

Evolution of the Management and Control System of the Italian PNRR. Criticalities and Developments in a Changing Europe

CENTURELLI Giorgio

General manager at

Ministry of Environment and Energy Security

Rome, Italy

centurelli.giorgio@mase.gov.it

FILELLA Andrea

Expert in ESIF controls

Department of Unitary Programming, Controls Sector

Calabria Region

Catanzaro, Italy

andrea.filella@regione.calabria.it

COMITE Ubaldo

Full professor

Faculty of Law

Giustino Fortunato University

Benevento, Italy

u.comite@unifortunato.eu

Abstract

Due to its financial scope (194.4 billion euros for Italy, of which 122.6 as loans and 71.8 as grants) and in relation to the objectives it aims to achieve, the PNRR is considered by the various stakeholders as the greatest opportunity for development, in some cases for recovery of development, similarly to the Marshall Plan following the Second World War.

It is characterized by being a program directly managed by the European Commission and performance based, that is, in the reporting process with the European Union it is not configured as a spending program but binds the beneficiary subjects (Member States) to the periodic presentation, according to the deadlines agreed with the EC, of payment requests connected to the satisfactory achievement of specific qualitative (milestone) and quantitative (target) objectives, relating to the implementation of reforms and investments included in the individual national plans, applying for the related implementation and for the first time as mandatory for the entire program the innovative simplified cost option of "financing not linked to costs" provided for by Article 125.1 of Regulation (EU, Euratom) 2018/1046.

Considering that payments from the European Union to the Member State are made only on the basis of the achievement of Milestones and Targets agreed ex-ante and temporally expired, the monitoring, control and verification of the evidence produced, aimed at certifying the satisfactory achievement of the objectives achieved in order to obtain the financing tranches also agreed upon in advance in their amount and distributed over 10 instalments.

Starting from such considerations, this research work takes shape and aims to provide useful suggestions and food for thought to policy makers for possible future developments both in the organizational field, in terms of regulatory harmonization between the different controls which often overlap between them, and both in the political-social sphere, considering that the increase in bureaucracy in terms of controls generates delays and consequently a possible failure to achieve the objectives in the challenging terms set out in the Plan (last objectives to be achieved by 30 June 2026), with potential risk of budget losses and consequent decrease in public resources available to Italian citizens.

After having carried out a brief overview of the main characteristics of the PNRR, accompanied by numbers and graphs aimed at highlighting the achievement of the goals and intermediate objectives, this work will analyze the evolution of the management and control system applied to the PNRR and the powerful impact that the legislative transition has generated in the complexity of the daily actions carried out by system operators, resulting in innovative and quite important results which would oblige national and European legislators to provide clarity so that the PNRR, intended as an instrument of economic and social growth, does not transform into further model of procedural rigidity.

Keywords: Management and control system, National Recovery and Resilience Plan, structural funds.

1 INTRODUCTION

The National Recovery and Resilience Plan (PNRR) fits in a particular context, where the pandemic crisis has exposed all the weaknesses of a jammed healthcare sector, a weak economic context and a difficult political framework. PNRR is intended as the tool that outlines the objectives, reforms and investments that Italy intends to achieve thanks to the use of European funds from the Recovery and Resilience Facility (RRF). This Plan is developed around three strategic axes: i) digitalisation and innovation, ii) ecological transition, iii) social inclusion; these are shared at a European level with the aim of repairing the economic and social damage of the pandemic crisis, helping to resolve the structural weaknesses of the Italian economy and accompanying

the country towards an ecological and environmental transition. In short, it represents the last opportunity to which Member States can refer to reduce the gaps accumulated over the years and redesign a more innovative and digitalized future, open to young people and equal opportunities, respectful of the environment, and territorially cohesive.

Such financial mechanism, being an innovative tool for its management and reporting methods, leads into a new era where the quality (and not the quantity) of spending takes on crucial importance. Policy makers and managers of public resources will now have to ask themselves the question "How have we spent financial resources? What results have we achieved?" and no longer asking "How many resources have we spent?", as happened until recently, especially in the context of the ESI Funds.

The transfer of economic resources to the Member States by the European Commission does not take place on the basis of the expenses incurred or the costs exposed and reported, but rather through the satisfactory achievement of specific qualitative (milestone) and quantitative (target) objectives, relating to the implementation of reforms and investments included in the individual national plans. It emerges that Italy, like other European countries, will find itself managing countless resources in a very short time, with all the risks and opportunities involved.

Since it is a reimbursement based on the achievement of the objectives, as mentioned above, the recent sector literature, the good practices in the community context, the experts, aim at revisiting the methodological system in terms of reporting and controls which, although fundamental and necessary to guarantee efficiency, transparency and sound financial management of European resources, often burden the work of sector operators due to redundant requests both in the object of the control and in the subjects controlled.

Starting from these considerations, this work first attempts to provide a brief overview of the PNRR and its main characteristics, with the exposition of descriptive elements aimed at highlighting the achievement of the intermediate goals and objectives in light of the recent reform approved in December 2023.

Subsequently, the governance process will be analysed, starting from the adoption of the first law decree n.77 of 05.31.2021, where the monitoring and reporting phase were regulated in art. 6 and the control and audit phase of the Plan in art. 8, up to the most recent regulatory intervention - legislative decree 24 February 2023 n. 13 - in which the initial governance of the Plan is modified through the establishment of a single point of contact at the Presidency of the Council of Ministers, strengthening the processes of timely verification of the implementation of the Plan. Finally, we report a brief overview of the main innovative features of the legislative decree of 2 March 2024 n. 19 which provides: art. 2) updating via ReGiS of the progress of the works by the implementing entities, and in case of misalignments or inconsistencies use of the so-called substitutive powers; art. 4) strengthening the tasks of the Mission Structure; 9) establishment in each Province of a Coordination Cabin, chaired by the Prefect or his delegate, to make the territorial-based monitoring of the PNRR interventions more effective, improving the support activity in favour of the territorial bodies for the definition of the action plan for the effective implementation of the programs and interventions envisaged by the PNRR at the provincial level.

