upB. ufficio parlamentare di bilancio

BUDGETARY POLICY REPORT

JUNE 2026

SUMMARY

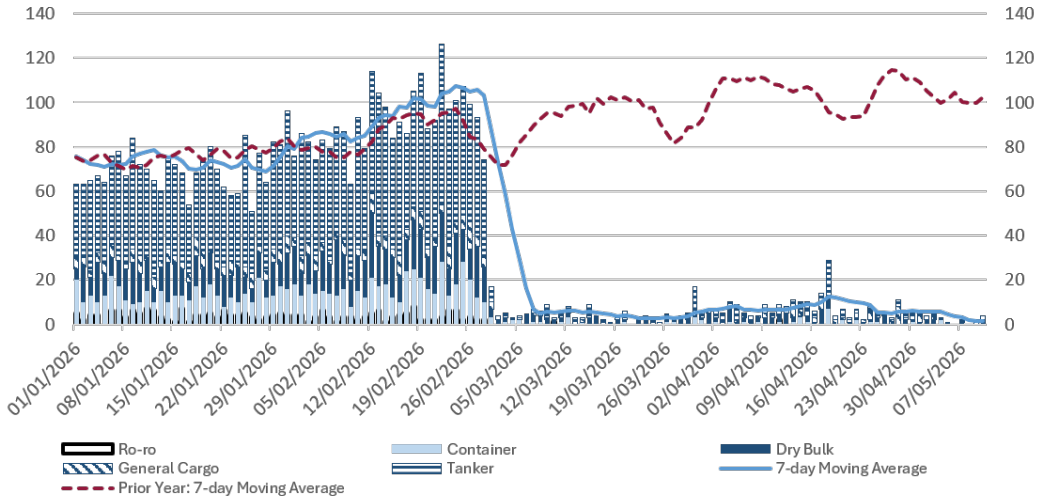
2025 AND THE OUTLOOK FOR THE FUTURE

THE MACROECONOMIC SCENARIO AND FORECASTS

The international and Italian economies

The international environment this year has been shaken by a new conflict in the Middle East, which has rapidly disrupted energy markets and worsened operators' expectations. According to recent projections, the global economic outlook is set to deteriorate in the two-year period 2026–27, mainly due to tensions in the Middle East, as well as US tariff policies. Following the war in Iran between February and May 2026, maritime traffic through the Strait of Hormuz came to a virtual standstill (Fig. 1), effectively halting international trade for countries bordering the Persian Gulf. This has led to sharp rises in commodity prices, particularly for energy, triggering an unexpected resurgence in inflationary pressures and expectations, which, if persistent, could also feed through to wage trends. Consequently, major central banks, such as the ECB and the Federal Reserve, have adopted a more cautious approach, halting their monetary expansion to counter the recent rise in prices; market participants are now beginning to anticipate rises in official interest rates for the remainder of the year. Whilst the US economy is showing signs of resilience, the euro area appears more fragile and fragmented, with countries such as Germany still in the midst of a moderate recovery.

Fig. 1 – Ship transits through the Strait of Hormuz (daily passages)



Source: IMF PortWatch.

International forecasts factor in continued growth, but with downside risks. In the IMF's April 2026 projections world trade is expected to slow sharply, to 2.8 per cent from 5.1 per cent in 2025, before strengthening to 3.8 per cent in 2027. Growth in the US is expected to remain robust, whilst growth in the euro area is projected to be just over 1.0 per cent, and in China it is expected to slow from 5.0 per cent in 2025 to 4.4 per cent in

2026 and 4.0 per cent in 2027. Globally, the disinflationary phase would come to a temporary halt: inflation would rise to 4.4 per cent in 2026 before falling again the following year. The European Commission's spring forecasts, however, project growth in the euro area to fall to 0.9 per cent in 2026 and 1.2 per cent in 2027, mainly due to the impact of the conflict in the Middle East on energy supplies and prices.

According to UPB estimates, the war in the Middle East would reduce Italy's GDP growth by between 0.3 and 0.4 percentage points in 2026–27. The UPB has updated its estimates of the possible economic effects of the war in the Middle East, which were published in last April's Economic Outlook; that report set out the effects of two possible scenarios for the conflict's development, one more favourable and the other less so. With the updated assumptions, the most likely scenario appears to be the intermediate one, albeit closer to the less favourable scenario. In terms of economic activity, GDP growth is expected to be held back by 0.3 and 0.4 percentage points this year and next, respectively; over the same period, the rise in inflation, as measured by the consumer price deflator, is projected to be 1.4 and 1.1 percentage points.

The exogenous variables in the 2026 Public finance document (PFD) have taken account of an international environment that has become more unstable and uncertain due to the repercussions of the conflict in the Middle East, as well as various trade restrictions. World trade remained unexpectedly buoyant in 2025, supported by trade front-loading ahead of the entry into force of tariffs, by effective rates lower than nominal ones, and by exporters' ability to redirect their trade flows; however, a slowdown is forecast for 2026, followed by a gradual normalisation in subsequent years. Energy commodity prices fell in 2025, but the assumptions for oil and gas have been revised significantly upwards for 2026–27, due to tensions in the Middle East, whilst remaining well below the peaks of 2022. Long-term interest rates show a moderately rising trend, slightly steeper than that anticipated last autumn. The dollar-euro exchange rate is projected in the latest official estimates to be slightly weaker than in the 2025 Public finance planning document (PFPD) but much stronger than in the assumptions of the 2025 PFD, which did not factor in the sharp appreciation following trade tensions.

In 2025, Italy's GDP growth slowed to 0.5 per cent, a rate lower than that of the euro area for the second year in a row. The Italian economy was buoyed by domestic demand, whilst the contribution from net external demand was negative against a backdrop of persistent geopolitical and trade tensions. Household consumption remained buoyant and investment rebounded, driven mainly by construction and machinery. On the supply side, growth in services and construction offset the weakness in manufacturing, which continued to be affected by the slowdown in the European industrial cycle.

Inflation in Italy remained low in 2025, but was quickly affected by the war in the Middle East in 2026. Inflation in 2025 was lower than the European average, standing at 1.5 per cent; last year, the fall in non-regulated energy products mitigated pressures from food

and services. In the first two months of 2026, inflation remained moderate, but following the conflict in the Middle East it rose rapidly, reaching 3.2 per cent in May.

The labour market continued to expand, with very low real wages. In 2025, the number of people in employment rose by around 180,000, particularly among women and workers aged over 50; the unemployment rate consequently fell to 6.1 per cent. The inactivity rate, whilst falling slightly, remained higher than the levels observed in the main European partner countries. Contractual wages rose by 3.1 per cent, helping to restore purchasing power; in real terms, however, wages remain more than 8 per cent below the 2020 average.

Demographic, regional and climatic trends continue to constrain potential growth. The falling birth rate and the ageing population are affecting long-term growth prospects, whilst regional disparities are widening, with a particularly unfavourable demographic trend in the South. On the environmental front, the two-year period 2023–24 saw a reduction in CO_2 and PM10 emissions relative to GDP, accompanied by growth in photovoltaic energy production and investment linked to the green transition and technological progress. However, average temperatures continue to rise, and the increased frequency of extreme weather events confirms the significance of environmental challenges for the Italian economy.

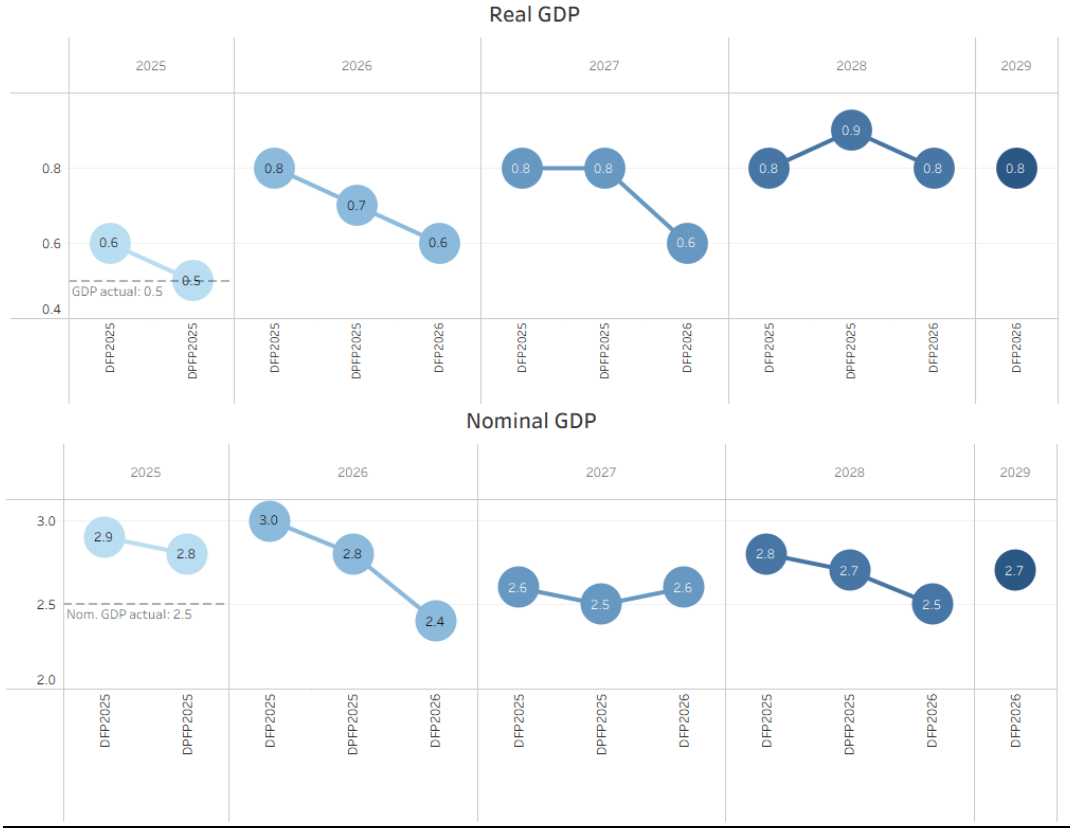
Macroeconomic forecasts

The policy forecasts drawn up by the Government last year proved accurate for GDP in 2025; the projection for nominal GDP, however, was slightly overestimated. Compared with the baseline macroeconomic scenario in the 2025 PFD, the PFPD's forecasts for the expansion of the Italian economy were marginally revised downwards for 2025–26, remained unchanged for 2027 and were revised upwards for 2028 (to 0.9 per cent; Fig. 2). For 2025, the downward revision to GDP growth (one-tenth of a percentage point lower than in the PFD) was due to the deterioration in short-term economic data, namely the negative surprise in the second quarter of that year. The impact of the new assumptions on exogenous variables, by contrast, was essentially neutral. Based on the first final figures (released in March 2026), the PFPD's forecast for real GDP in 2025 proved to be accurate; the forecast for nominal GDP, however, was 0.3 percentage points higher than the official figure.

