available funds effectively will therefore become increasingly important. Some changes have recently been made to the governance structure of the Plan, bringing together the tasks of coordination, steering, and that of liaising with the European Commission, in a new organizational unit.⁷ The adoption of this new arrangement will necessarily entail a period of adaptation, which will in any case have to ensure that the tight implementation deadlines can be respected.

⁷ The governance structure for the NRRP was amended by Decree Law 13/2023.