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Recommendation for a

COUNCIL RECOMMENDATION

endorsing the national medium-term fiscal-structural plan of Italy

Recommendation for a

COUNCIL RECOMMENDATION

endorsing the national medium-term fiscal-structural plan of Italy

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 121 thereof,

Having regard to Regulation (EU) 2024/1263, and in particular Article 17 thereof,

Having regard to the recommendation from the Commission,

Whereas:

GENERAL CONSIDERATIONS

(1) A reformed EU economic governance framework entered into force on 30 April 2024. Regulation (EU) 2024/1263 of the European Parliament and of the Council on the effective coordination of economic policies and on multilateral budgetary surveillance[1], together with the amended Regulation (EC) No 1467/97 on the implementation of the excessive deficit procedure[2], and the amended Council Directive 2011/85/EU on the budgetary frameworks of Member States[3] are the core elements of the reformed EU economic governance framework. The framework aims at ensuring public debt sustainability and sustainable and inclusive growth through reforms and investments. It promotes national ownership and has a medium-term focus, combined with an effective and coherent enforcement of the rules.

(2) The national medium-term fiscal-structural plans that Member States submit to the Council and to the Commission are at the centre of the new economic governance framework. The plans are to deliver on two objectives: i) ensuring that, by the end of the adjustment period, general government debt is on a plausibly downward trajectory, or stays at prudent levels, and that the government deficit is brought and maintained below the reference value of 3% of GDP over the medium term, and ii) ensuring the delivery of reforms and investments responding to the main challenges identified in the context of the European Semester and addressing the common priorities of the EU. To that end, each plan is to present a medium-term commitment to a net expenditure[4]

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1 Regulation (EU) 2024/1263 of the European Parliament and of the Council of 29 April 2024 on the effective coordination of economic policies and on multilateral budgetary surveillance and repealing Council Regulation (EC) No 1466/97 (OJ L, 2024/1263, 30.4.2024, ELI: http://data.europa.eu/eli/reg/2024/1263/oj).

2 Council Regulation (EU) 2024/1264 of 29 April 2024 amending Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure (OJ L, 2024/1264, 30.4.2024, ELI: http://data.europa.eu/eli/reg/2024/1264/oj).

3 Council Directive (EU) 2024/1265 of 29 April 2024 amending Directive 2011/85/EU on requirements for budgetary frameworks of the Member States (OJ L, 2024/1265, 30.4.2024, ELI: http://data.europa.eu/eli/dir/2024/1265/oj).

4 Net expenditure as defined in Article 2 of Regulation (EU) 2024/1263, namely government expenditure net of (i) interest expenditure, (ii) discretionary revenue measures, (iii) expenditure on Union programmes fully matched by revenue from Union funds, (iv) national expenditure on co-financing of

path, which effectively establishes a budgetary constraint for the duration of the plan, covering four or five years (depending on the regular term of legislature in a Member State). In addition, the plan is to explain how the Member State will ensure the delivery of reforms and investments responding to the main challenges identified in the context of the European Semester, in particular in the country-specific recommendations (including those pertaining to the macroeconomic imbalances procedure (MIP), if applicable), and how the Member State will address the common priorities of the Union. The period for fiscal adjustment covers a period of four years, which may be extended by up to three years if the Member State commits to delivering a set of relevant reforms and investments that satisfies the criteria set out in Regulation (EU) 2024/1263.

(3) Following the submission of the plan, the Commission is to assess whether it complies with the requirements of Regulation (EU) 2024/1263.

(4) Upon a recommendation from the Commission, the Council is to then adopt a recommendation to set the net expenditure path of the Member State concerned and, where applicable, endorses the set of reform and investment commitments underpinning an extension of the fiscal adjustment period.

CONSIDERATIONS CONCERNING THE NATIONAL MEDIUM-TERM FISCAL-STRUCTURAL PLAN OF ITALY

(5) On 15 October 2024, Italy submitted its national medium-term fiscal-structural plan to the Council and to the Commission. The submission took place following an extension of the deadline set out in Article 36(1)(a) of Regulation (EU) 2024/1263, as agreed with the Commission in view of the reasons provided by Italy.

Process prior to the submission of the plan

(6) On 21 June 2024 the Commission sent, according to Article 9 of Regulation (EU) 2024/1263, the reference trajectory[5] to Italy. The Commission published the reference trajectory on 15 October 2024[6]. The reference trajectory is risk-based and ensures that, by the end of the fiscal adjustment period and in the absence of further budgetary measures beyond the adjustment period, general government debt is on a plausibly downward trajectory or stays at prudent levels over the medium term, and the general government deficit is brought below 3% of GDP over the adjustment period and maintained below that reference value over the medium term. The medium term is defined as the ten-year period after the end of the adjustment period. In accordance with Articles 6, point (d), 7 and 8 of Regulation (EU) 2024/1263, the reference

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programmes funded by the Union, (v) cyclical elements of unemployment benefit expenditure and (vi) one-offs and other temporary measures.

5 Prior guidance transmitted to the Member States and Economic and Financial Committee includes trajectories without and with an extension of the adjustment period (covering 4 and 7 years, respectively). It also includes the main initial conditions and underlying assumptions used in the Commission's medium-term government debt projection framework. The reference trajectory was calculated on the basis of the methodology described in the Commission's *Debt Sustainability Monitor 2023* (https://economy-finance.ec.europa.eu/publications/debt-sustainability-monitor-2023_en). It is based on the Commission Spring 2024 Forecast and its medium-term extension up to 2033, and long-term GDP growth and ageing costs are in line with the joint Commission-Council *2024 Ageing Report* (https://economy-finance.ec.europa.eu/publications/2024-ageing-report-economic-and-budgetary-projections-eu-member-states-2022-2070_en).

6 https://economy-finance.ec.europa.eu/economic-and-fiscal-governance/national-medium-term-fiscal-structural-plans_en#italy

trajectory is also consistent with the deficit benchmark, the debt sustainability safeguard and the deficit resilience safeguard. The reference trajectory of Italy sets out that, based on the Commission's assumptions and assuming a 7-year adjustment period, net expenditure should not grow by more than the values provided in Table 1. This corresponds to average net expenditure growth of 1.5% over the adjustment period (2025-2031) and of 1.5% over the period covered by the plan (2025-2029).

Table 1: Reference trajectory provided by the Commission to Italy on 21 June 2024

	2025	2026	2027	2028	2029	2030	2031	Average 2025-2029	Average 2025-2031
Maximum net expenditure growth (annual, %)	1.6	1.6	1.5	1.4	1.3	1.3	1.4	1.5	1.5

Source: Commission's calculations.

