



**next
GEN
EU**

Launching the recovery

A Recovery plan for Europe:

The Recovery and Resilience Facility

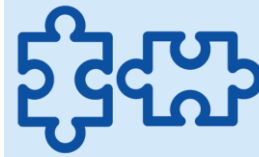
ITALY

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

Assessment summary

| | | | |
|---|--|---|--|
|  <p>1. Balanced response</p> <p>A</p> |  <p>2. Addresses challenges identified in CSRs</p> <p>A</p> |  <p>3. Growth, resilience and social impact</p> <p>A</p> |  <p>4. Do no significant harm</p> <p>A</p> |
|  <p>5. Green transition</p> <p>A</p> |  <p>6. Digital transition</p> <p>A</p> |  <p>7. Lasting impact</p> <p>A</p> |  <p>8. Effective monitoring and implementation</p> <p>A</p> |
|  <p>9. Reasonable and plausible cost estimates</p> <p>B</p> |  <p>10. Robust control systems</p> <p>A</p> |  <p>11. Coherence</p> <p>A</p> | |

Green transition

37.5% of total allocation for **climate** objectives

37.5%



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*

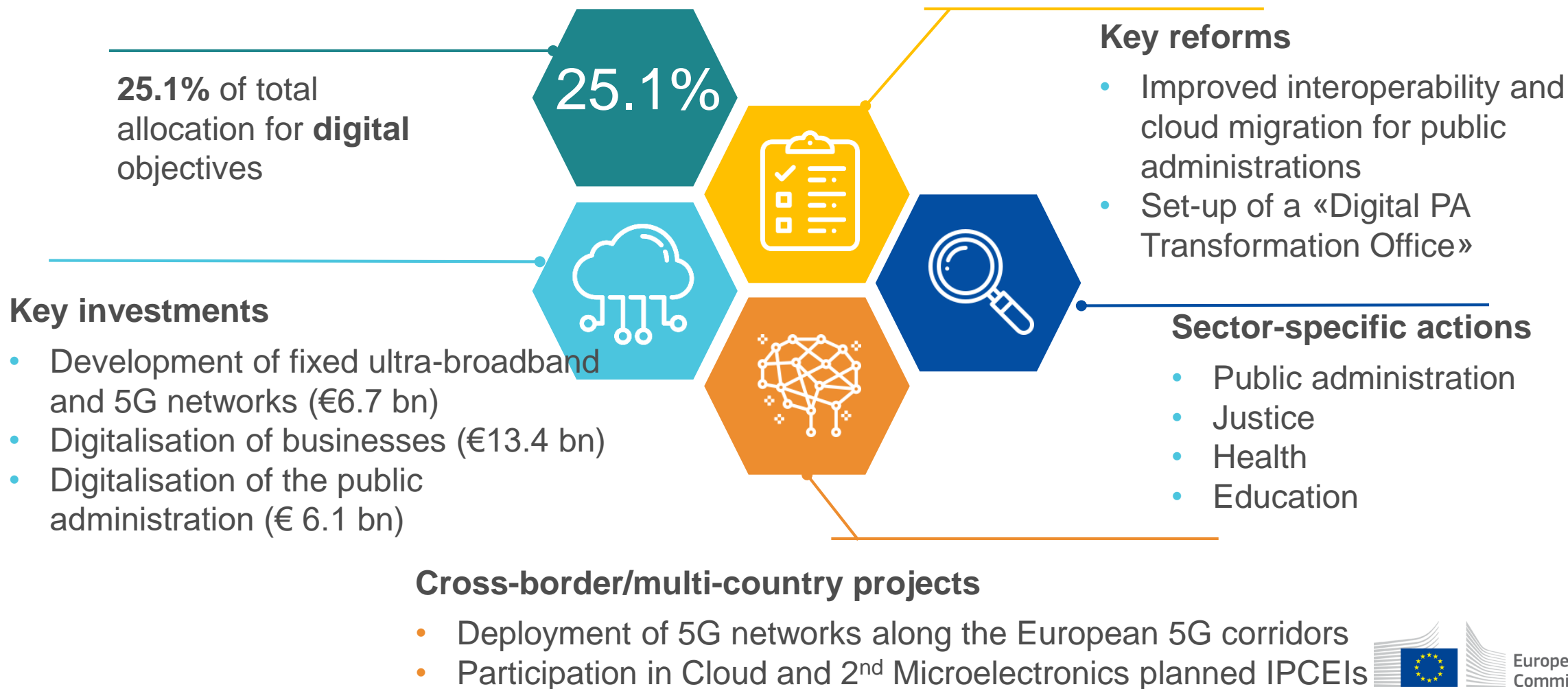
Key investments

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

Networks

- Smart grids (€ 3.6 billion)

Digital transition



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



Supporting private investment

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



Improving business environment

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



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**.

