Recovery and Resilience Reflection Project

Italy

Macroeconomic outlook and forecasts

The Italian economy has been hit considerably by the Covid-19 pandemic. The depth of the crisis has led to an estimated GDP contraction equal to 8.9% GDP in 2020. During the first and second quarter of 2020, the Italian GDP contracted by respectively by 5.8% and 18.2% (q-q change) respectively, then recovered in the third quarter by 15.9% and then again contracted in the last quarter of 2020 by 1.9%. The volume of output is projected to return to its pre-crisis level (2019-Q4) in the third quarter of 2022, one year after Germany and France. However, economic activity in the fourth quarter of 2022 would remain still short of the level that was expected before the pandemic, based on an extrapolation of the winter 2020 Interim Forecast.

To cushion the effects of the pandemic, the Italian government intervened with a series of ad hoc fiscal packages which accompanied traditional automatic stabilizers. Overall, the Covid-19 fiscal stimulus amounted 36.7% of the GDP, the second largest in the EU after Germany. Notably, Italy put in place discretionary expenditure measures for a total amount equal to circa 4% of GDP to support employment (1.4%) and households (1.8%) and healthcare (0.8% of GDP). The significant intervention on employment support measures, together with the layoffs freezing, contributed to keep unemployment under control. Yet, the employment rate significantly dropped in 2020 by 10.3% and is expected to recover only in 2023, which suggests a poor job recovery. In addition to expenditure measures, discretionary revenue measures and tax payment measures (e.g., early refund, tax deferral) were adopted for an amount equal to 1.8% and 1.3% of GDP respectively. Yet, the largest intervention was in financial instruments (loans and equity) and guarantees that the government put in place for a total amount equal to 3.1%of GDP and 26.7% of GDP respectively. By the end of 2020, the budgetary impact of the fiscal stimulus was around 5% of GDP, while for 2021 it is expected to be around 2% of GDP.

Automatic stabilisers, Covid-19-related fiscal measures and the prolonged economic contraction had a large impact both on 2020 and 2021 government budget, respectively -9.5% of and -11.8% of GDP, thus strongly undermining the fiscal sustainability of Italia. Despite economic recovery, the government budget balance is expected to remain negative still in 2024 (-3.4% GDP), while Italian public debt will be significantly above (152.7% GDP) to the level of 2019 (134.6%). As a result, Italy is projected to face high fiscal sustainability risks in both the short and medium term. According to the Commission debt sustainability analysis (DSA), in the medium term, the high level of the debt to GDP ratio (above the 155% until 2023) could be mitigated by the positive impact on GDP growth of reforms and investments included in the Italian NRRP.

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This country sheet is part of the research programme on the preparation and implementation of the EU's Recovery and Resilience Facility. Image credit: Vecteezy.com © CEPS 2021

Table 1. Macroeconomic development and forecast Italy

	2019	2020	2021	2022	2023	2024	2025	2026
GDP Growth (y-y % change)	0,3	-8,9	4,5	4,8	2,6	1,8	n.a.	n.a.
Employment (% change)	0,1	-10,3	4,9	4,7	2,3	1,6	n.a.	n.a.
Unemployment rate (%)	10	9,3	9,6	9,2	8,5	8	n.a.	n.a.
HICP inflation (% change)	0,6	-0,1	1	1,3	1,4	1,4	n.a.	n.a.
Gov balance (% GDP)	-1,6	-9,5	-11,8	-5,9	-4,3	-3,4	n.a.	n.a.
Debt to GDP (% GDP)	134,6	155,8	159,8	156,3	155	152,7	n.a.	n.a.

Source: Own elaboration, based on Italian recovery and resilience plan

Italian structural challenges before Covid-19

Italy entered the Covid-19 pandemic with already significant structural problems, which – together with the second highest public debt in the EU – could further deteriorate once emergency measures are phased out, leading to a sluggish economic recovery and further lower productivity. Such problems touch upon different policy areas, from the labour market to product markets, judicial system, public administration, taxation system and social policies.

