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Proposal for a

COUNCIL IMPLEMENTING DECISION

on the approval of the assessment of the recovery and resilience plan for Italy

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THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility[1] and in particular Article 20 thereof,

Having regard to the proposal from the European Commission,

Whereas:

(1) The COVID-19 outbreak has had a disruptive impact on the economy of Italy. In 2019, the gross domestic product per capita in current prices (GDP per capita) of Italy was 95,0% of the EU average. According to the Commission's Spring 2021 forecast, the real GDP of Italy declined by 8,9% in 2020 and is expected to decline by 5,0% cumulatively in 2020 and 2021. Longer-standing aspects with an impact on medium-term economic performance include, in particular, high youth unemployment and a low participation of women in the labour market, slow productivity growth as well as inefficiencies in the public administration and a very high level of government debt.

(2) On 9 July 2019 and on 20 July 2020, the Council addressed recommendations to Italy in the context of the European Semester. In particular, the Council recommended to shift taxation away from labour, step up the fight against tax evasion and fully implement past pension reforms. The Council also recommended to strengthen the resilience and capacity of the health system while the coordination between national and regional authorities should be enhanced. Moreover, the Council recommended to reinforce efforts to tackle undeclared work, ensure that active labour market and social policies are effectively integrated and reach out notably to young people and vulnerable groups and that women's participation in the labour market is supported through a comprehensive strategy, including through access to quality childcare and long-term care. To tackle the COVID-19 crisis, Italy was recommended to provide adequate income replacement and access to social protection, and to mitigate the employment impact of the crisis, including through flexible working arrangements and active support to employment. Furthermore, Italy was recommended to improve educational outcomes, strengthen distant learning and foster upskilling, including digital skills. It was recommended to focus the investment related economic policy on

[1] OJ L 57, 18.2.2021, p. 17-75.

the green and digital transitions, taking into account regional disparities, in particular 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. To support the economy during the COVID-19 crisis, Italy was also recommended to effectively implement the measures providing liquidity to the real economy, front-load mature public investment projects, and promote private investment. Furthermore, the Council recommended to improve the effectiveness of public administration and the efficiency of the judicial system, to reinforce the insolvency framework and to step up the fight against corruption. The Council also urged to remove restrictions to competition and to improve sectoral regulations. Italy was also recommended to foster bank balance sheet restructuring, continuing the reduction of non-performing loans, and to improve non-bank financing for smaller and innovative firms. Having assessed progress in the implementation of these country-specific recommendations at the time of submission of the recovery and resilience plan, the Commission finds that substantial progress has been achieved with respect to the recommendations on taking all necessary measures to effectively address the pandemic, sustain the economy and support the ensuing recovery, on ensuring effective implementation of measures to provide liquidity to the real economy, including to small and medium-sized enterprises, innovative firms and the self-employed, and avoid late payments. Substantial progress was also recorded in fighting tax evasion, especially in the form of omitted invoicing.

(3) On 2 June 2021, the Commission published an in-depth review under Article 5 of Regulation (EU) No 1176/2011 of the European Parliament and the Council[2] for Italy. The Commission's analysis led it to conclude that Italy is experiencing excessive macroeconomic imbalances, in particular regarding high government debt and protracted weak productivity dynamics, which have cross-border relevance in a context of labour market and banking sector fragilities.

(4) [The Council recommendation on the economic policy of the euro area recommended to euro area Member States to take action, including through their recovery and resilience plans, to, inter alia, ensure a policy stance which supports the recovery, and to further improve convergence, resilience and sustainable and inclusive growth. The Council recommendation also recommended to strengthen national institutional frameworks, to ensure macro-financial stability and to complete EMU and strengthen the international role of the euro.] [If the Council recommendation is not adopted by the time of the CID adoption, please remove the recital]

(5) On 30 April 2021, Italy submitted its national recovery and resilience plan to the Commission, in accordance with Article 18(1) of Regulation (EU) 2021/241. That submission followed a consultation process, conducted in accordance with the national legal framework, of local and regional authorities, social partners, civil society organisations, youth organisations and other relevant stakeholders. The national ownership of the recovery and resilience plans is underpinning their successful implementation and lasting impact at national level and credibility at European level. Pursuant to Article 19 of that Regulation, the Commission has assessed the relevance,

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[2] Regulation (EU) No 1176/2011 of the European Parliament and of the Council of 16 November 2011 on the prevention and correction of macroeconomic imbalances (OJ L 306, 23.11.2011, p. 25).

effectiveness, efficiency and coherence of recovery and resilience plan, in accordance with the assessment guidelines of Annex V to that Regulation.

(6) The recovery and resilience plans should pursue the general objectives of the Recovery and Resilience Facility established by Regulation (EU) 2021/241 and of the EU Recovery Instrument set up by Council Regulation (EU) 2020/2094 in order to support the recovery in the aftermath of the COVID-19 crisis. They should promote the Union´s economic, social and territorial cohesion by contributing to the six pillars referred to in Article 3 of Regulation (EU) 2021/241.

(7) The implementation of the Member States' recovery and resilience plans will constitute a coordinated effort of investment and reforms across the Union. Through the coordinated and simultaneous implementation of these reforms and investments and the implementation of cross-border projects, these reforms and investments will mutually reinforce each other and generate positive spillovers across the whole Union. Therefore, about one third of the impact of the Facility on Member States' growth and job creation will come from spillovers from other Member States.

