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Thinking Performance-Based: Assessing the Impact of Italy's Recovery and Resilience Plan Governance on Public Administration Quality

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Chapter 1

Introduction

In the pursuit of a comprehensive understanding of the distinctive Euro-national method of governance, as manifest in the context of the Recovery and Resilience Facility (RRF), this dissertation endeavors to delve into the intricacies of this method. This study, specifically contextualized within the Italian framework, aims to offer an in-depth exploration of the potential efficacy of performance-based governance. It seeks to discern the extent to which such an approach may yield positive ramifications for the quality and efficacy of the Italian public administration. Furthermore, this research endeavors to ascertain whether this emergent paradigm, born out of exigencies associated with economic recovery and resilience, holds the promise of evolving into a “best practice” with enduring relevance beyond the extraordinary circumstances that precipitated its implementation, thus offering valuable insights for more “ordinary” times. This dissertation, situated at the intersection of public management theory and practical policy implementation, aims to contribute to the scholarly discourse surrounding contemporary composite Euro-national governance models and their adaptability in diverse contexts.

In an era defined by unprecedented challenges and rapid socio-economic transformations, the governance and management of public resources have never been more critical. As nations grapple with multifaceted crises, from the global pandemic to the imperatives of sustainability and resilience, the effectiveness of public administration becomes pivotal. It is for this reason, that this dissertation embarks on a comprehensive exploration of these intricacies, with a particular focus on the Italian National Recovery and Resilience Plan (NRRP), aptly titled *Italia Domani*.

In order to reach this ambitious goal, in this introductory chapter, we set the stage for our journey, trying to provide both the context and the framework for the in-depth analysis that follows.

Our journey commences with an exploration of the backdrop against which the Italian NRRP emerges. We delve into the historical, economic, and socio-political context that has catalyzed the development of this transformative initiative. This contextual foundation serves as the bedrock upon which our subsequent analysis is constructed. Afterwards, we will dive into the heart of the analysis getting to the overarching objectives of this dissertation which are twofold. Firstly, we aim to unravel the intricacies of the Italian NRRP, dissecting its governance, structural components, and underlying framework. Secondly, we endeavor to assess the impact of this initiative on Italian public administration, particularly in terms of efficiency and performance. Trying to ultimately assess to

what extent, this change of paradigm will represent a “best practice” for future similar experiences. To guide our inquiry, a series of critical research questions will be posed and systematically addressed throughout this study.

Chapter 2 provides the theoretical underpinning essential for our analysis. We traverse the landscape of public management theories, from classical public administration to contemporary paradigms like New Public Management and postmodern theories. It continues by delving into the concept of efficiency and its symbiotic relationship with the broader notion of performance. Within this context, the chapter examines the principles of performance management and measurement, which serve as pivotal tools for evaluating and improving the operational effectiveness of public institutions. Furthermore, this thesis scrutinizes the indispensable concept of “Administrative Capacity”, which plays a central role in determining an administration’s ability to deliver efficient and qualitative services and that, in the Italian scenario, is thought to suffer a strong *deficit*. In tandem with these considerations, the chapter highlights the centrality of public value in the result-oriented culture of public administration, emphasizing the intrinsic connection between the public sector’s actions and the societal outcomes it seeks to achieve. As we delve into each subsection, it is our aspiration to unravel the complex interplay of these concepts and provide a robust foundation for the subsequent chapters, which will explore their practical application and implications in contemporary governance.

Chapter 3 takes us “behind the scenes” of the European Union’s Next Generation EU initiative, examining the political intricacies and negotiations surrounding its conception. Against the backdrop of the COVID-19 pandemic and its socio-economic fallout, we explore the genesis of the Recovery and Resilience Facility. This chapter serves as a critical juncture in our understanding of the RRF, commencing with an overview of its inception. Herein, we delve into the profound reconfiguration of roles within the European Union institutions and the creation of the RRF Task Force at the European Commission, a development that underscores the evolving dynamics of EU governance. Furthermore, this chapter illuminates the novel roles undertaken by national authorities in the context of the RRF, witnessing the interplay between supranational and national elements in shaping this initiative. As we cut across these dimensions, we embark on a journey of constitutional interpretation, seeking to elucidate the emergence of a new Euro-national method of government. This interpretative lens affords us the opportunity to discern the evolutionary underpinnings of the RRF and its implications for the broader landscape of European governance.

Chapter 4 unveils the complexities of *Italia Domani*, Italy’s NRRP. We trace its origins, offering valuable insights into the genesis and rationale behind this transformative endeavor. Subsequently, we delve into an in-depth analysis of its key components and priorities, shedding light

on the focal areas that underpin this ambitious plan. However, the heart of this chapter lies in the examination of its governance structure, including the original configuration under the Draghi Government and its subsequent reorganization by the Meloni Government. Furthermore, we explore the crucial collaborative dimension of Italian public authorities and their European counterparts, highlighting the dynamic interplay between national and supranational actors in the realization of *Italia Domani*'s objectives. Lastly, we turn our attention to the importance of embracing innovation in public policy, addressing *Italia Domani*'s implementation challenges and capitalizing on opportunities inherent in this transformative journey. Within this intricate set of governance and policy implementation, the final section seeks to investigate the innovative approach of integrating the REpowerEU initiative, shedding light on how the arrival of the new energy emergency has broadened the objectives and scope of Italian NRRP, amplifying its transformative potential. By unpacking the governance, structure, and framework of *Italia Domani*, this chapter aims to provide a comprehensive understanding of Italy's response to contemporary challenges and its commitment to fostering resilience and recovery.

Chapter 5 adopts methodological lens, elucidating our data collection and analysis methods while acknowledging their inherent limitations. We then pivot to the heart of our analysis, examining the shift from spending programs to a result-oriented approach. The core of this investigation lies in unraveling the impact of National Recovery and Resilience Plan (NRRP) governance on the functioning of the Italian public administration. With the advantage of extensive interviews conducted among Commission officials, national central administration personnel and local administrators, engaged in the implementation of the NRRP, we test our hypothesis of whether this unique mechanism of governance has effective and real implications for the future of Italian administrative landscape in a perspective of results-oriented approach, with a true change of paradigm. We delve into the temporal aspect and contemplate the importance of multi-level thinking within this governance framework. Furthermore, this thesis conducts a meticulous analysis of the link between the Italian NRRP and public administration efficiency, discerning the implications of this transformative initiative on the efficacy of public service delivery. Lastly, Chapter 5 culminates in a forward-looking consideration of a new paradigm - the extraordinary procedure for more ordinary times, which poses intriguing prospects for innovative administrative procedures within this evolving landscape. As we traverse these dimensions, this thesis aspires to contribute to the discourse surrounding contemporary governance models and their adaptability in diverse contexts, ultimately shaping a more resilient and prosperous future for Italian public administration.

In our concluding chapter, we summarize our findings, distilling key insights from our multifaceted exploration. We contemplate the implications of our research for future endeavors in

both academia and policymaking. Additionally, we offer recommendations aimed at enhancing Italian public administration quality in light of the governance and measures instituted within the Italian NRRP. This thesis will ultimately try to analyze whether the governance of this Plan will have some ground of influence in the Italian PA's quality. As we embark on this intellectual journey, we seek to shed light on the complex interplay between governance, policy, and performance in the context of the Italian NRRP. Our ultimate aim is to contribute to a deeper understanding of the challenges and opportunities that lie ahead in an ever-evolving landscape of public administration.

The willingness to bring this intricate topic to the center of this academic dissertation comes, among other things, as a conclusion to my special double degree academic path which has seen me in between Rome and Brussels, having the opportunity to study the process of European and Italian policy making – at times very intertwining as we have seen – from two privileged points of view. My active involvement in experiences both in relation to the Italian and to the European public administration context has pushed me to discern a *topic* which really lies – almost metaphorically – in between the imaginary line across those two centers of power: *the Recovery and Resilience Facility*. This has nourished my willingness to dedicate myself to the work of this dissertation which aims at posing just a humble basis, useful to start a future wider and deeper reasoning over the future of Euro-national policymaking and a new and innovative era for Italian public administration.

