

January, 13 2022

“Italy Tomorrow” - The Italian National Recovery and Resilience Plan (PNRR)

1. Introduction

Since the beginning of the Covid-19 Pandemic, Europe has been one of the most affected regions. To combat the negative consequences of the crisis, the European Union (EU), through the Next Generation EU (NGEU), the Multiannual Financial Framework (MFF), the Recovery and Resilience Facility (RRF), and other complementary initiatives, has committed around 1.8 trillion euros to sustain the post-pandemic social and economic recovery.

In particular, the RRF aims to mitigate the economic and social impact of the Covid-19 pandemic and make European economies and societies more sustainable, resilient and better prepared for the challenges and opportunities of the green and digital transitions.

To benefit from the support of the RRF, Member States have to submit their National Recovery and Resilience Plans (NRRPs) to the European Commission. Once submitted, the Commission assesses Member State's recovery and resilience plans within two months after submission and translates their content into legally binding acts. Based on a proposal by the Commission, the Council has four weeks to adopt the Commission proposal. The Council's approval paves the way for the disbursement of a 13% pre-financing.

The program sets six main areas of intervention (Pillars) on which the NRRPs, should focus on. These are:

- *Green Transition;*
- *Digital Transformation;*
- *Smart, sustainable and inclusive growth;*
- *Social and Territorial cohesion;*
- *Health and economic, social and institutional resilience;*
- *Policies for new generations, women, children and young people.*

Following the European initiative, the Italian Parliament, on April 28th 2021 approved the so called ‘*Piano Nazionale di Ripresa e Resilienza*’ (PNRR) – “*Italia Domani*” (Italy Tomorrow), which foresees reforms and investments to be implemented in the span of the next five years in key sectors, articulated and structured according to the six Pillars mentioned above. In this regard, it is important to note that, pursuant to the art. 1 of the Italian Law Decree No. 77 of 2021, converted into Law No. 108 of 2021, “for the purposes of the present Decree and its implementation, the national interest in the prompt and timely execution of the actions included in the PNRR assumes predominant relevance”.

2. The idea

The PNRR (which is the Italian acronym for **National Recovery and Resilience Plan**) is the document that Italy prepared to access the funds of the Next Generation EU (NGEU), the tool introduced by the European Union for post-pandemic Covid-19 recovery with the goal of relaunching the Member States' economy.

The NGEU is a 750 billion euros package, consisting of grants and loans.

Its core component is the abovementioned RRF, which has a duration of six years, from 2021 to 2026, and a total cap of 672.5 billion euros (312.5 of grants and the remaining 360 of low-interest loans).

As one of the most affected countries since the beginning of the pandemic, Italy is the first European Country beneficiary of the funds (The European Commission has already disbursed around 25 billion euros to Italy in pre-financing, equivalent to 13% of the total amount).

3. Purpose and mission

The PNRR is the tool that will implement the NGEU by defining a coherent package of comprehensive reforms and investments for the period 2021-2026, detailing the analytical projects and substantial measures to be taken in place with a common scheme of innovation, digitalization and full recovery.

"Italy Tomorrow", the National Recovery and Resilience Plan presented by Italy, foresees investments and a complete set of reforms; in particular 191.5 billion euros will be financed through the RRF and 30.6 billion euros through the Complementary Fund, bringing the total investment to 222.1 billion euros.

Furthermore, by 2032, the Italian Government will allocate an additional 26 billion euros to replenish the resources of the Development and Cohesion Fund.

In total, around 248 billion euros will be available and invested in the country.

Particularly, the PNRR will implement three strategic axes: **digitalization and innovation, ecological transition and social inclusion**. As said, it intends to repair the economic and social damage of the pandemic crisis, help solve the structural weaknesses of the Italian economy, and accompany the country on a path of ecological and environmental transition.

The PNRR will make a substantial contribution to reducing territorial, generational and gender gaps. In this regard, the Plan allocates 82 billion euros to the South of the country focusing investments and resources on young people and women.

It develops along six core missions.

- A. *"Digitalization, Innovation, Competitiveness, Culture and Tourism"*
 - 49 billion euros will be allocated to complete the digital transformation of the country, support the innovation of the industrial system, break down the regulatory instability and invest in tourism and culture.
- B. *"Green Revolution and Ecological Transition":*
 - 68.6 billion euros will be allocated to improve the sustainability and resilience of the economic system and ensure a fair and inclusive environmental transition.
- C. *"Infrastructures for sustainable mobility":*
 - 31.5 billion euros will be allocated to develop a modern, sustainable transport infrastructure extended to all areas of the country.
- D. *"Education and Research":*
 - 31.9 billion euros will be allocated to strengthen the education system and the research/technology transition.
- E. *"Inclusion and Cohesion":*
 - 22.6 billion euros will be allocated to facilitate and strengthen active policies of job placement and to promote social inclusion.