Balanced response contributing to the six pillars

(8) In accordance with Article 19(3), point (a) and section 2.1 of Annex V to Regulation (EU) 2021/241, the recovery and resilience plan represents to a large extent (Rating A) a comprehensive and adequately balanced response to the economic and social situation, thereby contributing appropriately to all six pillars referred to in Article 3 of Regulation (EU) 2021/241, taking the specific challenges and the financial allocation of the Member State concerned into account.

(9) The plan contains a wide range of both investments and reforms to support addressing the challenges of the green transition such as increasing energy efficiency of buildings, decarbonising the economic activity, mitigating and adaptating to climate change, using water resources more efficiently, strengthening the circular economy and preserving and enhancing biodiversity. The plan also aims to tackle the digital challenges through the digitalisation of important public services such as justice, public employment services, education or health and the adoption of digital technologies by citizens and business with a combined set of direct investments and incentive schemes such as Transizione 4.0. Digital skills are addressed in the plan through a varied set of measures targeting the general population, the public administration, the education system and the labour market.

(10) The plan promotes smart, sustainable and inclusive growth across all missions and components, both through investments aimed at enhancing physical and human capital and reforms which should have an impact on productivity and competitiveness over the medium and long term. For instance, the two first components of mission 1 of the plan propose major reforms in justice, competition, public procurement, public administration and taxation and public expenditure which should remove important bottlenecks in the functioning of the Italian economy and significant investments which focus on the digitalisation of the various economic sectors, which should have a positive effect on productivity. In line with the priorities of the European Green Deal the components of missions 2 and 3 aim to promote sustainable growth, energy efficiency and climate change mitigation and adaptation through a set of ambitious reforms and investments in various sectors such as water, territorial planning, energy efficiency of buildings, sustainable mobility in cities and across the country, the development of renewable energies, biodiversity and the strengthening of the circular

economy. The components of mission 4 aim to tackle the challenges related to education and research and innovation combining both investments and reforms in a balanced manner.

(11) The recovery and resilience plan is expected to enhance social and territorial cohesion through the implementation of dedicated investments and reforms aimed at improving the situation of the most vulnerable groups of the society and the less developed regions of the country. Significant investments in physical capital are envisaged in Southern regions. These investments mostly relate to transport, digital and waste and water management. The actions in the area of education and skills and those in favour of the most vulnerable groups envisaged particularly in components of missions 4 and 5, which are expected to have a significant positive impact on social cohesion, also have a strong focus on the South of the country. The components of mission 6 aim to address the challenges in the health sector by making a major effort in digitalising the sector, in reinforcing primary health care and enhancing its capacity to respond to the increasing needs related to demography and crisis preparedness.

Addressing all or a significant subset of challenges identified in Country Specific Recommendations

(12) In accordance with Article 19(3), point (b) and section 2.2 of Annex V to Regulation (EU) 2021/241 the recovery and resilience plan is expected to contribute to effectively addressing all or a significant subset of challenges (Rating A) identified in the relevant country-specific recommendations, including fiscal aspects thereof and recommendations made pursuant to Article 6 of Regulation (EU) No 1176/2011, addressed to the Member State concerned or challenges identified in other relevant documents officially adopted by the Commission in the context of the European Semester.

(13) The plan includes an extensive set of mutually reinforcing reforms and investments that contribute to effectively addressing all or a significant subset of the economic and social challenges outlined in the country-specific recommendations addressed to Italy by the Council in the European Semester in 2019 and 2020. Notably, reforms and investments included in the plan are expected to contribute to the sustainability of public finances, increase the resilience of the health sector, improve the effectiveness of active labour market policies, social policies, and improve education outcomes and upskilling. The plan is also expected to boost investment for supporting the twin transitions, particularly on network industries, utilities and research and innovation, with a view to reduce regional disparities, increase the effectiveness of the public administration and efficiency of the justice system, improve the business environment and remove barriers to competition.

(14) As regards fiscal-structural policies, the plan includes measures to improve tax collection and step up the fight against tax evasion, as well as measures to enhance the efficiency of public expenditure through a strengthened spending review framework and the completion of the reform of fiscal relations across different levels of government. The structural measures to improve the framework for public procurement are also expected to contribute to the quality of public finances. The recommendations related to the immediate fiscal policy response to the pandemic can be considered as falling outside the scope of Italy’s recovery and resilience plan, notwithstanding the fact that Italy has generally responded adequately and sufficiently to the immediate need to support the economy through fiscal means in 2020 and 2021,

in line with the provisions of the General Escape Clause. Moreover, the recommendation to Italy to make sufficient progress towards the medium-term budgetary objective in 2020 is no longer relevant, due both to the lapsing of the corresponding budgetary period and the activation in March 2020 of the General Escape Clause of the Stability and Growth Pact in the context of the pandemic crisis.

(15) The plan includes a reform and some investments with the aim to reduce undeclared work and interventions aimed at improving educational outcomes and reducing early school leaving, which are higher than Union average. The plan also includes measures with the aim to increase the participation of women in the labour market through a combined set of reforms and investments, including the reinforcement in the provision of childcare facilities. Furthermore, the plan includes measures to strengthen skills, including digital, and to improve opportunities of youth and most vulnerable groups of the society.