With respect to the labour market, two main problems affect Italy: The first is the prevailing low participation in the labour market. Italy's employment rate in 2019 was comparatively lower than the EU average (63.8% vs 74.1%) and still below (-3.5%) its early 2008 level in full-time equivalents. Italy also has one of the highest numbers of involuntary part-time and temporary workers, particularly in the South. Wages are the second problem. Real wage growth was close to zero in 2019, and wages in real terms are still lagging well behind pre-crisis levels. Wage stagnation reflects two additional problems: i) a weak bargaining system, which has 866 national collective agreements without checks on the representativeness of the signatories; and ii) a taxation system that still weighs heavily on labour. Tax Revenues on labour are above the EU average as a share of GDP (21.0% in 2018 against 19.6% in the EU) and has one of the highest implicit tax rates on labour in the EU (at 42.7% in 2018 against 36.2% in the EU). The combination of stagnant wages and falling working hours results in one of the highest shares of working poor, equal to 12.2% in 2018 (compared with an EU average of 9.5%). Women and young people are the groups hit hardest, with the rate of eople not in education, training, or employment (NEET) being the jighest in the EU (19.2% in 2018 vs an EU average of 10.5%), and female employment at 53.8% against the EU average of 70.1%. Finally, Italy has one of the weakest active labour market policies in the EU , with poor public employment services and lacking training opportunities for unemployed, underemployed, and inactive people.

Low labour market performance is in part also related to structural challenges in education and skills. Before the pandemic, early childcare education was characterized by a low coverage, uneven geographic distribution, and high cost. This held back demand for services with the twofold consequence of creating discrimination within socioeconomic groups and a dampening female employment rates. Investment in tertiary education is also particularly low, leaving it underfinanced and with an attainment rate that continues to lag behind other EU countries. Enrolment in tertiary education in 2017 was well below the EU average (27.8% against 40.7%) and, worse, the employment rate of tertiary graduates remains low. The average duration of the Italian school-to-work transition for a graduate is 11 months in Italy, compared with 2 months in the UK, and 3 months in Austria and Poland. Italy also performs poorly in training and adult learning participation. Measures on vocational training are in place but their implementation remains sluggish.

On the side of public administration, three main problems have affected Italy over the past decade. The first is numerical: as public spending has evolved; turnover has been blocked and the number of public employees in Italy has been significantly reduced. The second problem is related to the ageing of public employees, whereby the generational turnover has been slow and partial. The third problem is the progressive reduction of public investment in upskilling and reskilling of public administration employees. This investment almost halved between 2008 and 2019, thus increasing the misalignment between the sets of skills available and those required to develop a modern and prosperous society (digital, ecological, etc.). In addition to these structural problems, the Italian public administration has had to manage a set of extremely articulated and complex rules and procedures that have progressively stratified. These have been poorly coordinated and often conflicting at different administrative levels (national, regional, and local). This situation imposes high economic costs on citizens and businesses and undermines the ability to grow in the long term. Similarly, significant challenges exist in the judicial system. Italy takes one of the longest times in the EU to resolve civil and commercial litigations. Lengthy duration of trials leads to a negative perception of the quality of the judicial system and to its value being unduly obscured.

With respect to the business environemnt, Italy performs badly in Doing Business report, especially when it comes to *Starting a Business*, *Dealing with construction permits*, *Getting Credit*, *Paying taxes* and *Enforcing contracts*. Public works in Italy take lengthy times from the assignment of the design to the completion. If the planning and decision-making phases are also considered, the overall duration is considerably lengthened. Despite various attempts to simplify regulatory policies, the removal of constraints and burdens was only partially successful, for two reasons: i) the progressive impoverishment of financial, human, and technical resources which has weakened the administrative capacity of the public administration; and ii) the adoption of legislative simplification measures has not been accompanied by the necessary organizational interventions.

According to the OECD product market regulatory (PMR) index, Italy has a regulatory quality in line with the average of OECD countries, but is less competitive than two of its main market competitors: Spain and Germany. Improvements in the PMR index, and therefore higher levels of competition, are related to a more efficient allocation of resources, lower prices for products consumed by households and higher investments.

Finally, the Italian welfare state was characterized by several vulnerabilities. In 2019, the at risk of poverty or social exclusion rate was among the highest in the EU (25,6%) and was particularly acute for children (27,7%). These challenges are also reflected in the limited poverty-reduction impact of social transfers, which is one of the lowest in the EU (20,2% vs EU average of 32,4%).