The Government has revised its GDP growth forecasts downwards in the latest PFD, due to the war in the Middle East. The assumptions underlying the 2026 PFD, drawn up in the second half of March, had already factored in a short-lived conflict in the Middle East, albeit with lingering effects. The macroeconomic scenario has therefore revised downward GDP expectations not only for 2026, but also, and above all, for 2027. With regard to nominal GDP, the downward revision of estimates for 2026 was marked (0.6

percentage points lower in the 2026 PFD compared with last year's PFD); expectations for 2027, on the other hand, have been broadly confirmed in the last three planning documents.

Fig. 2 – MEF GDP forecasts (real and nominal) in recent planning documents: 2025 PFD, 2025 PFPD and 2026 PFD (1)
(percentage changes)

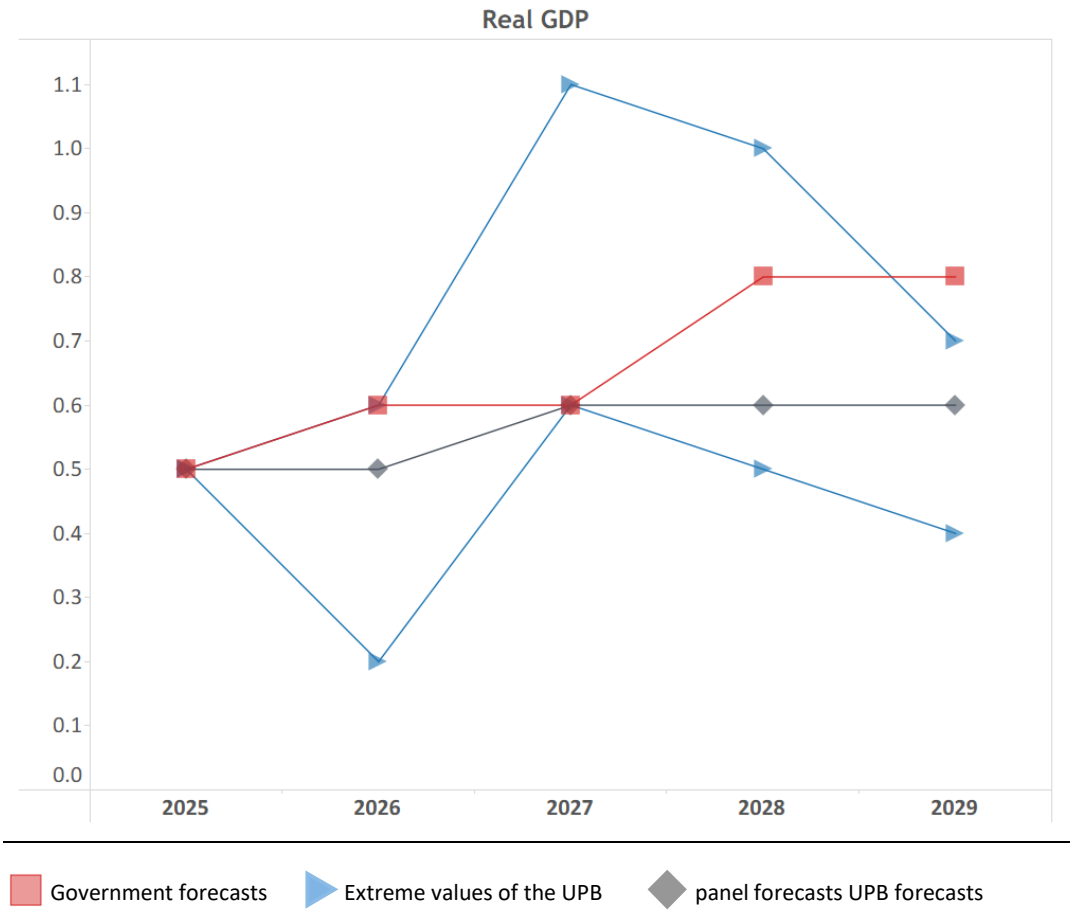


Source: 2025 PFD, 2025 PFPD and 2026 PFD.
(1) The chart shows the forecasts set out in the last three policy documents (PFD 2025, PFPD 2025 and PFD 2026, as indicated on the horizontal axis) by forecast year (shown at the top). The PFPD forecasts relate to the policy scenario, whilst those of the two PFD documents are trend-based.

The Government's trend macroeconomic forecasts were endorsed by the UPB on 8 April on the basis of a scenario updated by the Ministry of Economy and Finance (MEF) at the end of March, which took account of the war in the Middle East. The PFD 2026 forecast for Italy's GDP falls within an acceptable range of estimates across almost the entire forecast horizon (Fig. 3). In the trend scenario (QMT), the cumulative increase in GDP between 2026 and 2029, amounting to 2.8 percentage points, falls between the median and the upper limit of the panel's values. The overall assessment of the acceptability of the Government's trend macroeconomic forecasts takes into account: a) annual GDP growth projections that do not exceed the extreme of the UPB panel's forecast range, except in the final year of the forecast and, in any case, only marginally; b) annual forecasts in the QMT for nominal GDP – a variable of great relevance to public finances – which are, on the whole, more cautious than those of the UPB and the *panel* median; c)

cumulative increases in both real and nominal GDP that are broadly consistent with the panel's assessments, as they are close to the median values.

Fig. 3 – Trend in GDP



The forecasts remain acceptable at present, but the international outlook is highly unstable. The MEF's QMT was endorsed on the basis of information available at the beginning of April, following a timetable agreed with the MEF in February. Following the close of the forecasting period, a ceasefire was reached in the Middle East, though this has not yet translated into a lasting peace. Consequently, traffic through the Strait of Hormuz remains modest and energy commodity prices remain high. At present, the outlook for exogenous variables appears appropriate, but the international scenario remains exposed to significant risks and the forecasts could be revised, possibly substantially, within a short period of time.

The UPB's forecasts point to a phase of expansion in the Italian economy that is slightly more moderate than that projected by the MEF. The UPB's GDP expectations are slightly more cautious than those of the PFD, except for 2027, for which they are aligned. Over the forecast horizon, economic activity is expected to be supported by the resilience of the labour market, which would mitigate the effects of new inflationary pressures on purchasing power, as well as by the impetus from the investment programmes set out in

the NRRP, particularly this year. As regards prices, the private consumption deflator is expected to accelerate to 3.0 per cent this year (from 1.4 per cent in 2025), mainly due to the war in the Middle East, before slowing to 2.3 per cent in 2027 and converging towards 2.0 per cent by the end of the forecast period. In the labour market, the UPB's baseline scenario forecasts a continuation of the current expansionary phase, with an increase in employment – measured in terms of full-time equivalent (FTE) jobs – of around 0.6 per cent on average over the four-year period and a reduction in the unemployment rate from 5.8 per cent this year to 5.5 per cent in 2029.

According to UPB estimates, the overall impact of the NRRP's additional investments on GDP is expected to reach around two percentage points in 2026, before gradually fading away. The UPB has updated its assessment of the NRRP's macroeconomic impacts. The analysis takes into account the NRRP resources allocated to additional projects, financed through European grants and loans and national funds, including initiatives carried out in 2020–25 and the new programme for 2026–30 (totalling €192.6 billion in 2020–30). According to simulations carried out using the MeMo-It model, the impact of the NRRP's additional investments on GDP is expected to be around one per cent by the end of the four-year period 2021–24. In the following three-year period, the stimulus is expected to strengthen, partly due to the acceleration of the implementation of measures as various projects approach completion. The maximum effect on GDP would be reached in 2026, with an estimated increase of 1.8 per cent. In subsequent years, the gradual unwinding of the spending impulse would reduce the Plan's impact, which would stand at 1.1 per cent in 2030. Using the QUEST III R&D general equilibrium model, very similar but more persistent results are obtained in the medium term. In 2030, the impact of the NRRP's additional projects would still amount to 2.0 per cent, assuming average efficiency of public investment. In a high-efficiency scenario, the additional impact by 2030 would be 0.6 percentage points higher, while in a low-efficiency scenario the impact would be 0.5 percentage points lower.

The estimate of the NRRP's effects of all grants (which fund both existing and additional projects) indicates a more limited impact, of just under one percentage point on the 2026 GDP level. The analysis considers the effects of all NRRP grants (over €70 billion in 2020–30), which include both those allocated to existing projects and those earmarked for new initiatives. Estimates made using both models indicate a significant contribution to economic activity, peaking in 2026 at around 0.8 percentage points of GDP.

Growth in the Italian economy would be reduced by a non negligible amount in 2026 excluding the NRRP's stimulus: according to simulations carried out using the MeMo-It model, this year's GDP growth would be half a percentage point lower in the absence of the NRRP's additional projects, while it would be 0.3 percentage points lower in the absence of those funded by grants.