(7) In line with Article 12 of Regulation (EU) 2024/1263, Italy and the Commission engaged in a technical dialogue from July to September 2024. The dialogue centred on the net expenditure path envisaged by Italy and its underlying assumptions (in particular macroeconomic assumptions and elasticities), the envisaged set of reform and investment commitments to underpin an extension of the adjustment period including reforms and investments such as reforms in the area of civil justice, public administration, childcare, business environment, tax administration, public expenditure management and State-owned enterprises, as well as the envisaged delivery of reforms and investments responding to the main challenges identified in the context of the European Semester and the common priorities of the Union in fair green and digital transition, social and economic resilience, energy security and the build-up of defence capabilities.

(8) In September 2024, in line with Article 11(3) and 36(1), point (c) of Regulation (EU) 2024/1263, according to the information provided by Italy in its plan, Italy engaged in a consultation process with social partners, local and regional authorities and other relevant stakeholders.

(9) Italy's Fiscal Council (Parliamentary Budget Office) delivered an opinion on the macroeconomic forecast and the macroeconomic assumptions underpinning the multi-annual net expenditure path. It concluded that the forecasts of the main macroeconomic variables lie within acceptable intervals, although some are situated at the upper edge, and the overall outlook hinges on the full and timely implementation of the recovery and resilience plan (RRP) as well as on a stable international context.

(10) The plan was approved by Parliament on 9 October following hearings of several stakeholders, as customary for parliamentary endorsements of budgetary planning documents.

Other related processes

(11) On 26 July 2024, the Council established the existence of an excessive deficit in Italy due to non-compliance with the deficit criterion[7]. The present Recommendation coincides with the Council Recommendation under Article 126(7) TFEU with a view

[7] OJ L, 1.8.2024, ELI: https://eur-lex.europa.eu/eli/dec/2024/2124/oj

to bringing an end to the situation of an excessive government deficit in Italy[8]. The simultaneous adoption of those recommendations, which is tailored to and justified by the transition to the new economic governance framework, ensures consistency between the recommended adjustment paths.

(12) On 15 October 2024, Italy submitted its Draft Budgetary Plan for the year 2025. The Commission adopted an opinion on this Draft Budgetary Plan on [26 November 2024][9].

(13) On 19 June 2024, the Commission concluded that Italy is experiencing macroeconomic imbalances. In particular, Italy faces vulnerabilities related to high government debt and weak productivity growth in a context of labour market fragilities and some residual weaknesses in the financial sector, which have cross-border relevance[10].

(14) On 21 October 2024, the Council addressed to Italy a series of country-specific recommendations (CSRs) in the context of the European Semester[11].

SUMMARY OF THE PLAN AND THE COMMISSION'S ASSESSMENT THEREOF

(15) In line with Article 16 of Regulation (EU) 2024/1263, the Commission assessed the plan as follows:

Context: macroeconomic and fiscal situation and outlook

(16) Economic activity in Italy grew by 0.7% in 2023, driven by consumption and investment, fuelled by government incentives. Net exports also contributed to growth, while the negative inventory cycle dampened it. According to the European Commission Autumn 2024 Forecast, the economy is expected to grow by 0.7% in 2024, as investment still expands while private consumption stagnates. Net exports are set to support growth, thanks to falling imports, while inventories subtract from it. In 2025, real GDP is set to increase by 1.0%, driven by household consumption, which is supported by real wage growth, while overall investment is set to rise only marginally, due to falling construction for housing renovations. In 2026, real GDP is expected to increase by 1.2%, as capital expenditure accelerates thanks to spending related to the RRP and easier financing conditions. Over the forecast horizon (i.e., 2024-2026), potential GDP growth in Italy is expected to decrease slightly from 1.3% in 2024 to 0.9% in 2026. The unemployment rate stood at 7.7% in 2023 and is projected by the Commission at 6.8% in 2024, 6.3% in 2025 and 6.2% in 2026. Inflation (GDP deflator) is projected to decrease from 5.8% in 2023 to 1.6% in 2024, and to reach 1.9% in 2025 and 1.8% in 2026.

(17) Regarding fiscal developments, in 2023 Italy's general government deficit amounted to 7.2% of GDP. According to the European Commission Autumn 2024 Forecast, it is set to reach 3.8% of GDP in 2024 and to decline further to 3.4% of GDP in 2025 and, on a no-policy change basis, to 2.9% in 2026. The European Commission Autumn

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8 Recommendation for a Council Recommendation with a view to bringing an end to the situation of an excessive deficit in Italy, 26.11.2024, COM(2024)954 final.

9 Commission Opinion on the Draft Budgetary Plan of Italy, 26.11.2024, C(2024)9057 final.

10 'Communication from the Commission to the European Parliament, the Council, the European Central Bank, the European Economic and Social Committee, the Committee of the Regions and the European Investment Bank', COM (2024) 600 final, Appendix 4

11 Council Recommendation on economic, budgetary, employment and structural policies of Italy, not yet published.

2024 Forecast includes Italy's draft budget for 2025 that the government submitted to the national parliament in October. General government debt was 134.8% of GDP at end-2023. According to the European Commission Autumn 2024 Forecast, the debt ratio is expected to increase to 136.6% of GDP at end-2024. Despite primary surpluses, the debt ratio is projected to increase further to 138.2% of GDP at end-2025 and 139.3% at end-2026. The fiscal forecast by the Commission does not consider the policy commitments in the medium-term plans as such until they are underpinned by credibly announced and sufficiently specified concrete policy measures.

Net expenditure path and main macroeconomic assumptions in the plan

(18) Italy's national medium-term fiscal-structural plan covers the period 2025-2029 and presents a fiscal adjustment over seven years.

(19) The plan contains all information required by Article 13 of Regulation (EU) 2024/1263.

(20) The plan commits to the net expenditure path indicated in Table 2, corresponding to average net expenditure growth of 1.6% over the years 2025-2029. In addition, Italy commits to a set of reforms and investments with the view to extending the adjustment period to 7 years (2025-2031), over which the average net expenditure growth is planned to be 1.5%. The average net expenditure growth reported in the plan over the adjustment period (2025-2031) is equal to the reference trajectory transmitted by the Commission on 21 June 2024. The plan assumes potential GDP growth to gradually decrease from 1.4% in 2024 to 0.3% in 2031. In addition, the plan expects the growth rate of the GDP deflator to remain broadly stable at around 2% over the adjustment period.

Implications of the plan's net expenditure commitments for general government debt

(21) If the net expenditure path committed to in the plan and the underlying assumptions materialise, general government debt would, according to the plan, increase up to 137.5% of GDP at the end of 2027 (from 135.8% of GDP in 2024) and then decrease to 132.5% of GDP at the end of the adjustment period (2031), as per the following table. After the adjustment, over the medium term (i.e. until 2041), the debt ratio is projected to steadily decline according to the plan, reaching 113.7% by 2041. Thus, according to the plan, the general government debt ratio would be put on a downward path by the end of the adjustment period (2031). This is plausible as, based on the plan's assumptions, debt is projected to decline over the ten years following the adjustment period under all deterministic stress tests of the Commission's Debt Sustainability Analysis, and the stochastic projections indicate that debt would decline with a sufficiently high probability.