Table 2. Country specific challenges before Covid-19

Policy area	Country specific structural challenges
Labour market	Low work intensity (employment rate in FTE below pre-Great Recession)
	High number of involuntary part-time workers
	Low real wages - High number of working poor
	Weak collective bargaining system (fragmented in multiple collective agreements)
	Weak active labour market policies (notably upskilling and reskilling)
	High NEET rate and low female employment
	High level of undeclared work
	Inefficient Public Employment Service
Education and skills	Low coverage, uneven geographical distribution, and high-cost childcare (0-3)
	Low investment in tertiary education and low enrolment rate in university
	Long school-to-work transition
	Low adult learning participation
	Inefficient vocational training
Justice	Low administrative capacity (insufficient staff)
	Inefficient judicial system (lack of digitalization)
	Lengthy duration of trials
Research and innovation	Subdued level of public investment
	National policies to boost R&I benefitting the North

	Divide North-South in Competitiveness Index
Public administration	Low turnover and insufficient number of public employees (ageing of public employees)
	Complex and long administrative procedures hampering productivity and investments
	Low investment in upskilling and reskilling in public employees (low digital literacy)
Taxation	Too high labour tax wedge
	High level of tax evasion
Product market	Low degree of competition especially in retail and service sectors
	Low ranking Ease of Doing Business (notably, starting a business, dealing with construction permits, enforcing contracts, getting credit)
	Rigid product market regulation with restricted professions
Social Policies	High income inequality (S80/S20)
	Low impact of social transfers (other than pension) on poverty reduction

Source: Own elaboration, based on the Country Report for Italy 2020

In addition to structural challenges, Italy faces significant challenges related to the green and digital transition. On the one hand, the GHG emission are still 15% above the 2030 climate and energy targets, buildings' energy efficiency is still low, and investment in water infrastructure in the South are still insufficient. The risks of drought seems to be risisng, and important regional disparities persist in waste management and the circular economy. On the other hand, Italy is ranked last in the EU with respect to the Digital Economy and Society Index (DESI) 2020. Only 42% of people aged 16-74 years have at least basic digital skills (56% in the EU-27) and only 22% have above basic digital skills (31% in the EU-27). Digitalization of the business sector remains sluggish and Italy ranked in 22nd place in the DESI 2020 indicator on the integration of digital technology in the business sector. Italy also ranked 19th in in the EU on Digital public services.

The Italian NRRP: key numbers and timeline

The strong impact of the pandemic crisis together with the pre-crisis structural vulnerabilities leads to Italy being the second the largest beneficiary of the RRF grants after Spain. The Italian plan was presented by the end of April 2021, given a positive assessment by the European Commission on 22nd June 2021 and approved by the Council on 13 July 2021. The plan includes 142 investments proposal for a total amount of €191.5 billion, consisting of €68.9 billion in grants and €122.6 billion in loans. In addition, the Italian NRRP included 87 reforms aimed to address the structural problems of the Italian economy and facilitate a quick and smooth absorption of the RRF funds. Contrary to Spain or Germany, Italy frontloads almost all reforms in 2021 and 2022.

Table 3. Timeline for completion of reforms and investments' projects under Italian NRRP, by year (% total)

	2020	2021	2022	2023	2024	2025	2026	TOT
RRF Investments' projects [EUR billion]	0	7,63	12,84	8,99	7,83	54,9	99,32	191,51
RRF Investments' projects (% total)	0%	4%	7%	5%	4%	29%	52%	100%
RRF Reforms [number]	0	34	33	7	5	0	4	83
RRF Reforms (% total)	0%	41%	40%	8%	6%	0%	5%	100%

