

Decree-Law n.77 of 31 May 2021

Governance of the National Recovery and Resilience Plan and initial measures to strengthen administrative structures and to accelerate and streamline procedures

The Cabinet has adopted a **Decree-Law establishing the governance of Italy's Recovery and Resilience Plan** (PNRR).

Executive Summary

- The Cabinet has adopted Decree-Law 77/2021 establishing a multilevel governance for Italy's PNRR, whereby the Prime Minister's Office will be in charge of directing and coordinating the implementation of the PNRR, the Ministry of Economy and Finance will be in charge of monitoring and auditing the use of PNRR funds and reporting back to the European Commission, and national Ministries, Regional Governments, and City Governments will be in charge of the operational implementation of PNRR projects.
- In particular, the Prime Minister's Office will serve as the political core of the governance of the PNRR, and will operate primarily through a Steering Committee supported by a Technical Secretariat, a Unit for the rationalisation and the improvement of the regulatory framework, and an Office for administrative simplification. Significantly, the Decree-Law assigns wide-ranging powers of substitution to the Prime Minister in case of delay, inertia or non-compliance of the entities implementing PNRR projects.
- In the performance of its tasks, the Ministry of Economy and Finance will rely on a newly-established Central Service for the PNRR and an independent office within the Inspectorate-General for Financial Relations with the European Union with compliance and audit responsibilities and in charge of liaising with the European Commission.
- Overall, the governance of the PNRR is centred around Prime Minister Draghi and the bureaucracy within the Italian Treasury, with little say left to political parties: the Steering Committee will only include a handful of Ministers on a case-by-case basis, Draghi may swiftly replace any political entity entrusted with the implementation of the PNRR which is failing to comply with his directives, the Standing Working Group which is supposed to let these entities influence decision-making only has advisory functions, and the Ministry of Finance, the only other entity wielding significant power in the implementation of the PNRR, is headed by a Draghi loyalist.
- It is remarkable that the steps previous Prime Minister Conte was taking to achieve this exact same goal were met with firm resistance from his own parliamentary majority, testifying to how profound Draghi's sway over national politics is, also thanks to the support of the President of the Republic.

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In further detail:

1. The governance of the PNRR

The Cabinet has adopted **Decree-Law 77/2021 establishing the governance of Italy's Recovery and Resilience Plan**. In particular, **the Decree-Law provides for a multilevel governance structure** whereby:

- the **Prime Minister's Office** will be in charge of directing and coordinating the implementation of the PNRR;
- the **Ministry of Economy and Finance** will be in charge of monitoring and auditing the use of PNRR funds and reporting back to the European Commission;
- **National Ministries, Regional Governments, and City Governments** will be in charge of the operational implementation of PNRR projects.

2. The political role of the Prime Minister's Office

The Prime Minister's Office will serve as the **political core** of the governance of the PNRR, and will operate primarily through a **Steering Committee**. The Steering Committee will be chaired by the Prime Minister and include different Cabinet-level officials, as well as Regional Presidents or the President of the Conference of Regions, **on a case-by-case basis** depending on the items on the agenda.

In particular, the Steering Committee will be in charge of:

- defining the guidelines for the implementation of PNRR projects, with special regard to the responsibilities of every level of the PNRR governance;
- monitoring progress on PNRR projects in coordination with the Ministry of Economic Development;
- examining any issue raised by the entities implementing PNRR projects and proposing regulatory measures to solve them;
- submitting a report on the status of the implementation of the PNRR to Parliament twice a year.

To support the Steering Committee, the Decree-Law provides for the establishment of **three technical bodies** at the Prime Minister's Office in charge of identifying regulatory choke points slowing down the implementation of the PNRR and putting forward measures to address them:

- a Technical Secretariat;
- a Unit for the rationalisation and the improvement of the regulatory framework;
- an Office for administrative simplification.

Furthermore, the Decree-Law provides that the **Inter-ministerial Committee on the Digital Transition** and the **Inter-ministerial Committee on the Green Transition** – established earlier this year to oversee the relevant PNRR projects (at least 57% of PNRR expenditure must be devoted to digital and climate objectives) and both chaired by the Prime Minister – shall keep the Steering Committee informed, which may take part in the Committees' meetings through a delegate.

In addition, the Decree-Law foresees the establishment of a **Standing Working Group with advisory functions** involving representatives of Regional Governments, City Governments, business associations, trade unions, universities, and the civil society.