Therefore, based on the plan's policy commitments and macroeconomic assumptions, the net expenditure path put forward in the plan is consistent with the requirement for debt as set out in Articles 6, point (a), and 16(2) of Regulation (EU) 2024/1263.

Table 2: Net expenditure path and main assumptions in Italy's plan

						Extension of the adjustment period				
	2024	2025	2026	2027	2028	2029	2030	2031	Average over the period of validity of the plan 2025-2029	Average over the adjustment period 2025-2031
Net expenditure growth (annual, %)	-1.9	1.3	1.6	1.9	1.7	1.5	1.1	1.2	1.6	1.5
Net expenditure growth (cumulative, from base year 2023, %)	-1.9	-0.7	0.9	2.8	4.6	6.2	7.4	8.7	n.a.	n.a.
Potential GDP growth (%)	1.4	1.3	1.1	1.0	0.9	0.7	0.5	0.3	1.1	0.8
Inflation (GDP deflator growth) (%)	1.9	2.1	2.0	1.8	2.0	2.0	2.1	2.2	2.0	2.0

Source: Medium-term fiscal-structural plan of Italy and Commission calculations.

Table 3: General government debt and balance developments in Italy's plan

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2041
Government debt (% of GDP)	134.8	135.8	136.9	137.8	137.5	136.4	134.9	133.9	132.5	113.7
Government balance (% of GDP)	-7.2	-3.8	-3.3	-2.8	-2.6	-2.3	-1.8	-1.7	-1.5	-1.9

Source: Medium-term fiscal-structural plan of Italy.

Implications of the plan's net expenditure commitments for the general government balance

(22) Based on the plan's net expenditure path and assumptions, the general government deficit would decline to 2.8% of GDP in 2026 and to 1.5% of GDP in 2031. Thus, according to the plan, the general government balance would not exceed the 3% of GDP reference value at the end of the adjustment period (2031). In addition, in the ten years following the adjustment period (i.e. until 2041), the government deficit would

not exceed 3% of GDP. Therefore, based on the plan's policy commitments and macroeconomic assumptions, the net expenditure path put forward in the plan is consistent with the requirement for the deficit as set out in Articles 6, point (b), and 16(2) of Regulation (EU) 2024/1263.

Time profile of the fiscal adjustment

(23) The time profile of the fiscal adjustment, measured as the change in the structural primary balance, as described in the plan, is slightly frontloaded, compared to the linear path referred to as a rule under Article 6, point (c), of Regulation (EU) 2024/1263. In particular, the structural primary balance is projected to improve by 0.6% both in 2025 and 2026, followed by an improvement of 0.5% of GDP each year until 2031. As a result, the fiscal adjustment over the first four years of the plan is more than proportional to the total adjustment effort. Therefore, based on the plan's policy commitments and macroeconomic assumptions, the net expenditure path put forward in the plan is consistent with the no-backloading safeguard clause set out in Articles 6, point (c), of Regulation (EU) 2024/1263.

Table 4: Structural primary balance developments in Italy's plan

	2023	2024	2025	2026	2027	2028	2029	2030	2031
Structural primary balance (% of GDP)	-4.5	-0.5	0.0	0.6	1.1	1.6	2.2	2.7	3.2
Change in structural primary balance (pps.)	n.a.	4.0	0.6	0.6	0.5	0.5	0.5	0.5	0.5

Source: Medium-term fiscal-structural plan of Italy.

Consistency of the plan with the excessive deficit procedure

(24) The net expenditure path set out in the plan is in line with the requirements under the excessive deficit procedure (in particular with the minimum annual structural adjustment established in Article 3(4), third subparagraph of Council Regulation (EC) 1467/97).

Consistency of the plan with the deficit resilience safeguard

(25) The requirement of the preventive arm set out in Article 8 of Regulation (EU) 2024/1263 regarding the deficit resilience safeguard, which aims to provide a common margin relative to the deficit reference value of 3% of GDP, applies to Italy as of 2027, as the deficit is planned to be below 3% of GDP as of 2026. As of 2027 the annual adjustment in the structural primary balance should therefore not be less than 0.25% of GDP if the structural deficit remained above 1.5% of GDP in the preceding year, to achieve a common resilience margin in structural terms of 1.5% of GDP. The annual fiscal adjustment that results from the plan's policy commitments and macroeconomic assumptions exceeds 0.25% in each of the years 2027, 2028, 2029, 2030 and 2031. Therefore, based on the plan's policy commitments and macroeconomic assumptions, the net expenditure path put forward in the plan is consistent with the deficit resilience safeguard.

Consistency of the plan with the debt sustainability safeguard

(26) In accordance with Article 7 of Regulation (EU) 2024/1263, as general government debt will be above 90% of GDP over the adjustment period according to the plan, the debt ratio is required to decline by at least 1 percentage point on average per year until it falls below 90%, after which it should decline by 0.5 percentage points on average. This average decline is calculated over the period 2027--2031, i.e. starting in the year in which the excessive deficit procedure would be abrogated according to the plan, and amounts to 1.2 percentage point (see Table 3). Therefore, based on the plan's policy commitments and macroeconomic assumptions, the net expenditure path put forward in the plan is consistent with the debt sustainability safeguard.

Macroeconomic assumptions of the plan

(27) The plan is based on a set of assumptions which differs from the Commission's assumptions transmitted to Italy on 21 June 2024. In particular, the plan uses different assumptions for nine variables, namely the starting point (i.e., structural primary balance in 2024), potential GDP growth, real GDP growth, nominal implicit interest rate, fiscal multiplier, stock-flow adjustments, one-offs, revenue assumptions (i.e. assumed elasticities), and output gap closure. Moreover, the fiscal adjustment is slightly frontloaded. An assessment of the differences in assumptions is provided below. The differences in assumptions with the most significant impact on average net expenditure growth are listed below, together with an assessment of each difference considered in isolation.

- The plan assumes a more favourable initial fiscal position, assuming a budget deficit of 3.8% of GDP for 2024, while the reference trajectory assumed 4.4% of GDP. This implies a better initial structural primary balance in Italy's DSA projections (-0.5% compared to -1.1% of GDP in the reference trajectory). This reflects more recent fiscal data (with higher tax revenues than expected in the Commission's assumptions in the prior guidance, as well as updated estimates of expenditure). This is broadly in line with the European Commission 2024 Autumn Forecast. This difference in assumptions contributes to slightly higher average net expenditure growth over the adjustment period in the plan than according to the Commission's assumptions. This assumption is deemed to be duly justified.
- Italy projects a slightly higher (0.1 percentage point) average potential GDP growth in the entire 2025-2031 adjustment period compared to the reference trajectory (0.8% vs 0.7%). This reflects an update of the macroeconomic outlook and is consistent with the commonly agreed methodology. This update contributes to higher average net expenditure growth over the adjustment period in the plan than according to the Commission's assumptions. This assumption is deemed to be duly justified.
- The plan projects a slightly lower average GDP deflator over 2025-2031 than according to the Commission's assumptions, at 2.0% compared to 2.1%. In 2024, based on outturn data until the second quarter, the plan has a 1.9% GDP deflator, lower than the 2.2% projected by the European Commission. In 2025, the GDP deflator remains 0.3 percentage points higher than in the prior guidance, while it turns lower in 2027-2029. This contributes to lower average net expenditure growth over the adjustment period in the plan than according to the Commission's assumptions. This is assumption is deemed to be duly justified.
- The plan assumes a more prudent revenue elasticity, as opposed to the unitary elasticity to potential GDP assumed by the Commission. This contributes to lower

average net expenditure growth over the adjustment period in the plan than according to the Commission's assumptions. This assumption is deemed to be duly justified.