Source: Own elaboration, based on Italian NRRP

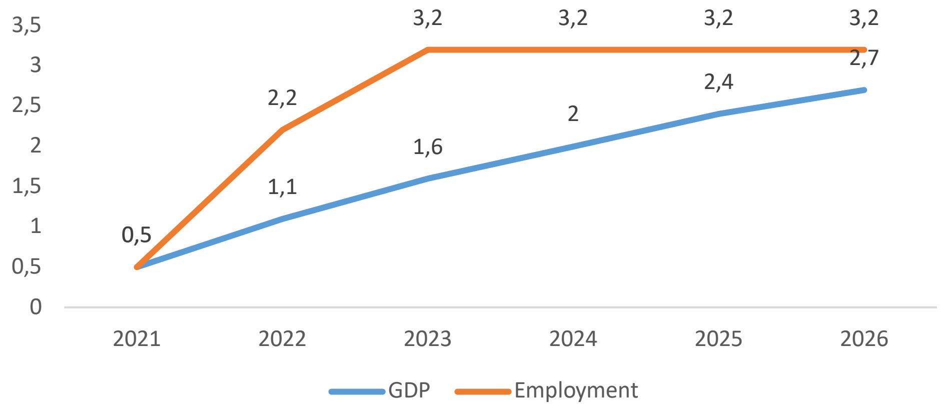
The completion of the investments' projects goes along with the request for payments to the Commission. Yet, planned expenditure under RRF in Italy is expected to start well before 2025 and 2026. As showed in Figure 1**Error! Reference source not found.**, 72% of the planned recovery spending under the RRF will take place by 2024, while the EU contributions are expected to the transferred mostly in 2025 and 2026. Such difference in the time frame reflects the necessary period that new investments' projects require to be implemented. Interestingly, a large part of the investments envisaged in the plan are additional to the extent they will finance projects not previously included in the Italian budgetary law. Overall, in Italy 79% of the investments proposed are new and not previously decided (Italian Stability programme 2021), significantly higher than in many other member states .

Figure 1. Planned Italian expenditure financed under RRF grants and loans and expected completion of investments' projects (% total)

Source: Own elaboration, based on the Italian Stability programme (2021) and Italian NRRP (2021)

According to the stylized impact simulations run by the Italian government with the QUEST macroeconomic model, the NRRP is expected to have a very positive impact both on employment and GDP, especially in the medium term (Figure 2). More in details, the plan expects a constant increase in the annual GDP growth rate of 1.1 percentage points (pp) in 2022 and of 2.7 pp in 2026 above what it would be compared to the scenario without the NRRP. Regarding labour market, there is an increase in the level of employment, starting with a plus 2.2 pp in 2022 and a 3.2 pp increase in the following years until 2026.

Figure 2. NRRP impact on GDP and employment- deviations from baseline scenario

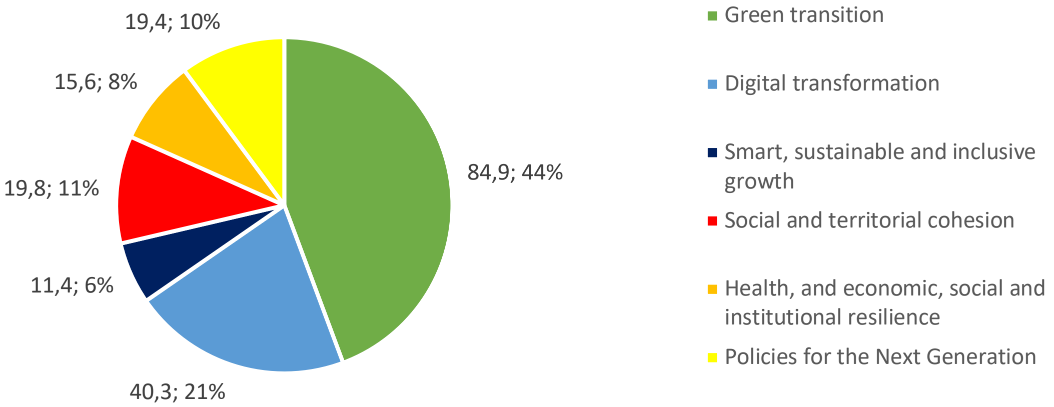


Source: Own elaboration, based on Italian NRRP (2021)

Investments in the Italian NRRP

The Italian programme has 6 mission, but the investments can be recategorized in line with the Commission guidelines, the Italian NRRP investments can be classified according to the objectives included in the six pillars of RRF. Based on this classification, Italy focuses 65% of its investments on the *Green transition* (44%) and *Digital transformation* (21%) pillars of the RRF. The remaining 35% of investments are allocated respectively for *Policies for the Next Generation* (10%) *Smart, sustainable* *and inclusive growth* (6%), *Health, and economic, social, and institutional resilience* (8%) and *Social and territorial cohesion* (11%) pillars. With respect to the distribution of the funding across economic activities, the Italian plan distributes the resources evenly, with the largest share allocated to transport and storage sector (19%), healthcare (12.4%), education (12%) and public administration (10%).

Figure 3. Italian investments by 6 RRF pillars (EUR billion; % total)



Source: Own elaboration, based on Italian NRRP

A closer look at the breakdown of the Italian investments give a better understanding of the investments' prioritization (see Table 4).