The Italian economy remains exposed to risks that are predominantly on the downside, linked above all to geopolitical and international factors. Tensions in the Middle East and

persistent restrictions on global trade continue to weigh on energy markets, supply chains and international trade. There also remain uncertainties regarding the evolution of economic policies and the reactions of financial markets, which are particularly significant for countries with high public debt. Added to this are climate and environmental risks, which could exacerbate economic and geopolitical tensions and have significant negative effects in the medium term, particularly in the Mediterranean region.

PUBLIC FINANCES

Public finances in 2025

In 2025, the general government deficit stood at 3.1 per cent of GDP, down from 3.4 per cent the previous year. The final deficit figure was slightly higher than the PFPD's estimate — by one-tenth of a percentage point of GDP — due to higher capital expenditure than forecast; this is explained, in particular, by higher-than-expected tax credit related to building incentives and the acceleration of investments under the NRRP. The deficit is 0.2 percentage points of GDP lower than the target set out in the 2025–29 Medium-Term Fiscal Structural Plan (MTP).

The primary surplus continued to improve, standing at 0.8 per cent of GDP, compared with 0.5 per cent in 2024. This consolidation was driven by higher revenues — particularly from social security contributions — which was only partially offset by the rise in primary expenditure, mainly attributable to capital expenditure. The tax burden increased by 0.7 percentage points of GDP, from 42.4 to 43.1 per cent, primarily due to the rise in social security contributions.

According to the 2026 PFD, net expenditure grew by 1.9 per cent, exceeding the limit recommended by the Council of the EU when the MTP was approved. This upward revision compared with the Technical Explanatory Note attached to the 2026–28 Budget Law – which had estimated growth of 1.3 per cent – is largely attributable to trends in primary expenditure, which were influenced by contingent factors, in particular the unexpected emergence of construction tax credits linked to the Superbonus.

The European Commission's estimate for net expenditure growth in 2025 is lower, at 1.5 per cent, largely due to an estimated more favourable impact of discretionary measures on the revenue side. The deviation from the recommended path amounts to 0.1 percentage points of GDP on an annual basis, whilst on a cumulative basis it is only marginally above the ceiling.

On the basis of an overall assessment, the Commission has concluded that Italy has taken *effective action* in response to the Council's recommendations; consequently, the excessive deficit procedure has been temporarily suspended (*put in abeyance*). The Commission has also proposed extending the scope of the national defence safeguard clause to include measures to strengthen energy security implemented from February 2026 onwards and those to be introduced up to 2028, with an annual limit of 0.3 percentage points of GDP and a cumulative limit of 0.6 percentage points over the three-year period 2026–28.

Interest expenditure as a proportion of GDP remained at 3.9 per cent, unchanged from the previous year, despite the gradual impact of interest rate rises on borrowing carried out in previous years.

The debt-to-GDP ratio rose to 137.1 per cent (an increase of 2.4 percentage points compared with 2024), mainly due to the stock-flow component, which is also linked to the cash effects of tax credits related to building incentives and the increase in the Treasury's cash holdings.

A retrospective assessment of the public finance forecasts for the four-year period 2022–25 reveals particularly large forecast errors in 2022–23 followed by a marked improvement in the following two years. The analysis, carried out also in light of recent European provisions requiring an assessment of forecasting errors, compares the estimates produced by the MEF in the autumn budget documents with the corresponding outturns. For the primary balance and net borrowing to-GDP ratio, the forecast errors indicate an underestimation of the deficit in the two-year period 2022–23, which is particularly pronounced in 2023, whilst in 2024–25 the sign of the forecast error reverses. By contrast, the forecast errors relating to interest expenditure are concentrated mainly in 2022. Overall, the forecast errors of the MEF and the European Commission appear broadly similar, largely reflecting common extraordinary events.

Overall, the analysis shows that there is no evidence of a systematic error in the public finance forecasts for the four-year period 2022–25. The sizable underestimation of the deficit in the two-year period 2022–23 is due, to a significant extent, to events that occurred after the budget law forecasts were drawn up (the effects of unexpected inflation on interest expenditure and a revision of the accounting treatment of certain tax credits related to the requalification of buildings)**.** However, the underestimation of the impact of the Superbonus and the external redecoration bonus highlights the need to improve the effectiveness of monitoring systems, particularly in the case of new measures which are therefore more difficult to forecast. In the two-year period 2024–25, by contrast, the official forecasts proved to be on the cautious side, thanks mainly to better-than-expected trends in revenue and interest expenditure.

Public finances in 2026 and the three-year period 2027–29

For the three-year period 2026–28, the PFPD confirmed the deficit-to-GDP targets set out in the MTP, whilst planning annual growth in net expenditure consistent with the recommended limits. Compared with the trend under current legislation, as to net expenditure a slight adjustment was required for 2026, whilst budgetary space emerged for the two-year period 2027–28. In terms of net borrowing, however, budgetary space was available in all years of the three-year period 2026–28.

A budget plan was drawn up that used almost all of the available fiscal space. Expenditure measures included a two-percentage-point reduction in the second IRPEF tax band, tax relief on certain elements of remuneration for private and public sector employees, and the refinancing of the National Health Service and the Special Economic Zone whilst

financing measures included the extension of the scope of companies required to pay severance pay into the INPS Treasury fund, a two-percentage-point increase in IRAP rates for banks, other institutions, financial companies and insurance firms for the three-year period 2026–28; the introduction of substitute taxes to release reserves that would otherwise be non-distributable; and the imposition of limits on the offsetting of past losses and ACE surpluses.

On 22 April, the Government submitted the PFD to Parliament, showing a worsening of the trend deficits for the period 2026–29, mainly due to the deterioration in the macroeconomic scenario. Whilst confirming a path of gradual reduction, the deficit is forecast to remain at higher levels than those planned in the MTP, falling from 3.1 per cent of GDP recorded in 2025 to 2.9 per cent in 2026 (2.8 per cent in the MTP), 2.8 per cent in 2027 (2.6 per cent in the MTP), 2.5 per cent in 2028 (2.3 per cent in the MTP) and 2.1 per cent in 2029 (1.8 per cent in the MTP). The deficit would, however, return below the 3 per cent of GDP threshold in 2026, paving the way for an exit from the Stability and Growth Pact's excessive deficit procedure in 2027.

For 2026, the PFD estimates a 1.6 per cent increase in net expenditure, in line with the limit recommended by the Council, whilst in 2027 the indicator would exceed the recommended limit. For 2026, the Commission estimates a more favourable increase in net expenditure, at 1.4 per cent. According to the PFD, the projected deviation for 2027 stems mainly from the upward revision of current primary expenditure, attributable to the impact of inflationary pressures in 2026 on the revaluation of cash social benefits. The PFD has postponed until next October a more in-depth and up-to-date assessment of the trend in net expenditure and the definition of possible corrective measures. For 2028 and 2029, growth in net expenditure is expected to return within the limits.

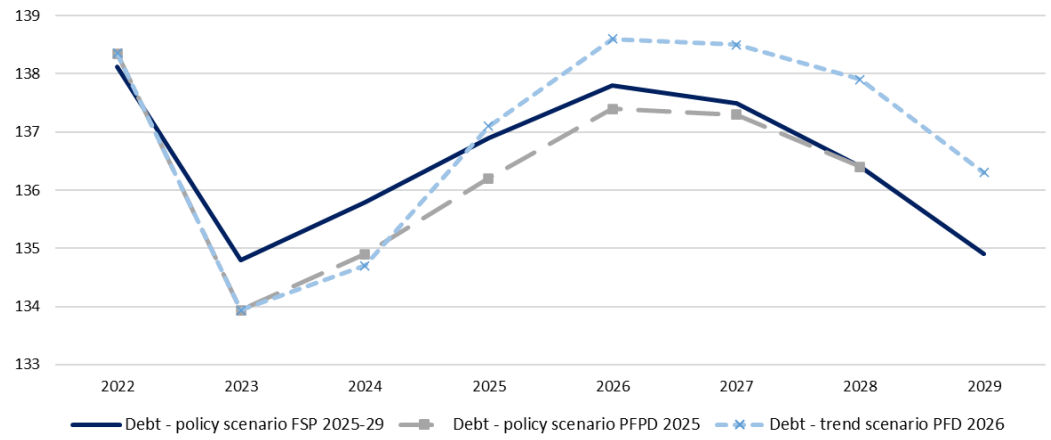
The primary surplus would continue to improve, reaching 2.4 per cent of GDP in 2029, whilst interest expenditure as a ratio to GDP is projected to increase already in the current year, reaching 4.5 per cent in 2029. The improvement in the primary surplus would stem mainly from a reduction in capital expenditure as a ratio to GDP, particularly investment grants, whilst the tax burden would remain broadly unchanged. The trend in interest expenditure mainly reflects the recent rise in the yield curve linked to international tensions.

In the PFD, cyclically adjusted public finances confirm a consolidation path in line with the MTP for the entire 2024–29 forecast horizon, with an overall improvement in the structural primary balance of 6.7 percentage points of potential GDP.

The fiscal stance remains restrictive and counter-cyclical over the forecast period**,** although the stimulus will be moderate in 2026 due to the expansionary effect of expenditure financed by EU transfers.

The PFD projects an increase in the debt-to-GDP ratio to 138.6 per cent in 2026, followed by a slight reduction to 138.5 per cent in 2027 and a steeper decline to 137.9 per cent in 2028 and 136.3 per cent in 2029 (Fig. 4). Compared with the PFPD's estimates, the path is less favourable throughout the forecast horizon. The favourable trend from 2027 onwards would be driven by the primary surplus, but would depend in that year on the achievement of privatisation targets and a reduction in the Treasury's cash holdings.

Fig. 4 – General government debt as a percentage of GDP
(percentages)



Source: MTP 2025–29, PFPD 2025 and PFD 2026.