The remaining differences do not have a significant impact on average net expenditure growth compared to the Commission's assumptions. Overall, all the differences in assumptions taken together lead to an average net expenditure growth in the plan that is equal to the reference trajectory. The Commission will take into account the above assessment of the plan's assumptions in future assessments of compliance with the net expenditure path.

Fiscal strategy of the plan

(28) According to the indicative fiscal strategy in the plan, the commitments on net expenditure will be delivered through both expenditure restraint and discretionary revenue increases. The plan mentions in particular a more prudent and efficient public expenditure management together with higher revenues from the fight against tax evasion. The specification of the policy measures to be adopted is to be confirmed or adjusted and quantified in the annual budgets. At the same time, there are risks to the implementation of the indicative fiscal strategy in the plan, which stem from possible actual real GDP growth lower than indicated in Italy's plan as well as a lack of information on the intended fiscal strategy (as assessed above). In addition, the Draft Budgetary Plan for 2025 specifies the policy measures through which the net expenditure commitment for 2025 will be achieved[12].

Set of reform and investment commitments in the plan to underpin an extension of the fiscal adjustment period

(29) In the plan, Italy commits to 24 reforms and investments, aiming to improve potential growth and fiscal sustainability, to underpin an extension of the fiscal adjustment period from 4 to 7 years. The set of reforms and investments underpinning an extension of the adjustment period is composed of several commitments from the RRP, as well as some new reforms and investments. This includes the following measures:

- Reforms and investments in the area of civil justice: The measures are linked to M1C1 Reform 1.4 (civil justice) included in the RRP, whose final milestones and targets are due by Q2-2026. The plan includes additional commitments which, overall, are aimed at (i) ensuring the implementation of the insolvency reform, including through continued support to the Courts in insolvency matters and the systematic data collection; (ii) increasing efficiency of civil courts by reducing their backlog and time needed to resolve cases; and (iii) improving the efficiency of the overall justice system. In order to implement these interventions, the adequate human resources in the court system shall be ensured. The corresponding key steps are expected to be completed by Q4-2029.
- Reforms and investments in the area of tax administration: The measures are linked to Reform 1.12 (reform of the tax administration) included in the RRP, whose final milestones and targets are due by Q2-2026. The plan includes additional commitments which, overall, are aimed at further increasing revenues stemming from: i) prevention and enforcement activities for tax compliance, including revenues generated by compliance letters and better tailored compliance strategies; ii) more targeted and risk-based anti-evasion actions, including based on wider interoperable

[12] See Commission Opinion on the Draft Budgetary Plan of Italy, 26.11.2024, C(2024)9057 final.

tax data-sets and artificial intelligence techniques. Other legislative measures are expected to strengthen the fight against tax evasion resulting from omitted declarations, by introducing stronger incentives for taxpayers and wider use of traceable means of payments. Other measures are aimed at improving the certainty in the relationship between taxpayers and the tax administration by shortening average VAT repayment times. The key steps related to the above-mentioned measures in the area of tax administration are expected to be completed by Q4-2029.

- Reforms and investment in the area of business environment: The measures are linked to Reform 2 (Annual Competition Laws 2021, 2022, 2023 and 2024) included in the RRP, whose final milestones and targets are due by Q4-2025. The plan includes additional commitments which, overall, are aimed at further improving the business environment by (i) increasing R&D public expenditure; (ii) rationalising and simplifying incentives for firms; (iii) adopting annual competition laws to liberalize and remove bottlenecks and entry barriers (also of legislative or regulatory nature) based on adequate regulatory impact assessments; and (iv) adopting a framework law on SMEs, implementing instruments and updates on an annual basis. The corresponding key steps are expected to be completed by Q4-2029.
- Reforms in the area of public administration: the measures are linked to M1C1 Reform 1.9 (public employment reform and simplification reform) included in the RRP, whose final milestones and targets are due by Q2-2026. The plan includes additional commitments aimed at: (i) promoting vertical and horizontal mobility; and (ii) incentivizing a performance-based framework. The corresponding key steps are expected to be completed by Q4-2028.
- Reforms and investment in the area of childcare: the measures are linked to Investment 1.1 (plan for nurseries and preschools and early childhood education and care services) included in the RRP, whose final milestones and targets are due by Q2-2026. The measures are aimed at: (i) increasing yearly public expenditure to cover for the operating costs of the existing and new childcare facilities including those created with the RRP; (ii) improvement in the availability of childcare places; and (iii) increasing the affordability of childcare. The corresponding key steps are expected to be completed by Q4-2027.
- Reforms and investment in the area of public expenditure: the measures are linked to Reform 1.13 (reform of the spending review framework) included in the RRP, whose final milestones and targets are due by Q2-2026. The plan includes additional commitments aimed at (i) strengthening the capacity for programming, monitoring and evaluating public spending; (ii) strengthening the competence of the Ministry of Economy and Finance to conduct inspections on public spending management of all entities receiving public support, including subnational authorities and state-owned enterprises; and (iii) reforming the framework for the control of public expenditure for central public administrations, including by increasing financial responsibility of administrations. The corresponding key steps are expected to be completed by Q2-2029.
- The plan includes reforms that are new compared to the RRP in the area of tax administration and in the area of rationalisation of state-owned enterprises. More specifically, in the taxation area, the plan includes commitments aimed at: (i) simplifying the tax system through the review and streamlining of tax expenditures also in the areas of environmentally harmful subsidies; (ii) structurally reducing the tax burden on low- and middle-income families and supporting employment; and (iii)

updating the cadastral register by mapping properties that are currently not included and by updating cadastral values for buildings that have benefitted from public schemes for energy efficiency and/or house renovation interventions. The corresponding key steps are expected to be completed by Q4-2028. In the area of State-Owned Enterprises, the plan includes commitments aimed at streamlining and improving the efficiency of state-owned enterprises in line with national legislation (Legislative decree n. 175/2016), by ensuring and where necessary strengthening the implementation of the legal framework. The corresponding key step is expected to be completed by Q4-2027.

(30) In line with Article 14 (3) of Regulation (EU) 2024/1263, each reform and investment underpinning an extension of the adjustment period is sufficiently detailed, front-loaded, time-bound and verifiable.

