Launching the recovery

A Recovery plan for Europe:

The Recovery and Resilience Facility

ITALY

FICO, 2 July 2021
Overview of the Italian RRP

- **6 "missions"**
- **16 components**

- **190 measures**
- **58 reforms and 132 investments**

- **525 Milestones & Targets**

- **€ 191.5 billion**
  - € 68.9 bn grants
  - € 122.6 bn loans
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Green transition

37.5% of total allocation for climate objectives

Key investments
- Energy efficiency in residential buildings (€ 12.1 billion)
- Sustainable mobility (€ 32.1 billion)
- Renewable energy and circular economy (€ 18 billion)

Key reforms
- National Strategy of circular economy and waste
- Legal framework for more efficient use of water resources
- Simplification of procedures for renewables and renovations
- Local public services

DNSH: No measure in the plan harms environmental objectives

Networks
- Smart grids (€ 3.6 billion)
Digital transition

25.1% of total allocation for digital objectives

Key investments
- Development of fixed ultra-broadband and 5G networks (€6.7 bn)
- Digitalisation of businesses (€13.4 bn)
- Digitalisation of the public administration (€6.1 bn)

25.1%

Key reforms
- Improved interoperability and cloud migration for public administrations
- Set-up of a «Digital PA Transformation Office»

Sector-specific actions
- Public administration
- Justice
- Health
- Education

Cross-border/multi-country projects
- Deployment of 5G networks along the European 5G corridors
- Participation in Cloud and 2nd Microelectronics planned IPCEIs
Social impact and equality screening

- Strengthens the active inclusion of vulnerable groups
- Enhances employment opportunities for women
- Improves living conditions for persons with disabilities
- Promotes territorial cohesion
Resilience

**Labour market**
- Active Labour Market Policies
- Tackling undeclared work
- New (child)care facilities

**Improving business environment**
- Improving sectoral regulations
- Annual competition laws
- Simplifying public procurement
- Efficient local public services
- Reducing late payments

**Supporting private investment**
- Incentivising private investment (Transition 4.0 and Superbonus)
- Supporting investments in strategic value chains and key sectors

**Health sector**
- Strengthening proximity healthcare and enhancing telemedicine
- Technological and digital update of the health system
Competition reforms

• Annual Competition Laws to be adopted each year (2021-2024) to **reduce barriers to competition in various sectors**, with detailed milestones & targets on their content → concrete implementation of an existing but not properly used tool.

• In particular, measures aim at increasing competition in **utilities** (electricity, gas, water), **waste management** and **transport** (ports, rail and highways). These will complement sectoral investments in the Plan.

• Regarding **local public services**: prioritization of **competitive procedures** to award **contracts**, revision of the rules on aggregation in view of economies of scale and application of the general principle of **proportionality in length and proper compensation**.

• Consolidation, digitalisation and professionalisation of **market surveillance**.
Public procurement reform

- Introduction of **urgent measures** (included in a Law Decree adopted in May 2021) to simplify and digitalise public procurement procedures in view of the realization of RRP projects;

- **More structural reform** of the Public Procurement Code by Q2-2023, with actions aimed at: reducing the fragmentation of contracting authorities; requiring the setting of an e-platform; defining interoperability and interconnectivity requirements;

- Substantial **reduction of late payments** by the public administrations and health authorities.
Resilience – Institutional

Education
- Reform of school system and teaching profession
- Reform of the tertiary education and VET
- Equal access to education

More resilient public finances
- Tackling tax evasion
- Strengthened framework for spending reviews
- Complete the reform of fiscal relations across levels of government

Public administration
- Reform of public employment
- Upgrading skills
- Reducing red tape and strengthening administrative capacity

Justice sector
- Targets to reduction the length of proceedings
- Temporary hiring to reduce the backlog
- Digitalisation (€ 1 bn)
- Reform to make the justice system more efficient (€ 2.3 bn)
Justice reforms

• The Plan includes an **ambitious and comprehensive agenda** for the justice system to improve its efficiency, including in particular:
  
  • Reform of civil justice
  
  • Reform of criminal justice
  
  • Review of the insolvency framework
  
  • Reform of tax courts
  
• It will be **complemented by interventions aimed at digitalising** the justice system and **strengthening administrative capacity**, in particular to deal with the significant backlog of cases

• **Result-oriented targets** envisaged, linked to the reduction of the backlog and of the length of proceedings
Fiscal-structural reforms

• Strengthening the **spending review** framework:
  - A stronger role for the Ministry of Finance
  - Green and gender budgeting

• Complete the reform of **fiscal relations across levels of government**:
  - Allocating resources based on objective criteria and encouraging spending efficiency at the subnational level

• Stepping-up the fight against **tax evasion**:
  - Strengthening the administrative capacity of the tax administration
  - Better targeting of audits and controls
  - Effective sanctions in case of refusals of electronic payments

• An **accrual accounting system** for all public administrations
Audit and control - Protection of the EU’s financial interests

• The arrangements of the Italian plan are considered **adequate** to prevent, detect and correct corruption, fraud and conflicts of interest when using the funds provided under the Facility conditional to the dedicated milestone being met before the first payment request.

• The RRP also provided for adequate arrangements to avoid double EU funding.

• **Key elements** of the IT system include:
  
  • Set up of a dedicated Audit Body with adequate segregation of functions

  • Adaptation of current IT systems used in the context of ESI funds for audit and control purposes, followed by the introduction of a new IT unitary system

  • Use of a unique project code

  • Enhanced agreements with existing bodies, including national Finance Police and Anti-Corruption Authority
Disbursement profile over time

Most reforms are implemented in the first years in correspondence with the higher level of first disbursements.
Thank you
Background slides
The arrangements of the Italian plan are considered adequate to ensure effective monitoring and implementation.

The arrangements include in particular the following key elements, enshrined in milestones and now embedded into two Law-Decrees that have been adopted in May/June:

- **Multi-level governance model** for the RRP with central coordination and involvement of all relevant levels of government;

- **Simplification of administrative procedures and cut to red tape**, in order to smooth the implementation of investments;

- Strengthening of **administrative capacity** through trainings, temporary recruitments as well as technical and operational support linked to specific RRP projects.

- **The immediate actions** will be followed and complemented by more structural measures for capacity building in the medium term.
Taxation and pension expenditure

• Tax reform:

✓ The Plan announces in its narrative a comprehensive reform of personal income tax in line with the 2019 Council recommendations (CSR1) aimed to:
  - simplify the tax system;
  - reduce the burden on labour while preserving progressivity and fiscal sustainability.

✓ A delegation law will be presented by end-July 2021 based on the consultations conducted by the Parliament.

• Pension expenditure:

✓ The temporary early retirement scheme introduced in 2019 should end in 2021 as already legislated. The country-specific recommendations do not ask for a new pension reform, but full implementation of existing reforms.