(16) Significant reforms and investments to increase the efficiency of public administration are included in the plan, particularly to improve the management of public employment and strengthen administrative capacity. The measures on public employment focus on reforming the selection and recruitment of public employees. The new system should immediately be tested with the selection of staffing needed for the governance of the plan. The reform is coupled with investments for the creation of a single recruiting platform, investment for upskilling and reskilling, and a reform of public administration careers. An administrative simplification through ad hoc legislative interventions ('fast track') is envisaged for administrative procedures as well as the elimination of authorizations not justified by public interest. These measures are complemented and reinforced by significant investments and reforms to boost the digitalisation of the various public administrations. To ensure the swift implementation of the reforms and deployment of the ICT investment, a dedicated "Transformation Office" for a digital public administration will be set up.

(17) A set of reforms and investments in the health sector is aimed at ensuring the necessary enabling conditions to ensure greater resilience of the healthcare service, particularly concerning local health, telemedicine and investment for the digitalisation of the system. Significant investments coupled with sectoral reforms aim to support the twin transitions and research and innovation, taking into account regional disparities. This particularly concerns measures to build and upgrade digital infrastructure, to develop the circular economy and improve waste and water management, to make buildings more energy efficient, to boost the production of renewable energies, to expand sustainable transport and to reduce water utilities fragmentation. A set of investments and reforms are included to boost research and innovation, particularly regarding young researchers and the involvement of public and private institutions.

(18) The plan also envisages substantial reforms to improve the overall business environment and reducing barriers to competition. The adoption of a new annual competition law 2021 is expected to reduce the time to start a business in Italy and increase competitive processes to award local public services contracts, notably in waste management and transport, in particular ports, regional rail and local public transport, and concessions, in particular highways, e-mobility charging stations and hydropower. Sectoral legislation in energy phases out regulated prices in electricity, includes flanking measures to support the increase of competition in energy retail markets and the deployment of second-generation smart meters. The revision of public

procurement legislation includes regulations to reduce the time between the publication of contracts and their award, the coordination of public procurement policy, the uptake of e-procurement, the professionalization of public buyers and the rationalisation of contracting authorities. This is expected to be implemented with a view at ensuring an appropriate balance between the simplification gains and the anti-corruption and anti-fraud checks. The plan envisages to consolidate market surveillance authorities, digitalise product inspections and establish new accredited laboratories. These improvements to the business environment are expected to facilitate entrepreneurship and improved framework conditions for competition and to favour a more efficient allocation of resources with the associated potential productivity gains.

(19) Moreover, the plan contains ambitious measures to reform and modernise the civil, criminal and administrative justice system. The investments envisaged in the plan are aimed at digitalizing courts, training judges and staff and enhancing the courts' overall efficiency, acting in the near term on organizational factors in order to allow the reforms under development to generate results more quickly. The establishment and strengthening of the 'office of trial' should support the magistrates, as an integral part of the justice reform, with the aim of reducing the existing backlog of court cases and the overall length of proceedings as part of the recover strategy helping to ensure swift implementation of reforms and investments, with a positive impact also on the fight against corruption and the overall business environment. These measures are also expected to improve the quality of justice by supporting the magistrates in the normal activities of study, legal research, drafting of acts, organization of the files and thereby enabling the judges to focus on the more complex tasks.

(20) By addressing the aforementioned challenges, the recovery and resilience plan is expected to also contribute to correcting the imbalances[3] that Italy is experiencing, notably with respect to high government debt and protracted weak productivity dynamics in a context of high unemployment and a still high level of non-performing loans, albeit with a decreasing trend.

Contribution to growth potential, job creation and economic, social and institutional resilience

(21) In accordance with Article 19(3), point (c) and section 2.3 of Annex V to Regulation (EU) 2021/241, the recovery and resilience plan is expected to have a high impact (Rating A) on strengthening the growth potential, job creation, and economic, social and institutional resilience of Italy, contributing to the implementation of the European Pillar of Social Rights, including through the promotion of policies for children and youth, and on mitigating the economic and social impact of the COVID-19 crisis, thereby enhancing the economic, social and territorial cohesion and convergence within the Union.

(22) Simulations by the Commission services show that the plan has the potential to increase the GDP of Italy by 2,5 % by 2026[4]. While in the short-term the demand

[3] These macroeconomic imbalances refer to the recommendations made pursuant to Article 6 of Regulation (EU) Nº 1176/2011 in 2019 and 2020.

[4] Such simulations reflect the overall impact of NGEU, which also includes funding for ReactEU, and increased funding for Horizon, InvestEU, JTF, Rural Development and RescEU. Such simulation does not include the possible positive impact of structural reforms, which can be substantial.

effects via increased public investment dominate, higher investment is projected to boost the public capital stock with positive effects on potential and actual GDP in the medium term. The plan is expected to contribute to support territorial cohesion. The plan allocates at least 40 % of investment with a specific territorial destination to Southern regions. It is expected to address the infrastructural gap and to enhance the productivity and competitiveness of less developed regions through investments in broadband, high-speed railways and regional lines, waste and water management, ports and “last mile” connections in the Special Economic Zones. Special attention is also paid to the South and inner areas in the interventions aimed at revitalising urban areas and improving the conditions of the most vulnerable groups of the population. The reforms envisaged in the plan, notably the reform in the public administration, and the measures related to supporting the administrative capacity of local administration are expected to contribute to improve the effectiveness of the public administration in those regions.