(31) The RRP commitments underpinning the extension contain significant reforms and investments aimed at improving fiscal sustainability and enhancing the growth potential of the economy. In addition, Italy commits to continuing the reform effort over the period covered by the medium-term fiscal-structural plan and maintaining the nationally financed investment levels realised over the period covered by the RRP (see below, Table 5). The commitments will be monitored throughout the implementation of the plan. Accordingly, commitments under the RRP can be taken into account for the extension of the adjustment period as provided by Article 36(1), point (d), of Regulation (EU) 2024/1263.

(32) The set of reforms and investments underpinning the extension is expected to improve the growth and resilience potential of Italy's economy in a sustainable manner as required by Article 14(2), point (a) of Regulation (EU) 2024/1263. Italy's plan reports the expected impact of some reforms underpinning the extension of the adjustment period (notably, public employment, business environment, and civil justice) on GDP growth. The macroeconomic model used for the simulation is the QUEST-III R&D model developed by the European Commission. According to the plan, these reforms valid for the extension of the adjustment period would start to produce the first effects on the economy in 2028 and are estimated (in a prudential scenario) to increase the GDP level in 2031 by 0.5% in total. More in detail, reforms in the area of public employment are expected to increase the GDP level in 2031 by 0.2%, reforms in the area of civil justice are expected to increase the GDP level in 2031 by 0.2% and reforms in the area of business environment are expected to increase the GDP level in 2031 by 0.1%. The plan also estimates the impact of the reforms and investments in the RRP not yet implemented to increase GDP level in 2031 by 3.2% (of which, 1.7% explained by reforms and 1.5% explained by investments). Overall, by considering the reforms and investments in the RRP not yet implemented and part of the reforms underpinning the extension of the adjustment period, the GDP level is estimated to increase by 3.8% by 2031 compared to baseline. The plan also reports a sensitivity analysis. In the adverse scenario, the impact of reforms underpinning the extension of the adjustment period on the GDP level would be reduced to 0.3% (from 0.5% in the prudential scenario). Overall, the estimates reported in the Plan are deemed plausible.

(33) The set of reforms and investments underpinning the extension is expected to support fiscal sustainability as required by Article 14(2), point (b) of Regulation (EU) 2024/1263. The plan illustrates the evolution of the debt-to-GDP ratio in several scenarios based on the DSA underlying the plan (2025-2041): the policy scenario underlying the plan and in the alternative scenarios in which the impact of higher potential and real GDP growth are isolated ('Plan + reforms') and in which the impact

on public revenue is also captured ('Plan + reforms + revenue change'). In the first alternative scenario, the impact of reforms underpinning the extension of the adjustment period, improve GDP growth prospects. This results in a more marked decline in the debt-to-GDP ratio compared to the policy scenario underlying the plan, observable starting from 2030. The debt-to-GDP ratio would decrease even more and would reach a level of 109.6% in 2041. By considering also the improvement in the primary balance following the increase in revenue generated by the higher growth (i.e. by considering the improvement in the primary balance by applying the semi-elasticity of revenues to the changed cyclical position), the debt ratio would drop further to 102.5% of GDP. Overall, the estimates reported in the plan are deemed plausible. Additional considerations about the impact of the reforms underpinning the extension can be made. Notably, while specific targets are not set for future spending reviews at this stage, the spending review process may be expected to reduce the growth rate and level of public expenditure, as a result of improved efficiency, and to contribute to a more growth-friendly composition of the budget by allowing a reprioritization of expenditure towards more growth friendly items, with a positive impact on fiscal sustainability. Measures in the area of tax administration, are expected to provide more incentives for growth with a reduction of the tax wedge on labour and ensuring that the tax system is fair, efficient and progressive, with a positive impact on fiscal sustainability. Regarding measures in the area of tax collection, while a specific target is set just for one measure on tax compliance (at around 0.1% of GDP), the other measures are expected to further improve tax compliance. Concerning measures in the area of childcare, they are meant to boost labour supply and support public revenues and fiscal sustainability over the medium term. Finally, while specific details are not yet available, the measure related to state-owned enterprises is also expected to have a positive impact, in line with its ambition.

(34) The set of reforms and investments underpinning the extension address the common priorities of the EU as required by Article 14(2), point (c) of Regulation (EU) 2024/1263. In particular, all the reforms and investments underpinning the extension are expected to contribute to social and economic resilience by: (i) further reducing the length of legal proceedings, reducing the backlog of justice and completing fostering the digital transition process; (ii) strengthening the commitments in the area of fight against tax evasion by strengthening the actions already included in the RRP; (iii) improving the underlying conditions within which businesses and investors operate by promoting increased competition and efficiency in the public administration, as well as reducing administrative burden and obstacles that undermine access to credit, promote greater dynamism of businesses, their upscaling and higher investments; (iv) strengthening the human capital of the public administration, with the aim of increasing the productivity, quality and quantity of public services provided; (v) ensuring a more efficient public spending, focusing on priority areas including R&D and childcare. In addition, reforms and investment in the area of public administration are expected to contribute to the improvement of the overall business environment through more efficiency in the management of public employment, particularly by reinforcing the internal career path, the horizontal mobility and the performance evaluation system.

(35) The set of reforms and investments underpinning the extension intends to address the relevant[13] CSRs issued as part of the European Semester, including those addressed under the MIP as required by Article 14(2), point (d) of Regulation (EU) 2024/1263. In particular, measures in the area of tax administration intend to address the fiscal structural CSR requesting Italy from 2019 to 2024 to make the tax system more supportive to growth, notably by improving the composition of government revenues and supporting growth and fiscal sustainability (see also above). Likewise, measures in the area of expenditure management and on the streamlining of state-owned enterprises are expected to contribute to a more growth-friendly composition of the budget with a positive impact on fiscal sustainability (see also above). The 2019-2024 CSR on justice is intended to be addressed by the measures on insolvency as well as by a number of investments aimed to increase the efficiency of the judicial system. The measures on the public workforce that are expected to strengthen the career path, horizontal mobility and the permanent evaluation system have the goal of addressing the 2019 and 2020 CSRs on public administration. The adoption of a competition law on annual basis is expected to reduce barriers to competition and improve the business environment thus aiming at addressing the 2019 and 2024 CSRs on competition and business environment. Measures in the area of childcare are intended to support women's participation in the labour market and contribute to tackle negative demographic trends, in line with 2019 and 2024 CSRs on employment and social policy. All the above-mentioned CSRs are relevant under the MIP.

(36) The plan ensures that the planned overall level of nationally financed public investment realised on average over the period covered by the RRP is maintained, as required by Article 14(4) of Regulation (EU) 2024/1263.

Table 5: Nationally financed public investment in the plan (% of GDP)

Average level over 2021 to 2026	2025	2026	2027	2028	2029	Average over the duration of the plan
2.9	3.1	2.9	3.3	3.3	3.2	3.2

Source: Medium-term fiscal-structural plan of Italy.

(37) Finally, the set of reform and investment commitments underpinning an extension can be regarded as consistent with the commitments in the RRP and the Partnership Agreement agreed under the Multiannual Financial Framework as required by Article 14 (4) of Regulation (EU) 2024/1263.