In the third and final part of the work, the structure of the PNRR control and reporting system will be analysed, making some reflections arisen after the three years from the first phase of implementation. Finally, in the conclusive part of the discussion, some useful technical and procedural suggestions will be provided, so that policy makers can consciously intervene and guarantee concrete achievement of the objectives set, in terms of economic and social growth and reduction of inequalities, before it is too late and the remorse of not having acted in time will prevail, rather than the satisfaction of having made it.

In completing the "last mile", after a timely and careful dissertation, the authors are convinced that a reasoned structural review regarding controls would be a valuable and innovative solution not only to the problems of overlapping roles and skills within the PNRR, but within the framework of a harmonious project that places unified procedures in the control sector at the center, regardless of the source of financing.

2. THE NATIONAL RECOVERY AND RESILIENCE PLAN. MAIN CHARACTERISTICS AND RESULTS ACHIEVED IN LIGHT OF THE RECENT REMODULATION.

The Next Generation EU ("NGEU") is the temporary intervention instrument approved at European level to address the significant economic and social damage caused by the coronavirus pandemic and stimulate a "sustainable, uniform, inclusive and fair recovery", aimed at guaranteeing ability to deal with unforeseen needs. It is considered "the largest package to stimulate the economy ever financed by the EU". This initiative of the European Commission (NGEU) is structured on three pillars: 1) Supporting Member States for investments and reforms; 2) Relaunch the EU economy by encouraging private investment; 3) Learn from the crisis.

The objective of the Next Generation EU, with a budget of 750 billion euros (made up of 360 billion in loans and 390 billion in non-repayable funds), is to strengthen socio-economic recovery, revitalize the single market and guarantee a level playing field in the economic system, supporting urgent and necessary investments in particular in the green and digital transition, which are the key elements of resilience and the European future. Specifically, it is articulated through some mechanisms (in English "facility"); the most important is the

Recovery and Resilience Facility, which has a total budget of 672.5 billion between "grants" (subsidies not to be repaid) and loans to be repaid. For all member states, Next Generation also provides 77.5 billion, distributed across a series of funds for research, cohesion policies, investment guarantees, rural development, the transition to renewable energy, and other interventions.

The Italian Government requested and obtained in its National Recovery and Resilience Plan the maximum allocable resources of the RRF (Recovery and Resilience Device) allocable to the country: specifically 191.5 billion euros (68.9 billion in grants and 122.6 billion in loans); further 30.6 billion euros from the Complementary Fund (national resources). The latter was designed to integrate, with national resources, what is already foreseen by the PNRR, strengthening investments in multiple sectors of intervention, corresponding to the six Missions of the PNRR. The total funds foreseen, therefore, amounted to 222.1 billion euros and these were allocated based on the n. 6 missions planned at a general level.

With the revision, approved by the Ecofin Council on 8 December 2023, the new PNRR (fig.1) amounts to 194.4 billion euros (122.6 billion in loans and 71.8 billion in grants) and includes 66 reforms, seven more than the original plan, and 150 investments. Compared to the initial allocation of 191.5 billion, the increase is due to 2.76 billion as non-repayable contributions (grants) for the creation of RePowerEU and 145 million following the update of the maximum financial contribution.

The new Plan is characterized by n. 271 milestones and n. 346 targets (objectives).

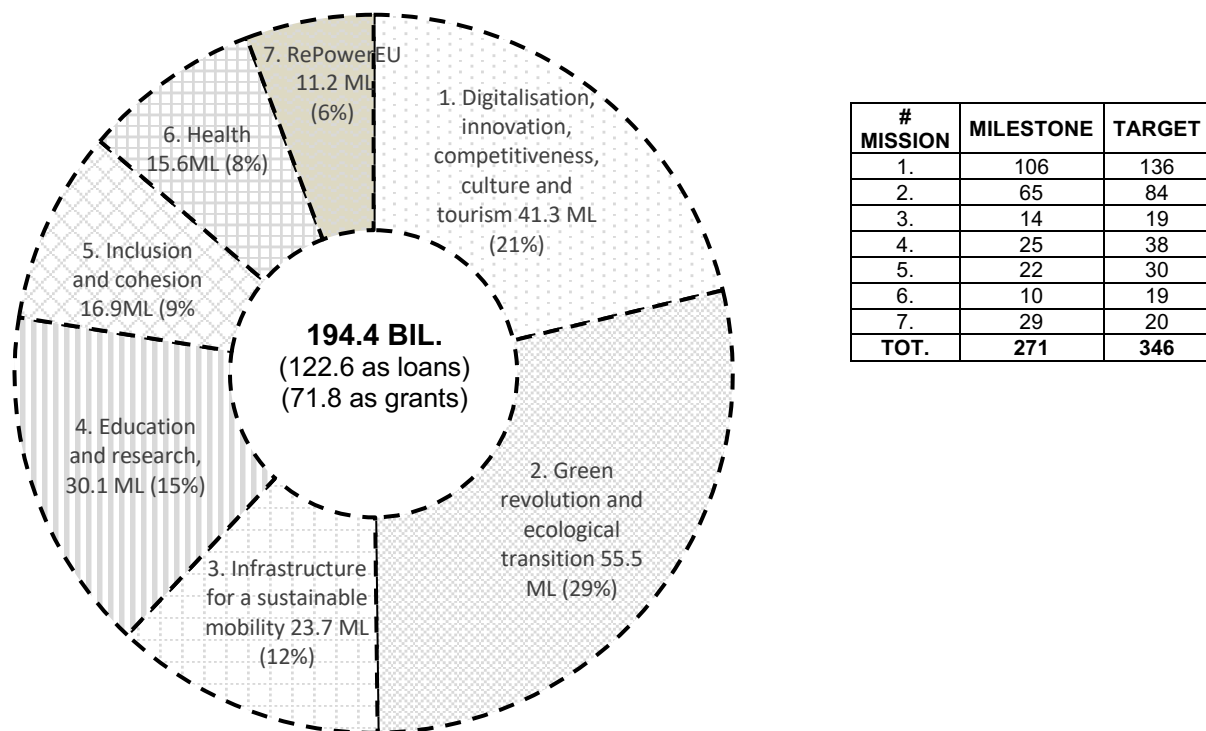


Fig.1 Allocation of PNRR resources by Mission. Year 2024

Source: Own processing on data extracted from italiadomani.gov.it (2024)

In order to achieve its aims, the National Recovery and Resilience Plan is developed around three strategic axes shared at European level: 1) Digitalisation and innovation; 2) Ecological transition; 3) Social inclusion. Within this overall strategy on which the action of the Plan is expressed, there are three Transversal Priorities:

1) Young people: Investing in the new generations to guarantee access to childcare services, improve the school system and reverse the decline in the country's birth rate.