The work of this dissertation could not have been possible without the precious contribution of amazing professionals who work daily with efforts and dedication to the development and success of this challenging Plan. Therefore, I would like to express my sincere gratitude to Caroline Tixier, Adelaide Mozzi, Paolo Casalino, Simona Montesarchio, Antonia Ronzio, Fabrizio Penna, and Massimo Allulli for their invaluable contributions to this academic work. Their expertise, guidance, and unwavering support have been instrumental in shaping the trajectory of this research. Through their insightful feedback, constructive criticism, and scholarly insights, they have played a pivotal role in enhancing the quality and depth of this study. Their dedication to their work for the public cause and their willingness to share their knowledge have been truly inspiring. I am profoundly thankful for the time they have generously devoted to this endeavor. Their contributions have been instrumental in making this work possible, and for that, my deepest thanks go to them.

Chapter 2

Theoretical background

2.1. Theories of Public Management - the State of Art

The basic reasoning at the core of this dissertation relies on the theories of “public management” that, for decades, have been studying which is the best combination of actions and *modus operandi* to manage every State’s public administration.

Starting from the etymology of the term “management”, according to Hood (2007), there is a curious origin of the word that seems to have originally come into English in the sixteenth century from the Italian verb «*maneggiare*», meaning to train or ride a horse with skill. Therefore, the handling of public affairs was frequently referred to as “management” in the late eighteenth and early nineteenth centuries.

Nowadays, “Public management” is a widely accepted concept within public administration (PA) and has been defined by numerous scholars and experts in this field. Ferrel Heady provided one of the most influential definitions of public management in his 1956 book “Public Administration: A Comparative Perspective.” Heady (1956) defined public management as “the accomplishment of public purposes through the organization and direction of human effort”. This definition emphasizes the importance of achieving public goals through effective management of human resources and organizational structures within the public sector. Over time, however, this definition of public administration has evolved to accommodate new ideas and practices within this discipline of administration. In this sense, the term “management” itself is conventionally defined as the direction of resources or human effort towards the achievement of desired goals (Hood 2007). Indeed, most of the standard definitions of public management amount to some variant on “the study and practice of design and operation of arrangements for the provision of public services and executive government” (Hood 2007). And it is often observed that organization – and the willingness to be organized – is as important, if not more so, as money and other resources for the effective conduct of warfare, welfare, and many other kinds of public activity (Hood 2007).

Today, more generally, public management refers to the processes, structures and practices utilized by governments and public sector organizations in achieving their goals and objectives. It is a field awash in theories that attempt to explain how public organizations operate, how they can be improved, and how their efficiency and effectiveness can be increased. These theories incorporate

elements from various disciplines, such as economics, political science, sociology, and psychology; each providing different views on how public organizations should be structured, managed, and operated. Thus, theories of public management play an essential part in shaping policies and practices of governments and public sector organizations worldwide.

The theoretical approach of public management in the Italian context according to Cucciniello et al. (2020), moves from the paradigm of Italian business economics and, in particular, from the concept of “institution,” defined as an enduring, dynamic, orderly, unified, and autonomous system of people who use tangible and intangible assets to pursue diversified purposes. Indeed, in this context it is useful to propose some distinctive elements of the theory of business administration applied to public institutions. Following this logic, Cucciniello et al (2020) identify a number of points: first, the conception of management as transversal to the different institutional spheres; second, the concept of the “firm” as a reference institution; third, the concept of the autonomy of the public firm; and finally, the idea that the system of public institutions is not a unitary and indistinct organic body, but a series of autonomous institutions, each endowed with its own specificities, history and distinctive competencies. This theoretical approach of public management stands from a more modern conception of public administration that has ultimately led to a vision that encompasses the term management to the delivery of public services to underlie the essence of its usage, also in a broader intellectual frame comprising an elaborate general philosophy of rewards and punishments (Hood 2007). This terminology takes into account a more result-oriented approach in the performance of public administration, which is ultimately useful for the analysis of this dissertation and accounts for the more general understanding of public administration that this work seeks to analyze.

Taking all this into consideration, this chapter aims at exploring the theoretical background behind the schools of public administration, trying to review the significant passages in the evolution of theories of public administration and ultimately trying to identify the current state of art of the discipline. It will also attempt to define some basic concepts connected with the practice of result-oriented approaches, such as the notion of performance, the concept of efficiency in public administration and the wider meaning of public value in the context of a PA result-oriented approach culture.

2.1.1. From classical Public Administration to Postmodern Theories, passing through New Public Management

Generally speaking, three major models for comprehending public administration exist: Classical Public Administration theory, New Public Management (NPM) theory, and Postmodern Public Administration theory (Cucciniello et al. 2020). Each of these approaches offers a unique viewpoint on how administrators could approach their work.

The former is linked to Max Weber, Woodrow Wilson, and Frederick W. Taylor. This was the first systemic practice of administration of wide public systems. It is often referred to and linked to the so-called “bureaucratic model”. Max Weber places bureaucracy in the broad process of rationalization that has characterized the West, and outlines the ideal-typical model of bureaucracy, whose rise is linked to the rise of mass democracy and industrial capitalism. He identifies three forms of power – traditional, rational-legal, and charismatic (for more see Weber 1922) – and their connection to the administrative apparatus, understood as the instrument that enables those in power to maintain it vis-à-vis their subordinates. Since bureaucracy is the specific administrative apparatus related to rational-legal power, its underlying assumption is the existence of a general system of rules that equally binds all actors involved and is the guarantor of the balance of power, therein lies the rationality of bureaucracy. Secondly, Woodrow Wilson contributes to the consolidation of the bureaucratic model, whereby administration must remain outside the political sphere. Bureaucracy provides clear rules in the relations between administration and politicians, and according to Wilson, powers are charged with setting the goals of public institutions without interfering in the administrative activity of the offices, which have full responsibility for execution and management. Technostructures, together with offices, execute the directions by observing public law and its procedures in a detailed and systematic manner. Bureaucracy, therefore, is understood as a neutral, permanent, and meritocratic system, unrelated to politics and policymaking. In this context a “political” behavior of administrators would result in corruption and arbitrary decisions. Wilson therefore advocated for concepts like professionalization, a non-political system, and merit-based promotions. Since sympathy can bring down an administration, bureaucracy should be practical (Denhardt 2000). Finally, Frederick Taylor makes his contribution with the development of the concept of “scientific management,” developed primarily for the private sector. According to this approach, standardization of work involves the identification of the “one-best-way” in the performance of activities, and in the intensive/extensive control to verify that standards are maintained.

Wilson, Taylor, and Weber all sought to increase efficiency, which is valuable in itself, but they also contributed to the fairness of public choices and their implementation through an “impersonality” given by the administration-policy separation, the application of scientific principles to the design of administrative processes, and the use of bureaucratic organizations to implement those processes.

The second theory is New Public Management, it is linked with the widespread introduction of free market ideals into public life, which threatens to completely eradicate political values. In this way, the idea of bringing political principles into “private” space in order to better democratize society is the exact opposite of NPM. The latter, strives from Fox and Miller who argue that the traditional approach to PA lacks independence, which is required to imagine more emancipating conditions of work and governance of public affairs. Hence, he proposes a network model based on economic utility (Ferlie et al. 2007). New Public Management represents a new model of management of public institutions, characterized by interventions to downsize and rationalize the public sector. The work of Pollitt and Bouckaert (2017) is a massive comparative study of the ongoing reforms of public administrations whose most known model is NPM. However, the two authors challenge the idea that NPM is a hegemonic model, by emphasising that national dynamics and traditions of public administration reforms play a role (Vincelli 2018). In this sense, in the Italian context, Vincelli (2018) has framed Pollitt and Bouckaert’s analysis within the Italian case by using the historical approach by Sabino Cassese which presses on the open contradictory and “porous” (*porosa*) nature of the Italian state structure, that is, the ability to negotiate and adapt to external pressures thus slowing down the dynamics of change (Cassese 2014). It is useful for understanding how in Italy the overlapping of different reform models (and resistance to such processes) have been particularly advanced, aided in part by the low rate of ability to implement reforms (Vincelli 2018).