For 2026, gross government bond issues to be absorbed by the private sector are projected to rise, whilst net issuance is expected to fall. Taking into account the PFD's trend scenario and the continued reduction in the Eurosystem's portfolio of securities held for monetary policy purposes, gross government bond issues to be placed on the market are estimated at €528 billion, a higher level than in 2025, partly due to higher borrowing requirements compared with the previous year. Net government bond issuance, net of the Eurosystem's secondary market programmes, is estimated at €174 billion in 2026, down by €23 billion compared with 2025 – following years of increases since 2022 – due to the use of the Treasury's cash account to finance borrowing requirements and the reduction in government bonds maturing in the Eurosystem's portfolio that are not being reinvested.

The trajectory of the debt-to-GDP ratio in the PFD is also projected to decline on the basis of macroeconomic and public finance assumptions that differ from the official ones. For the period 2026–29, the UPB scenario applies to the PFD framework the differentials between the forecasts carried out by the Office during the endorsement process and the government's official forecasts regarding real growth and deflators. The slightly slower growth in real GDP is partly offset by higher growth in the GDP deflator, with limited effects on nominal GDP. The debt-to-GDP ratio therefore remains broadly in line with that of the PFD, rising in 2026, stabilising in 2027 and falling to 136.4 per cent in 2029.

In light of the heightened geopolitical volatility stemming from the conflict in Iran, a less favourable scenario is also presented, characterised by an energy price shock lasting until spring 2027. Under this scenario, lower real growth and a deterioration in the primary surplus would push the debt-to-GDP ratio up to around 140 per cent in 2026. The subsequent unwinding of the shock and higher nominal growth would then facilitate a reduction towards levels close to those projected in the PFD, provided that there are no persistent rises in interest rates or additional deficit-financed measures to counter rising prices.

A further risk factor concerns the realisation of privatisation proceeds incorporated into the PFD, totalling 0.8 per cent of GDP over the three-year period 2026–28. In the absence of such proceeds, the debt-to-GDP ratio would no longer stabilise in 2027 and the subsequent decline would begin from a higher level; in 2029, debt would stand at 137.2 per cent of GDP, 0.8 percentage points above the official estimate. Furthermore, even assuming the full realisation of the divestment programme, the probabilistic analysis shows that the probability of a reduction in the debt-to-GDP ratio compared with the previous year remains relatively low in the two-year period 2026–27 (30 per cent and 50 per cent respectively), before increasing significantly thereafter.

The medium-term projection, carried out using the UPB's debt sustainability analysis *framework*, extends the analysis to 2041 and compares and compares the resulting debt path with that set out in the MTP. The exercise assumes, amongst other things, that recent crises have permanent effects on productive capacity and that, as the boost from the NRRP wears off, potential growth would gradually converge, in line with consensus forecasts, to 0.6 per cent. Against this backdrop, the debt-to-GDP ratio would continue to decline, but at a slower pace than projected in the MTP: after peaking in 2026, it would stand at 135.4 per cent in 2031 and 123.8 per cent in 2041, around 10 percentage points higher than projected in the Plan. This gap mainly reflects less favourable assumptions regarding economic growth and a different path in the primary surplus.

The UPB welcomed the extension of the document's forecast horizon; however, medium-term planning and transparency would be further strengthened if the PFD were to include policy guidelines – even general ones – on possible future areas of spending and financing measures. The high level of uncertainty in the rapidly evolving geopolitical context increases the risks to the macroeconomic scenario and public finance outlook; the formulation of corrective measures would have benefited from a period of analysis and consultation spread out over time, rather than concentrated in the run-up to the budget package.

Despite the deterioration in the macroeconomic scenario and the rise in interest expenditure, the trend scenario for public finance continues to show fiscal consolidation. In particular, a gradual improvement in the primary balance as a percentage of GDP is confirmed over the four-year forecast period, up to 2027 with values unchanged from the previous estimate. The reduction in the debt-to-GDP ratio after 2026

is also confirmed, although this is conditional on an ambitious privatisation programme in 2027; the decline is more pronounced from 2028 onwards.

Fiscal margins appear to be largely utilised over the forecast horizon: this limits the scope for using fiscal policy to counter the current crisis and any other that may materialise in the future. Following the deviation in 2025, within the PFD's forecast horizon, annual net expenditure growth remains at or above the path set by the Council when it approved the Structural Budget Plan. The net expenditure estimates published by the European Commission on 3 June appear slightly more favourable. The budgetary rules, as well as the need to maintain a downward trend in the debt-to-GDP ratio, therefore limit the fiscal policy space.

The public finance outlook is characterised by several elements of uncertainty in the current context. First and foremost, the economic outlook faces downside risks, owing to the marked volatility in the international scenario. Current events suggest the urgent need to build up budgetary reserves in order to cope with significant *shocks*, particularly in the energy markets. Furthermore, new priorities are emerging, including strengthening defence and managing the effects of the climate, energy and demographic transitions on the economy and public finances. Public intervention may also be necessary to ensure that the opportunities offered by the digital transition, particularly those linked to artificial intelligence, benefit the economy and society as a whole. Finally, the path towards reducing the debt-to-GDP ratio – envisaged from 2027 onwards, and more decisively from 2028 – could prove less favourable than estimated should the assumptions regarding the privatisation programme not materialise or should downside risks to economic growth materialise.

THEMATIC INSIGHTS

GOVERNMENT FORECASTS AND THE GOVERNMENT BOND MARKET

Chapter 3 presents, as usual, an update of the ex-post assessment of official macroeconomic forecasts in recent years. It also presents an analysis of the bias and accuracy of budgetary forecasts for the period 2000–2025, focusing in particular on the differences between the periods before and after 2014 – the first year of implementation of a series of reforms to the procedures related to the budgetary cycle, including the establishment of the UPB. In the final section, a quantitative analysis is carried out on the impact that macroeconomic and public finance announcements and surprises may have on the yields of Italian government bonds.

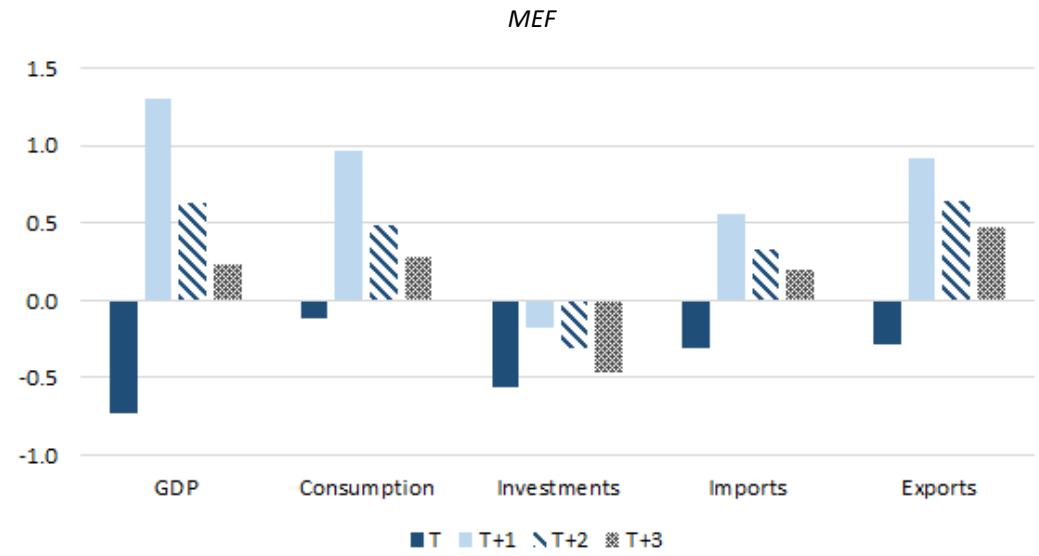
With regard to errors in macroeconomic forecasts, the evidence for 2020–25 confirms the findings already reported in previous editions. The MEF's forecast errors are similar to those of the UPB, the *panel* median and the European Commission, in terms of both magnitude and bias. GDP projections show a tendency to underestimate growth in the current year and to overestimate it for subsequent years; this pattern is common to all forecasters, as they have been affected by exceptional events such as the pandemic. For nominal GDP, however, a pessimistic outlook prevails, attributable to the underestimation of the surge in inflation following the energy crisis.

The breakdown of the error across GDP components shows similar trends for the MEF (Fig. 5) and the UPB. The underestimation of investment has contributed significantly to the errors in the current year, partly due to the strong growth linked to the Superbonus and the NRRP; in subsequent years, however, the errors stem mainly from consumption and exports.

The errors in the MEF's one-year-ahead forecasts, which are relevant for fiscal policy, were broadly in line with those of other forecasters over 2020–25, showing the same sign in of most cases. The significant overestimation in 2020 and the subsequent underestimation in 2021 reflect the exceptional effects of the pandemic, whilst in subsequent years the errors were mainly influenced by the war in Ukraine. Overall, no persistent distortions specific to individual forecasters are evident, and significant convergence between them is observed.

The second part of the chapter examines the bias and accuracy of official public finance forecasts for the period 2000–2025, focusing on the main budget balances and comparing the period before and after 2014. The analysis considers one-year-ahead forecast errors for the primary balance, net borrowing and interest expenditure of general government as a percentage of GDP, comparing the forecasts published by the MEF in its autumn budget documents with the corresponding outturns. The bias and accuracy of government forecasts are also compared with those of the European Commission, which are based on a broadly comparable set of public finance data.