2) Gender equality: Guaranteeing the same economic and social opportunities for men and women with reforms, education and investments with a view to gender mainstreaming.

3) Reducing diversity of citizenship: Bridging the diversity of citizenship by enhancing the potential of the South and strengthening local social services to support disabled and elderly people.

Due to the significant amount of resources used, as described above, the benefits expected at an overall level from the implementation of the Plan are notable. According to government analyses, the investments envisaged in the Plan will have a significant impact on the main macroeconomic variables, such as GDP and employment. The increase will reflect both demand effects (in the short term) and the increase in the public capital stock and productivity (in the medium term). It is estimated that in 2026, the year of conclusion of the Plan, GDP could be 3.6% higher than the scenario without the Plan (between 1.5% and 2.5% in EC estimates).

The implementation of the Plan, as previously mentioned, occurs through the achievement of the milestones and objectives which represent, for this reason, the intermediate and final stages of the Investments and Reforms into which the Plan is divided. Each goal and objective therefore represents a portion of the Investment or Reform that must be carried out during the ten semesters in which the implementation timetable of the Plan is divided, from the second half of 2021 until the first half of 2026. On the basis to the provisions of Regulation (EU) 2021/241 on the Recovery and Resilience Facility, the European Commission, after having successfully concluded the assessment aimed at evaluating the achievement of all the goals and objectives established in the semester of reference, provides the Italian Government with the six-monthly instalment, divided into grants and loans.

The table below (tab.1) illustrates, for each of the semesters of implementation of the PNRR, the amounts of the six-monthly installments disbursed (and to be disbursed) by the European Commission, together with the overall number of goals and objectives for each semester, at the achievement of which is subject to the disbursement of the corresponding instalment. The amount of each installment is indicated net of the pre-financing quota, referred to in the first row of the table.

Tab.1: Modified PNRR (Ecofin Council 8 December 2023). Milestones achieved, deadlines and amounts paid

Payment	Deadline	Target and milestone	Disbursements		
			Total amount (billion)	Grants (billion)	Loans (billion)
Pre-financing	13/08/2021		24.9	9	15.9
First payment	31/12/2021	51	21	10	11
Second payment	30/06/2022	45	21	10	11
Third payment	31/12/2022	54	18.5	10	8.5
Fourth payment	30/06/2023	28	16.5	2	14.5
REPowerEU pre-financing	25/01/24		0.5	0,5	0
Fifth payment	31/12/2023	52	10.6	3.1	7.5
Sixth payment	30/06/2024	39	9.2	1.9	7.3
Seventh payment	31/12/2024	74	19.6	5.2	14.4
Eighth payment	30/06/2025	37	11.9	2.9	9
Ninth payment	31/12/2025	64	12.3	6.1	6.2
Tenth payment	30/06/2026	173	28.4	11.1	17.3
TOTAL		617	194.4	71.8	122.6

Source: Own processing on data extracted from the Chamber of Deputies Dossier (2024) and Fourth Report to Parliament on the state of implementation of the National Recovery and Resilience Plan (PNRR) – 24 February 2024.

3. GOVERNANCE OF THE PLAN. IDENTITY, ROLES, FUNCTIONS AND NEW FEATURES INTRODUCED

In order to ensure correct and uniform implementation of the PNRR, the European institutions have addressed specific indications to the Member States to be respected in the implementation of their respective Plans: the so-called Government. Through it, the need is first and foremost suggested to aim at increasing the efficiency of public administrations, in order to ensure correct use of the funds provided by the PNRR which, if appropriately employed, would guarantee sustainable, competitive and resilient growth of the country. The administrative capacity of the Member States is, in fact, indispensable for the efficient use of the resources made available by the EU, in accordance with the respective National Plans.

In Italy, it is necessary to highlight that the definitive version of the PNRR has added further and various elements regarding the governance of the Plan itself. Considering what is regulated by the recent legislative decree of 24 February 2023 n. 13, the structure is now divided into three levels: i) effective management of the various interventions by central administrations, regions and local authorities based on their respective competences; ii) centralized operational coordination by a dedicated structure (Mission Structure) established at the Presidency of the Council of Ministers, which also represents the national contact point with the European Commission; iii) establishment of a Control Room at the Presidency of the Council of Ministers, with the task of guaranteeing the implementation of the Plan through the exercise of all the highest level political prerogatives. The monitoring and audit mechanisms are largely borrowed from the experience gained in the management of structural funds, with some specificities linked to the extraordinary nature of the Plan and the RRF Regulation.

The first institutional architecture (fig. 2), provided for by Legislative Decree 05/31/2021 n. 77, defined the national regulatory framework aimed at simplifying and facilitating the achievement of the objectives of the "National Recovery and Resilience Plan" (PNRR), referred to in Reg. (EU) 2021/241, which spelled out the structure of responsibilities identifying a specific authority with the task of carrying out the coordination of the various subjects differently involved in the implementation of the designed interventions, which would actively interface with the European Commission. An element of strong impact arises from the disciplinary principles, through which it is specified that for the purposes of the decree and its implementation "the national interest in

the prompt and timely implementation of the interventions takes on pre-eminent value".