NPM is based on a businesslike and competitive approach and is often coupled with the spread of neo-liberal ideas and the reduction of public spending. It is commonly accepted that among the frameworks that promoted its development there are: *the neoclassical economic theory*, which advocates the primacy of markets that ensure freedom of choice, as opposed to bureaucracy, which instead relies on coercive power; *the “public choice” theory*, which aims to maximize the use of the private sector and minimize the size of the public sector, or simulate market models in the public sector, while leaving the distributional logic and equal access to services unchanged; and finally, *the “principal/agent” theory*, whose goal is to define the control mechanisms to align the behavior of managers (agent) with the objectives of shareholders (principal), and to do so requires the downsizing of the state in favor of the private sector. New Public Management generated real changes, including

reforms introduced by Reagan in the U.S.A. and Thatcher in Great Britain, proponents of public spending restraint and privatization and critics of public institutions on three fronts: the size of government (too costly), its reach (too wide), and the inefficiency of public services due to bureaucratic management methods. It is important to note that these theories were not specifically developed for NPM but have been applied and integrated within the context of public management.

Postmodern theory emerged as a response and critique to the New Public Management (NPM) approach, challenging its assumptions and premises while drawing attention to its limitations and unintended effects in public administration. Postmodern administration marks a radical departure from traditional administrative theories and paradigms. Grounded in postmodern philosophy and social theory, this theoretical framework questions traditional administrative assumptions of objectivity, rationality and universal truths that underlie traditional administration thought. Postmodern administration emphasizes recognizing complex administrative processes and practices while acknowledging subjective knowledge as well as contextual truths as fundamental aspects of its theories and paradigms (Ferlie et al. 2007). It strives from Miller that has written extensively on the application of postmodern perspectives to public administration, emphasizing the significance of recognizing and understanding administrative processes as complex and uncertain processes (Ferlie et al. 2007).

At its core, postmodern administration challenges the notion of an objective reality and instead emphasizes multiple viewpoints and interpretations. The theory posits that power relations and dominant discourse's structure administrative processes, policies, and decision making. Furthermore, language, symbolism and social constructions all have an effect in shaping and creating administrative realities (Bogason 2005). Postmodern administration challenges the notion of a unifying public interest and emphasizes the necessity of taking into account differing, sometimes contradictory, interests and values within administrative practices. Finally, postmodern administration contests the assumption that administrative systems and practices can only be driven by efficiency and effectiveness, advocating instead for more complex views of ethics, values, and social justice within administration systems and practices.

The three have shaped the debate on public administration and therefore are at the basis of the wider concept of public management.

2.2. The Concept of Efficiency and Wider Notion of *Performance*

When defining public management, a lot has to do with the achievement of public goals through *effective* management of human resources and organizational structures within the public sector. The concept of *efficiency* is central in public administration theories, and it is related to the wider field of the public management domain (Cucciniello et al. 2020). It is often explored in relation to the influential notion of *performance* (Blackman 2021), which I will address later on in the chapter, meaning the correlation between the definition of objectives and their attainability and reflection on the organizational quality generated to achieve specific results.

These two concepts are central to the aim of this dissertation since our analysis seeks to shed light on how new methods of governance, in our case related to the implementation of the Recovery and Resilience Facility (RRF), can improve efficiency and therefore have an impact on *performance*. Our analysis centers itself on Italian public administration efficiency, which represents a particular important indicator of the health of a country's public system (Raadschelders 2003). In particular, if taken in the Italian case or, more in general, in southern Europe countries cases, it has always been under scrutiny and happened to be criticized for suffering from important deficits. As strongly remarked by Manzoor (2014), "public administration is traditionally grounded in the achievement of efficiency in the work of public departments in pursuance of goals related to provision of public goods and services". As a result, efficiency plays a substantial role in the study of public administration and governmental sciences.

In more technical terms, in the context of public administration, efficiency is commonly defined as a ratio between resources and results, namely an output to input ratio, known as technical efficiency (Rutgers & van der Meer 2010). When considering measuring efficiency, the Merriam Webster Dictionary (cited by Afonso, Schuknecht & Tanzi, 2003, p. 8) considers the efficiency from the perspective of a comparison between inputs and outputs or between costs and benefits. The bigger the result (output) obtained in relation to the prescribed resources (inputs), the more efficient the activity (Afonso et al 2003). The operationalization of this data on a quantitative point of views makes a good approximation of how I intend to measure Italian public administration efficiency.

Perspectives on efficiency have been the subject of academic debate along two main lines, and it has always relied on how the functions of government are classified (Bohte 2009). Initially, the goal was simply to maximize output; later, it was defined along strictly commercial lines; and finally, a value component was included to account for citizens' expectations as the most important component of public goods and services. On one side, the first line of thought is based on the "ideal type" bureaucracy model by Weber which entails that public organizations are bureaucracies that

deliver rational and efficient organization structures. Accordingly, some scholars have associated bureaucracy with efficient organizations (Denhardt 2000). On the other side, the second view holds that, in a democracy, public institutions are seen as pursuing multiple value-based goals (Rutgers & van der Meer 2010). Thus, “a lack of efficiency” may exist in relation to diversity of goals and political frameworks.

In this regard, the linking between inputs, outputs and then *outcomes* is represented by the notion of “effectiveness”, which represent a good approximation of a measure of efficiency and the effects on it. It is ultimately expressed by the ratio between the *results achieved* and the *programmed ones* and shows the success acquired by using the resources to accomplish the proposed objectives (Mandl et al. 2008). Scholars agree that efficiency analysis needs to be carried out in relation to the concept of effectiveness, otherwise would be incomplete (Manzoor 2014, Vavrek 2018).

An important aspect that needs to be considered is that we are attempting to examine efficiency in a system that is strongly focused on values, inspirations, and human perceptions – like the one of a national public administration office –, opposed to an environment of conventionally measured quantities, and this takes on a completely different viewpoint (Grandy 2009). This “value dimension” offers a distinctive and completely different perspective on public administration efficiency. All of this needs to be taken into account when it comes to measuring efficiency, and it is particularly crucial in relation to different public offices environments in different countries or, as in our case, public offices environments in the same national territory but with different strategies and/or instruments.

All that said, exploring how and to what extent Italian public administration efficiency, interpreted as I have tried to analyze above, is affected by the complex system of governance created for the realization of Italy’s National Recovery and Resilience Plan, is of particular interest.

2.2.1. Performance Management and Measurement

The concept of efficiency is often strictly linked to the wider notion of performance that, as remarked at the beginning of this chapter, can be understood as the correlation between the definition of objectives and their attainability and reflection on the organizational quality generated to achieve specific results (Blackman 2021). Performance in public management is of utmost significance as its relevance lies directly with effectiveness and accountability of public organizations. Public management encompasses all processes, structures, and practices employed by governments and

public sector entities in pursuit of their goals and objectives; performance acts as a barometer to evaluate whether these organizations fulfill their missions while meeting citizens' needs.

One key reason for public management's emphasis on performance is due to their responsibility of allocating public resources efficiently and effectively. Public managers entrusted with taxpayer funds must ensure their resources are utilized in ways which maximize value creation while meeting desired outcomes. Performance measurement and evaluation mechanisms allow managers to gauge whether resources are utilized efficiently while also pinpointing areas for improvement. They are particularly useful in organizational learning and continuous improvement within public management. By collecting and analyzing performance data systematically, public organizations can identify strengths and weaknesses, understand factors impacting performance, implement evidence-based strategies to increase effectiveness, as well as utilize feedback mechanisms that facilitate adaptive management strategies while creating an atmosphere conducive to creativity, learning, and innovation within organizations.

Performance measurement and management play a vital role in creating greater transparency and accountability within the public sector. By setting metrics and targets for public organizations to meet, performance measurement enables citizens, policymakers, and oversight bodies to evaluate public organizations, hold them accountable for their actions, make informed decisions regarding resource allocation or policy formulation.

Academic discussions regarding performance management in public administration often include discussions around performance measurement frameworks, indicators and management systems relating to measuring and improving public sector performance in complex contexts (Blackman 2021). Through rigorous research and analysis, academics contribute to creating theories, models and best practices which enhance understanding and implementation of performance management in public organizations.

