

The Accountability of Pan-European Public Borrowing: Italy and Next Generation EU

Iacopo Mugnai

Key Points

- Italy's National Recovery and Resilience Plan is the largest national plan under the EU's response to the Covid-19 pandemic. On 13 April and 7 November 2022, Italy received the first and second instalments from the European Commission under Next Generation EU, each worth €21 billion (net of pre-financing) in grants and loans. In December 2022, Italy requested the payment of the third instalment of €19 billion (net of pre-financing).
- According to the Italian Court of Auditors, the implementation of the national recovery plan in 2023 seems delayed. The European Commission noted the hold-up and extended its assessment period until the end of April to allow Italy to meet the targets necessary to release the third tranche of €19 billion.
- The European Commission has recently challenged Italy's decision to use EU recovery funds to revamp Florence's historic football stadium and build new sport facilities near Venice, thereby further delaying the disbursement of the requested funds.
- Members of the Italian and European parliaments have asked questions to the Italian government and the European Commission respectively to clarify whether these stadium projects are eligible to receive EU funds.
- These incidents illustrate the growing prominence of pan-European public borrowing, as it creates liabilities, such as the guarantee provided by the EU budget headroom to Next Generation EU. This warrants a high degree of accountability to citizens and elected representatives.

Italy's National Recovery and Resilience Plan: An Overview

In absolute terms, Italy's National Recovery and Resilience Plan (NRRP) is the largest national plan under the EU response to the crisis triggered by the coronavirus pandemic. Italy has decided to use its entire national allocation under the Recovery and Resilience Facility (RRF), including its loan component (€122.6 billion). Totalling €191.5 billion, these resources represent 26.5% of the entire RRF, equal to 10.7 % of the country's gross domestic product (GDP) in 2019 (the RRF being 5.2% of EU-27 GDP in 2019). Measures under the plan are to be completed by 2026 (European Parliament 2022).

Consistent with RRF provisions, the plan's objectives are to (1) help Italy recover from the

severe socio-economic impact of the coronavirus pandemic, (2) address structural weaknesses in the Italian economy, and (3) focus on the three strategic axes agreed as common challenges at EU level (European Parliament 2022).

The plan is structured around six fields of intervention (called 'missions') to be implemented through a mix of investments and reforms.

The objectives of the six missions are (1) "digitalisation, innovation, competitiveness, culture and tourism", (2) "green revolution and ecological transition", (3) "infrastructures for sustainable mobility", (4) "education and research", (5) "inclusion and cohesion", and

(6) “health”. In addition, the NRRP identifies three horizontal priorities (youth, gender equality and territorial cohesion) that all missions are to address.¹

Apart from the 13% pre-financing disbursed in August, all other NRRP payments will depend on progress in implementing the plan. In total, 10 instalments are planned for grants and 10 for loans. Each instalment is linked to achieving milestones (qualitative goals) and targets (quantitative goals).

Implementation Difficulties and the Risk of Losing Access to NGEU funds

According to the latest report presented by the Italian Court of Auditors to the Italian Parliament, Italy is falling behind both on targets agreed with Brussels in return for the aid and also on spending money already received (Corte dei Conti 2023).

The Court found that the implementation of Italy’s national recovery plan seems overall delayed. While all of the 55 objectives for the second half of 2022 were achieved, progress in the first half of 2023 has been slower. As of February 2023, public administrations only transferred 70% (€4.8 billion) of funds received to final implementing subjects and other beneficiaries. A significant acceleration is therefore necessary to conclude all projects by 2026. On the governance side, the temporary recruitment of staff was identified as a key obstacle to “operational continuity” needed for implementing the plan (Corte dei Conti 2023).

In previous interventions, the Court voiced its concerns over the structurally limited ability of Italian public administrations to spend allocated EU funds during ordinary times, wondering how NGEU funds could be spent promptly and effectively given the extraordinary size of the NRRP and the lack of

On 13 April and 7 November 2022, Italy received the first and second payments, each worth €21 billion (net of pre-financing) in grants and loans, based on the achievement of the related milestones and targets (European Parliament 2022). In December 2022, Italy sent to the Commission its request for payment of the third instalment of €19 billion (net of pre-financing) in grants and loans (Ministry of Economy and Finance 2022).

administrative capacity plaguing the Italian state as well as local authorities.²

The Court therefore urged a result-oriented approach when implementing the NRRP, as the use of NGEU funds is monitored both nationally and at the European level, making the disbursement of funds conditional upon the fulfilment of projects’ objectives and expected impact.³

As reported in *Euractiv* (Pascale 2023), the European Commission noted the delay in Italy’s implementation of the National Recovery Plan and extended its assessment period until the end of April to allow Italy to meet the targets necessary to release the third €19 billion tranche. The Commission also requested further clarification over efforts to meet the conditions linked to the disbursement of NGEU funds (Fonte and Amante 2023).

On the occasion of the presentation of the Italian Court of Auditor’s report on the NRPP, Italy’s European Affairs Minister, Raffaele Fitto, said that some projects could not be realised on time, making it difficult to implement the whole NRRP by 2026 (il Post 2023a). This runs the risk that allocated funds are not used and must be returned to the EU.

¹ For a detailed overview of Italy’s National Recovery and Resilience Plan, see [this document](#) and the dedicated website [ItaliaDomani](#).

² See the *Requisitoria orale del Procuratore generale Angelo Canale* available [here](#).

³ See also Quaglini (2021).