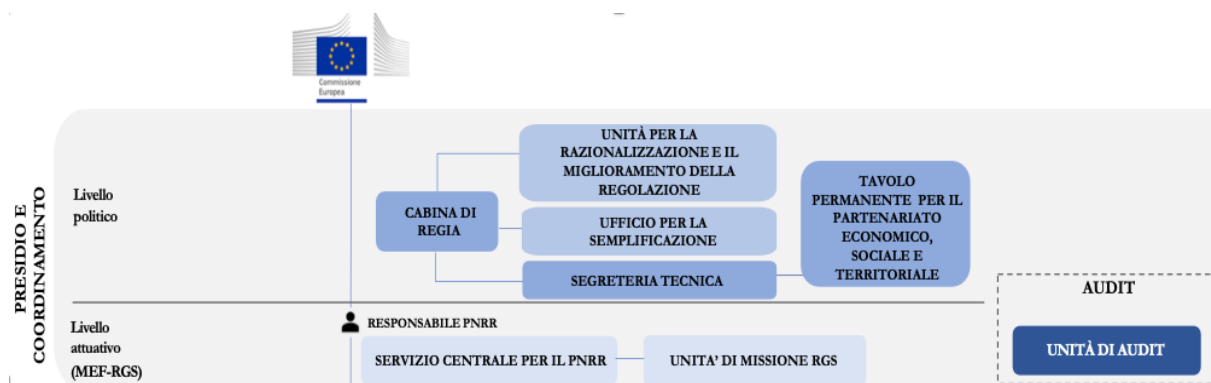


Fig.2. Governance model of the Plan envisaged by the Legislative Decree 05/31/2021 n. 77 – Supervision and coordination.

Source: MEF processing

It is noted, in the aforementioned Legislative Decree 05/31/2021 n. 77, a conceptually more rigid structure in which the following main roles were conceived:

- Control Room established at the Presidency of the Council of Ministers, chaired by the Council of Ministers and composed of the various Ministers and Undersecretaries based on the matter dealt with, which carried out the following main tasks: i) transmit to the Chambers, on a six-monthly basis, a report on the state of implementation of the PNRR; ii) develop guidelines for the implementation of the PNRR; iii) verify the progress and implementation of the Plan; iv) propose to the Prime Minister the activation of the substitutive power.

- Unit for the rationalization and improvement of regulation and Office for simplification; it represented the real novelty from the Governance point of view, in terms of implementation of national plans because, unlike the instruments that precede it and which coexist with it, the PNRR not only provides for the monitoring of the implementation of the interventions, but also their testing. Specifically, its main tasks included: i) identifying obstacles to the correct and timely implementation of the reforms and investments envisaged in the PNRR; ii) the preparation of a program of priority actions for the purposes of legislative rationalization and revision; iii) the promotion of regulatory experimentation initiatives, also through institutional relationships with similar structures in foreign countries, both European and non-European.

- Office for the simplification of the Department of Public Function, at the Presidency of the Council of Ministers, with the following tasks: a) coordination and promotion of activities to strengthen administrative capacity in the management of complex procedures relevant for the purposes of the PNRR; b) measurement and reduction of times and burdens borne by citizens and businesses; c) promotion and coordination of the simplification and re-engineering interventions of the procedures and the preparation of the catalog of simplified and standardized procedures envisaged in the PNRR.

- Technical Secretariat at the Presidency of the Council of Ministers with the main task of supporting the activities of the Control Room and the Permanent Table in order to ensure the completion of the objectives of the PNRR.

- Permanent table for the economic, social and territorial partnership, composed of representatives of the social partners, of the Government, of the Regions and autonomous Provinces, of the local bodies of the productive and social categories, of the University and research system and of civil society, at the in order to guarantee the involvement of stakeholders and local administrations in the implementation of the PNRR.

A central office of general management level, called "Central Service for the PNRR", was established at the Ministry of Economy and Finance - Department of General Accounting of the State, with tasks of operational coordination, monitoring, reporting and control of the PNRR, which represented the national contact point for the implementation of the PNRR pursuant to Article 22 of Regulation (EU) 2021/241, complying with the related information, communication and publicity obligations.

Art. 7 of the Legislative Decree n. 77 of 2021 entitled "Control, audit, anti-corruption and transparency" through which a specific General Inspectorate for financial relations with the European Union (IGRUE) was created at the State General Accounting Office with audit functions of the Plan, was important for achieving the objectives of the PNRR. This office has a position of functional independence with respect to the other structures created for the management of the PNRR and can make use of the support of the State Territorial Accounting Offices in carrying out the control activities delegated to it.

For completeness of information, it seems necessary to reiterate that the mission unit established at the General Accounting Office of the State by art. 1, paragraph 1050, of Law no. 178 of 2020 has the task of

coordinating, connecting and supporting the Accounting Office structures involved in various capacities in the implementation of the Next Generation EU programme.

In this general framework, the Court of Auditors is entrusted with the function of the body institutionally responsible for monitoring the management of the PNRR, with the task of reporting annually to Parliament on the state of implementation of the same Plan.

This primary organization, designed to guarantee efficiency in procedures and compliance with deadlines in achieving objectives (targets and milestones), did not have the expected effects, highlighting the need to support the various administrative actions with a more incisive level of implementation monitoring, i.e. strengthening supervision and coordination in order to intervene promptly to limit any delays.

From this perspective, the change to the initial governance of the Plan occurs, made with the legislative decree of 24 February 2023, n. 13, aimed on the one hand at establishing a single point of contact at the Presidency of the Council of Ministers and on the other at strengthening the processes of timely verification of the implementation of the Plan through meetings of the Control Room, scheduled more frequently (fig. 3).



Fig.3. Plan governance model updated with the Legislative Decree. 24/02/2023 n. 13 – Supervision and coordination.

Source: elaboration by the authors

In this case, the legislative decree of 24 February 2023, n. 13 containing «Urgent provisions for the implementation of the National Recovery and Resilience Plan (PNRR) and the National Plan of complementary investments to the PNRR (PNC), as well as for the implementation of cohesion policies and the common agricultural policy» as regards the PNRR innovates the central political and administrative governance part through:

- the suppression of the «permanent table for economic, social and territorial partnership» whose functions are now assigned to the political control room;
- the establishment at the Presidency of the Council of Ministers of the Mission Structure for the PNRR which, in addition to incorporating the functions of the PNRR Technical Secretariat, becomes the national contact point with the European Commission, effectively placing responsibility for the 'entire Plan;
- the establishment of the General Inspectorate for the PNRR, replacing the Central Service for the PNRR, within the Department of State General Accounting of the Ministry of Economy and Finance which maintains the role of overseeing the implementation rules, but now acts in support for the mission structure of the Presidency of the Council of Ministers.