In this regard, performance of a public institution is the institution's ability to meet the expectations of multiple stakeholders. It is the set of activities carried out by public institutions to manage and improve performance. According to Cucciniello et al. (2020), it consists of three components:

1. *Performance planning*, or goal setting;
2. *Performance measurement*, i.e., all those processes and tools through which performance information is collected and made available; it enables the clarification of the relationship between a public institution's objectives, resources (*inputs*) used to achieve them, and the

results achieved in terms of services provided and activities carried out (*outputs*) and the impacts generated by the outputs produced (*outcomes*);

3. *Performance evaluation, or merit evaluations.*

This can be ultimately summarized in the so-called “performance cycle”. Public management performance measurement and evaluation systems are guided by strategic input that sets an overall direction. This also guides the selection of indicators which must reflect those fundamental choices central to its success, such as an organization or program. Strategic directions provide the framework for operational planning, which involves developing a performance Plan outlining specific actions and resource allocation. The ultimate aim is to link activities and resources through performance measures which objectively assess attainment of intermediate output or final outcome objectives.

Planning is integral in both management activities and performance measurement processes; its aim being to design appropriate information systems necessary for accurate, dependable measuring processes. Due to new information or circumstances, performance measurement and evaluation cycles may need to be adjusted due to unexpected information or events. Such revisions could involve revising outcomes targets accordingly thereby strengthening its flexibility to adapt with changing conditions. At the heart of every performance management cycle lies an emphasis on results, placing evaluation as its focal point (Cucciniello et al 2020). Comparing objectives against actual achieved results provides the basis for reporting and assessing performance outcomes.

Regarding performance measurement, it can be said to be multidimensional and can be measured and evaluated by several parameters: efficiency, effectiveness, cost-effectiveness, and equity. The latter parameter has a distinctive significance for public institutions since it concerns the distribution of costs and benefits of administrative action among members of the target community and invokes an underlying tension toward their equality. We need to remember that the fundamental goal of public institutions is to meet the needs of the population that are not met by individual or private action (Cucciniello et al 2020). Compared to enterprises, public administrations are not assessable by economic outcome because the final products are not traded at market prices; the measurement of economic values has a very partial meaning because it is not automatically expressive of the value produced (Cucciniello et al 2020).

In conclusion, performance in public management holds immense value due to its ability to facilitate efficiency, accountability, transparency, organizational learning and, ultimately, the achievement of public sector goals. By monitoring and evaluating performance closely, public organizations can enhance their capacity to provide responsive services, meet citizen needs and advance public interests more effectively.

2.2.2. The Crucial Concept of Administrative Capacity

There is no standard definition of the concept of administrative capacity. It is a complex, almost elusive concept, at least for two orders of reasons. First, because it lends itself to being read and analyzed from multiple points of view with the effect that, the only useful approach to trying to approach its exact content appears to be a multidisciplinary one. In this sense, two components seem to coexist, so to speak, in the concept of administrative capacity: one legal and one economic-managerial. Second, because administrative capacity, on a factual and operational level, tends to take on varying geometries and contents, both in time and space (Scaramella 2022).

When it comes to the National Recovery and Resilience Plan, a lot has been said about Italian administrative capacity (“*capacità amministrativa*”), starting from the Decree Law 80/2021. A piece of legislation which lays at the basis of every reasoning regarding the Plan and that is rooted on the concept of administrative capacity itself. It is precisely in the concept of “capacity,” and more specifically in the strengthening of so-called administrative capacity, that the functional value of the entire regulatory framework recited by DL 80/2021 must be identified. With this decree, in fact, the national legislature wanted to stimulate and strengthen the administrative capacity of the public administration, as a strategic choice for the implementation of the objectives of the NRRP.

The objective of the mentioned Decree Law does not represent the mere inauguration of a hiring season in Italian public administration, rather, the strengthening of the latter's administrative/functional capacity (Scaramella 2022). Put another way, the hiring sessions envisaged by DL 80/2021, must be read in terms of being instrumental in triggering that administrative and functional capacity strengthening.

In the context of Italy's public administration, faced with a traditional deficit on the issue of administrative capacity, the Draghi government took note that in the eyes of the European Union and financial markets it would have been scarcely credible to argue that Italy's bureaucracy after this decade of cuts without reforms could be the backbone on which to rest the entire complex organizational machinery supporting the implementation of the National Recovery and Resilience Plan (Di Mascio and Natalini 2022). This topic will be deepened in detail in the fourth chapter of this work, when we will have a closer look at the Italian governance. For this reason, Italy invested 0.66 percent of the European funds allocated under the NGEU on building administrative capacity, totaling 1,268.9 million euros (Di Mascio and Natalini 2022). Moreover, in the Italian NRRP, administrative change is not only the subject of specific interventions but is also the focus of a series of cross-cutting reforms.

2.2.3. The Importance of Public Value in the Result-Oriented culture of PA

When attempting to examine efficiency and performance, it is fundamental not to overlook the importance of the “value dimension” which offers a distinctive perspective on public administration efficiency. It needs to be taken into account when it comes to measuring efficiency, and it is particularly crucial in relation to the measurement of the action of a public administration. Those familiar with economic welfare analysis will recognize the reasoning of “measuring” as a particular application of the Pareto efficiency principle; rather than being applied to the allocation of goods and services, however, the suggestion here is that the public administrator apply the criterion to the *public values* at play in a particular issue (Grandy 2009). Therefore, on a strictly complementary level to that relating to the development of performance management - beginning with the work of M.H. Moore (1997) - are the reflections around the concept of “public value.”

According to Moore (1997), public managers are explorers who seek to discover, define, and produce public value. They start from the observation that, while it is easy for a company that is in the market to define what is meant by the expression “creating value,” it is much more difficult for a public administration that must respond to the needs and expectations of a plurality of stakeholders. Hence, here, in a result-oriented culture of public administration, the concept of “public value” takes a wider conception. Public value must be assessed from a multi-perspective side that includes: the value produced for users by services in individual demand; the social impact of policies directed at community welfare; trust and legitimacy enjoyed by the public administration (both in reference to representatives of the executive as well as to public managers). Thus, from the impossibility of adopting a reductive corporatist viewpoint, a series of considerations arise regarding the role and training of the public manager, who must be able to identify ways through which they can give voice to citizenship, create network structures, promote a culture of community welfare, ensure trust and transparency and much more.

This meaning of efficiency primarily applies to the quality and character of individuals and groups of individuals (Rutgers and van der Meer 2010). This view is linked to the concept of substantive efficiency (the efficient administrator), more than technical one (as the best use of resources). In public administration, efficiency refers to a broad range of values, including the capacity to act, the ability to act promptly, the capacity to act with knowledge and integrity, and others. The term becomes significantly more ambiguous, just like other fundamental ideas, which is obviously a drawback, but more importantly, it fully expresses the significance of administrators and administrative institutions as competent actors. In general, the NPM’s transition to explicit value orientations is reflected in the analysis of efficiency's meaning.

M.H. Moore's concept of public value as presented in “Creating Public Value: Strategic Management in Government” (1997) makes an invaluable contribution to public administration within an outcome-focused culture. Public value refers to benefits and outcomes created by public organizations for society as an entire unit, emphasizing its significance through actions taken or policies implemented by governments that generate positive societal effects and achieve tangible results through government policies or actions taken against it. Under a result-oriented culture in public administration, public value becomes key for several reasons. First and foremost, it shifts the focus from *purely bureaucratic and process-driven approaches* to a *more outcomes-oriented perspective* that allow public administrators to assess how effective or detrimental their actions and decisions have been for their citizens well-being and their community wellbeing. Public value serves as the cornerstone of effective government management strategy, underscoring its significance by emphasizing its relevance in aligning activities and resources with society's wider goals and priorities. When considered from this angle, public administrators can make better informed decisions, allocate resources efficiently, and focus on initiatives with higher potential to bring about positive outcomes more successfully.

In summary, public value, as remarked, also promotes accountability and transparency within public administration, by encouraging administrators to engage with stakeholders in decision making processes and engage them directly as partners in decision-making processes. By understanding and meeting citizen expectations and needs, public organizations can increase legitimacy and trustworthiness of themselves as trustworthy organizations.

The theoretical framework in which these reasonings fit and that I will adopt is *new institutionalism*. In this regard, I will engage in a multi-level analysis where I am interested in the bigger picture of public administration governance at State level, in close relationship with guidelines provided by the European Union and activity of the local and territorial national entities.