Fig. 5 – Average error for the demand components of GDP in the MEF's forecasts for 2020–25

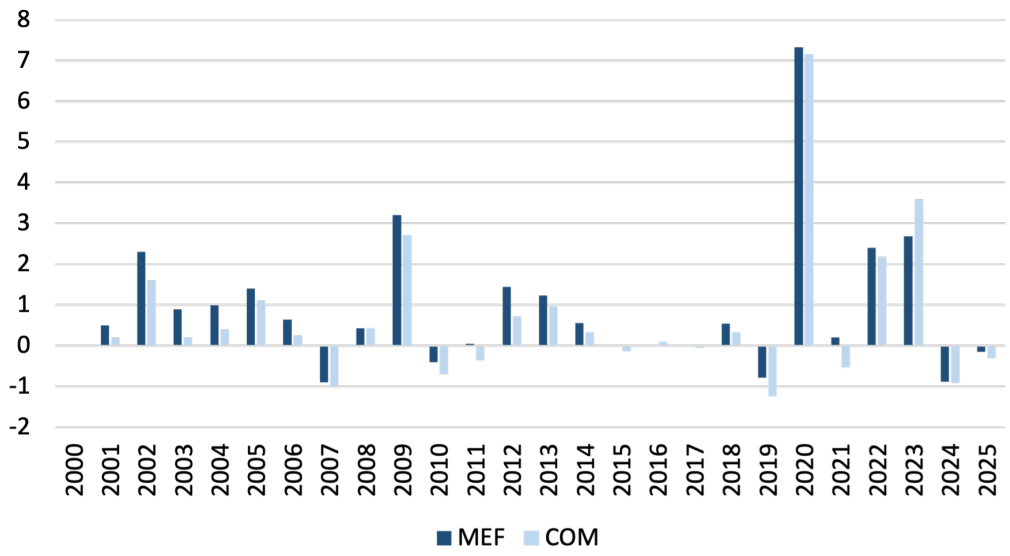


Source: calculations based on MEF data.

The graphical analysis highlights a tendency towards optimistic bias public finance balance forecasts over the full sample period, which diminishes after 2014 (Fig. 6). Forecasting errors (defined as the difference between the forecast and the actual figure) for the primary balance and net borrowing are predominantly positive, whilst for interest expenditure the errors are smaller and more symmetrically distributed around zero. The largest forecast errors are observed during the global financial crisis, the pandemic and the effects associated with the accounting reclassification of construction tax credits. The MEF's forecasts appear broadly similar to those of the European Commission, although they exhibit greater dispersion and a more pronounced tendency towards optimism, particularly before 2014.

The statistical indicators confirm the presence of an optimistic bias in budget balance forecasts over the full sample period and its marked reduction after 2014, excluding exceptional years. Excluding years characterised by exceptional factors – identified on the basis of macroeconomic *shocks* and accounting revisions occurring after the forecasts were drawn up – MEF's mean forecast error shows, when comparing the 2000–14 period with the subsequent one, a shift from an optimistic bias to a slightly prudent one: from 0.78 to –0.05 percentage points of GDP for the primary balance and from 0.65 to –0.14 for net borrowing. Forecast accuracy has also improved, with a reduction in the square root of the mean square error (RMSE) – a measure of forecast accuracy – declining from 1.20 to 0.37 for the primary balance and from 1.03 to 0.47 for net borrowing. Interest expenditure, on the other hand, exhibits more stable patterns, with smaller errors and no appreciable differences between the two sub-periods.

Fig. 6 – Forecast errors for net borrowing as a percentage of GDP (1)
(percentage values)



Source: calculations based on data from the MEF, the European Commission and Istat.
(1) The forecast error for a given year is defined as the forecast made in the autumn of the previous year minus the final figure reported by Istat to Eurostat in April of the following year.

Statistical tests confirm a structural change in budget balance forecasts after 2014 and indicate that part of the observed improvement is associated with a reduction in the bias of nominal GDP growth forecasts. The tests show that, for the primary balance and net borrowing, the bias across the full sample period is statistically significant, whilst a prudent bias emerges in the post-2014 period, although it is not statistically significant; the Wald test confirms the structural improvement between the two sub-periods. Controlling for nominal GDP growth forecast errors suggests that part of the improvement reflects the reduced bias in macroeconomic forecasts after 2014, alongside a component more specifically linked to public finances. For interest expenditure, however, no statistically significant biases or structural differences emerge between the two sub-periods.

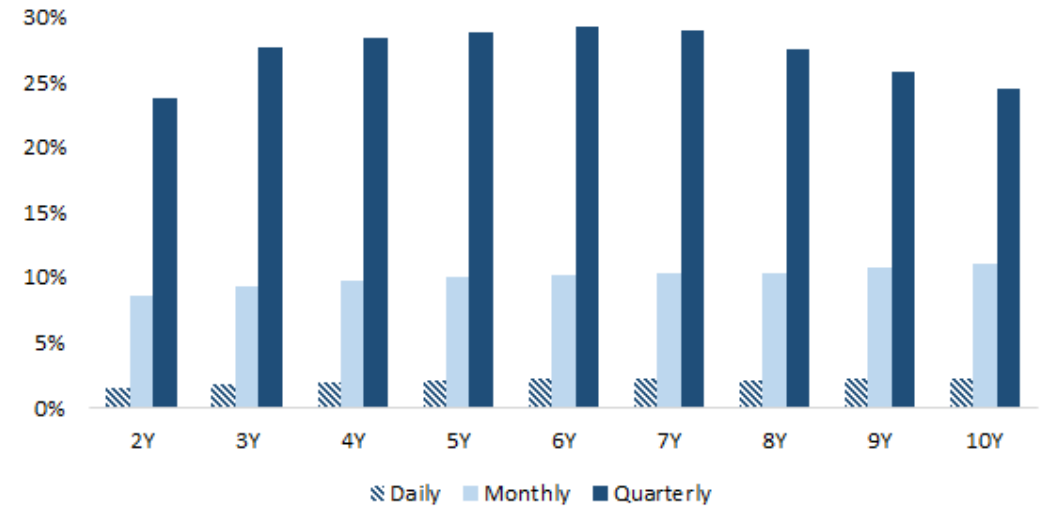
Overall, the analysis shows that public finance balance forecasts exhibited a tendency towards optimistic bias over the period 2000–2025, which diminished after 2014 and turned slightly prudent once years characterised by exceptional factors were excluded. The reduction in the optimistic bias of macroeconomic forecasts also contributed to this improvement. Interest expenditure, by contrast, exhibits more stable forecast properties, with a slight prudent bias over the period under review and no statistically significant differences between the two sub-periods.

The UPB also analysed how information on the economy and public finances is reflected in sovereign debt financing conditions. Specifically, the analysis examines how markets react to new information, both regarding the publication of macroeconomic data and public finances; for the latter, the focus is on updates to official forecasts of public expenditure and the deviation of these forecasts from the final national accounts figures.

When an economic figure or a budget document is published, market participants compare it with the expectations already priced into government bond yields. The unexpected element – the 'surprise' – can therefore alter yields across the curve. For Italy, this effect is particularly significant, as the high level of public debt makes the cost of borrowing sensitive both to the international environment and to perceptions of fiscal sustainability. The UPB's analysis covers the period 2011–25, which was marked by very different phases: the sovereign debt crisis, the pandemic, the return of inflation and monetary normalisation.

Macroeconomic surprises help to explain movements in yields, particularly when looking at monthly or quarterly variables. At a daily frequency, the explanatory power of surprises is low, as market noise, technical factors and liquidity conditions prevail. When, however, the data are aggregated over time, the link between macroeconomic developments and shifts in the yield curve becomes clearer. The proportion of yield movements explained by surprises therefore increases as we move from daily to monthly and quarterly data (Fig. 7). However, the effect is not uniform across the curve. It is strongest for intermediate maturities, where expectations regarding the economic cycle, inflation and future official interest rates carry greater weight. By contrast, it tends to diminish at longer maturities, which are more heavily influenced by risk premiums and global financial factors. In the case of Italy, surprises from abroad – particularly from the United States and Germany – carry significant weight, as they affect global factors and are therefore rapidly transmitted to Italian government bond yields.

Fig. 7 – Proportion of the variance in Italian government bond yields explained by macroeconomic surprises
(percentage values)



Source: calculations based on LSEG data.

The market reaction is not symmetrical: unfavourable news has a greater impact on yields than favourable news. The evidence suggests that adverse news regarding the macroeconomic scenario or public spending (*'bad surprises'*) accounts for a larger share

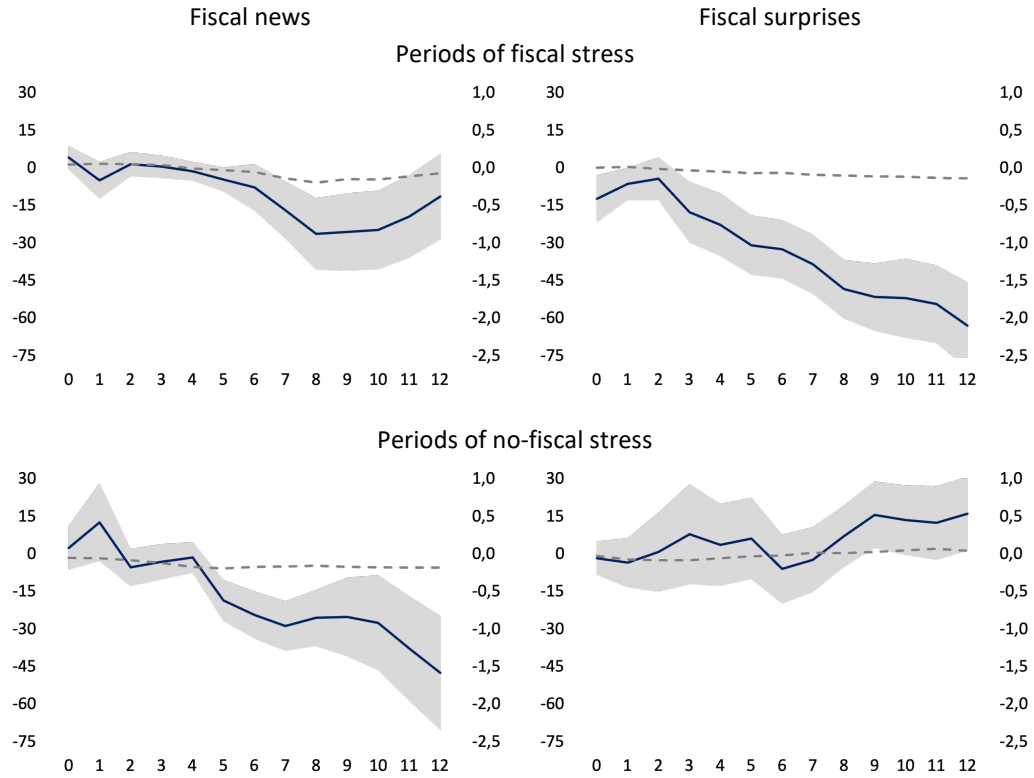
of the variability in yields than favourable news, particularly for intermediate maturities. This result can also be explained by Italy's high debt levels, meaning that any sign of a deterioration in the economy or public finances can rapidly increase perceptions of sovereign risk. An improvement, by contrast, is priced in with greater caution, as it may require subsequent confirmation. In other words, market prices tend to react more strongly to a possible deterioration in fiscal sustainability than to an improvement of equal magnitude (asymmetry in market responses).