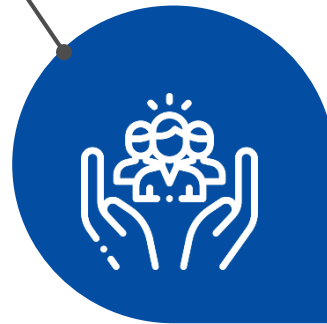
Public procurement reform

- 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

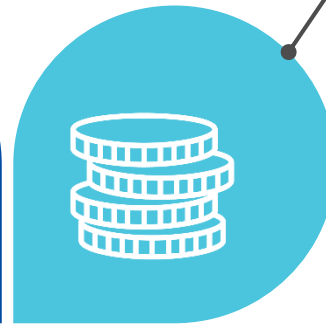
Education

- 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

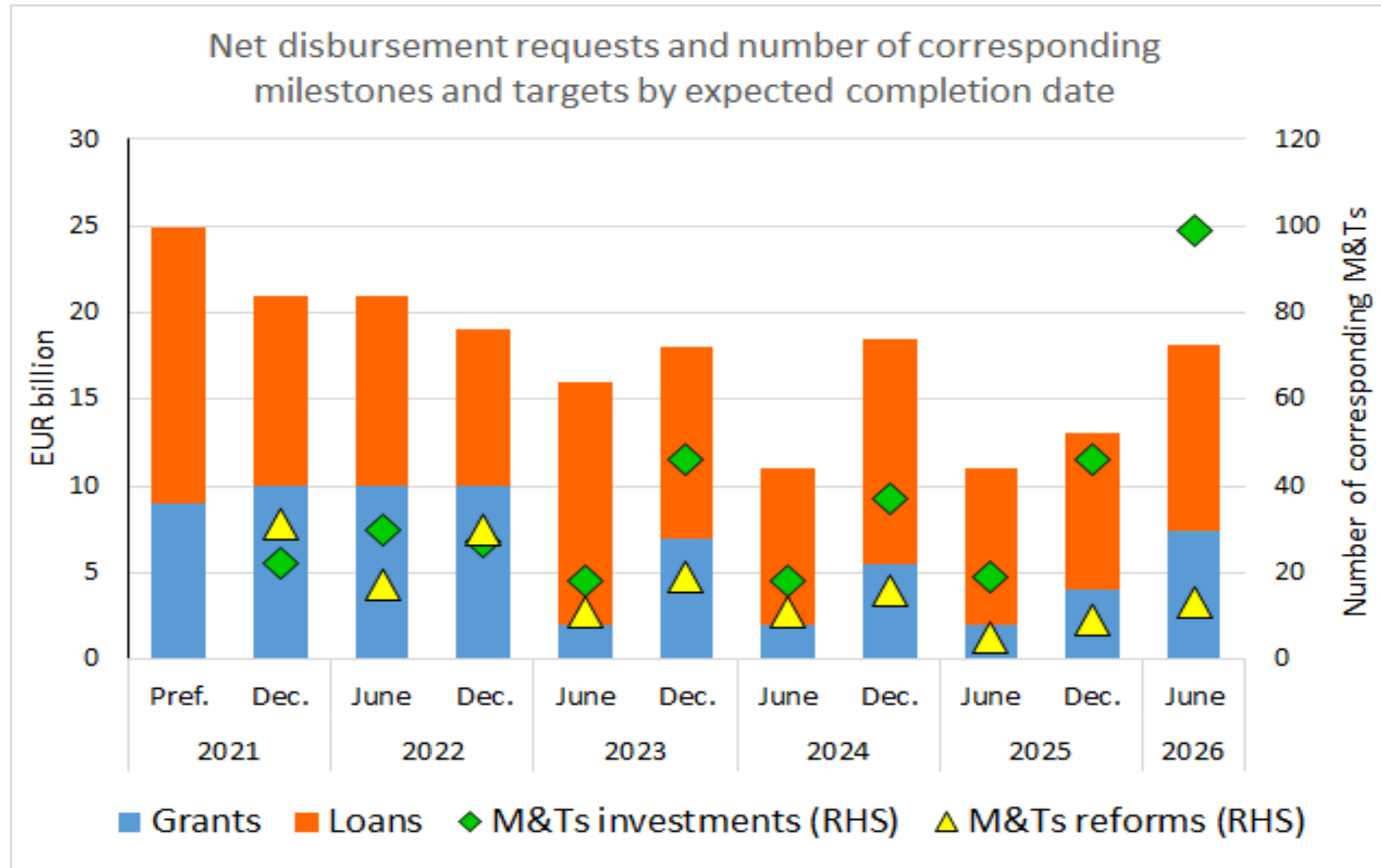
Fiscal-structural reforms

- 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 correspondance with the higher level of first disbursements

Thank you

Background slides

Governance of the Italian RRP

- 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.