From this structuring and the division of tasks, roles and functions, it is highlighted that the PNRR constitutes a single national program implemented through a multilevel governance model which involves, as a coordination level, the structures of the Presidency of the Council of Ministers and the General Accounting Office of the State, together with the Administrations responsible for the PNRR, as regards the implementation scope.

Lastly, in the context of an evolution that is still identifying the most suitable structural form step by step, we highlight the recent regulatory change that occurred at a national level with the publication of Legislative Decree no. 19 of 02.03.2024 (Official Gazette no. 52 of 02.03.2024) containing "Further urgent provisions for the implementation of the National Recovery and Resilience Plan (PNRR)".

The objective of this provision is to speed up the interventions of the PNRR, therefore facilitating the pursuit of the objectives established by the Plan itself, working on the governance of both the PNRR and the Complementary National Plan (PNC), as well as implementing the changes to the Plan itself approved by Decision of the EU-ECOFIN Council of 8.12.2023.

Among the elements that deserve particular attention are:

- art. 2) in which an update of the procedural and financial timetables, via the ReGiS platform, of the

progress of the works is expected, by the implementing entities within 30 days from the date of entry into force of the decree law;

- art. 4) in order to improve and make more efficient the coordination of the management, monitoring, reporting and control activities of the PNRR interventions, a strengthening of the tasks of the Mission Structure is envisaged, so as to allow the latter to carry out random inspections and checks, both at the central administrations in charge of the measures and at the implementing entities;

- art. 9) which provides for the establishment in each Province of a coordination cabin, chaired by the Prefect or his delegate, to make the territorial-based monitoring of the PNRR interventions more effective.

As regards the implementation phase of the PNRR, to which the art. is dedicated. 8 of the Legislative Decree n. 77 of 2021, it is found that this activity, together with the monitoring, control and consequent reporting of management, is the responsibility of each central administration holding intervention powers. To carry out these tasks, each Administration will be able to identify an existing management level structure or create a specific mission unit from scratch which will last until the completion of the PNRR interventions and, in any case, no later than 31 December 2026. These structures will have to send to the Central Service for the PNRR (now the General Inspectorate for the PNRR) the financial data and those relating to the implementation of the investments and reforms envisaged by the PNRR, as well as the state of progress relating to the interventions adopted to achieve the objectives of the Plan and support the Administrations in the definition, implementation, monitoring, evaluation of funded programs and projects and public policies for development. Furthermore, they are entrusted with the task of supervising the regularity of the procedures put in place in the implementation of the PNRR and the expenses incurred, adopting every appropriate initiative aimed at preventing, correcting and sanctioning any violations and undue use of the resources available as well as preventing and combating fraud and conflicts of interest while also avoiding the risk of double public financing of interventions

This approach fills all the local administrations interested in the Plan with meaning and responsibility, no longer, as happened in the past, emptying them of resources and planning activities, but rather inserting them within a well-structured implementation process scheduled over time. Consider that all the interventions included in the PNRR, which were planned by 2023 and completed by 31 December 2026, are exposed to the risk of revocation of funding in the event of failure to comply with the relevant activated timetables. Consequently, and in light of this, in defining the governance structure and the implementation methods of the PNRR, urgent measures have been introduced aimed at giving a decisive impulse to the streamlining of administrative procedures in the sectors concerned, so as to allow effective, timely and efficient implementation of interventions.

Also the Decree-Law n. 13 of 02/24/2023, in addition to confirming the management structure in line with the previous legislation (fig. 4), essentially reiterates that the operational implementation of the interventions envisaged by the PNRR is carried out by the central Administrations, the Regions, the autonomous Provinces and the local authorities, on the basis of specific institutional skills through their own structures, or by making use of external implementing bodies identified in the PNRR, or with the methods established by current national and European legislation. The analysis of implementation deserves more in-depth reflection:

- of directly owned projects, in which the central Administration itself is the owner of PNRR interventions through its own responsible administrative structures (Departments, Services, Offices, etc.) and, for this reason, it acts directly as the implementing body and as owner of the project included within the investment or reform of competence;

- of the directed projects, they fall under the ownership of other public or private bodies and are selected by the central Administrations in charge of PNRR interventions (or, if applicable, by the "delegated implementing bodies") according to administrative methods and tools deemed most suitable by the Administration (e.g. public notices, expressions of interest, etc.), based on the characteristics of the intervention to be carried out and in line with what is indicated in the PNRR.

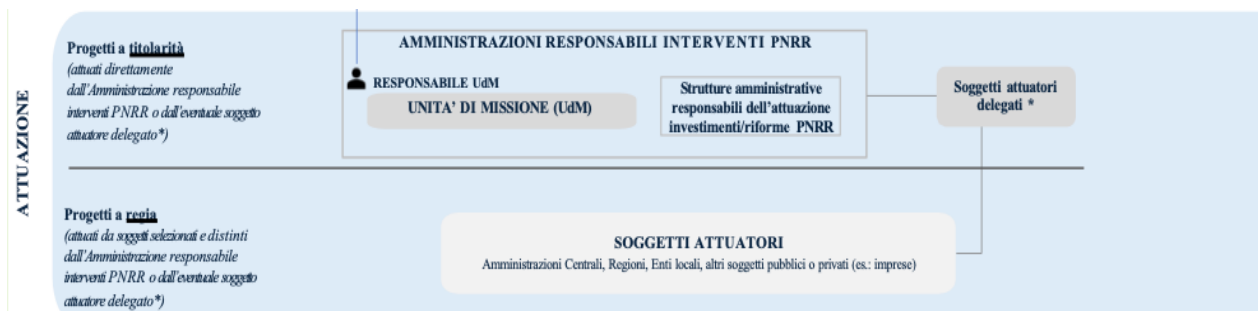


Fig.4. Plan governance model updated with the Legislative Decree. 24/02/2023 n. 13 – Implementation phase

Source: elaboration by the authors

The basic choice made by the legislator, in order to ensure the rapid and effective implementation of the PNRR interventions, moves around two guidelines: on the one hand, the need to ensure unitary coordination by the State, to guarantee homogeneity in monitoring, reporting and control of interventions; on the other, the need to follow a logic of sharing the relevant processes, in compliance, among other things, with the constitutional principle of subsidiarity, introducing, at the same time, suitable corrective measures to ensure the necessary technical-operational support to the competent administrations as well as any substitutive intervention by the Government.