(23) The plan envisages a wide set of significant investments to reduce inequality and social vulnerabilities in various components, which also pay special attention to the South of the country. A range of important dimensions are addressed, such as the increase in the provision of social housing, the improvement of access to social services, particularly for persons with disabilities and non-self-sufficient elderly people, the extension of home care services or the support to disadvantaged communities through urban regeneration plans. Those interventions are accompanied by reforms which should simplify the access to some social services, such as the Framework Law for persons with disabilities or the reform related to the extension of telemedicine and the proximity network. These measures, together with those in other components such as those related to employment, education or health, address a number of principles of the European Pillar of Social Rights.

(24) The plan also focusses on policies for young people and children, through a set of measures such as improving quality and raising the capacity of kindergartens and childcare services for which Italy lags behind compared to the Union average. The plan also aims to foster the enrolment in tertiary education courses, especially in STEM disciplines, and establishes a network of higher education institutions offering post-graduate courses of short duration. The Plan includes a number of measures to strengthen the Italian research capacity, in particular a reform to ease the mobility of high-profile researchers and managers, the simplification of funds management, and the reform of the researches’ career path. The plan is also expected to support the integration of digital technologies in the primary and secondary education system with the use of digital resources in classrooms, the digitalisation of educational contents and the creation of laboratories with educational technologies like programmable robots. It also envisages measures to strengthen the employability of young people, and to support job creation in the context of the digital and green transition. Finally, the reforms in the educational system and in active labour market policies are expected to improve the framework conditions and help to reap the returns of those investments.

(25) The plan includes investments and reforms to boost human capital and promote equal education opportunities across the country, which are expected to contribute to the reduction of inequality and of regional disparities in terms of schooling infrastructure and educational outcomes. Southern regions are expected to significantly benefit from the envisaged investments in sport facilities, nurseries and student housing and from the increased number of university scholarships as well as targeted projects to reduce

early school-leaving and increase education outcomes of vulnerable pupils. The measures included in the plan are also aimed at strengthening competences and skills in secondary and tertiary education, enhancing social services in inner areas as well as boosting the rehabilitation of assets confiscated from organized crime and strengthening territorial healthcare.

Do no significant harm

(26) In accordance with Article 19(3), point (d) and section 2.4 of Annex V to Regulation (EU) 2021/241, the recovery and resilience plan of Italy is expected to ensure that no measure (Rating A) for the implementation of reforms and investments projects included in the recovery and resilience plan does significant harm to environmental objectives within the meaning of Article 17 of Regulation (EU) 2020/852 of the European Parliament and of the Council[5] (the principle of 'do no significant harm'), namely climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems. In its assessment as regards compliance with the principle, Italy followed the 'do no significant harm' technical guidance of the European Commission (2021/C58/01) and, where needed, commits to the implementation of specific actions enshrined in the relevant milestones and targets to avoid significant harm.

(27) Some measures of the plan have required particular attention considering their nature to ensure that there is not significant harm. Milestones should be introduced for investments in renovation, bio-methane, hydrogen, water irrigation and last-mile connections. Waste resulting from renovation should be treated in accordance with circular economy principles. Measures in waste treatment do not contain investments in incineration or mechanical biological treatment in compliance with the do no significant harm principle. Measures aimed at the replacement of the fleet of vehicles and machinery have ensured that only clean vehicles should be eligible for funding. The biomethane used by vehicles is compliant with Directive (EU) 2018/2001 (recast) on the promotion of the use of energy from renewable sources. Particular safeguards as regards the protection of biodiversity have also been introduced.

Contribution to the green transition including biodiversity

(28) In accordance with Article 19(3), point (e) and section 2.5 of Annex V to Regulation (EU) 2021/241, the recovery and resilience plan contains measures that contribute to a large extent (Rating A) to the green transition, including biodiversity, or to addressing the challenges resulting therefrom. The measures supporting climate objectives account for an amount which represents 37,5% of the plan's total allocation calculated in accordance with the methodology of Annex VI to Regulation (EU) 2021/24. In accordance with Article 17 of Regulation (EU) 2021/241, the recovery and resilience plan is consistent with the information included in the National Energy and Climate Plan 2030.

(29) The recovery and resilience plan contains a wide range of both investments and reforms to address the challenges of the green transition and is overall well aligned

[5] Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (OJ L 198, 22.6.2020, p. 13).

with the priorities of the European Green Deal and its 2030 climate target plan and with the goal to make Europe a climate-resilient society by 2050. The plan includes a number of measures related to the renovations of buildings for energy efficiency purposes, in particular through the Superbonus housing tax deduction but also envisages direct investments to improve the energy efficiency of municipalities, schools, justice buildings, hotels, museums, cinemas and theatres. Furthermore, the plan aims to increase competition in electricity and gas markets and to promote the use of renewable energy sources. These interventions include investments aimed at supporting renewables for energy communities and jointly acting renewables self-consumers, as well as to develop offshore power production and smart grids.