When it comes to fiscal policy, it is not only what is announced that matters, but also what is actually reflected in the data. The analysis distinguishes between fiscal announcements and fiscal surprises relating to actual public expenditure. Official 'announcements' constitute the anticipated component of the fiscal stance, as set out in the Government's forecasts. Fiscal 'surprises', on the other hand, measure the gap between the data that have become available and the corresponding forecasts. Announcements can shape market participants' expectations before the measures are reflected in the national accounts. Their effectiveness, however, depends on how credible they are perceived to be. For this reason, confirmation in the observed data tends to play a decisive role, particularly during periods of financial stress. When the market is under stress, a favourable fiscal surprise — for example, lower-than-expected expenditure — can validate the consolidation path. In this case, the decline in yields tends to be more persistent. During periods of calm, on the other hand, market participants seem to attach greater weight to the announced policy trajectory, whilst actual outcome surprises prove less decisive.

The main channel through which fiscal *shocks* are transmitted is via a reduction in the sovereign risk premium, rather than through expectations regarding euro area interest rates. A breakdown of yields shows that, during periods of crisis, Italian rates primarily reflect a country-specific risk factor: the *broad term premium* (Fig. 8). This component incorporates the premiums demanded by investors for holding Italian debt; it therefore includes, amongst other things, sovereign risk, liquidity risk, financial fragmentation and, in certain periods, redenomination risk.

When fiscal consolidation is credible and backed up by data, the reduction in yields occurs mainly through a narrowing of the risk premium. The effects are more pronounced on long-term maturities and can therefore lead to a flattening of the yield curve, meaning that the spread between ten-year and two-year rates tends to narrow. The implication for economic policy is clear. For a highly indebted country, fiscal prudence can help to reduce financing costs; however, it becomes fully effective only if it is consistent, credible and verifiable in the observed results, so as to bring about a sustained reduction in risk premiums.

Fig. 8 – Shock response to fiscal news and surprises in the expectation and broad term premium components (1)



Source: calculations based on data from LSEG and the MEF.

(1) Impulse response functions of the *expectation* component (dashed line, right-hand axis) and the *broad term premium* component (solid line, left-hand axis) of the yield curve, obtained from *Local Projections* estimates following *shocks* to announcements and fiscal consolidation surprises; 68 per cent confidence intervals with HAC/Newey-West standard errors. On the horizontal axis, quarters following the *shock*.

THE NRRP AS A DRIVER OF IMPROVED ADMINISTRATIVE CAPACITY IN ITALIAN MUNICIPALITIES: PROGRAMMES, IMPLEMENTATION AND EFFECTS ON THE PUBLIC PROCUREMENT MARKET

The National Recovery and Resilience Plan (NRRP), supported by the Complementary National Plan (CNP), is the largest and most ambitious public investment programme implemented in Italy in recent decades. It also serves as a vehicle for introducing a broad set of reforms designed to support and incentivise the modernisation and digitalisation of the country and of public administrations.

The execution of the Plan represents a case study of particular interest, attributable to both the substantial scale of financial resources mobilized and the innovative nature of the strategic framework, structural reforms, and policy instruments implemented. One of the NRRP's main objectives is to strengthen the relationship between public administrations and the economic and social system, recognizing the role of public action as a driver of economic growth, territorial development and support for the full development of individuals. A wide range of cross-cutting interventions converge on this objective, combining investments and reforms that directly affect the functioning of public administrations.

The actual scale of its impact will depend largely on the ability of public administrations, economic operators and other stakeholders to make use of and consolidate the body of experience, skills and innovations developed during execution. As the Plan enters the final phase of implementation, it is therefore necessary to begin reflecting on how it has worked and on the changes it has generated in the country's economic, social and institutional system.

This chapter provides a first assessment of the contribution of the NRRP to strengthening the administrative capacity of local authorities, with particular reference to municipalities. It is organized along three lines of analysis.

The first part of the chapter reviews the policies and reforms introduced through the NRRP, or otherwise attributable to the Plan, that have accompanied, anticipated or shaped its execution and that may affect the efficiency and operational capacity of public administration. In particular, it focuses on reforms and investments aimed at improving and simplifying the activities of public administrations, strengthening staffing levels and enhancing skills, as well as on measures to support the digitalization process, mainly included in Component 1 of Mission 1 (M1C1). The success of these measures will depend not only on achieving the milestones and targets set out in the NRRP, but also on a range of additional factors. These include: the effective implementation of certain reforms, which cannot be reduced to mere bureaucratic compliance; the ability to recalibrate some interventions on the basis of monitoring evidence, promptly addressing any critical issues; the actual use of the new digital infrastructures by administrations, citizens and businesses.

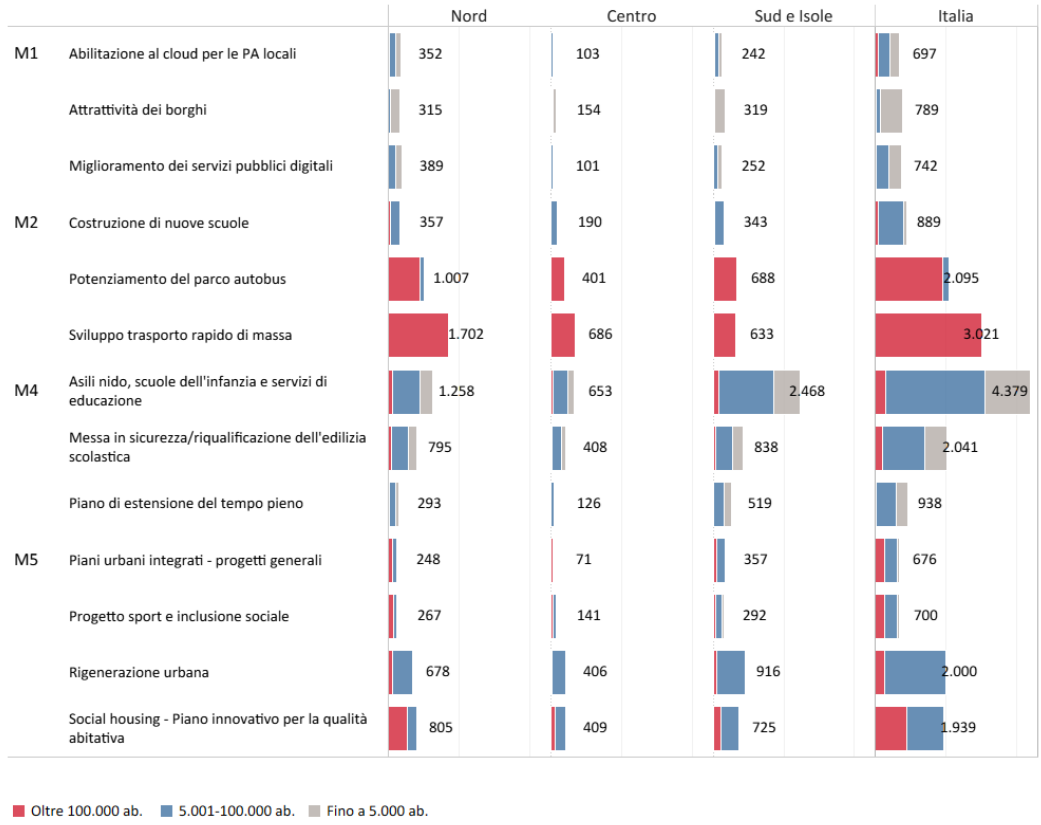
The analysis also encompasses the main regulatory and procedural innovations that directly impacted contract awards and tender management. These include the mandatory adoption of digital procurement platforms from 2024, the qualification system for contracting authorities, the expansion of e-procurement and the introduction of new tools and databases to support procedures. These reforms are a central component of the institutional framework within which municipalities operate. They are also a key factor for interpreting any structural change in public procurement performance, which is the subject of the final part of the chapter.

The second part of the chapter provides a descriptive analysis of municipalities' involvement in the NRRP. As implementing bodies for a significant share of the interventions envisaged by the Plan, municipalities have in recent years been affected by a combination of new resources, reforms and administrative obligations. These developments have influenced the organization of administrative activity and municipalities' capacity to respond to local needs. The analysis is based mainly on information drawn from ReGiS and required the construction of a dataset that, for each policy or reform considered, made it possible to identify the implementing bodies, the location of interventions, the related objectives and the expected timing of implementation. The effects of NRRP implementation on municipal expenditure were instead assessed by analyzing payment dynamics and staff composition using SIOPE data and the Annual monitoring of the State General Accounting Department.

The projects directly implemented by municipalities and recorded in the ReGiS platform as at 17 May 2026 number 88,311. They amount to a total of €25.2 billion in NRRP resources (out of €171.7 billion) and to around €34.2 billion when all public funding sources are considered (out of €245 billion). Eighty-one per cent of the projects — spread across almost the entire universe of municipalities — fall under Mission 1, which is devoted to the digitalization of public administrations. The remaining projects carry greater financial weight and are concentrated in Missions 2, 4 and 5, involving a smaller number of authorities (Fig. 9).