F. "Health":

- 18.5 billion euros will be allocated to enforce local prevention, modernize and digitalize the health system and ensure the access to equal care for all.

4. Reforms

The PNRR also provides an ambitious program of reforms to facilitate the execution of the measures and more generally contribute to the modernization of the country making the economic environment more favorable, prosperous and attractive to business investments.

On one side, the Public Administration's reform will provide better services to the public, encourage the recruitment of young people, invest in human capital and increase the digital transition of the country.

On the other, the Justice reform aims to reduce the length of judicial proceedings and accelerate the decision-making processes speeding up the entire judicial system.

In addition, the other structural reforms will simplify the processes (permits and authorizations or public tenders) to ensure the realization and maximum impact of the investments.

The government is trying to promote competition as an instrument of social cohesion and economic growth to attract investments and capitals giving investors a more reliable source of profit and a stronger regulatory environment capable of protecting their assets.

The project aims to build a valuable legacy for future generations in order to achieve a more robust, sustainable and inclusive growth.

5. Goals

The PNRR aims to achieve two main goals: repair the economic and social damage of the pandemic crisis and address the main structural weaknesses of the Italian economy. The main issues are:

- territorial gaps;*
- low female participation rate in the labor market;*
- weak productivity growth;*
- delays in the adaptation of technical skills, education, research;*
- ecological transition.*

This instrument represents the right path to follow for a more innovative and digitized country, respectful of the environment, open to young people and women, and more territorially cohesive.

6. Investments and Timing

As mentioned, the Italian PNRR foresees investments for a total of 222.1 billion euros: 191.5 from the European Union through the Recovery and Resilience Facility and a further 30.6 from a complementary fund.

Overall, 25% of the resources in the PNRR are dedicated to a digital transition, 37.5% to combat climate change and 82 billion euros will be allocated to the South (40% of the total).

These resources will be invested within a period of 5 years.

7. Monitoring and control

The government will directly manage and control the implementation of all investments and reforms. The role that the local authorities will have, which are responsible for investments of over 87 billion euros, is quite significant. The Ministry of Economy and Finance will monitor the progress of the project and will be the only point of contact with the European Commission.

Finally, a “Control Room” under the Prime Minister’s Office will ensure the intervention’s coherence with the overall strategy and with the legislative reforms. A comprehensive system of control and audit has been established in compliance with EU standards.

8. The “status quo”

The PNRR, in addition to illustrating projects and objectives in details, defines the execution and implementation timeframes of investments and reforms: “**Milestones and Targets**” on which the actual provision of resources depends.

The reform of the civil justice, the implementation of a “*Customs one-stop shop*”, the monitoring of the safety of bridges, the hub for digital tourism, the use of renewable gas in transportation, industrial and residential sectors: are some of the 22 targets of the “*Italia Domani*” (Italy tomorrow) plan for the implementation of the National Recovery and Resilience Plan (PNRR), to be implemented by 31 December of this year.

Time is running out: the objectives to be achieved at the end of the year were 51, and most of them have already been implemented. Additionally, to monitor the progress more efficiently, Prime Minister Mario Draghi has entrusted the weekly control of the goals achieved.

Indeed, very recently, important steps forward have been made: the Council of Italian Ministers on October 27, 2021 approved substantive measures that will allow the 8 “*Milestones and Targets*”, expected by December 2021, to be achieved. These include: the revolving fund to support businesses for energy re-development, environmental sustainability, digital innovation and the framework law on disability.

9. Conclusions

The PNRR will have a significant impact on the economic growth of the country.

The Italian Government expects that in 2026, the GDP (Gross Domestic Product) will be 3.6% higher and the employment rate will rise by 3.2%.

Additionally, immediately after the first wave of Covid-19 and during the initial stages of NGEU, this program seemed conceived as a tool to facilitate the economic recovery of the most affected EU countries.

Today, although it remains important on this front, either as direct support to impaired public economies, or as a signal of *risk-sharing* between European countries, NGEU has rather become a tool to facilitate structural changes in the European economy in the medium term, with astonishing potential results.

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