(30) The plan includes reforms to facilitate the authorisation of renewable power production and reform the award of hydropower concessions. The plan focuses on reducing greenhouse gas emissions from transport, and envisages important investments in sustainable urban mobility, including e-mobility, as well as to boost railway infrastructure to support modal shift and to reduce greenhouse gas emissions in air and maritime transport and in agriculture. Furthermore, the plan supports Italy’s climate adaptation efforts, as well as seismic resilience and the quality of infrastructures. The plan is expected to contribute addressing the existing challenges on waste management, to foster circular economy, to improve water and wastewater management and to enhance biodiversity protection. For that purpose, the plan envisages measures such as the adoption of a new strategy for the circular economy, the modernisation and set-up of new waste management plants, the improvement of the water infrastructure to improve supply and reduce water losses and a set of measures for reforestation and recovery of natural areas and seabed and marine habitats.

Contribution to the digital transition

(31) In accordance with Article 19(3), point (f) and section 2.6 of Annex V to Regulation (EU) 2021/241, the recovery and resilience plan contains measures that effectively contribute to a large extent (Rating A) to the digital transition or to addressing the challenges resulting from it. The measures supporting digital objectives account for an amount which represents 25,1% of the plan’s total allocation calculated in accordance with the methodology of Annex VI to Regulation (EU) 2021/24.

(32) Overall, twelve components contain measures contributing to the digital transition with a broad, cross-cutting approach. Significant investments are planned in the areas of digitalisation of enterprises, with focus on tax incentives toward smarter manufacturing systems (Transizione 4.0). The plan also envisages support to networks for R&I collaboration and technology transfers between universities, research institutes and enterprises. The investment in completing the ultra-fast broadband networks and in 5G connectivity is expected to contribute to the achievement of the European Digital Targets for 2030 and their fast implementation would lead to significant benefits across the economy and society.

(33) Other significant investments target the digitalisation of the public administration with actions planned for the general public administration, the health sector and the education sector. The effective implementation of these measures would contribute to build future proof digital infrastructure, reinforce cybersecurity and make the public administration more efficient, resilient and close to citizens. The plan also envisages measures to complement national investments for the digitalisation of justice.

(34) The digital transition presents significant challenges for Italy, as the country is faced with significant shortcomings in both basic and advanced digital skills, which are also reflected in a low digitalisation of the productive system. The plan aims to contribute addressing those challenges with investments targeting the skills needs of the general population and people more at risk of digital exclusion, teachers, civil servants and the workforce. Advanced digital skills development is addressed as part of broader measures which contribute to increasing the availability of technical and specialised digital skills.

Lasting impact

(35) In accordance with Article 19(3) point (g) and section 2.7 of Annex V to Regulation (EU) 2021/241, the recovery and resilience plan is expected to have a lasting impact on Italy to a large extent (Rating A).

(36) The plan includes key reforms to support addressing Italy's long-standing challenges which have the potential to structurally improve the competitiveness of the Italian economy. Particularly, the proposed reform of the public administration should complement and complete the comprehensive reform adopted in 2014. The full, swift and proper implementation of the new set of measures should increase the effectiveness of the administration. This, coupled with the envisaged reform of justice aimed at drastically reducing the backlog of cases both in civil and criminal proceedings, and at reducing the backlog of cases in administrative proceedings, is expected to significantly improve the functioning of the economy. Furthermore, the plan includes a set of ambitious reforms to remove obstacles to the business environment and make some sectors of the economy more transparent and open to competition. Sectoral reforms such as those planned in the energy and water sectors are also addressing important weaknesses by removing major barriers and are expected to have a positive lasting impact on growth and productivity. Those reforms are expected to increase the returns of the comprehensive set of investments planned across the various sectors of the Italian economy, which are expected to upgrade the physical infrastructure across the country, to strengthen human capital and to accelerate the green and digital transitions. Lasting impact of the plan can also be enhanced through synergies between the plan and other programmes, including those financed by the cohesion policy funds, notably by addressing in a substantive manner the deeply rooted territorial challenges and promoting a balanced development.

Monitoring and implementation

(37) In accordance with Article 19(3), point (h) and section 2.8 of Annex V to Regulation (EU) 2021/241, the arrangements proposed in the recovery and resilience plan are adequate (Rating A) to ensure effective monitoring and implementation of the recovery and resilience plan, including the envisaged timetable, milestones and targets, and the related indicators.

(38) A multi-level governance is envisaged for the implementation and monitoring of the recovery and resilience plan. This includes in particular: at political level, a steering committee established at the Presidency of the Council of Ministers; at social dialogue level, a consulting body involving relevant stakeholders; at technical level, a secretariat established at the Presidency of the Council of Ministers to support the works of the steering committee and the consulting body, a central coordination and monitoring structure established at the Ministry of Economy and Finance, and technical coordination structures identified at the level of the central administrations