4. THE CONTROL SYSTEM IN THE PNRR

Recent studies highlight how the Recovery and Resilience Facility (RRF) and the National Recovery and Resilience Plans (PNRR) are unique but also very "young" tools which have not yet taken advantage of the thirty-year experience of the Structural Funds and, also due of the important financial allocation assigned, could not be implemented except through specific provisions that guaranteed the protection of the EU's financial interests.

The same legislation of the Recovery and Resilience Facility (RRF), for its part, with the introduction of article 22 of Regulation (EU) 2021/241 on "Protection of the financial interests of the EU" and the subsequent indications of the European Commission, has structurally changed the implementation regulations of the Plan, almost assuming a position of tertium generis between the directly managed instruments and those with shared responsibility with the Member States, such as the European structural funds for cohesion policies, leading to the introduction of rules control specifications closer to spending programs than to "performance based" ones. From this it follows that the Member States had to equip themselves with their own management and control system, further and additional to the ordinary management, which also provided for the recovery of the amounts erroneously paid or used incorrectly, being able to rely on their normal national budget management systems.

In implementation of what is foreseen in the EU context, the Italian PNRR has adopted a management and control system that combines the "ordinary" controls, provided for by the current administrative law, with "specific" controls for the PNRR, relevant for each structure involved in the community reimbursement flow according to the planned multilevel system, with a political control room and a central control (contact point) originally entrusted to the State General Accounting Office and now to the PNRR Mission Structure of the Presidency of the Council of Ministers, introduced with the decree-law 24 February 2023, n. 13, and specific management and control systems adopted by the individual mission units, established in each central administration responsible for PNRR interventions, with the task of operating similarly to what happens for the managing authorities of a structural funds programme, with similar levels of responsibility but less autonomy. Again with reference to the Italian Plan, within the MEF-RGS Circular no. 30 of 2022, prepared by the Central Service for the PNRR at the Ministry of Economy and Finance (MEF) - General State Accounting Department (RGS), the orientation and methodological guidelines on particularly important implementation elements have been provided which characterize the main administrative phases of starting and implementing the PNRR interventions; think about the identification and rectification of fraud, cases of corruption, conflicts of interest and cases of double financing, in order to avoid them.

Due to the different levels of government involved (central, territorial), the reporting and control obligations, aimed at guaranteeing the transparency, regularity and correctness of the administrative-accounting action, were divided into three levels (fig.5).

The implementing entities are responsible for carrying out the individual projects and presenting the relevant reporting to the competent Ministries, certifying the regular execution of the activities (performance) and expenses, as well as compliance with all the conditionalities of the PNRR (DNSH, no conflict of interest, no double financing).

The administrations in charge of measures (PNRR Mission Units) send the Milestone and target reporting to the MEF for the submission of the semi-annual payment application to the EC and receive the expenditure reporting from the implementing entities, verify their eligibility for the PNRR and, therefore, they send it to the MEF to obtain reimbursement.

The State General Accounting Office acquires the Milestone and Target (performance) reports as well as the expense reports of the central PAs. His task is carried out: i) in carrying out the relevant checks and subsequent reporting of the six-monthly M/T package to the EC, in the presentation of the Payment Request (also certifying the correct use of the Funds net of any cases of irregularities serious/fraud detected by ministerial and/or external control bodies); ii) in the receipt by the EC of the related reimbursement instalments of the RRF funds; iii) finally, arranges payments in favour of the implementing entities following the correct receipt of the project/measure reports.

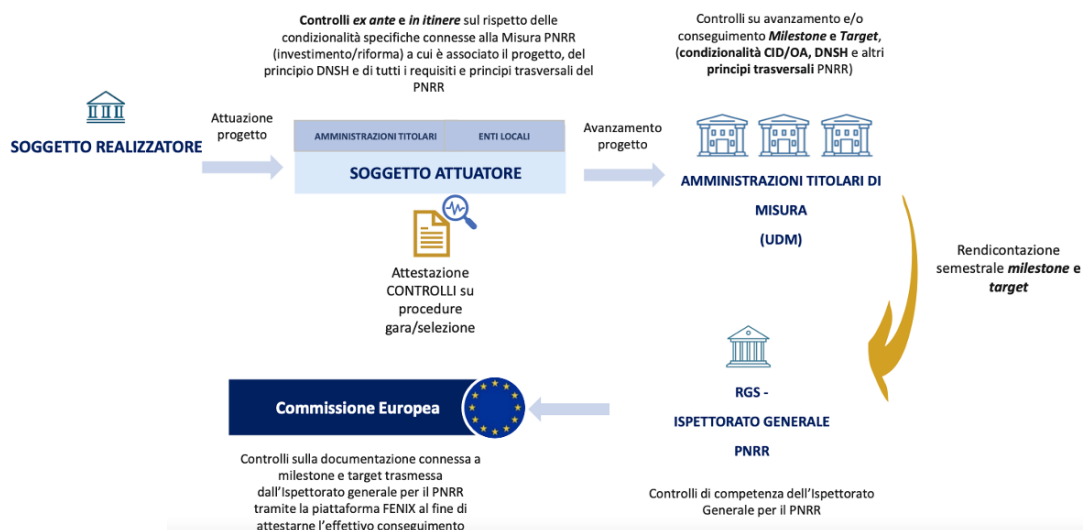


Fig.5. Performance control reporting flow (M&T)

Source: elaboration by the authors based on MIMIT work (Ministry of Business and Made in Italy)

According to a different approach in planning, predicting, monitoring and reporting, it happens, specifically, that the Administrations in charge of the Measure ensure that the progress of the Investments/Reforms with Milestone/Target and the related supporting evidence are fed into the Regis system, in appropriate times, so as to guarantee the Central Service the execution of its relevant checks, for the purposes of submitting semi-annual payment requests to the European Commission. These controls, by the General Inspectorate for the PNRR, are carried out to an extent equal to 100% of the activities, through the use of a series of tools (Reports, Checklists, Declarations).