Under the *Green transition* pillar, the programme focuses on four missions: on sustainable agriculture and circular economy, energy transition and sustainable mobility, energy efficiency and building renovation and protection of land and water resources. In this respect, the most relevant projects are investments to strengthen municipalities and local transport, including the renewal of bus and green train fleets (€7.24 billion), investments to create Smart grids (€3.61 billion) and tax incentives for energy efficiency and building security (€19.95 billion). Italy then allocates €25 billion to support infrastructure for sustainable mobility, of which more than half (€13.21 billion) are invested in high-speed rail, €3 billion are allocated for strengthening railways nodes, and €3 billion for the development of the European rail transport management system. Under the *digital transformation* pillar, two main projects are financed: €13.38 billion tax credit measures to increase productivity, competitiveness and sustainability of Italian businesses and €6.71 billion investments for ultra-fast networks (ultra-wideband and 5G). Under the pillar *'policies for the Next Generation'*, Italy includes various projects aimed to strengthen education services (€19.44 billion). Of particular relevance is the investment in the construction, redevelopment and safety of kindergartens and preschools (€4.6 billion) and the safety plan for school buildings (€3.9 billion). Under the *Smart, sustainable and inclusive growth* pillar, the plan includes investments to support research and innovation (€11.44 billion), of which the most relevant is the plan for innovative models for basic and applied research conducted in synergy between universities and companies (€6.91 billion). With respect to the *social and territorial cohesion* pillar, the plan includes three main projects: €4.4 billion are invested in active labour market policies, notably on training, €5.75 billion are allocated to urban regenerations projects and urban plans, and €2.8 billion are invested in the construction of new public housing structures. Finally, under the *health, and economic, social, and institutional resilience* pillar, two main projects are financed: €4 billion for the modernization of the hospital technology and digitalization, and additional €4 billion for home care and telemedicine.

Table 4. Italy 10 strategic projects financed by RRF

Strategic investments	€ billion	Description	Timeline
Tax credit for energy efficiency and building security	13,95	Coping with the long payback times of building renovations, stimulating the construction sector and achieving the challenging energy saving and emission reduction objectives for 2030.	Q42025

Tax credit for industry digital transition	13,38	This tax credit measures included in the 4.0 Transition Plan aim at increasing the productivity, competitiveness, and sustainability of Italian businesses.	Q22025
Public investment in high-speed rail	13,21	The intervention is divided into two axes: the strengthening of the Northern railways and the improvement of the railway stations in Southern Italy.	Q22026
Public investment in ultra-fast networks (ultra-wideband and 5G)	6,71	Accelerating the spread of 5G coverage along over 2,000 km of European transport corridors and 10,000 km of extra-urban roads to enable the development of services to support road safety, mobility, logistics and tourism.	Q22026
Public investment in territory and energy efficiency of the Municipalities	6	The investment consists in a heterogeneous set of interventions to be carried out in urban areas. The works will concern the adaptation of buildings to climate change, energy efficiency, and public lighting.	Q12026
Early childcare	4,6	Construction, redevelopment and safety of kindergartens and preschools in order to improve the educational offer from early childhood and support families.	Q42025
Active labour market policies (training)	4,4	Reforms and investments in labor policies are complemented by the provision of a national action plan aimed at strengthening the fight against undeclared work in the various sectors of the economy.	Q42021
Modernization of the hospital technology and digitalization	4,05	Digital modernization of the hospital technology infrastructure.	Q42025
Home care and telemedicine	4	Increasing the volume of services rendered in home assistance up to 10 percent of the aged population by mid-2026.	Q22026
Safety plan and redevelopment of school buildings	3,9	Ensuring the safety of the school buildings and favor a progressive reduction in energy consumption contributing to the climate recovery process	Q22026

Source: Own elaboration

Italian key structural reforms

Reforms aim to contribute to increasing the structural impact of the NRRP in the medium and long term and to reduce bureaucratic burdens and remove the constraints that have hitherto slowed down the implementation of investments or reduced their productivity. As such, they are expressly connected to the general objectives of the NRRP, contributing, directly or indirectly, to their realization. Overall, the Italian Plan envisages three types of reforms: **horizontal**, **enabling,** and **sectoral.** Horizontal reforms are defined as structural innovations of the Italian state and include the reform of the public administration and the judiciary system. Enabling reforms are defined as functional interventions to ensure the implementation of the Plan and in general to remove administrative obstacles, regulations and procedures that affect economic activities and the quality of services provided to citizens and businesses. Finally, sectoral reforms consist of specific regulatory innovations related to specific areas of intervention or economic activities, intended to introduce more efficient regulatory and procedural regimes in their respective sectoral areas. Table 5 summarises the main reforms included in the Italian plan.