responsible for individual measures. The model also envisages the establishment of an independent audit body for the implementation of internal control systems. Central and local administrations remain responsible for the operational implementation of the plan's measures based on the relevant competences. The governance model provides for the assignment of clear responsibilities for the implementation of the plan, the monitoring of progress and reporting. In particular, responsibilities and mandates are enshrined in Decree-Law of 31 May 2021, n.77, which contributes to the empowerment of the relevant bodies. This model intends to create synergies and ensure coordination between the Facility and other Union programs, with the potential to improve the implementation of Union funds in Italy . The strengthening of administrative capacity, including through additional human resources and the provision of technical support to administrations, and the simplification of administrative procedures are envisaged and enshrined in legal acts (Decree-Law of 9 June 2021, n. 80 and Decree-Law of 31 May 2021, n.77) with the aim to ensure a timely and effective implementation of the plan's measures. Finally, ad hoc mechanisms to deal with implementation issues are envisaged and enshrined in Decree-Law of 31 May 2021, n.77. The milestones and targets of the Italian plan are clear and realistic, and adequately reflect the investments and reforms envisaged in the plan. The relevant indicators are relevant, acceptable and sufficiently robust.

(39) Member States should ensure that financial support under the Facility is communicated and acknowledged in line with Article 34 of Regulation (EU) 2021/241. Technical support may be requested under the Technical Support Instrument to assist Member States in the implementation of their plan.

Costing

(40) In accordance with Article 19(3), point (i) and section 2.9 of Annex V to Regulation (EU) 2021/241, the justification provided in the plan on the amount of the estimated total costs of the recovery and resilience plan is to a medium extent (Rating B) reasonable and plausible and is in line with the principle of cost efficiency and is commensurate to the expected national economic and social impact.

(41) Italy has provided cost estimates for all measures of the recovery and resilience plan which entail a cost. Overall, the methodology and the assumptions made to reach the cost estimates are clear and plausible for most measures of the plan, often based on previous projects of similar nature or relevant support studies. However, relevant details on the methodology and on the basis used to make the cost estimates are missing or incomplete for some measures, this hindering a full positive assessment of the cost estimates. As a consequence, the justification of the cost estimates on the amount of the estimated total costs of the recovery and resilience plan is reasonable and plausible to a medium extent. Finally, the estimated total cost of the recovery and resilience plan is in line with the principle of cost-efficiency and is commensurate to the expected national economic and social impact.

Protection of financial interests

(42) In accordance with Article 19(3), point (j) and section 2.10 of Annex V to Regulation (EU) 2021/241, the arrangements proposed in the recovery and resilience plan and the additional measures contained in this Decision are adequate (Rating A) to prevent, detect and correct corruption, fraud and conflicts of interests when using the funds provided under that Regulation, and the arrangements are expected to effectively avoid double funding from that Regulation and other Union programmes. This is without

prejudice to the application of other instruments and tools to promote and enforce compliance with EU law, including for preventing, detecting and correcting corruption, fraud and conflicts of interests, and for protecting the Union finances in line with Regulation (EU, Euratom) 2020/2092 of the European Parliament and of the Council.

(43) The internal control system and arrangements proposed in the recovery and resilience plan are in their set-up rated sufficiently robust and the relevant structures are clearly described. The plan identifies clear actors (bodies/entities) and describes their roles and responsibilities for the performance of the internal control tasks. The Ministry of Economy and Finance has been attributed the task of overall coordination and an independent Audit Body has been set up within the Ministry, with mandates enshrined in Decree-Law of 31 May 2021, n.77. Ad hoc recruitments are envisaged to strengthen administrative capacity.

(44) The control systems and other relevant arrangements, including for the collection and making available of data on final recipients, are provided for: as of mid-2022 by the implementation of a unitary IT system (ReGiS), and until that moment by the use of transitional IT arrangements based on existing data processing tools which should be adapted for this purpose. The collection of data under Article 22(2), point (d) of Regulation (EU) 2021/241 is drawing on information from the Public Administration databases, including, for instance, Tender Identification Code (CIG)-based databases. The Audit Body should perform a verification of collection and ensuring access to the data referred to in Article 22(2), point (d) of Regulation (EU) 2021/241 in relation to the transitional IT arrangements. This commitment and the reporting thereon by the Audit Body is included as a milestone in the Annex to this Decision. These arrangements are considered adequate with respect to preventing, detecting and correcting corruption, fraud, conflict of interest when using the funds under the Recovery and Resilience Facility and to avoid double funding from the Recovery and Resilience Facility and other Union programmes.

(45) The proper functioning of internal controls and data-capturing arrangements and reporting structures as well as the transition to the unitary system (ReGiS) is critical for the reporting on the achievement of targets and milestones and payment request establishment. The transitional IT arrangements, progress in the development of a new IT environment (ReGiS) and the factual transition to this repository system merit specific IT audit work by the Audit Body in respect of the capability of ReGiS to fulfil the functionalities described in the plan and in particular the integrity of data and the maintenance of audit trail. For the transitional system, the Audit Body shall provide an audit report confirming the repository system functionalities with the first payment request.

(46) For the prevention, detection and correction of fraud, corruption and conflicts of interests the strengthening of existing provisions is envisaged in the context of the Plan’s implementation. In addition to the role of Guardia di Finanza, the Anti-Corruption Authority (ANAC) and the Italian Court of Auditors, the use of a Unique Project Code and ARACHNE are referred to, also in view of avoiding double funding risks.

Coherence of the plan

(47) In accordance with Article 19(3), point (k) and section 2.11 of Annex V to Regulation (EU) 2021/241, the plan includes to a high extent (Rating A) measures for the

implementation of reforms and public investment projects that represent coherent actions.