Significantly, the Decree-Law assigns **wide-ranging powers of substitution to the Prime Minister**. In case of delay, inertia or non-compliance of the entities implementing PNRR projects, with a risk for the achievement of the targets and milestones of the PNRR (and, thus, for the disbursement of EU funds), the Prime Minister may set a 30-day deadline for them to take the necessary action. If the deadline is not met, the Prime Minister may entrust an alternative entity or appoint a special commissioner to move forward with the implementation of the PNRR project.

3. The technical role of the Ministry of Economy and Finance

The Ministry of Economy and Finance will be in charge of **monitoring the proper use of the granted EU funds and the appropriate implementation of the relevant reforms**.

To this end, the Decree-Law provides for the establishment of a new Directorate-General at the State General Accounting Department named **Central Service for the PNRR**, in charge of:

- ensuring that the use of EU funds supporting the PNRR complies with the applicable EU and national law, with special regard to the prevention, detection, and correction of fraud, corruption, and conflicts of interests;

- regularly checking that the reforms complementing the investments included in the PNRR are properly implemented;
- **liaising with the European Commission.**

In the performance of its tasks, the Directorate-General shall coordinate with similar Directorates-General to be identified or established within every Ministry involved in the implementation of the PNRR.

Furthermore, the Decree-Law also provides for the establishment of an **independent office within the Inspectorate-General for Financial Relations with the European Union** of the State General Accounting Department in charge of:

- carrying out audits to certify that the information submitted with the request for payment is complete, accurate, and reliable, and the control systems put in place give the necessary assurances that EU funds were used for their intended purpose and managed in accordance with all applicable rules and the principle of sound financial management;
- preparing a monitoring programme to verify the proper implementation of the PNRR on an ongoing basis;
- providing the European Commission with summaries of the audits carried out, including weaknesses identified and any corrective actions taken.

4. A governance centred around Prime Minister Draghi

Overall, the governance of the PNRR is centred around Prime Minister Draghi and the bureaucracy within the Italian Treasury (particularly the State General Accounting Department), with little say left to political parties. Moreover, the governance of the PNRR will take away powers from both Parliament and the Cabinet, to the benefit of selected Cabinet Ministers.

Not only does the Decree-Law foresee that the Prime Minister, in his capacity as Chairman of the Steering Committee, defines the general political direction in the implementation of the PNRR – as was to be legitimately expected – but it also provides that select Ministers will take part in the meetings of the Steering Committee on an as-needed basis, **encouraging focused discussions on specific issues in small groups rather than gruelling efforts to reach political compromises among the members of Draghi's diverse Cabinet of national unity.** This arrangement puts **Draghi in a position of strength vis-à-vis the parties supporting his Cabinet**, allowing him to set aside any friction between them on controversial dossiers and forge ahead with the implementation of the PNRR on the schedule agreed-upon with the European Commission.

Furthermore, the Decree-Law also **empowers Draghi to swiftly replace any entity entrusted with the implementation of the PNRR which is failing to comply with his directives**, whether it be for technical or political reasons. To be sure, all the entities tasked with the operational implementation of the PNRR may participate in a Standing Working Group to ostensibly influence decision-making, but they may only put forward **non-binding recommendations**.

Besides the Prime Minister's Office, the only entity wielding significant power in the implementation of the PNRR is the Ministry of Economy and Finance, which is headed by Minister Daniele Franco, a technocrat who boasts an **extensive career at the Bank of Italy and close ties to Draghi**. Significantly, many of the powers which the Decree-Law assigns to the Ministry of Economy and Finance are supposed to be exercised by other authorities, most notably the

National Anti-Corruption Authority (ANAC), which was almost entirely sidelined for the sake of **streamlining administrative procedures by centralising power in the hands of Draghi and his loyalists.**

The Decree-Law effectively sets up a **meddling-proof governance**, arguably as envisaged by **President of the Republic Mattarella** when appointing Draghi as Prime Minister earlier this year to ensure that Italy had full access to Next Generation EU and took action to implement the reforms recommended by the European Commission.

It is remarkable that the steps previous Prime Minister Conte was taking to achieve this exact same goal were met with firm resistance from his own parliamentary majority, and eventually proved one of the driving factors causing his demise, whereas now virtually the whole political spectrum is throwing its support behind Draghi. **This testifies to how profound Draghi's sway over national politics is**, while Conte's narrow parliamentary majority exposed him to accusations of democratic backsliding both from the opposition and from some members of his own majority (particularly Renzi). This is all the more politically salient when one considers that the governance of the PNRR as laid down in the Decree-Law will remain in place until 31 December 2026, the deadline for the full implementation of the Plan, far beyond the end of the current parliamentary term, thus binding politically and legally even the next Parliament.