Although local implementation of the NRRP has largely taken place at the initiative of municipalities, the observed participation in projects can hardly be attributed to fully autonomous choices by these authorities. It reflects, on the one hand, decisions taken at central level and translated into the criteria of calls for applications and the objectives required. On the other hand, it reflects the administrative capacity of the local authority and the structural characteristics of certain local functions. The latter aspect appears to emerge especially with reference to very small and very large municipalities. The former participate less in measures falling within the sphere of services, which require a minimum management scale. The latter concentrate resources within core municipal competencies— such as urban mobility — which, by their nature, concern them almost exclusively.

Fig. 9 – Investment measures of greatest financial relevance by mission, geographical area and municipal size (1)
(NRRP funding, million euro)



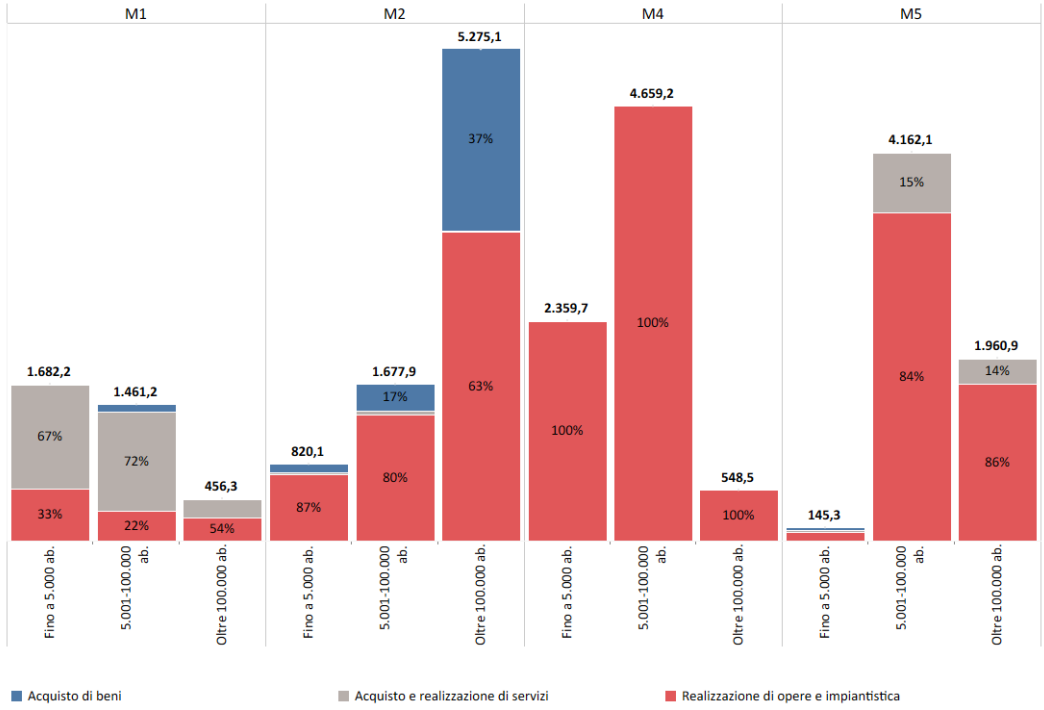
Source: ReGiS data updated to 17 May 2026 and Istat population as at 31 December 2024.
(1) Sub-measures with a total project value exceeding €500 million are considered.

The territorial distribution of interventions is, in many cases, characterized by significant spatial clustering. These can be traced to differences in local needs, administrative capacity and, presumably, also to dynamics of cooperation or competition among territorial authorities in the implementation of investments. Significant interactions emerge among municipalities, provinces, metropolitan cities and regions across numerous NRRP investment lines. This confirms the multi-level nature of the governance of local public services. Examples include NRRP measures relating to the construction of waste management facilities, urban regeneration and the structural safety of school buildings. The analysis also shows that municipalities participate in projects with different degrees of intensity depending on their population size, plausibly reflecting organizational specificities and the scale required for the provision of certain local public services.

Excluding projects related to the digitalization and strengthening of administrative capacity under M1C1, projects implemented by municipalities mainly concern buildings and infrastructure (Fig. 10). **Their sustainability is therefore a particularly important issue, both in terms of management and in terms of local authorities' capacity to ensure, over time, the actual activation of the related services.** This concerns the availability of qualified human capital within municipalities, which is needed to make full use of

investments linked to digitalization and the management of new infrastructure. It also concerns the financial sustainability of any additional current expenditure that may arise from their operation. Some interventions –such as those relating to the redevelopment and structural safety of school buildings – may generate positive effects by reducing maintenance costs and improving management efficiency. Other interventions, however, may generate higher current expenditure associated with the management, maintenance and full usability of the new infrastructure built. For some measures, such as childcare facilities and the strengthening of social services, dedicated current resources have already been allocated. For other areas, however, it remains to be verified whether the resources available within the municipal sector will in fact be sufficient to ensure that the facilities built are operational and that the new services are activated.

Fig. 10 – Composition of municipal PNRR investment by mission and municipal size *(NRRP funding, million euro)*



Source: ReGiS data updated to 17 May 2026 and Istat population as at 31 December 2024.

The third section of the chapter provides an empirical assessment of whether, and to what extent, the NRRP has changed municipal procurement activity in Italy, considering both short-term effects and preliminary indications of long-term structural shifts. The analysis focuses on the public works segment, a component of particular relevance for the implementation of the Plan. This is due to the need to comply with the planned timetable, the scale of the amounts mobilized and the long-term effects on the country's infrastructure endowment. The objective is to provide a first answer to three specific research questions.

The first research question investigates whether, and to what extent, procurement procedures for works financed by the NRRP differ from comparable non-NRRP procedures carried out by the same administration in the same period, in terms of efficiency – namely duration, degree of competition, market openness and award method. These dimensions are measured using seven indicators: duration of the award phase, number of bidders per lot, award discount, regional co-location between the municipality and the successful bidder, probability of award to micro-enterprises, use of centralized or aggregated forms of procurement, and direct awards. The resulting differential is also broken down by class of contract value, geographical macro-area of the contracting authority and demographic class of the municipality.

The second research question concerns the extent to which the increase in administrative efficiency depends on characteristics considered relevant to the capacity to absorb a demand shock of this scale. These include: the procedural experience already accumulated by the contracting authority in a homogeneous segment by type of intervention (new construction, maintenance or renovation), sector (transport infrastructure, civil construction, energy infrastructure and utilities) and type of procedure (open procedure, negotiated procedure or direct award); the procedural workload generated by the volume of recent procedures; the completion of a NRRP M1C1 project aimed at strengthening the administrative capacity of public administration (staff training, data interoperability and process digitalization), which includes a sub-set of interventions specifically related to procurement (e-procurement and technical support to contracting authorities); the administrative quality of the municipality, measured by the Municipal Administration Quality Index (MAQI) developed by Cerqua *et al.* (2025).

The third research question concerns the possible persistent effect of M1C1 investments on procedures not financed by the Plan, by examining whether the completion of an M1C1 project is associated with changes in procedural outcomes also for comparable ordinary procedures carried out by the same contracting authority.

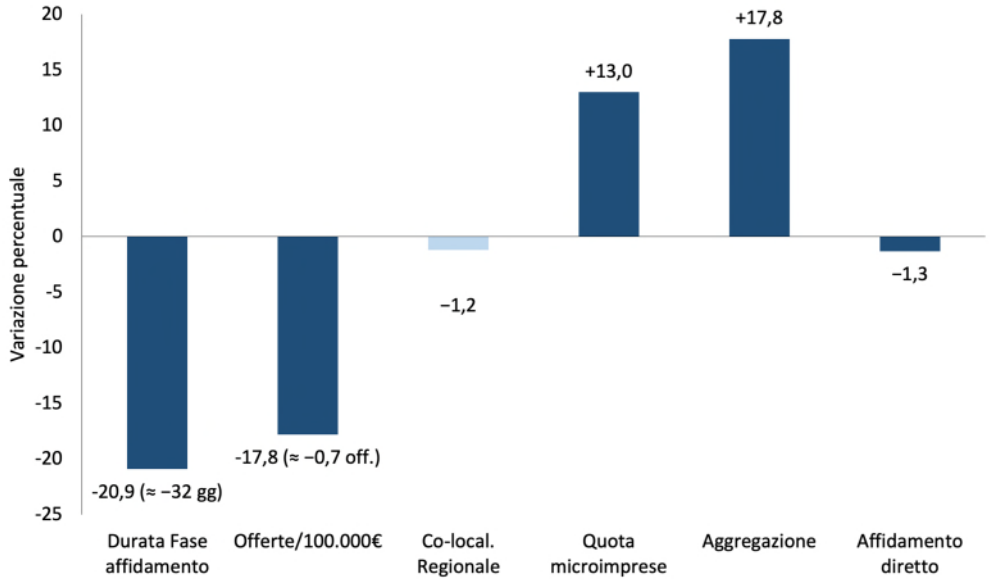
The analysis shows that the NRRP has significantly changed the profile of municipal procurement along four main dimensions: procedural speed, degree of competition, market openness and organizational arrangements for procurement. The comparison between NRRP and non-NRRP procedures reveals systematic differences, attributable both to the time pressure imposed by the Plan and to organizational adjustment processes within the administrations involved.

The first element that emerges is the greater speed of NRRP-funded procedures, confirming that the NRRP has acted as an organizational shock as well as a financial one, inducing administrations to reduce procedural inertia and to concentrate resources more strongly on implementation. Award times are significantly shorter than those for comparable ordinary procedures, even after accounting for the regulatory simplifications introduced during the period. The reduction appears particularly marked for small and

medium-sized projects, namely those segments in which there was greater scope for compressing administrative timelines (Fig. 11).