In conclusion, this theoretical background reveals a quite intricate landscape on what we mean by public administration efficiency. Surely, measuring it is not an easy task. Probably it is something that lies in between a culture of results and empirical evidence – based on numbers and data – and not on percentage spending and fulfillment, like it used to be in the recent Italian tradition. What we are sure about is that moving toward better quantified and better-defined goals that actually drive the administration toward getting results is a gain, and that all lies in the capacity of being able to organize monetary and human resources get those results. This can be done, on the one hand, knowing how to build and how to measure, through real indicators, all actions, also related to the RRF; on the other hand, having the confidence that this kind of method in defining interventions and scanning targets will lead to improvements in the efficiency of the wider administration.

Chapter 3

Behind the scenes of Next Generation EU: the Politics of an Emergency

3.1 The Outbreak of COVID-19 Pandemic and the Socio-Economic Situation

“NextGenerationEU is more than a recovery Plan – it is a once in a lifetime chance to emerge stronger from the pandemic, transform our economies and societies, and design a Europe that works for everyone. We have everything we need to make this happen. We have a vision, we have a Plan and we have agreed to invest €806.9 billion together. Find out how the EU is making Europe healthier, greener, and more digital, and how you can be part of the change”¹.

This is the headline of the dedicated European Commission Next Generation EU website. From these few sentences, it is clear the relevance and unparalleled scope that this Plan aims to represent. Covid-19 pandemic outbreak has precipitated an unprecedented global crisis that had, and is having, far-reaching ramifications on societies and economies worldwide. From its initial outbreak in late 2019, this novel coronavirus has caused great human distress and presented serious obstacles for global societies and economies. As governments implemented measures such as lockdowns, travel restrictions, and social distancing protocols in an attempt to combat virus transmission, the socio-economic landscape underwent drastic change. The pandemic's destabilizing impacts revealed weaknesses in current economic structures, leading to widespread unemployment, business closures, and income disparity. In this dramatic landscape, recognizing the urgent need for comprehensive recovery efforts, the European Union (EU) responded with the Next Generation EU initiative (NGEU). This 750 billion euro Recovery Plan seeks to assist Member States in revitalizing their economies while managing any socio-economic repercussions arising from pandemic. Next Generation EU provides financial support and promotes investments in key areas like digitalization, green transitions and healthcare with the aim of building resilience and sustainable growth despite unprecedented challenges.

According to some scholars (see Armingeon et al 2022), NGEU was shaped by past vulnerabilities, rather than addressing the pandemic *per se*. They demonstrate that the major cause of

¹ European Commission (2023), Next Generation EU website. The figure of total investment is in current prices. It amounts to €750 billion in 2018 prices. Available at: https://next-generation-eu.europa.eu/index_en [accessed on 25th June 2023].

NGEU is the political and economic imbalances that the Eurozone crisis has left behind. This is evident from the RRF's grant allocation formula where the real immediate effects of the pandemic, such as excess mortality rates, the number of bankruptcies caused by the pandemic, or the rise in income inequality and poverty, were never factored into the allocation key agreed upon by the European Council when determining the size of grants. Meanwhile, mainly economic criteria and population size were considered (Armingeon et al 2022). According to this view, in response to the pandemic, the decision-makers' major concern was to deal with the economic and political consequences of the mismanagement of the sovereign debt crisis, in order to avoid a break-up of the Eurozone, further economic fragmentation, and political instability within the EU.

On the other side, some other scholars have been qualifying NGEU as a qualitative switch in the EU, being a historic achievement (Jones 2021) that introduces important institutional challenges that we will consistently analyze in the following chapters of this dissertation. Also, some other academic contributions, highlight the potential of NGEU of being an interesting case of transformative policy learning and a fundamental opportunity for a change in economic governance of the European Union (Ladi and Tsarouhas 2020). The latter argue a peculiar interesting fact: the Covid-19 crisis is a critical juncture for the EU. As a result, EU economic governance ceases to be limited to its regulatory function and is now complemented by a redistributive function as well (Ladi and Tsarouhas 2020).

What is clear is that the extraordinary ideation and implementation of the Next Generation EU Plan deserves to be explored in relation to the nature of the Plan and its unprecedented timing. The rapid reaction with which the Commission has put forward the "grounding" of this Plan and its innovative soul is of notable importance.

The Next Generation EU and the Recovery and Resilience Facility (RRF) were developed together with the 2021-2027 MFF and as a response to the consequences of the Covid-19 pandemic. As Covid-19 crises intensified, Europe increased borrowing. SURE (Temporary Support to Mitigate Unemployment Risks in an Emergency), was a new instrument providing loans of up to 100 billion euro per country for short-term employment schemes at lower costs. So as not to compromise the EU's creditworthiness when borrowing more, debt is guaranteed not only through existing EU budget buffers but also via 25 billion euro worth of irrevocable or callable guarantees from Member States. Even with SURE in place, however, EU borrowing capacity remained severely constrained. These volumes remained small, as these programs only permitted back-to-back borrowing (i.e. issuance based on disbursement rather than bulk lending), thus restricting EU market access flexibility compared to that enjoyed by major issuers like Russia or China. It became necessary for an immediate

fiscal response against pandemic disease in order to effectively combat it. In July 2020, EU Member States agreed to temporarily increase borrowing at an EU level again, this time on a larger scale and with investments targeted toward green and digital transformation projects as their priority areas of emphasis. Next Generation EU enabled Member States to lend up to 750 billion euro at 2018 prices (about 806.9 billion euro at current prices until 2026), borrowing an average annual sum of around 150 billion euro from 2026 onwards. The EU may borrow additional amounts over that timeframe as needed. EU Member States have agreed to increase the EU Debt Guarantees by an increase of 0.6% of Gross National Income and to consider new own resources. Notable features of NGEU's expansion include not only its expanded borrowing power but also how expenditure is allocated across its Member States. First time ever, borrowings from NGEU will be used to finance loans and grants. A maximum amount of EUR 386 billion of loans could be funded this way with EUR 421 of grants; these maximums depend on all countries applying for what is eligible under their country-specific eligibility rules as well as meeting all milestones on time (Christie, Claeys and Weil 2021).

To understand the economic and social situation since the pandemic, Eurostat has developed a useful Dashboard, namely the *Eurostat Recovery Dashboard*² which presents economic, business, people and work indicators monthly since December 2020; each monthly statistical data is completed with an analysis of the indicators in the Eurostat commentary. It is clear from it and from the graph below (*Figure 1*) that in the first phases of the pandemic and in the immediately following periods, where the entire world, at different times, was implementing strict emergency measures to tackle the spreading of the virus, including mainly generalized lockdowns, the economy and the social situation was worsening in a severe manner.