Overall, it is a reporting and monitoring system in which all the data relating to the implementation of the PNRR are collected, at a financial level (expenses incurred for the implementation of the measures and reforms), physical level (through the detection of the appropriate indicators), and procedural. Target and milestone progress data are also recorded in the system. The information is collected, at a detailed level, by the owners of the interventions (Municipalities, Regions, Ministries, other bodies) and made available to the individual administrations responsible for each measure which validate it and send it to the MEF. The latter is supported in its tasks by the various administrations that will be responsible for individual investments or individual reforms, subsequently sending the various reports to the Central Structure. It will therefore be the administrations themselves, supported and coordinated by the MEF, who will carry out complete traceability of the operations, keeping the relevant documents available for audit and tracking activities.

In addition to the aforementioned performance controls, the PNRR applies further control/audit procedures on the procedures and expenses (fig. 6) under the responsibility of the implementing bodies, by the Administrations in charge of PNRR Interventions, by the General Inspectorate for the PNRR and by the Independent national audit body.



Fig.6. Reporting flow and spending control.

Source: elaboration by the authors based on MIMIT work (Ministry of Business and Made in Italy)

In a first phase, the checks carried out by the implementing bodies (e.g. central administrations, regions, provinces and local authorities), in an amount equal to 100% of the expenses incurred, concern the ordinary checks of administrative-accounting regularity of the expenses, with the objective of guaranteeing legitimacy, correctness and regularity of administrative and accounting action. These bodies ensure the traceability of operations and the maintenance of specific accounting codification for the use of resources in the PNRR.

In a subsequent phase, the Administrations in charge of PNRR measures, after having received the information from the implementing bodies, carry out further checks relating to: i) the verification of potential double financing and conflict of interest; ii) further checks on the regularity of the expenditure and procedures reported by the implementing entities, this time carried out on a representative sample of the operations, through on-desk checks and any on-site investigations; iii) verification of the progress of targets and milestones, through the examination of the documentation proving the achievement of the indicated values; iv) checks aimed at ensuring compliance with the DNSH, as well as specific provisions and transversal priorities.

The further phase of controls, concerning the PNRR central service, is characterized by in-depth analysis and qualitative assessments regarding the achievement of reported milestones and targets, carried out on the complete documentation transmitted by the central administrations.

Finally, with the fundamental task of providing the European Commission with adequate guarantees on the correct achievement of milestones and targets at the time of submission of payment requests, the Audit unit (independent body) carries out system checks and validation tests on a sample of PNRR goals and objectives. In this case, the Audit unit also carries out a documentary analysis to verify that the milestones and targets have actually been achieved and the results of these checks are reported in a single report to be sent to the Central Service of the PNRR and to be attached to the request of payment and which contains the level of confidence ensured to the management and control systems following the audit activities carried out. The Audit unit operates in the same way as an Audit Authority for structural funds, therefore carrying out an internal audit aimed at ensuring compliance with the principle of sound financial management in the use of EU resources.

While agreeing that the large amount of financial resources requires more punctual interventions (aimed at protecting the financial interests of the EU), we cannot ignore the observation that these burdens, often due to overlapping roles and actions, in the context of controls, would seem go in the opposite direction to that "simplification" process envisaged by recent community legislation (2021-2027 programming cycle) in which the concept of proportionality and single audit is introduced. To prove this analysis on the redundancy of controls, it is necessary to highlight how in Italy the Si.Ge.Co. provides, in addition to the "ordinary" administrative controls required by national budget controls, three additional levels of control:

1) verification of performance, i.e. the achievement of targets/milestones, in which 3 bodies take part (Administrations in charge of PNNR measures, General Inspectorate for the Pnrr of the State General Accounting Office, Independent National Audit Body (Audit Unit of the General Accounting Office of the state);

2) control over the procedures and expenses pertaining to the implementing bodies, carried out by 3 bodies (Administrations in charge of PNNR Interventions, General Inspectorate for the PNNR, Independent National Audit Body).

3) further controls under the responsibility of the European Commission, the European Audit Authority, the European Court of Auditors, as well as those carried out by the European Public Prosecutor's Office EPPO. Many things have changed in a short time, the entire PNRR expressed in all its activities has highlighted various procedural, administrative and financial innovations. Even the control system, initially aimed towards a more fluid and objective-oriented path, today finds itself "having to deal" with greater structural rigidities, which have gradually emerged due to massive legislation and incessant regulation, which only in part has borrowed the good practice of the structural funds.

If we only thought about dissecting a single procedure, any procedure, from its conception to its implementation, starting from compliance with what is regulated by the Procurement Code, we would be able to conceptually understand that the implementation, the uploading of data into Regis, the monitoring and subsequent checks, the reporting, the presentation of the reimbursement request, the payment of the corresponding instalment by the European Commission and the entire complex ongoing and ex post control chain, require overall a change of direction aimed at streamline some procedures, improving others.

5. CONCLUSIONS

To better understand the complexity of the PNRR, in its entirety and even better in the control sector, consider that the Municipalities responsible for the implementation of the PNRR measures, as implementing bodies, have currently registered 104,000 projects on the ReGis system for a value of cost of the PNRR corresponding to 33.6 billion euros. A considerable amount of resources to manage, control, monitor and report in a short time. Ambitious objectives to be achieved, too, in a short time.

Deepening the reflection by asking yourself some questions, this time of a technical nature and with a pragmatic approach, will certainly help the evaluation exercise of those who will have to make important decisions.

How often is a check carried out? (time frequency with which the various checks are carried out).

When does an inspection start and end? (duration of the entire verification process).

How much time does an operator take away from his ordinary actions when he has to answer questions posed by the supervisory body? (operators' time not used in the ordinary implementation phase of the Plan).

How many and which documents were requested by a supervisory body? Were the same documents also requested by the higher bodies that carried out the control subsequently? (redundancy of the documentation required by the checks carried out at the various levels).

