

Chapter 7. NRRP and digital adoption: what are the effects on the country's system?

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The National Recovery and Resilience Plans (NRPP) are programs for the period 2021-2026 that European countries define to access funds from the Recovery and Resilience Facility (RRF) under the NextGenerationEU framework. This framework is the European Union's initiative for the recovery of Europe after the pandemic, integrating the Multiannual Financial Framework for the period 2021-2027.

Italy's NRRP was officially approved at the European level on July 13, 2021, through the Decision of the EU Council (CID). Aligned with the community framework (more green, more digital, and more resilient), it has three key objectives:

- Repair economic and social damages from the pandemic crisis and revitalize the country.
- Achieve greater environmental sustainability and stimulate digital transition.
- Promote consistent change by addressing structural weaknesses, such as weak product and productivity growth and extensive and lasting regional disparities.

The NRPP is characterized by three strategic axes:

- Digitalization and Innovation
- Ecological Transition
- Social Inclusivity

Additionally, three transversal priorities include:

- gender equality,
- improvement of skills, capacity, and employment expectations for young people
- territorial rebalancing and development of the southern regions.

In accordance with EU Regulation 2020/852 ("Taxonomy for Sustainable Finance") and in line with the goals of the European Green Deal, the measures of the Plan must comply with the principle of Do No Significant Harm (DNSH) to contribute substantially to ecosystem protection without causing significant harm to the environment.

Unlike other European spending programs, the NRPP is structured as a performance-based plan, committing Italy to achieve milestones and targets associated with reforms and investments within set deadlines. Each measure includes an implementation schedule and a list of outcomes to be achieved, serving as a prerequisite for receiving financial contributions or loans. These funds are allocated in ten installments, with the final disbursement scheduled by June 30, 2026. Each reform and investment is accompanied by a description of its objectives and the indicators that measure its success. These indicators serve as benchmarks for evaluation.

Milestones represent the completion of essential phases in the implementation (both physical and procedural) of measures, such as the adoption of specific regulations, the full operation of information systems, or the completion of works.

Targets represent measurable indicators in terms of the results of public intervention (such as kilometers of railways built) or the impact of public policies (such as a two percentage point reduction in the incidence of undeclared work).

Additionally, in order to establish mechanisms for periodic verification related to the achievement of goals and objectives, Operational Arrangements have been signed.

The NRRP commits Italy to a comprehensive program of reforms, linked to investments, aimed at improving regulatory and legislative conditions and steadily increasing the equity, efficiency, and competitiveness of the country.

Specifically regarding digitalization, the first phase of the NRRP involves some reforms and enabling investments for the digital transformation of Italy. These measures allow for a paradigm shift to ensure greater integration and cohesion in society, as peripheral areas, both territorially and socially, can have the same opportunities as more developed regions. Connectivity, coupled with the migration to the cloud of public administrations, both central and local, ensured by security requirements and the strengthening of cyber defense capabilities, will enable universal access to services for citizens and businesses alike. Simplification and interoperability can prospectively ensure compliance with the “Once-only” principle and greater transparency. As digital authentication eliminates unnecessary verification and control steps or mere ratification of identity, it will ultimately lead to a relationship of greater “trust” between institutions and citizens.

The reforms of the Plan can be distinguished into three main categories:

Horizontal or contextual reforms applicable to all Plan missions, aimed at improving the regulatory and legislative framework to enhance equity, efficiency, and competitiveness (e.g. Public Administration and Justice reforms).

Enabling reforms directly functional to implementing the Plan, removing administrative, regulatory, and procedural obstacles affecting economic activities and service quality (e.g. reforms related to public contracts and simplification).

Sectoral reforms within individual missions, addressing specific areas or economic activities to introduce more efficient regulatory and procedural regimes (e.g. labor market and education reforms).

The original NRRP (2021) is divided into six missions, corresponding to thematic priority areas consistent with the six pillars identified in EU Regulation 2021/2411, and 16 components addressing specific challenges.