(48) The Italian recovery and resilience plan presents a strategic and consistent vision throughout the plan, with overall coherence across components and across individual measures. The reforms and investments in each component are consistent and mutually reinforcing, and there is also significant complementarity across components. For instance, several components in the plan envisage measures to promote energy efficiency or ensure that there is not any negative impact on energy consumption beyond those specifically dedicated to the green and ecological transition. Another example is that all components incorporate youth, gender and territorial cohesion as priorities regardless of their specific scope. No measures proposed within a component contradict or undermine each other, and no contradictions between different components have been identified.

Equality

(49) Italy's recovery and resilience plan contains measures that are expected to contribute to addressing the country's challenges in the area of gender equality and equal opportunities for all. Notably, these include measures addressing the challenges to gender equality, such as support to female entrepreneurship or the establishment of a national gender equality certification system. Specific measures are also envisaged to support equal opportunities for younger persons, including measures aimed at enhancing enrolments in Science Technology, Engineering and Mathematics studies, digital and innovation skills, with a particular focus on gender equality and equal opportunities for all. Measures on enhancing community and home-based social and health services, such as innovative housing solutions and equipment, aim at promoting the independent living of persons with disabilities and elderly people. The plan explains how the various components are expected to contribute, directly or indirectly, to address inequality and foster equal opportunities, in particular for women and younger persons. However, the expected contribution for specific groups, such as persons belonging to ethnic or racial minorities, remains unclear in the plan. Especially when the anticipated contribution is indirect only, close monitoring of the plan's concrete implementation should be essential to ensure that it delivers the expected results and forms part of a comprehensive strategy, in synergies with national equality policies such as the National Strategy for Gender Equality 2021-2026.

Security self-assessment

(50) In accordance with Article 18(4), point (g) to Regulation (EU) 2021/241, the plan includes a security-self assessment for investments related to cloud services and infrastructures for the public administration. As regards connectivity measures, in particular for 5G deployment, Italy confirmed that it will carry out such an assessment at a later stage, taking into account the connectivity scenarios that will result from the mapping and public consultation exercises. In this regard, Italy stated that it will analyse risk scenarios and implement measures to avoid or mitigate any potential security risks.

Cross-border and multi-country projects

(51) The plan includes investments along the Trans-European Transport (TEN-T) corridors and the cross-border rail connection between Italy and Austria through the completion of the Bolzano bypass in the line Verona-Brennero, which is an important hub for the

traffic of passengers and freight between Italy and Northern and Eastern Europe. In addition, the development of at least 3 400 km of the European Rail Transport Management System should allow the interoperability with the rail systems of other Member States. The plan includes measures to support the deployment of optical fiber and 5G based technologies along the European 5G corridors. The plan also envisages to fund the participation of Italian firms in approved and potential Important Projects of Common European Interest and in research and development partnerships and to strengthen the network of European Digital Innovation Hubs to share knowledge and experience with other European countries.

Consultation process

(52) The plan went through a process of consultation and interaction with a variety of stakeholders, including regional and local authorities, civil society organizations, social partners and academics and policy experts. Following the opinion of the Italian Parliament on the strategic guidelines proposed by the government for the drafting of the plan, a first version was approved by the Council of Ministers on 12 January 2021. After the change of government in February 2021, the examination of the draft plan and the consultations with relevant stakeholders continued. The Chamber of Deputies and the Senate held a series of hearings involving a variety of stakeholders such as regional and local authorities, social partners, civil society organisations and institutional bodies and approved ad hoc reports thereon, together with resolutions steering the finalisation of the plan on that basis. Furthermore, the Government itself held a dialogue with regional and local authorities within the framework of the State-Regions Conference. As a result of this process, the revised plan was presented to Parliament, which endorsed its transmission to the Commission.

(53) With regard to the consultation process in the implementation phase, the Italian recovery and resilience plan envisages to continue regular dialogues with the various administrations involved in the implementation of the plan and with stakeholders. To this effect, the governance model envisages the creation of a consulting body with the participation of economic and social partners. To ensure ownership by the relevant actors, it is crucial to involve all local authorities and stakeholders concerned, including social partners, throughout the implementation of the investments and reforms included in the plan.

Positive assessment

(54) Following the positive assessment of the Commission concerning the Italian recovery and resilience plan with the finding that the plan satisfactorily complies with the criteria for assessment set out in Regulation (EU) 2021/241, in accordance with Article 20(2) of that Regulation, this Decision should set out the reforms and investment projects necessary for the implementation of the plan, the relevant milestones, targets and indicators, and the amount made available from the Union for the implementation of the plan in the form of non-repayable financial and loan support.

Financial contribution

(55) The estimated total cost of the recovery and resilience plan of Italy is EUR 191 499 177 889. As the recovery and resilience plan satisfactorily complies with the criteria for assessment set out in Regulation (EU) 2021/241 and, furthermore, as the amount of the estimated total costs of the recovery and resilience plan is higher

than the maximum financial contribution available for Italy, the financial contribution allocated for Italy's recovery and resilience plan should be equal to the total amount of the financial contribution available for Italy.