Starting from these findings and after having carried out a detailed examination of the main characteristics of the Plan, in particular the evolutions that have characterized the governance system and the important innovations introduced regarding controls, the time has come to draw conclusions and at the same time suggest new paths for procedural growth.

For some aspects, there is a widespread opinion on what the critical issues and interventions are to be undertaken and to which greater attention should be paid: a structural and functional review of the plan bodies; greater investments in staff training; improvement processes for homogeneous areas of intervention, the latter aimed at unifying subjects with similar functions but with different responsibilities, as happens in the control sector. In other respects, it is all the more necessary to provide different contributions to a debate, still ongoing, which pits a strong orientation towards results against a rigid and unequivocal observance of the innumerable laws and regulations. Following the ancient Latin phrase "in media stat virtus", the authors glimpse paths not yet taken and which would necessarily lead to a strong impetus towards the efficiency of results and the effectiveness of actions.

On the one hand, it is agreed, with good reason and as highlighted by the sector literature, that a simplification process regarding PNRR controls is fundamental, introducing a system of proportionality, in order to guarantee a reduction in administrative burdens often duplicated by the various subjects, and also to borrow the concept of "single audit" from cohesion policies, without neglecting a strengthening of administrative capacity. On the other hand, it is necessary to harmonize the technical and operational tools to make the control process more fluid.

A first step could be to establish a single national competence centre for community audits and controls. In reality, the structure already exists and in particular has carried out its role of national coordination of the audit authority for the structural funds for at least two community programs. This is the coordination structure set up at the General Inspectorate for Financial Relations with the European Union (IGRUE) of the State General Accounting Office currently dedicated only to the Structural Funds and to audit activities rather than administrative control (the so-called I level).

A single national structure would guarantee greater representativeness in the dialogue with the other Community control institutions. Furthermore, a strengthening of a central control in matters of control would facilitate discussions with other national and community bodies involved in the process in various capacities (think for example of the ANAC, the Competition and Market Guarantor Authority) for the effective resolution of the problems that emerged in the exercise of the audit and control function, would facilitate the preparation and dissemination of guidelines, manuals and other methodological support tools necessary for the effective operation of the audit and control function, thus guaranteeing a standardized control process for all levels and could constitute a true centre of competence for the continuous improvement of tools but also of skills and professional updating also through the circulation of information and the systemisation and exchange of good practices. The national structure would operate according to criteria of networking and dialogue with the various structures responsible for control activities, in this sense the establishment of a stable group of experts at this structure which can replicate the experience of the EGESIF of the structural funds (Expert Group on European Structural Investment Funds) would guarantee the rules and could certainly support the process with a view to simplification, homogenisation and coordination of the different rules.

The controls are in fact similar but in the actual execution and in the tools used the control activities also showed significant differentiations and this in relation to the same beneficiaries and the same types of projects; in terms of control, single models and tools would provide substantial help rather than leaving the control tools to the freedom of the central administrations in charge of PNRR investments or to the numerous authorities managing the structural funds.

In this regard, a facilitation method, also of a technical nature, could concern the establishment of a specific modular control checklist, which the various controllers will feed based on the level of control they represent. In practical terms, a single control checklist could be defined, divided into different sections, where each auditor will be able to fill in the part of his/her own competence and without being able to see the control sections of the next level, therefore without being able to influence them. The controllers of the next and higher level will be responsible for filling in the sections not yet filled in, but will be able to use the first part of the checklist already prepared. This method of operational simplification would avoid replicating a control already carried out, avoiding waste of time and further administrative burdens, in compliance with the provisions of the Regulations/circulars regarding controls on the PNRR and, for this reason, without eliminating the specificities

of the individual controls carried out by different bodies.

Following this common thread of regulatory simplification and procedural facilitation, considering what good has already occurred with the establishment of the National Aid Register (RNA), through which it is possible to verify that public benefits are granted in compliance with the provisions set out in the legislation community, avoiding the cumulation of benefits, a single national register of PNRR controls and procedures could be established, with the aim of publicity and transparency and the main task of preserving all the documentation requested by the various control bodies, produced by the beneficiaries of the interventions/subjects implementers of the works, making it usable for professionals, so as not to further burden the subjects who have already provided useful documents and information in a previous verification.

Finally, it is useful to highlight that although it may be abstractly correct that the implementation of a financial instrument of this magnitude such as the Recovery and Resilience Facility, which in the Italian case led to the approval of a Plan of an impressive financial dimension of almost over 194 billion euros, the use of precise controls and verification procedures is legitimate, more than what may be required for other directly managed programs such as Horizon Europe which "rely" on the Beneficiary's ordinary budget rules alone for management controls, it is However, it is necessary for the system to be able to restore an orderly implementation method and provide for the introduction not only of the "restrictive" rules of the Structural Funds but also of its exceptions and simplification indications such as proportional controls and the single audit.

Although the great ambition underlying the realization of the various objectives of the Plan, as history teaches us, would seem to describe horizons that are distant and difficult to reach, the conclusions reached inspire cautious optimism because from the first steps in which the evolution of the Plan takes At a central level, there are clear signs of discontinuity with the past and orientations towards the financial logic of the future: we monitor, we report, we control, we obtain resources. A true circularity of the process which alone, however, is not enough, because the further paradigm that the PNRR requires lies in the fact that it is not only necessary to demonstrate that the resources have been spent correctly, but it is necessary to guarantee the achievement of certain objectives, in every single measurement. Finally, we free ourselves from the old concept of quantity of spending (achievement of spending targets) and move towards the quality of spending (achievement of targets and milestones in the pre-established time).

In this new philosophy of implementation and control of public resources, in terms of spending and performance, the territories and the staff who work there in the various territorial bodies play a fundamental role. It is precisely towards the latter that we need to turn our attention so that objective conditions for improvement are created, to the benefit of an entire national system.

We leave the evaluations of what will be in the hands of time, but there is no doubt that this is the long and only road towards a real overall modernization of the country. Everyone does their part. Without hesitation. Because tomorrow, perhaps, there will no longer be time to remedy it.

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