² accessible at: <https://ec.europa.eu/eurostat/cache/recovery-dashboard/>

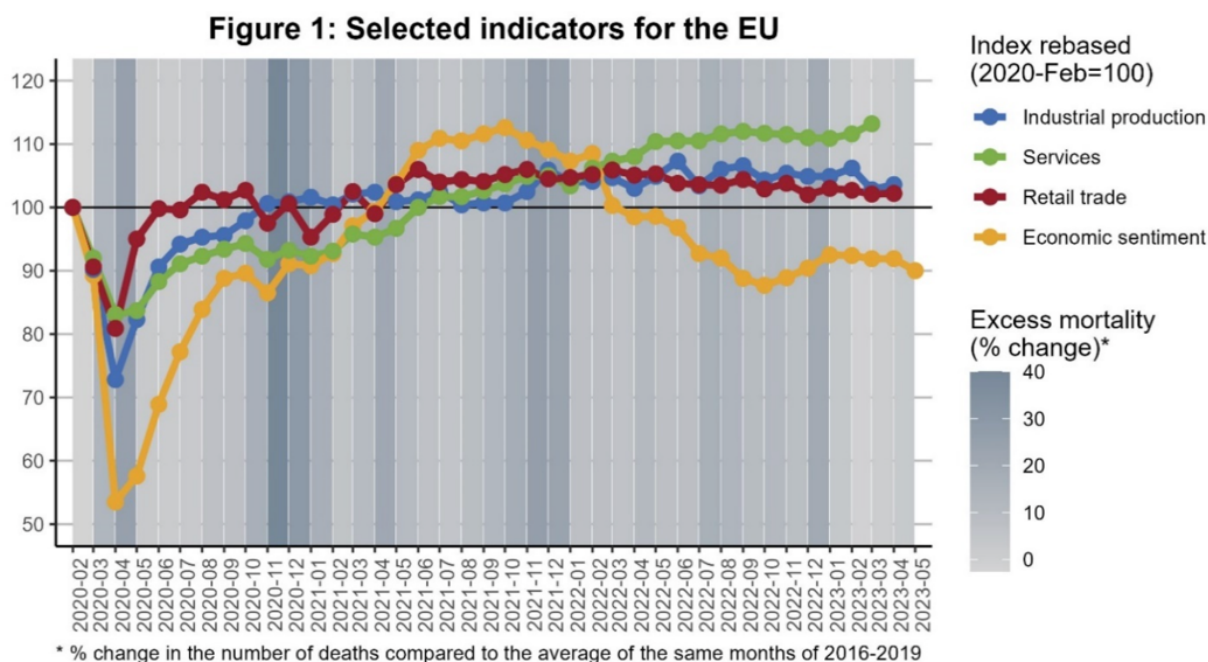


Figure 1. Selected indicators for the EU

In this scenario, this chapter aims at analyzing the conceptualization of the Next Generation EU Plan and the idea behind it, highlighting both European Union's and the Member States' respective roles. In doing so, I will first explore the socio-economic situation that has led to the basis for the Plan and the "politics of an emergency" that has characterized the situation which led the ideation of the NGEU Plan (which I will often refer to as the "Plan"). After, I will explore all significant details of the Recovery and Resilience Facility (RRF) and I will finally try to shed light on the unique Euro-national method of government that has been implemented in the context of national Recovery and Resilience Plans.

3.1.1. Politics of an Emergency: Measure to Support the Economies

It was Italian Prime Minister Giuseppe Conte who, on 17th March 2020, first suggested to other European leaders "to take extraordinary measures and consider issuing joint debt at EU level in order to help Europe's economy recover from the coronavirus crisis" (Fortuna 2020; Herszenhorn 2020). According to Conte, it is impossible for any EU Member State to remain unaffected "by this socio-economic tsunami." He emphasized that delaying the collective response of the EU would be irresponsible and could have fatal consequences. Furthermore, he stressed the importance of EU leaders exploring all available options, which encompassed the issuance of "coronavirus bonds" or

utilizing a European guarantee fund (Fortuna 2020, March 28). The term “Coronabonds” was coined at that time to refer to the idea of issuing common debt.

Italy and Spain were on the same line while the proposal advances by Giuseppe Conte encountered the strong opposition of the Netherlands and Germany. “We need to react with innovative financial tools,” Conte told his Council counterparts and issued an ultimatum giving Brussels’ officials 10 days to come back with “an adequate solution.” Spanish Prime Minister Pedro Sanchez voiced his solidarity for Italy after experiencing significant deaths due to coronavirus infection, emphasizing the significance of proposing an integrated, robust, and effective response to current economic turmoil - failure of which would cause greater and prolonged adverse repercussions and threaten Europe as an institution altogether. According to a statement issued from his office, Sanchez underlined the necessity to avoid repeating mistakes made during 2008 financial crisis that caused discord within European communities while at the same time contributing to populist rise; lessons must be drawn from past mistakes made then.

During talks in view to the negotiation of the Multiannual Financial Framework (MFF), some Member States voiced their concerns regarding the new financial framework period. In particular, on 19th April 2020, Spain presented a non-paper³ in the Eurogroup meeting where it declared “*that the Mediterranean countries had a strong interest in European aid being provided in the form of grants rather than loans.*” On the 8th of May 2020, the Polish position paper⁴ “*provided indications that the central and eastern European Member States are interested in substantial additional funds as part of a European economic stimulus package. As the main beneficiaries of cohesion policy, they are in favour of increasing the budget for the European Structural Funds.*” In addition, the French Ministry of Finance presented a non-paper with ideas and objectives for a European reconstruction fund on the 8th of May 2020. On the 18th of May a joint press conference⁵ by Chancellor Merkel and President Macron presented a Franco-German view for “*an ambitious – but limited in time and scope – fund for the economic recovery of European economies within the framework of the MFF. In total, an additional €500 billion is to be made available for the European Green Deal and digitisation. This bilateral initiative also advocated that the EU should take on debt and raise the ceiling of own resources for this purpose. Debt raising should remain a temporary exception and be linked to a binding repayment schedule in the European decision on own resources.*” Few days later, on the 23rd

³ Spain’s non-paper on a European recovery strategy, April 19, 2020. Available at: <https://www.politico.eu/wp-content/uploads/2020/04/Spain-.pdf>

⁴ Stability and investment - EU response to the COVID-19 crisis and beyond, 8th May 2020. Accessible at: <https://www.politico.eu/wp-content/uploads/2020/05/Polish-paper-.pdf>

⁵ Initiative franco-allemande pour la relance européenne face à la crise du coronavirus, 18th May 2020. *Elysée* website. Available at: <https://www.elysee.fr/emmanuel-macron/2020/05/18/initiative-franco-allemande-pour-la-relance-europeenne-face-a-la-crise-du-coronavirus>

of May the *Frugal Four* - the Netherlands, Austria, Sweden, and Denmark, presented their own position paper (Heikkilä & von der Burchard 2020) suggesting “*setting up a temporary, one-off Emergency Fund to support the economic recovery and the resilience of our health sectors to possible future waves. This would come on top of a modernized MFF and as a supplement to the package of 540 billion euros already agreed on by the European Council and other far-reaching and unprecedented initiatives at EU as well as national level. What we cannot agree to, however, are any instruments or measures leading to debt mutualisation nor significant increases in the EU budget.*”⁶

On top of a modernized MFF, they propose to create an Emergency Recovery Fund based on a ‘loans for loans’ approach (Heikkilä & von der Burchard 2020).

Following these recommendations and inputs, on 27th of May 2020, the Commission presented its adapted and updated proposal for the 2021-2027 MFF already under the name “NextGenerationEU” with the most significant part of it named “Recovery and Resilience Facility”:

“[...] this is why the Commission is today proposing a new €750 billion recovery instrument, Next Generation EU, embedded within a powerful and modern long-term EU budget.”⁷

3.2 Exploring the Genesis of National Recovery and Resilience Facility: An Overview

“The European Commission put forward a proposal to establish a €750 billion European Union recovery instrument, Next Generation EU (NGEU), on top of a revised 2021-2027 MFF worth €1.1 trillion. The financing of the instrument would come from funds borrowed on the markets by the Commission on behalf of the EU, while a mix of new and already planned instruments under the EU budget would channel expenditure, combining grants (€500 billion) and loans (€250 billion).”

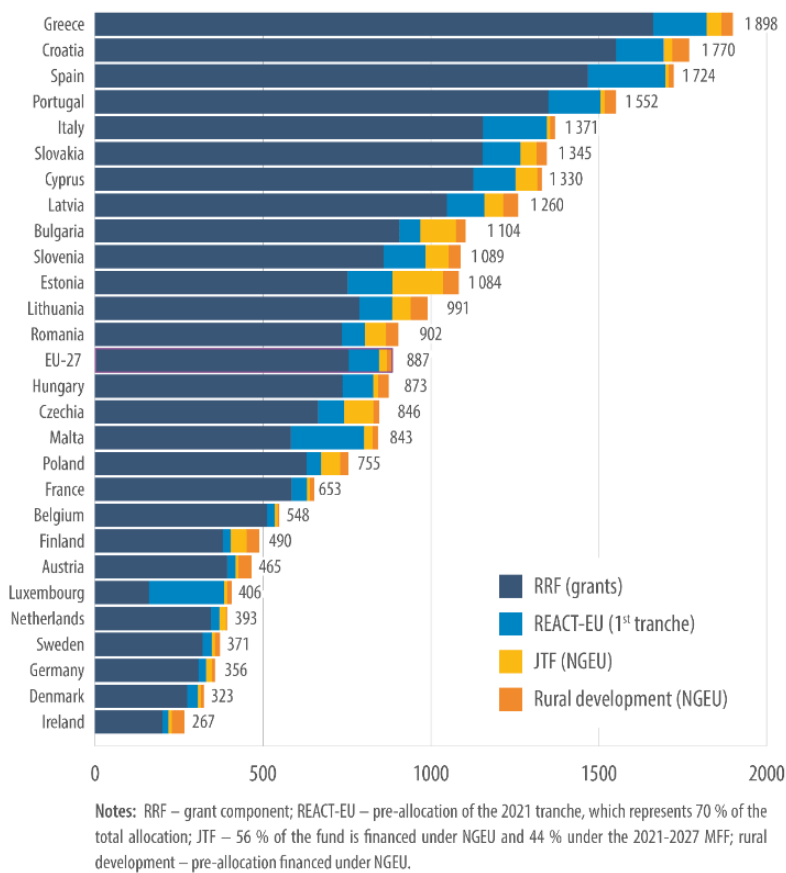
- In European Union Recovery Instrument⁸, Alessandro D'Alfonso, EPRS, last updated 20 September 2022.