With respect to public administration, the NRRP reforms focus on four lines of action: improvement of personnel selection mechanisms; simplification of procedures and processes; investments in human capital; and the strengthening of digitalisation. These actions, which are largely planned to be implemented by 2021, are outlined in a strategy focused on the generational turnover of public employees, the tools available to them and the way to interface within the public administration and with citizens (digitalisation). With respect to the justice system, the NRRP proposes three main lines of action: complete the Trial Office (Ufficio del Processo) and improve the performance of judicial offices by eliminating the backlog and reducing the length of civil and criminal proceedings; strengthen administrative capacity by hiring more staff; and enhance digital infrastructures. For civil trials, the Plan promotes the use of alternative instruments for the resolution of disputes (ADR). With criminal trials, the Plan proposes a reduction of the waiting time and its uncertainty before a hearing instruction, as well as a simplification of the hearing procedures and a reduction of the number of appeals to the

Recovery and Resilience Reflection Project

Supreme Court to allow decisions on tax justice to be made more quickly, as well as adequately. Finally, a general improvement in the efficiency and overall management of human resources also includes reform of the judicial system through a series of innovations in the organisation of judicial activity.

Of particular relevance are also the enabling reforms in the domain of simplification and competition reforms. On the one hand, the NRRP proposes a simplification of the rules on public procurement, the simplification of the rules on environmental regulations, the modernization of the national system of public procurement, the introduction of a new Enterprise Resource Planning System, 'InIT', and the creation of a single system of accrual economic and asset accounting for public administrations. On the other hand, the main competition reforms include: the creation and management of strategic infrastructures; the removal of barriers to entry into the market; the promotion of competitive dynamics aimed at ensuring the protection of citizens' non-economic rights and interests; the strengthening of antitrust enforcement powers and sectoral regulatory powers; and the introduction of changes to the rules on the supervisory system and product compliance.

With respect to the labour market reforms, two main reforms are included in the plan: a national programme for an employability guarantee and a national new skills plan, both to be adopted by the end of 2021. The employability guarantee aims to overcome the excessive heterogeneity of the services provided at local level. The national new skills plan would support the training of workers in transition and the unemployed. This would be done by strengthening the vocational training system and setting essential quality levels for upskilling and reskilling activities in favour of the beneficiaries of income support schemes, the Citizenship Income (*Reddito di Cittadinanza*) and those in short-time work schemes. Finally, in the area of education and skills, two main measures are included: the reform of technical and vocational schools and the reform of the Higher Technical Institutes system. No intervention, by contrast, is envisaged in the area of childcare policies.

Table 5. Key structural reforms

Area	Measure	Description	Timeline
Labour market	National programme for an Employability Guarantee	The National Program for Employability Guarantee (GOL) is adopted by inter-ministerial decree, subject to agreement at the State-Regions Conference, as a national program for taking charge, providing specific services and personalized professional planning. The new GOL Program intends to learn from the experience of recent years, trying to overcome - with an approach based on the definition of essential levels of performance - the excessive heterogeneity of the services provided at the local level.	Q42021
	National New Skills Plan	The National New Skills Plan is adopted by the Ministry of Labor and Social Policies in collaboration with the ANPAL and in agreement with the Regions, with the " objective of reorganizing the training of workers in transition and the unemployed, through the strengthening of the vocational training system and the definition of essential quality levels for upskilling and reskilling activities in favor of the beneficiaries of unemployment benefit , of the beneficiaries of the citizenship income and of the workers who benefit from extraordinary instruments or in derogation of wage integration . The Plan will also integrate other initiatives, concerning measures in favor of young people - such as the strengthening of the dual system - and NEETs, as well as actions for adult skills, starting with people with very low skills.	Q42021
Education and skills	Reform of technical and vocational schools	The reform, implemented by the Ministry of Education, aims to align the curricula of technical institutes and professionals to the demand for skills that comes from the country's productive fabric. In particular, it orients the technical and professional education model towards the innovation introduced by Industry 4.0, also embedding it in the renewed context of digital innovation. The reform involves 4,324 Technical and Vocational Institutes, and will be implemented through the adoption of specific rules.	Q42022