(38) In conclusion, the set of reforms and investments underpinning the extension of the adjustment period is assessed as fulfilling, taken altogether, the criteria in Article 14 of Regulation (EU) 2024/1263. As a result, the adjustment period can be extended from 4 to 7 years, as put forward in the plan.

Other reform and investment intentions in the plan responding to the main challenges identified in the context of the European Semester and addressing the common priorities of the Union

[13] CSRs considered 'relevant' are recommendations: i) adopted by the Council from 2019 onwards, ii) for which the Member State has not yet made 'full' or 'substantial' progress in addressing them and are not outdated (assessed as 'Not Assessed / No Input to Add '), as assessed in the latest European Semester surveillance exercise (available in CeSaR (europa.eu)), iii) not linked to purely fiscal SGP-related and iv) not covering the same challenge but in a rephrased manner.

(39) Besides the set of reforms and investments underpinning an extension of the adjustment period, the plan describes policy intentions concerning other reforms and investments to respond to the main challenges identified in the context of the European Semester, especially the CSRs, including those pertaining to the MIP, and to address the common priorities of the EU. The plan includes 119 reforms and investments, of which 65 are financially supported by the Recovery and Resilience Facility.

(40) Concerning the common priority of a fair green and digital transition, including the climate objectives set out in Regulation (EU) 2021/1119, the plan includes a set of reforms and investments. Among others, the measures on sustainable finance, including those for the reduction of the insurance protection gap, green bonds as well as a number of measures under mission 2 and 7 of the RRP are expected to contribute to the green transition. These measures are expected to address the CSRs on energy infrastructure, energy efficiency and sustainable mobility addressed to Italy in 2022 and 2023. The digital transition builds on the objectives set under the Digital Decade policy programme and is expected to benefit, for example, from the national strategy for digital competences or the continuation of RRP measures, including those on digital infrastructure, IPCEIs, measures to strengthen technological transfer (through competence centres and digital innovation hubs), and the digitalization of central public administrations. These measures will also contribute to address the CSRs on public administration, justice system and digital connectivity addressed to Italy between 2019 and 2024 which are relevant under the MIP.

(41) Concerning the common priority of social and economic resilience, including the European Pillar of Social Rights, the plan includes a number of measures and investments, for example the strengthening of Assegno Unico Universale, a further increase of the supply of nurseries and early childcare services, and the reinforcement of parental leave. The education system will also benefit from measures like Agenda Sud, to reinforce basic skills in the south, and the continuation of efforts in vocational oriented education, with the reform on Professional and Technical Institutes and the National and Regional Plans for Skills. The measures on adult learning, particularly concerning the twin transition, and the labour market, for example the GOL programme and measures to reduce the territorial divide in the labour market, are also expected to contribute to strengthening social and economic resilience. The latter is also expected to benefit from reforms aimed at strengthening capital markets to support access to finance for corporates – and in particular SMEs. These measures are expected to also address the CSRs issued from 2019 to 2024 on the functioning of the labour market, active labour market policies, skills and education which are relevant under the MIP, as well as the CSRs addressed in the same period on equal opportunities, social inclusion, regional development and access to finance. The plan also includes, among others, measures to strengthen healthcare facilities (community hospitals) and improving the availability of healthcare technology devices in hospitals which intend to address the 2020 healthcare CSR. On the other hand, the plan does not contain specific reforms on pensions that would contribute to the 2019 CSR addressed to Italy.

(42) Concerning the common priority of energy security, the plan includes several measures and investments including for example Tyrrhenian link or the reduction of the costs of connection to the gas network of biomethane, as well as increasing the uptake of renewable generation decreasing the strategic dependency on imported fossil fuels or a number of measures to boost energy efficiency in private and public

buildings. The set of measures and investment included in the plan is overall expected to contribute addressing the CSR on energy security.

(43) Concerning the common priority of defence capabilities, the plan recalls measures already included in RRP related to investments in cybersecurity and digitalisation of the Ministry of Defence.

(44) The plan provides information on the consistency and, where appropriate, complementarity, with the cohesion policy funds and Italy's RRP. Namely, the plan briefly indicates that reforms and investments included in the plan responding to the main challenges identified in the context of the European Semester and addressing the common priorities of the Union are in continuity with the actions adopted in the RRP and in the cohesion programmes.

(45) The plan provides an overview of the public investment needs of Italy related to the common priorities of the EU. Concerning a fair digital transition, the plan refers to the Digital Decade targets and objectives and mentions the need for further investments to fill the digital skills needs, including investments that promote the improvement of knowledge and the requalification of workers to align the supply and demand of labour to the new challenges and mitigate the possible negative repercussions of the digital transition, as well as additional investments in digital infrastructure, namely for the development of edge nodes in order to reach the 2030 target and to support the digital transformation of businesses and public administration. On a fair green transition, the plan reports the need to enhance the decarbonisation of transport, the modal shift and the development of infrastructures that will make the transport of people and goods more sustainable, also by strengthening the role of rail transport. This is complemented by further investments enhancing the governance and efficiency of the water distribution system and the country's preparedness to risk of natural disasters and climate change, as well as investments strengthening biodiversity and ecosystems. Several of these measures are part of the Intergrated National Energy and Clima Plan. In relation to social and economic resilience, including the European Pillar of Social Rights, the plan reports the need for additional investments in the following areas: (i) labour market (strengthening active labour policies, sustaining the investments started to promote participation in the labour market and the training activities needed to align workers' skills with those required by the labour markets, including thorough the continuation of RRP measures such as the 'Dual System', apprenticeships and the Universal Civil Service); (ii) education and training (sustaining the investments started with the RRP and the initiatives aimed at reducing skills, territorial and gender gaps, including by providing budget to the New Skills Plan); (iii) reducing territorial gaps (by continuing investing in the strategic sectors defined by the cohesion policy and the Strategic Plan of the Single Special Economic Zone (SEZ) - including hydrogeological risk, water resources and reconstruction after disasters) and improving infrastructure (building on interventions already launched with the RRP, including for high-speed networks and regional railways, the technological and digital enhancement of the TEN-T networks, ports and their connections, in addition to strengthening infrastructure investments in the SEZ), (iv) supporting strategic supply chains, innovation and technology transfer (by continuing investments in the RRP for cooperation between universities, research centres and companies and for the technological and digital transformation of SMEs and business networks and by supporting competitiveness in key sectors of the Italian economy and enhancing investments also in the tourism sector); (v) healthcare system, measures against poverty and services for early childhood (by further investing in the healthcare

system in order to make general medicine networks more efficient, including proximity networks, facilities and telemedicine for assistance, the modernisation of large healthcare equipment and research, training and development of staff skills, further investing in the fight against in-working poverty, in housing policies and in the reduction of the risk of energy poverty, further enhancing low-cost access to early childhood services, as well as the expansion of care services for disabled and non-self-sufficient elderly people). On ensuring energy security, the plan reports the need for additional investments in the construction of infrastructure and the development and diffusion of technologies applied to energy that will contribute to making Italy a European energy hub, as well as in the efficiency of buildings to reduce their energy consumption and in research and development and experimentation on energy carriers, including new generation nuclear. On the build-up of defence capabilities, according to the plan, spending in the defence sector will increase to 2% of GDP by 2028, in alignment with NATO commitments. Additional investment will be needed to ensure significant participation in international missions in relation to peacekeeping operations and other activities, increasing resources for the Cooperation Agreement with Ukraine, the streamlining of the supply of materials in the context of international cooperation and collaboration and for the refinancing of the 'Safe Roads' and 'Safe Stations' operations, the Fund for high and very high operational readiness assets and the Fund for national defence needs.