(56) In accordance with Article 11(2) of the Regulation (EU) 2021/241, the calculation of the maximum financial contribution for Italy is expected to be updated by 30 June 2022. As such, in accordance with Article 23(1) of that Regulation, an amount for Italy should be made available now for a legal commitment by 31 December 2022. Where necessary following the updated maximum financial contribution, the Council, on a proposal from the Commission, should amend this decision to include the updated maximum financial contribution without undue delay.

(57) Furthermore, in order to support additional reforms and investments, Italy has requested loan support. The maximum volume of the loan requested by Italy is equal to 6,8% of its 2019 Gross National Income in current prices. The amount of the estimated total costs of the recovery and resilience plan is higher than the combined financial contribution available for Italy and requested loan support.

(58) The support to be provided is financed from the borrowing by the Commission on behalf of the Union on the basis of Article 5 of Council Decision (EU, Euratom) 2020/2053[6]. The support should be paid in instalments once Italy has satisfactorily fulfilled the relevant milestones and targets identified in relation to the implementation of the recovery and resilience plan.

(59) Italy has requested pre-financing of 13% of the financial contribution and of 13% of the loan. That amount should be made available to Italy subject to the entry into force and in accordance with the Financing Agreement provided for in Article 23(1) of Regulation (EU) 2021/241 and the Loan Agreement provided for in Article 15(2) of that Regulation.

(60) This decision should be without prejudice to the outcome of any procedures relating to the award of Union funds under any other Union programme than Regulation (EU) 2021/241 or to procedures relating to distortions of the operation of the internal market that may be undertaken, in particular under Articles 107 and 108 of the Treaty. It does not override the requirement for Member States to notify instances of potential State aid to the Commission under Article 108 of the Treaty.

HAS ADOPTED THIS DECISION:

Article 1
Approval of the assessment of the recovery and resilience plan

The assessment of the recovery and resilience plan of Italy on the basis of the criteria provided for by Article 19(3) of Regulation (EU) 2021/241 is approved. The reforms and investment projects under the recovery and resilience plan, the arrangements and timetable for monitoring and implementation of the recovery and resilience plan, including the relevant milestones and targets and the additional milestones and targets related to the payment of the loan, the relevant indicators relating to the fulfilment of the envisaged milestones and targets,

6 OJ L 424, 15.12.2020, p. 1.

and the arrangements for providing full access by the Commission to the underlying relevant data are set out in the Annex to this Decision.

Article 2
Financial contribution

1. The Union shall make available to Italy a financial contribution in the form of non-repayable support amounting to EUR 68 880 513 747[7]. An amount of EUR 47 925 096 762 is available to be legally committed by 31 December 2022. Subject to the update provided for in Article 11(2) of the Regulation (EU) 2021/241 calculating an amount for Italy equal to or more than this amount, a further amount of EUR 20 955 416 985 is available to be legally committed as of 1 January 2023 until 31 December 2023.

2. The Union financial contribution shall be made available by the Commission to Italy in instalments in accordance with the Annex to this Decision. An amount of EUR 8 954 466 787 shall be made available as a pre-financing payment, equal to 13 per cent of the financial contribution. The pre-financing and instalments may be disbursed by the Commission in one or several tranches. The size of the tranches shall be subject to the availability of funding.

3. The pre-financing shall be released subject to the entry into force and in accordance with the Financing Agreement provided for in Article 23(1) of Regulation (EU) 2021/241. Pre-financing shall be cleared against the payment of the instalments.

4. The release of instalments in accordance with the Financing Agreement shall be conditional on available funding and a decision by the Commission, taken in accordance with Article 24 of Regulation (EU) 2021/241, that Italy has satisfactorily fulfilled the relevant milestones and targets identified in relation to the implementation of the recovery and resilience plan. Subject to the entry into force of the legal commitments referred to in paragraph 1, to be eligible for payment, milestones and targets shall be completed no later than 31 August 2026.

Article 3
Loan support

1. The Union shall make available to Italy a loan amounting to a maximum of EUR 122 601 810 400.

2. The loan support shall be made available by the Commission to Italy in instalments in accordance with the Annex to this Decision. An amount of EUR 15 938 235 352 shall be made available as a pre-financing payment, equal to 13 per cent of the loan. The pre-financing and instalments may be disbursed by the Commission in one or several tranches. The size of the tranches shall be subject to the availability of funding.

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[7] This amount corresponds to the financial allocation after deduction of the Italy’s proportional share of the expenses of Article 6(2) of Regulation (EU) 2021/241, calculated in accordance with the methodology of Article 11 of that Regulation.

3. The pre-financing shall be released subject to the entry into force and in accordance with the Loan Agreement provided for in Article 15(2) of Regulation (EU) 2021/241. Pre-financing shall be cleared against the payment of the instalments.

4. The release of instalments in accordance with the Loan Agreement shall be conditional on available funding and a decision by the Commission, taken in accordance with Article 24 of Regulation (EU) 2021/241, that Italy has satisfactorily fulfilled the additional milestones and targets covered by the loan and identified in relation to the implementation of the recovery and resilience plan. To be eligible for payment, the additional milestones and targets covered by the loan shall be completed no later than 31 August 2026.

Article 4
Addressee

This Decision is addressed to the Italian Republic.

Done at Brussels,

For the Council
The President