Mission 1, “Digitalization, innovation, competitiveness, culture, and tourism,” has the overall objective of the country’s digital transformation, innovation in the productive system, as well as the development of two key sectors for Italy, namely tourism and culture.

Mission 2, “Green revolution and ecological transition,” aims to improve environmental and energy sustainability and resilience, ensuring a fair and inclusive transition.

Mission 3, “Infrastructures for sustainable mobility,” aims to promote the rational development of a modern, sustainable, and extensive transportation infrastructure covering all areas of the country.

Mission 4, “Education and research,” aims to strengthen the educational system, digital and STEM skills, research, and technology transfer.

Mission 5, “Inclusion and cohesion,” aims to facilitate participation in the labor market, including through training, strengthen active labor policies, and promote social inclusion.

Mission 6, “Health and resilience,” aims to strengthen prevention and healthcare services on the territory, modernize and digitalize the healthcare system, and ensure equitable access to healthcare.

The Italian Plan, the largest in Europe, encompasses 132 investments and 63 reforms as defined in 2021, amounting to 527 goals. Many of these goals are highly ambitious and aimed to modernize the country and revamp its social and economic environment, both nationally and internationally.

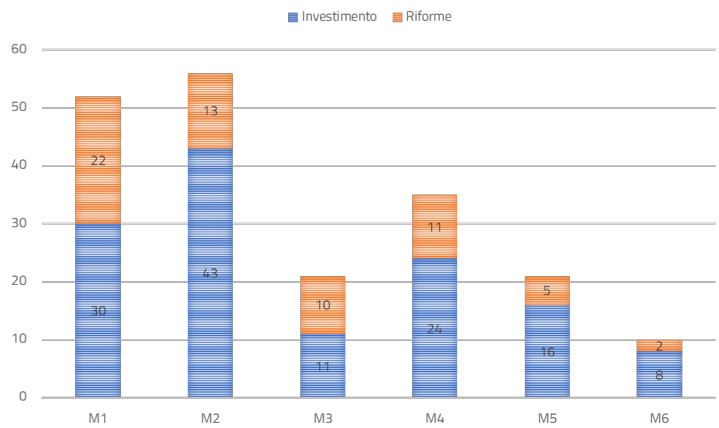


Figure 7.1 Number of Investments and Reforms per Mission

Source: Processing of the NRRP Mission Structure based on data from the ReGiS System

The related resources to the 2021 Plan amount to €191.5 billion financed by the EU through the RRF, with €68.9 billion in non-repayable grants and €122.6 billion in loans. Approximately 27% of the resources are allocated to digital transition, and at least 37% contribute to the green transition.

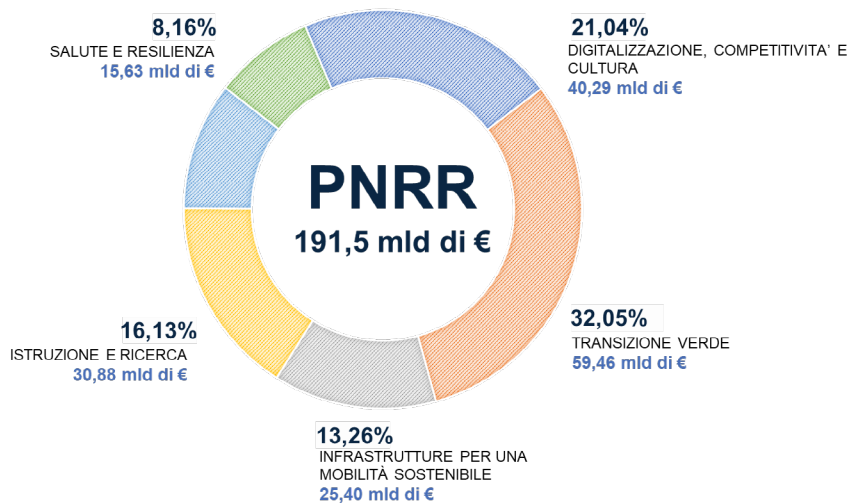


Figure 7.2 NRRP per Mission

Source: Processing of the NRRP Mission Structure based on data from the ReGiS System