Procedures under the Plan record a lower average number of bidders than non-NRRP procedures, while winning bid discounts are broadly aligned. This result suggests that the speed of procurement procedures cannot, on its own, be regarded as a sufficient indicator of procurement quality. The greater speed of procedures is not accompanied by an increase in competition. This may plausibly reflect the greater technical and administrative complexity of the financed interventions, the reporting requirements and the more stringent execution deadlines, which narrow the pool of operators able to participate.

Fig. 11 – Average differential between NRRP and non-NRRP award procedures for each procedural outcome for works, controlling for administration and semester fixed effects (1)



Source: calculations based on ANAC Open Data and ReGiS data.
(1) The color intensity of the histogram indicates the statistical significance of the estimated coefficient: full intensity for p<0.01, intermediate shading for p<0.05 and lighter shading for p<0.10. Estimates that are not significant at the 10 per cent level (p≥0.10) are not reported. Marginal effects are evaluated at the reference procedural regime (accelerated = 0 for the duration of the award phase, qualification by law = 0 for aggregation) and at the median values of the continuous contextual indicators. Scope: municipal works, 2016-2025. For logarithmic outcomes (duration of the award phase, number of bidders per €100,000 of lot value, winning bid discount), the percentage magnitude is accompanied, in parentheses, by the approximate conversion into the original unit of measurement, calculated using average non-NRRP levels within the estimation sample.

NRRP procedures show a higher presence of micro-enterprises among successful bidders, consistent with the prevalence of small and medium-scale interventions and with the increase in the thresholds for direct contract awards. By contrast, the geography of successful bidders changes only marginally, as territorial proximity between the municipality and the winning firm remains high also in procurement under the Plan. The

effect of the NRRP therefore appears to have affected the size of the firms involved more than their territorial distribution.

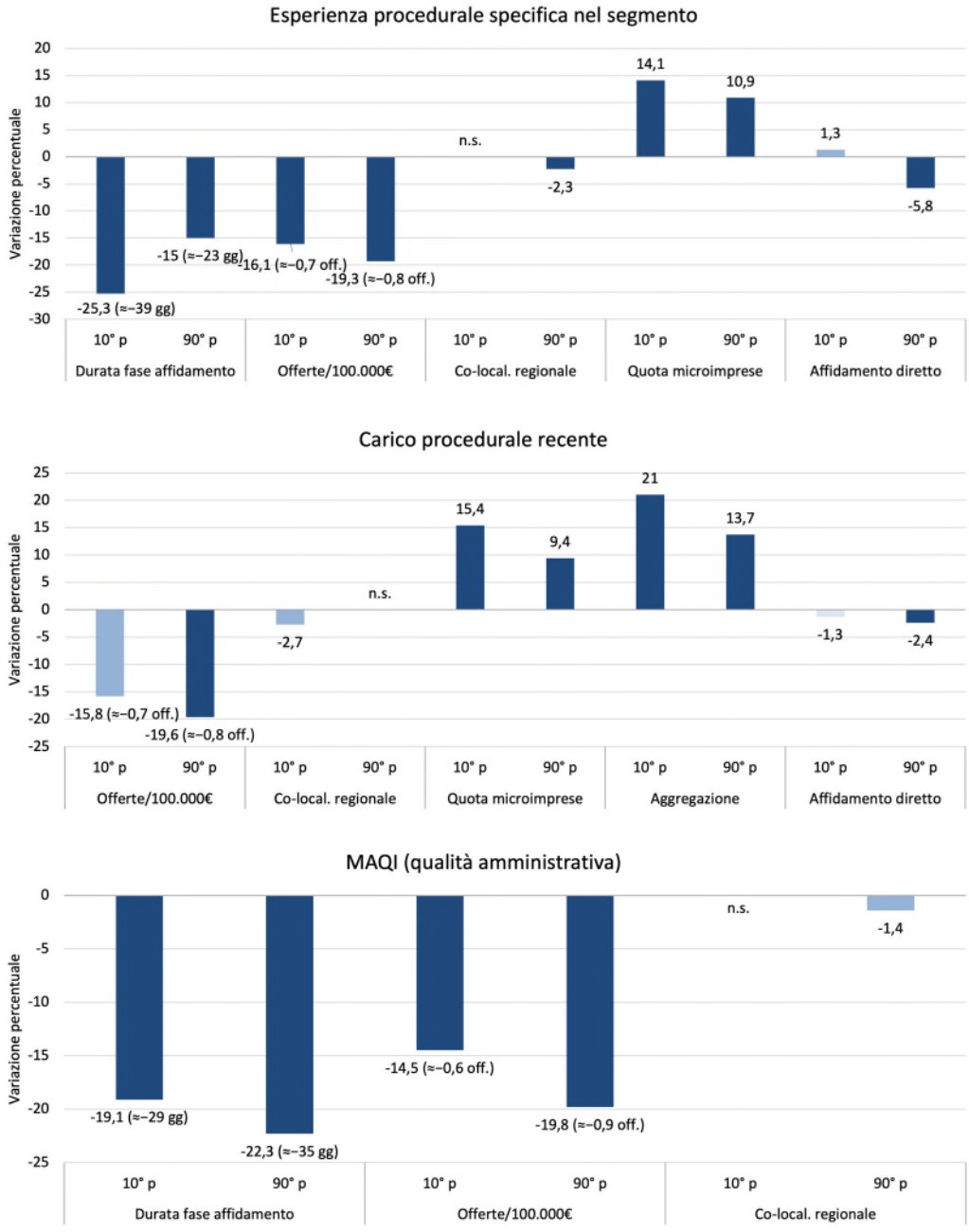
A further significant transformation concerns the organizational arrangements of procedures. In NRRP works, there is more frequent recourse to centralized or aggregated management arrangements, especially, as expected, in smaller municipalities. This evidence is consistent with the institutional design of the Plan, which encouraged recourse to central purchasing bodies and supra-municipal structures in order to support administrations with limited technical capacity. Aggregation therefore emerges as one of the main tools through which the municipal system absorbed the increase in complexity and administrative workload generated by the NRRP.

The procedural transformation associated with the Plan appears to operate primarily through greater speed, more aggregation and a different composition of the market, rather than through a higher share of direct awards. Direct award must be interpreted within a regulatory context that expanded its use for all below-threshold public works procedures: Decree-Law 76/2020 raised the threshold for direct awards for works to €150,000, affecting NRRP and non-NRRP procedures symmetrically. Net of this common shock, implementation of the Plan is not associated with greater recourse to direct awards.

The endogenous characteristics of administrations help explain part of the differences (Fig. 12): more than the overall institutional quality of the entity, what mattered were the operational skills directly linked to procurement experience. Experience accumulated in managing similar procedures is confirmed as a decisive factor: municipalities with greater specific experience show a smaller gap between NRRP and ordinary procedures, indicating that the technical and organizational skills built up over time reduce the additional margin for acceleration generated by the Plan. Procedural workload – a measure of the operational pressure to which the contracting authority is exposed at the time of the call – is not associated with systematic changes in procedural choices. Administrative capacity measured by the MAQI, by contrast, modifies the overall picture only to a limited extent.

The still preliminary evidence on M1C1 interventions suggests possible persistent effects of the Plan on administrative capacity. In administrations that have completed at least one M1C1 project, there are signs of greater competitiveness also in procedures not financed by the NRRP, with broader participation by operators and higher winning bid discounts. These results are still initial but are consistent with the idea that investments in digitalization, data interoperability, training and technical support may generate benefits that go beyond the temporary perimeter of the Plan.

Fig. 12 – Change in the average NRRP–non-NRRP differential at the 10th and 90th percentiles of the three continuous contextual indicators of the contracting authority (1)



Source: calculations based on ANAC Open Data and ReGiS/Italia Domani data.
(1) Differential between NRRP and non-NRRP procedures (in percentage points for binary outcomes and in percentage changes for logarithmic outcomes) evaluated at the 10th and 90th percentiles of the distribution of each continuous contextual indicator – specific procedural experience within the segment, recent procedural workload and MAQI – with the other regressors set at their median value. The color intensity of the histogram indicates the statistical significance of the estimated coefficient: full intensity for $p<0.01$, intermediate shading for $p<0.05$ and lighter shading for $p<0.10$. Estimates that are not significant at the 10 per cent level ($p \geq 0.10$) are marked "n.s." on the x-axis. Only indicator-outcome pairs for which the differential varies informatively between low and high levels of the indicator are reported.

Overall, the results suggest that the impact of the Plan on municipal procurement should be interpreted along two distinct dimensions: on the one hand, efficiency effects directly attributable to the specific features of the NRRP, the assessment of which is useful for the design of future public investment programmes; and, on the other, the possible structural improvement in administrative capacity conveyed by M1C1 investments, which, however, requires longer time horizons to be fully quantified. The Plan is characterized by the time pressure associated with milestones and targets, the alignment of procedures with reporting performance requirements, the incentive to use centralized or aggregated award solutions for the management of portfolios concentrated over time, and compliance with environmental sustainability and equal opportunity clauses. The effects associated with these specific features are temporally limited to the implementation cycle of the Plan, but they provide useful indications on how contracting authorities respond to binding results-oriented programming, with time horizons defined ex ante and continuous monitoring. In this sense, the efficiency gains observed in the Plan's procedures offer useful evidence for the design of future public investment programmes. As regards, instead, the possible structural improvement in administrative capacity driven by M1C1 investments, the evidence remains preliminary and will require longer time horizons to be consolidated. Timing, participation, market structure, organizational arrangements and execution outcomes should be considered jointly in order to capture both dimensions.

Ultimately, the effective legacy of the Plan will depend on the capacity to transform the tools and practices developed in recent years into a stable strengthening of ordinary administration: technical skills, digital infrastructures, supra-municipal cooperation and the capacity to monitor the entire cycle of works. Only the future evolution of award and works execution activity will make it possible to determine whether the NRRP has produced a structural improvement in the administrative capacity of municipalities or merely an extraordinary response to an exceptional shock.