⁶ Non-paper made available from POLITICO accessible at: <https://www.politico.eu/wp-content/uploads/2020/05/Frugal-Four-Non-Paper.pdf>

⁷ COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE EUROPEAN COUNCIL, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS Europe's moment: Repair and Prepare for the Next Generation. COM/2020/456 final. Europe's moment: Repair and Prepare for the Next Generation, {SWD(2020) 98 final}, 27th May 2020. Available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1590732521013&uri=COM:2020:456:FIN>

⁸ D'Alfonzo A. March 2023, European Union Recovery Instrument in “Budgets - BUDG”. Available at: <https://www.europarl.europa.eu/legislative-train/theme-budgets-budg/file-european-union-recovery-instrument>

The EU Recovery Package⁹, “**Next Generation EU** (€806.9 billion in current prices) is implemented through seven programmes. The bulk of the instrument (90 %) was allocated to the Recovery and Resilience Facility¹⁰ (RRF), and the remaining 10 % to the programmes co-financed under the 2021-2027 MFF, i.e. regional development (React-EU¹¹), rural development, Horizon Europe, the Just Transition Fund¹² (JTF), Union Civil Protection Mechanism (RescEU), and InvestEU. In other words, up to 2023, these programmes will be partly financed and implemented under the MFF and partly under NGEU. The proportions of both components vary by programme. While the NGEU share in the total allocation on Horizon Europe is 6 %, it is 56 % in the JTF”.



Source: EPRS based on European Commission and Eurostat 2020 data.

Figure 2. NGEU resources pre-allocated to Member States (RRF, REACT-EU, JTF and rural development) by Member State and per capita (€, current prices)

Under Next Generation EU, the legal commitments on spending have to be made during 2021-2023, whereas the payments can be made until the end of 2026. Each year the amount to be used under the instrument will be entered to the EU budget as an external assigned revenue¹³. Most of the Next Generation EU resources have been pre-allocated to the Member States. Figure 2 illustrates the distribution of NGEU funding under the RRF, React-EU, JTF and rural development programmes per Member State and capita. Funding allocated through the

⁹ EU Recovery Package, EPRS website. Available at: <https://epthinktank.eu/2021/12/01/eu-recovery-package/>

¹⁰ Karaboytcheva M. (2021), Recovery and Resilience Facility, EU Legislation in Progress 2021-2027 MFF, European Parliament Briefings.

Available at: [https://www.europarl.europa.eu/RegData/etudes/BRIE/2021/679088/EPRS_BRI\(2021\)679088_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2021/679088/EPRS_BRI(2021)679088_EN.pdf)

¹¹ To know more: <https://cohesiondata.ec.europa.eu/stories/s/REACT-EU-Fostering-crisis-repair-and-resilience/26d9-dqzy/>

¹² Just transition Fund briefing.

Available at: [https://www.europarl.europa.eu/thinktank/en/document/EPRS_BRI\(2020\)646180](https://www.europarl.europa.eu/thinktank/en/document/EPRS_BRI(2020)646180)

¹³ read more about the external assigned revenue and the EU annual budget in the EPRS publication Economic and Budgetary Outlook 2021,

available at: [https://www.europarl.europa.eu/RegData/etudes/STUD/2022/698897/EPRS_STU\(2022\)698897_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2022/698897/EPRS_STU(2022)698897_EN.pdf)

Horizon Europe, RescEU, and Invest EU initiatives will be distributed to various projects throughout the EU through a competitive process.

In regard to the management of the economic impact of the Covid-19 pandemic by the European Union and exploring the measures that were taken to promote economic recovery, the EPRS study *Economic and Budgetary Outlook for the European Union (2023)* offers valuable insights that I will try to summarize in the following lines.

At the start of the 2022 year, there was a positive economic momentum for recovering from the Covid-19 pandemic, bolstered by decisive fiscal and monetary policies. However, the Russian invasion of Ukraine in February 2022 abruptly halted the economic recovery, resulting in a humanitarian tragedy and a significant shock to Europe's import prices. The current multiannual financial framework (MFF), the sixth of its kind since the 1980s, was established in late 2020. Its design was heavily influenced by the pandemic and led to the adoption of an unparalleled budgetary package that combined the €1,210.9 billion MFF for 2021 to 2027 with the €806.9 billion Next Generation EU temporary recovery instrument. In this new financial structure, the EU budget and NGEU play a significant role in the EU's strategy for reviving the economy (D'Alfonso et al 2023). The 2023 EU budget, amounting to €186.6 billion in commitments, provides additional funding for various programs and policies aimed at addressing the consequences of Russia's aggressive war against Ukraine, including the energy crisis, while also supporting the green and digital transition and biodiversity.

However, faced with multiple challenges, notably the war in Ukraine and its repercussions, the European Commission will assess in the second quarter of 2023 whether EU finances are sufficient to address the evolving context. The European Parliament has repeatedly expressed concerns that the EU's long-term budget may already be stretched to its limits, calling for an ambitious revision to increase the EU budget and enhance its flexibility. The Parliament emphasizes the importance of upholding the rule of law in relation to the EU budget, as it is crucial for sound financial management and effective utilization of EU funds. Additionally, the Parliament advocates for strengthened parliamentary scrutiny and transparency over EU expenditure, including through NGEU and other EU financing tools, particularly off-budget instruments (D'Alfonso et al 2023). These issues will be examined in conjunction with the forthcoming modification of the EU's financial rules.

In this context, NGEU represents a significant but temporary advancement in EU financial practices. Its primary objective is to substantially enhance the resources allocated through EU budgetary instruments until 2026, facilitating ambitious investment and reform initiatives aimed at fostering a more sustainable, innovative, and inclusive EU economy (D'Alfonso et al 2023).

Projections indicate that in 2023, NGEU will provide additional grants amounting to €113.9 billion in commitments and €130.7 billion in payments. At the same time, the Recovery and Resilience Facility (RRF), the principal expenditure mechanism of NGEU, enters a critical phase in its lifecycle following its initial year of full implementation (D'Alfonso et al 2023).

The national Recovery and Resilience Plans financed by the RRF prioritize action in six key areas of European significance, identified as essential for enhancing the EU's resilience. These areas include the green transition (comprising a minimum of 37% of each national plan) and the digital transformation (comprising a minimum of 20%). Furthermore, the RRF is anticipated to become the primary funding instrument for the REPowerEU Plan, which aims to reduce the EU's reliance on Russian fossil fuels and expedite the green transition. This development aims to reinforce the Recovery Facility's already substantial energy dimension. The European Parliament has consistently emphasized the significance of effective implementation and monitoring of NGEU and RRF due to their size and strategic expenditure. Insights gained from the RRF inform discussions regarding the revision of the EU's economic governance framework.

The current edition of the Economic and Budgetary Outlook (D'Alfonso et al 2023) places emphasis on the EU economic governance framework and its forthcoming revision. This chapter comprises two sections. The first examines the present design and effectiveness of the EU fiscal framework, assessing public finance indicators and national compliance with EU fiscal rules. The forward-looking section takes into account the main orientations proposed by the European Commission for a revised fiscal framework. It explores the sustainability of increased investment levels across the EU through well-designed fiscal rules, the establishment of an EU fiscal capacity, or a combination of both. It is widely acknowledged by policymakers and academics that the EU economic governance framework is intricate, rigid, and prone to exacerbating pro-cyclical domestic fiscal policies. Furthermore, these rules have not contributed to the debt sustainability of Member States with particularly high debt-to-gross domestic product ratios, especially in light of the ongoing pandemic crisis. Notably, the temporary suspension of common fiscal rules through the activation of the general escape clause has highlighted the need for a revision of the EU fiscal framework to bolster growth and investment prospects. The European Commission is expected to propose legislative reforms in 2023 to enhance the economic governance framework. Key elements of the forthcoming reforms include improved debt sustainability, stricter fiscal surveillance by the Commission as part of the European Semester process, the development of national fiscal Plans (similar to the national Recovery and Resilience Plans under the RRF), and increased national ownership facilitated by empowered independent national fiscal institutions (D'Alfonso et al 2023).