Increasing Public Scrutiny: Using EU funds for Football Stadiums?

There is a second reason why the European Commission is holding up Italy's third tranche of EU recovery funds: the decision – already approved by Draghi's government – to use €55 million of EU money to revamp Florence's historic football stadium "Artemio Franchi" and allocate a further €93.5 million to build new sport facilities near Venice (Tamma 2023). The European Commission is reported to have challenged these plans amid growing concerns about Italy's ability to spend its entire €200 billion share of the EU recovery money by 2026 (Kazmin 2023).

Florence Mayor Nardella and Venice Mayor Brugnaro argued in favour of these proposals. According to Nardella, Florence football stadium is a "major national cultural infrastructure" and thereby in keeping with the first mission of Italy's recovery plan – i.e. 'digitalisation, innovation, competitiveness, culture and tourism' (Tamma 2023). According to Brugnaro, the new sport village "will be an engine of urban regeneration and revitalisation of Venice", thereby supposedly rejuvenating dilapidated neighbourhoods and so aligning with more than one mission of the NRRP (Tamma 2023).

The Italian government defended these sports facilities as part of wider urban renewal plans for the two renowned tourist centres, and will provide additional elements to support their admissibility (Kazmin 2023).

The European Commission as well as members of the Italian and European parliaments do not seem convinced by these arguments, challenging the eligibility of the Florence and Venice stadium projects, given that the EU's Recovery and Resilience Facility is designed to mitigate the economic and social impact of the pandemic and make European

economies and societies more sustainable, resilient and better prepared for the challenges and opportunities of the green and digital transitions (il Post 2023b).

As observed in *Politico* (Tamma 2023), the Franchi stadium is built in the fourth most expensive neighbourhood in central Florence, hence it hardly fits the national recovery plan's goal to "regenerate, revitalise and enhance large degraded urban areas". At the same time, according to three Italian MPs, considering Venice's greenfield site an urban regeneration project seems too much of a stretch.

It is not only the location of the new sport facilities which has caused controversy, but the fact that this infrastructural project is expected to consume a significant portion of uncontaminated soil. This seems in contrast with the "do no significant harm" (DNSH) principle embedded in the RRF provisions (European Parliament 2022). Thus, Italian MPs questioned the legitimacy of these investment projects and asked the government to clarify its views on the matter.⁴

On 31 March 2023, six MEPs asked the European Commission about its decision to delay the disbursement of €19 billion from the RRF to Italy because of its plans to upgrade and build football stadiums in Florence and Venice.⁵ In particular, MEPs asked (1) whether the investments proposed by the Italian government are eligible for RRF funding, (2) if so, under what conditions, and (3) whether other similar projects have been financed with RRF funds in Italy or in other EU member states.

⁴ The text of the questions asked by Italian MPs to the Italian government is available at the following links: (i) [interrogazione a risposta scritta n. 4/06886](#),

(ii) [interrogazione a risposta scritta n. 4/00507](#), and (iii) [interrogazione a risposta scritta n. 2/00120](#).

⁵ For a more detailed overview of the questions asked, see [this link](#).

Are Accountability Mechanisms Working?

These incidents illustrate the growing prominence of pan-European public borrowing – that is, the recourse to capital markets by institutions like the European Commission to finance grants, loans or guarantees to the public and private sectors. Like EU expenditure through the Union’s budget, pan-European borrowing warrants a high degree of accountability to citizens and elected representatives.

The questions asked by MEPs to the European Commission on the eligibility of Italy’s (contested) investment projects, and the Recovery and Resilience Dialogue between the European Parliament and the Commission, can be seen as instances of horizontal accountability, whereby pan-European borrowing is held to account by a European (democratically elected) institution.⁶

The accountability of European public borrowing such as NGEU can also have a vertical dimension, as national parliaments and court of auditors are involved in the scrutiny of pan-European borrowers. Concrete instances in this regard are (1) the questions asked by Italian MPs on the stadiums in Florence and Venice, highlighting specific concerns about the perceived shortcomings of pan-European borrowing, and (2) the control

of the Italian Court of Auditors over the implementation of Italy’s NRRP.⁷

The fact that both national and supranational actors are closely scrutinizing the allocation of EU funds suggests that vertical and horizontal accountability is working in the case of Next Generation EU. The final verdict, however, depends on whether the Italian government will revise its plans to invest in the two stadiums.

So far, in its first reactions the government does not seem to have reconsidered its intentions (Il Post 2023b; Tamma 2023). At the same time, there is increasing awareness in Rome that the risk of losing access to NGEU funds will be politically untenable and economically deleterious, to say the least. It seems likely, therefore, that the government will reconsider its plans, while finding other ways to realise the two stadium projects. Although such a move would trigger intense pork barrel politics both locally and nationally, it would also come with a positive corollary: that the vertical and horizontal accountability of NGEU works.

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⁶ For an in-depth analysis, see [this document](#).

⁷ See Villani (2021) and Villani and Vasarri (2021).

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About the Author

Dr Iacopo Mugnai is a Postdoctoral Research Associate at Birkbeck College, University of London.

Further Information

This policy brief is produced by Bilateral ESRC/FNR: Banking on Europe, a research project on the evolution and accountability of pan-European public financial institutions funded by the UK Economic and Social Research Council and the Luxembourg National Research Fund (Reference: ES/W000733/1). The views expressed are those of the authors' alone. For further details, please visit our website at www.bankingoneurope.com