	Reform of the Higher Technical Institutes system	Strengthening the Higher Technical institutes (ITS) system through the strengthening of the organizational and teaching model (integration of the training offer, introduction of rewards and extension of the paths for the development of enabling technological skills - Enterprise 4.0), the consolidation of ITS in the tertiary education system professionalizing, strengthening its active presence in the entrepreneurial fabric of the individual territories. The reform also provides for the integration of ITS courses with the university system of professional degrees. Coordination between vocational schools, ITS and businesses will be ensured by replicating the "Emilia Romagna model" where schools, universities and businesses collaborate. The reform will be implemented by the Ministry of Education with the collaboration of the Ministry of University and Research.	Q42023
Justice	Interventions on the organization: Office of the process and strengthening of the administration	Eliminate the backlog and reducing the duration of civil and criminal proceedings. Enhancement of staff of the magistrate with people able to collaborate in all the collateral activities to the judge temporary hiring of personnel for NRRP	Q42021
	Civil process reform	Accentuate the use of alternative instruments for the resolution of disputes (ADR). Reducing the length of civil proceedings by identifying a wide range of actions to reduce the number of incoming cases in courts, by simplifying existing procedures, by reducing the backlogs and by increasing the productivity of courts.	Q42022
		Eliminate potentially unnecessary hearings and reduce the number of cases the court is in called to judge in collegial composition Better redefine the decision-making phase, with reference to all degrees of judgments.	Q42022
	Reform of tax justice	Reduce the number of appeals to the Supreme Court, to make them decide more expeditiously, as well as adequately.	Q42022
	Reform of the criminal process	Reducing the length of criminal proceedings by identifying a wide range of actions by simplifying existing procedures and by increasing the productivity of courts.	Q42022
	Reform of the legal process	Improvement on the efficiency and overall management of human resources, through a series of innovations in the organization of judicial activity. Guarantee an autonomous government of the judiciary free from external constraints or by logic not based solely on the interest of the good performance of the justice administration.	Q22021
Public administration	Access to PA	Creation of a single platform for recruitment in PA. Identification of new recruiting process for highly skilled professionals, and for the experts for the Plan implementation.	Q42021
	Regulatory simplification procedures for the PA	The identification of the catalog of new regimes, the elimination of unjustified authorizations for imperative reasons of general interest, the elimination of unnecessary obligations or that they do not use new technologies, the Scia extension, silent consent, communication, and the adoption of uniform regimes shared with Regions and Municipalities.	Q22021
	Upskilling and reskilling of the PA	Strengthening of the National Administration School (SNA), also through the creation of strategic partnerships with other universities and national research bodies.	Q42021
		Reorganization and rationalization of the training offer, starting with the preparation of specific on-line courses (MOOCs) open to public administration personnel on the new skills covered by interventions of the NRRP, with certified quality standards. These must be complemented by a measurement of the training impact in the short and medium term.	Q42023
		Creation, for management figures, of specific thematic Learning Communities, for the sharing of best practices and the resolution of concrete administration cases	Q42026

Recovery and Resilience Reflection Project

		Development of methods and metrics for rigorous measurement of the training impact in the short to medium term	
	Digitalization of the PA procedures and services	ICT procurement: ensure that the public administration may procure Information and Communication Technologies (ICT) solutions in a more timely and more efficient way by streamlining and accelerating the procurement process.	Q42021
		PA Support structure acquisition: support the digital transformation of all central and local public administrations through the set-up of a dedicated "Digital PA transformation office". The transformation office shall consist in a temporary technology competent resource pool that shall orchestrate and support the migration effort and the centralized negotiation of "packages" of certified external support.	Q42022
		Introduction guideline 'cloud first' and interoperability: removing the obstacles to cloud adoption and streamline the bureaucracy that slows down the data exchange processes between public administrations.	Q42021
Taxation	-	-	
Product market	Simplification	Improvement of the effectiveness and quality of regulation; Simplification of public contracts; Simplification and rationalization of environmental regulations; Simplifications in the field of building and urban planning and interventions for urban regeneration; Simplification of the rules on investments and interventions in the South; Repeal and revision of rules that fuel corruption; Digitization and capacity building administration of the contracting authorities; Strengthen spending review and evaluation measures; Reduction of payment times; Provide public administrations with a single system of accrual economic and asset accounting.	Not specified- it will be in line with the PA reform
	Competition	Creation and management of strategic infrastructures; Removal of barriers to entry into the markets; Strengthening of antitrust enforcement powers and sectoral regulatory powers.	Q42022
Social policies	Proximity networks, structures and telemedicine for territorial health care and the national health, environment, and climate network.	Implementation of a new health strategy, supported by the definition of an adequate institutional and organizational structure, including two main activities: first, the definition of homogeneous structural, organizational, and technological standards for territorial assistance. Second, the definition by mid-2022 of a new institutional set-up for prevention in the health, environmental and climate fields, in line with the "*One-Health*" approach.	Q22022