Conclusion of the Commission's assessment

(46) Overall, the Commission is of the view that Italy's plan fulfils the requirements of Regulation (EU) 2024/1263.

OVERALL CONCLUSION

(47) In accordance with Article 17 of Regulation (EU) 2024/1263, the net expenditure path as set in the plan should be recommended by the Council to Italy, and the set of reforms and investments underpinning the extension of the adjustment period to 7 years should be endorsed.

HEREBY RECOMMENDS that Italy

1. Ensure that net expenditure growth does not exceed the maxima established in Annex I to this Recommendation.

2. Implement the set of reforms and investments that underpins the extension of the fiscal adjustment period to 7 years, as established in Annex II to this Recommendation, by the indicated deadlines.

   In addition, the Council invites Italy to ensure the delivery of reforms and investments responding to the main challenges identified in the context of the European Semester, in particular in the country-specific recommendations, and addressing the common priorities of the Union.

ANNEX I

Maximum growth rates of net expenditure
(annual and cumulative growth rates, in nominal terms)
Italy

Years		2025	2026	2027	2028	2029
Growth rates (%)	Annual	1.3	1.6	1.9	1.7	1.5
	Cumulative (*)	-0.7	0.9	2.8	4.6	6.2

(*) The cumulative growth rates are calculated by reference to the base year of 2023.

ANNEX II

Set of reforms and investments that underpins an extension of the adjustment period to 7 years

Italy

	Main objective	Description and timing of key steps	Monitoring indicator(s)
Reforms and investment in the area of justice - Adding to RRP milestones and targets related to M1C1.R1.4 - Reform of civil justice	Reduce the length of bankruptcy proceedings and promote the use of out-court instruments.	Step 1: By Q2-2027, take actions to ensure and strengthen the implementation of the insolvency reform. To this end, continue to support the competencies of courts in insolvency matters and provide adequate staffing; strengthen the information system to collect granular information on the cost, efficiency and outcomes of insolvency and restructuring procedures (both for out-of-courts and in court cases).	Provide continued support to the competencies of courts in insolvency procedures and ensure adequate staffing. Strengthening the information system to collect granular information on the cost, efficiency and outcomes of insolvency and restructuring procedures (both for out-of-courts and in court cases).
		Step 2: By Q4-2027, carry out an impact assessment of the insolvency reform and adopt corrective actions where needed.	Adoption of an impact assessment of the insolvency reform. Adoption and entry into force of corrective actions, where needed.
	Reduce the backlog at civil courts.	Step 3: By Q4 2028, reduction of backlog cases for the Civil Ordinary Courts (first instance).	Reduce by 90% the number of pending cases that had been opened between 1 January 2023 and 31 December 2025 and that were still open as of 31 December 2025 in the Civil Ordinary Courts (first instance).
	Reduce the backlog at civil courts.	Step 4: By Q4 2028, reduction of backlog cases for the Civil Court of Appeal (second instance).	Reduce by 90% the number of pending cases that had been opened between 1 January 2023 and 31 December 2025 and that were still open as of 31 December 2025 in the Civil Court of Appeal (second instance).
	Reduce disposition time for civil cases.	Step 5: By Q4 2028, reduction in the length of civil proceedings.	Reduce the disposition time by 12% of all instances of civil and commercial litigious cases compared to the disposition time recorded on 31 December 2026.
	Ensure adequate human resources in the court	Step 6: By Q4-2026; Q4-2027; Q4-2028; Q4-2029,	Maintain 6,000 positions characterised by tasks

	system.	respectively, ensure adequate personnel for the office of trial and the technical administrative personnel.	equivalent to those under M1C1 Investment 1.8 of the RRP.
Reforms and investment in the area of tax administration - Adding to Italy's RRP milestones and targets related to M1C1.R1.12 - Reform of the tax administration	To promote simplified interactions with taxpayers through faster VAT refunds.	Step 1: By Q4-2025; Q4-2027; Q4-2029, respectively, achievement of annual performance targets that progressively ensures a reduction in VAT repayment times.	Reduction of average time of payment of VAT refunds (expressed in days) compared to 2024: • 5% by Q4-2025 • 10% by Q4-2027 • 15% by Q4-2029.
	To increase revenues stemming from prevention activities, tax compliance promotion, including revenues generated by compliance letters, and more targeted and risk-based anti-evasion actions (including those based on the use of artificial intelligence techniques and the development of database interoperability).	Step 2: By Q4 2027 and Q4 2029, achievement of annual performance targets that progressively ensures higher revenues from prevention and enforcement activities.	Additional total revenue from prevention and enforcement activities compared to 2024 (EUR 14 billion), including revenues from compliance letters, "inviti al contraddittorio", "atti istruttori ravvedibili", while excluding "ruoli", "concordato preventivo" as well as any measure aimed at settling past tax liabilities at advantageous conditions such as "rottamazione cartelle esattoriali", "saldo&stralcio" and "ravvedimento speciale": • 5% by Q4-2027; • 10% by Q4-2029.
	To increase revenues stemming from prevention activities, tax compliance promotion, including revenues generated by compliance letter, and more selective and risk-based anti-evasion actions (including those based on the use of artificial intelligence techniques and the development of database interoperability).	Step 3: By Q4 2026, strengthen the fight against tax evasion resulting from omitted declarations, by (i) in the event of detected tax evasion, removing tax advantages ("compensazione orizzontale", "rimborsi di imposte", "regimi premiali") and, where relevant, suspending the exercise of the public concessions; (ii) integrating national short-term rental codes into the databases for tax risk analyses conducted by the Revenue Agency; (iii) introducing compulsory connections between automatic cash registers and electronic payments for all businesses; (iv) requiring traceable means	Entry into force of primary and secondary legislation.