Each measure, whether a reform or investment, is broken down into multiple connected milestones and/or targets. For example, Investment 3 in Mission 1, Component 2 (M1C2 - Investment 3) related to Ultra-Fast Broadband and 5G Networks and amounts to approximately 6 billion euros, is structured into five targets and one milestone, comprising five sub-investments.

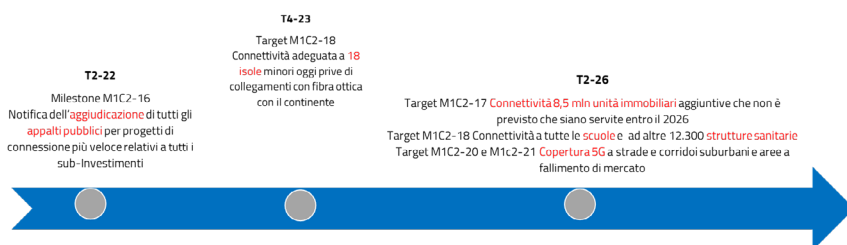


Figure 7.3 Mission 1

The Results-Based Plan introduces a new approach focused on outcome-oriented planning and logic at the heart of public policies, to be implemented within a specific timeframe. Additionally, it involves close monitoring and new tools to prevent potential delays in completion and to ensure the timely verification of the expected outcome. A team effort is necessary to gain efficiency and effectiveness, presenting a cultural challenge for public administration. To overcome resistance to the inevitable change, it is crucial to prepare public administrations by providing appropriate backgrounds in public administration, implementing new monitoring systems, and utilizing extensive databases.

The Plan's opportunities for Italy are numerous:

- High growth potential, ensuring a more digitalised, transparent, and efficient country.
- Public Administration efficiency (digitalization, justice, procurement offices).
- Businesses digitisation.
- Education and training (upskilling-reskilling-education).
- A more cohesive country, social inclusion and equal opportunity, connected and innovative.
- Labor market: women - youth.
- Healthcare improvement: territorial healthcare - elderly.
- Connectivity, transportation and environmental sustainability.
- An environmentally respectful country ready to face the challenge of climate change.
- Adaptation of the production system to environmental criteria.

- A new perspective in public policies with administrations focused on results.

On December 8, 2023, the Plan was modified and the revision was approved by the Council of the European Union. The revision of the NRRP provided the opportunity to refine the way in which the original objectives of the measures are being pursued, by means of more effective alternatives (RRF Regulation, Art. 21) in response to the economic and political evolution.

The revised Plan increases resources to €194.3 billion, reflecting the European REPowerEU adjustment in response to the Ukrainian crisis. The updated Plan has especially increased ambition in the green transition, reinforcing this area in various aspects. Mission 7 - REPowerEU specifically addresses this, with significant measures for businesses.

The revised NRRP has now 7 Missions, 66 reforms, 150 Investments and a total of 617 milestones and targets.

New measures related to energy security goals, as outlined in the European REPowerEU regulation, focuses on reducing dependence on fossil fuels, enhancing energy efficiency, and increasing the use of renewable energy sources.

The most ambitious reforms have been reinforced introducing additional milestones (e.g. to support the reduction of the civil justice backlog or to speed up payments of public administrations). Specific investments have been introduced to enhance administrative capability with specific reference to green skills and public procurement.

The new plan upholds the commitment to a results-oriented approach, emphasizing vigilant monitoring to ensure the timely achievement of expected outcomes. This presents a cultural challenge for public administration. The opportunities for Italy encompass a more digitized, transparent, and efficient society, and a revitalized perspective in public policies.