Source: Own elaboration

Overall assessment of the Italian plan

Italy entered the COVID-19 induced slump with an output level that had not yet fully recovered from the post-2009 recession. Structural challenges still negatively affected the Italian economic potential and weakened productivity (see Table 2).

The Italian plan is broad and addresses all the difficult challenges with an ambitious set of structural reforms and targeted investments. The Plan also addresses important investment needs for the twin green-digital transitions, research, and innovation, to improve access to essential care in a more resilient healthcare system, including the need to fill the infrastructural gap between regions. It also outlines initiatives for longstanding challenges related to the high level of undeclared work and tax evasion.

Reforms are frontloaded in the Italian plan and represent the core of the recovery and resilience strategy. Of particular relevance are the horizontal and enabling reforms, which aim respectively to prepare the Italian public administration and judicial system to absorb the significant inflows of RRF money, and to update the regulatory framework to attract both public and private investment. The envisaged reforms largely address the challenges identified above and provide satisfactory details on the implementation timeline, the milestones, and the responsible actors that will be involved in the drafting of these reforms. In terms of coherence, the horizontal and enabling reforms are synergetic with the investments proposed and consistent with the objectives of the RRF. Some concerns emerge on the duration of the envisaged horizontal measures, especially those addressing the recruitment and retention of highly skilled public employees. With respect to the enabling reforms, the main concern is on the timely implementation of the agenda, which will require swift political consensus, at the same time without weakening fundamental control systems. Yet the speed at which the government is currently adopting the reforms envisaged for 2021 represents a very positive signal for a successful implementation of the plan.

With respect to the sectoral reforms, of particular importance are the labour market and the education policies. While the intervention is relevant to the extent that pertains the challenges addressed, some concerns emerge about the effectiveness of the intervention and the coherence with the investments proposed. On the labour market side, the two major initiatives – the Employment Guarantee and the New Skills Plan – are vague with respect to governance, duration, and monitoring of these two instruments. On the education policy side, the financial intervention on childcare is relevant, as is the strengthening of the higher technical institutes (ITS), vocational education and training, and university reform. Yet some concerns emerge. In childcare, the increase in investments is not accompanied by an adequate reform to guarantee access to early and pre-primary education. In higher education, the Plan does not touch on the key theme of coordination between ITS and universities and the mutual recognition of educational credits. Moreover, the target set by the Plan in terms of expected increase of students in ITS is significantly lower than the demand for qualified professionals by Italian companies between now and 2024.

Overall, the Italian Plan is ambitious and set the conditions for a sustainable economic recovery. Yet, for this to happen it is of outmost important that the horizontal and enabling reforms contained in the plan are successfully implemented. In addition, after years of low cumulative rates (EUR 1.2 billion between 2016 and 2019), Italy will significantly accelerate its public investments. According to the AMECO forecasts Italy net fixed capital formation (NFCF) should increase by about 16.4 billion in the period 2019-2022, thus accounting a total acceleration (compared to the period 2016-2019) of around EUR 15 billion, which is half of the total Euro area NFCF acceleration in the same period (EUR 32.2 billion). Contrary to Germany that chose the consolidation of public finances, with a modest acceleration of public investments, Italy is thus betting on an 'all in' of reforms and additional investments, leaving the public debt to GDP ratio increasing in the years to come and keeping a negative government budget balance. The Italian bet is based on the hope that the implementation of reforms and investments should produce a positive and, above all, persistent impact on GDP growth. A public debt close to 160% of GDP will only be sustainable if the growth rate increases in a sustained manner, beyond 2026, not just a temporary growth induced by the NRRP spending.