		of payments for the tax deductibility of expenses related to transport, food and accommodation.	
Reforms and investment in the area of business environment - Adding to Italy's RRP milestones and targets related to M1C2.R2 - Annual Competition Laws	Increase R&D investments prioritizing projects that can crowd in additional private investment.	Step 1: By Q4-2025, Q4-2026, Q4-2027, Q4-2028, and Q4-2029, respectively, increase in public R&D spending.	Increase public spending on research and development, in order to raise the ratio between such spending and GDP, which is estimated to be close to 0.5% for 2024, to 0.6% in 2029[14].
	Fostering the efficiency and effectiveness of public incentives on investment.	Step 2: By Q2-2028, rationalisation and simplification of incentives for firms, following up on reform M1C2-R3 in the RRP.	Drastically reduce the number of incentive measures, and reduce the number of granting authorities, based on the results of the impact assessment undertaken in 2025.
	Promotion of competition to foster efficiency and economic growth through the removal of bottlenecks and entry barriers (also of legislative nature). Removal or revision of laws and regulations that hinder the smooth functioning of the markets.	Step 3: By Q4-2026, Q4-2027, Q4-2028, and Q4-2029, respectively, adoption of Annual Competition Laws.	Adoption and entry into force of an Annual Competition Law and related implementing acts each year, by addressing the CSRs and satisfactorily considering AGCM's recommendations, based on adequate regulatory impact assessments.
	Increase SMEs competitiveness facilitating business size growth, fostering generational transition, investment orientation and skills matching.	Step 4: By Q4-2026 (a), Q4-2027 (b), and Q4-2028 (b), respectively, adoption of a framework law on SMEs, based on an impact assessment, and entry into force of the implementing instruments and annual updates. The law shall cover at least the following elements: •facilitating business size growth and firms aggregation; •administrative simplification; •ease of doing business; •fostering generational transition, including via hiring professional management. •enhancing investment; •increasing skills.	(a) Entry into force of the SME Framework Law. (b) Entry into force of all implementing instruments and annual updates.

[14] R&D expenditure is to be computed in GERD terms.

Reforms and investment in the area of public administration and childcare - Adding to Italy's RRP milestones and targets related to M1C1.R1.9 - Reform of the public administration	Promote vertical mobility.	Step 1: By Q4-2026, implementation of vertical mobility of staff.	At least 20% of annual vacancies for managerial positions allocated to incumbent officials through a promotion mechanism linked to performance.
	Promote horizontal mobility.	Step 2: By Q4-2026, implementation of horizontal mobility of staff.	At least 15% of annual vacancies allocated to officials moving from another public administration or agency.
	Valorize the performance-based framework.	Step 3: By Q4-2028, valorisation of performance-based framework.	First round of performance evaluation and bonus payments completed under the new framework.
	Increase in yearly public expenditure.	Step 4: By Q4-2027, ensure adequate financial coverage for operating available childcare facilities.	Increase public expenditure to cover for the operating costs of the existing and new childcare facilities realised through NRRP investments and national resources, of children aged 0-2. The increase will amount to at least 20% of the yearly public expenditure dedicated to running costs of available childcare facilities for children under 3 years of age including the costs of new places resulting from the NRRP infrastructure.
	Ensure the adequate availability of childcare places.	Step 5: By Q4-2027, ensure adequate supply of childcare services in line with the Barcelona Target and the national target for 2027, taking into account regional disparities.	Ensure that 33% of children under 3 years of age have access (coverage quota) to public and private childcare facilities at national level. Ensure a minimum of 15% of coverage at regional level.
	Definition of contribution brackets for parental contributions.	Step 6: By Q4-2027, increase the affordability of childcare by defining national minimum standards for both childcare service access and fee brackets, with the aim of increasing affordability.	Entry into force of legislation
Reforms and investment in the area of public	To strengthen the capacity for programming,	Step 1: By Q2-2027, Q2-2028 and Q2-	Adoption of at least one annual monitoring and

expenditure - Adding to Italy's RRP milestones and targets related to M1C1.R1.13 - Reform of the spending review framework	monitoring and evaluation of public spending.	2029,adoption of monitoring and evaluation plans and, from Q2-2028, of the annual report by the Ministry of Economic and Finance.	evaluation plan which envisages an intervention for each Ministry, which over the timeframe of the Plan covers a spending area equal to a total of 10% of the spending allocated to policies under the direct responsibility of central administrations. The monitoring and evaluation plans formulate proposals and actions for the improvement of efficiency or quality of spending. An annual report prepared by the Ministry of Economy and Finance illustrates the implementation status of the monitoring and evaluation plans, and in particular the adoption of at least one action per ministry contributing to the sustainability of public finances.
	To enhance expenditure monitoring, including through the creation and strengthening of dedicated structures within Public Administrations, for the assessment of the quality and impact of services provided.	Step 2: By Q1-2028, strengthened competence of the Ministry of Economy and Finance to conduct inspections on public spending management of all entities receiving public support, including subnational authorities and state-owned enterprises.	Entry into force of primary and secondary legislation.
	To strengthen public spending control activity.	Step 3: By Q1-2026 and Q1 2028, reform of the framework for the control of public expenditure for central public administrations, providing for enhanced financial responsibility of administrations for the management of resources as well as strengthened programming and enhanced monitoring and evaluation of policy outputs and impacts.	(a) Entry into force of primary legislation; (b) Entry into force of secondary legislation.
Reforms and investment in the area of taxation (new measure)	To intervene in the tax system, aligning it with the objectives of supporting family burdens, economic growth, and ecological	Step 1: By Q4-2028, simplify the tax system through the review of the scope of tax expenditures.	A 15% reduction of revenue loss related to tax expenditures compared to the 2019 government report (49 billion euro),

	transition within a multi-year perspective.		including in the areas of environmentally harmful subsidies, reduced VAT rates and exemptions and personal income tax (IRPEF). The reduction of environmentally harmful subsidies by EUR 3.5 billion envisaged by 2030 under the RRP is relevant for the reduction of revenue losses related to tax expenditures.
	Reduction of the tax burden on low- and middle-income families and support for employment.	Step 2: By Q4-2026, reduction of the labour tax wedge.	The average labour tax wedge shall be permanently reduced compared to the levels recorded in 2023.
	Updating cadastral register.	Step 3: (a) By Q4-2027, mapping properties that are currently not included in cadastral register; (b) By Q4-2028, updating cadastral values for property taxes for buildings that have undergone energy efficiency and/or house renovation interventions, financed in whole or in part by public funds, since 2019.	(a) Introduction of the reference legislation and entry into force, completion of activities of mapping, controlling and updating the cadastral register; (b) Introduction of the reference legislation and entry into force and completed update of the cadastral register for all properties defined in the key steps column/section.
Reforms and investment in the area of rationalization of state-owned enterprises (new measure)	Streamline State Owned Enterprises in line with national legislation (Legislative decree n. 175/2016).	Step 1: By Q4-2027, take actions to ensure and strengthen the implementation of the legal framework on State Owned Enterprises.	Adoption of appropriate actions to ensure, and where necessary strengthen, the effective implementation of the legal framework (Legislative decree n. 175/2016) related to the activities and operational efficiency of State-Owned Enterprises with the aim of ensuring an effective rationalisation and dismissal of non-efficient SOEs without jeopardising the provision of public services.

Done at Strasbourg,

For the Council
The President