In the forthcoming years, the European Union will continue to face substantial investment needs, primarily concerning the twin transitions (green and digital), as well as in areas related to common defense, security, and other fields crucial for EU sovereignty and strategic autonomy. As a result, the EU's economic governance framework is set for revision in 2023. The revised fiscal rules will draw inspiration from the model of the Recovery and Resilience Facility (RRF), particularly its positive impact on the interplay between investments, reforms, and financing. This revision aims to enable Member States to pursue higher investment and growth trajectories while maintaining fiscal prudence. Additionally, countercyclical fiscal policies will be supported to allow countries to build capital buffers during favorable economic periods and utilize them during times of recession.

Furthermore, the potential revision of the Multiannual Financial Framework (MFF) will be discussed in 2023¹⁴. The European Parliament expressed concerns about the MFF's capacity to finance various initiatives in a December 2022 resolution¹⁵, emphasizing the need for a larger and more flexible budget to ensure appropriate investment levels within the EU and to withstand future crises. Such a budget should move away from the principle of "juste retour"¹⁶ (just return) and instead focus on common priorities (D'Alfonso et al 2023). The Parliament also advocates for the introduction of new own resources to repay the recovery instrument and finance shared objectives.

Addressing strategic sector-specific public goods will require significant resources and implementation time. Some analyses suggest that the RRF model, supported by common debt, could be extended to achieve these objectives. However, in the future, this instrument should be made larger, permanent (Cornago and Springford 2021; Khadbai 2022) and continue to strengthen national ownership based on common EU priorities (similar to the current RRF). According to the International Monetary Fund¹⁷, the size of such a fiscal capacity should range between 0.5% and 1% of the EU's gross domestic product (GDP) annually. The investment capacity at the EU level should complement national funding, as it would address cross-border challenges more effectively and add value. Any future fiscal instrument should be fully integrated into the existing budget to ensure a high

¹⁴ COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN CENTRAL BANK, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS Communication on orientations for a reform of the EU economic governance framework, COM/2022/583 final, (2022), European Commission. Available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52022DC0583&qid=1669634435313>

¹⁵ European Parliament resolution of 15 December 2022 on upscaling the 2021-2027 multiannual financial framework: a resilient EU budget fit for new challenges, doc P9 TA(2022)0450

¹⁶ "Namely each EU member state's priority for securing the best possible individual net financial position vis-à-vis the Union budget over any other consideration concerning the Union budget" for more see: Richter, S., (2008), "Facing the Monster 'Juste retour': On the Net Financial Position of Member States vis-à-vis the EU Budget and a Proposal for Reform", *wiiw Research Report*, No. 348, The Vienna Institute for International Economic Studies (wiiw), Vienna

¹⁷ Reforming the EU Fiscal Framework Strengthening the Fiscal Rules and Institutions, (2022), Department paper, DP/2022/014.

level of public accountability and auditing (Laffan and De Feo 2020). Given differing perspectives, further political debate is anticipated regarding the establishment of such an instrument (Bassot 2023).

Before diving into the organizational structure of the RRF and its inception in national contexts, getting at the heart of this analysis, a last important reference needs to be made in relation to its perception from the public opinion. On this side, a Eurobarometer published in January 2023¹⁸ with fieldwork data from November 2022 finds that “*Across the EU, about half of respondents (51%) report being aware of a Recovery Plan for their country to support economic recovery from the COVID-19 pandemic. One third of respondents (33%) have seen, heard or read something about NextGenerationEU. Almost three-quarters of respondents (74%) think that the principle of solidarity is a good approach for the EU and seven in ten reply that this is a good approach for their country*” (European Commission, Eurobarometer 2023). This effectively shows how RRF is a recognized and acknowledged EU’s action by more than an half of EU citizens. Even more importantly, the principle of *solidarity* which lies at the basis of the conceptualization of the Plan is ultimately generally accepted by the population. This lies at the basis of the legitimization of the implementation of the Plan, according to which it represents a true milestone in European Union and Member States policy making.

3.2.1. EU Institutions New Roles and the Creation of RFF Task Force

*“The NGEU funding strategy will be implemented on the basis of processes that ensure full accountability, a high level of transparency and deliver sound financial management of all NGEU financing flows.”*¹⁹

The European Commission has established a robust governance and risk management framework for effective oversight of NGEU operations. This framework includes the appointment of an independent Chief Risk Officer who is responsible for implementing a comprehensive Risk and Compliance policy, ensuring the sound financial management of NGEU activities. The implementation of NGEU is of significant interest to the European Parliament and Council due to the scale and importance of these activities in achieving the economic and social objectives of NextGenerationEU (Communication from the Commission COM/2021/250 final).

¹⁸ Eurobarometer on EU Recovery Plan “NextGenerationEU” (January 2023). Available at: <https://europa.eu/eurobarometer/surveys/detail/2653>

¹⁹ Communication from the Commission to the European Parliament and the Council on a new funding strategy to finance NextGenerationEU, COM(2021)250 final, 14.4.2021.

In accordance with the Own Resources Decision and the Inter-Institutional Agreement, the Commission is obligated to regularly and thoroughly inform the European Parliament and the Council about all aspects of its debt management strategy. To fulfill this requirement, the Commission will provide annual updates on borrowing and lending activities to both the European Parliament and Council. These updates, as mandated by Article 5(3) of the Own Resources Decision, will commence from the third quarter of 2021 (Communication from the Commission COM/2021/250 final).

It is above all Regulation 2021/241 that regulates in detail the Euro-national procedure, obviously on the European side, outlining the functions incumbent on each of the Union's institutions and drawing their relations, at the constitutional level as well as at the administrative level, with those of the Member States. In this regard, there is a common observation of the crucial role assigned to the European Commission, both at the stage of approval of the Plans (and their possible modifications) and, in an even more decisive form, in that of evaluation regarding their implementation (Lupo 2022). And some scholars (see Dawson and De Witte 2022) highlight how the Commission's autonomy over the allocation of Next Generation EU resources is part of the trend toward accentuating “executivism” within the Union. This front-role is also witnessed on the monitoring side. De Bellis (2022) rightly points out that while at the approval stage there remains a significant role for the Council, which may not approve the NRPs, at the stage of monitoring the implementation of the plans the institution that holds the power almost exclusively (if we exclude the advisory input of the Economic and Financial Committee) is the Commission.

The European Commission has therefore a central role in the implementation of the Plan. It is up to its role to inform the European Parliament and the Council about its the management and implementation. In exercising its functions regarding the approval and verification of the implementation of the Plans, the Commission is accompanied by the Council, in the Economy and Finance (ECOFIN) configuration. In fact, the Council is called upon to approve, by its own implementing decision, the individual Plans (the final text of which is therefore the one set out in the annex to the relevant implementing decision). From this, the acronym CID which stands for “Council Implementing Decision”; and, similarly, also their amendments, after a preliminary investigation carried out by the Commission, together with the Member State concerned. Lupo (2022) highlights how is the Council itself then called upon, every six months, to give its opinion on the *assessments* made by the Commission about the satisfactory attainment of milestones and targets provided for each payment. This means that the Commission's assessment of the satisfactory attainment of the milestones and targets that make up National Recovery and Resilience Plans (NRRPs) can in turn be the subject of questions and remarks by the representatives of the other Member States, who are thus

placed in a position to have their say not only on the definition of European policies, but rather on the implementation of the policies pursued by each member state, as included within “their” NRRPs (Lupo 2022).

The Commission plays a crucial role in monitoring the progress of National Plans in achieving the objectives set at the European level. This process involves a Euro-national sub-procedure, with the Commission at its core, along with the involvement of institutions within each Member State that I will explore in detail in the following chapter. The procedure is governed by a combination of Union law and the law of each individual member state, as is customary for Euro-national procedures. Specifically, in accordance with Articles 29 and 30 of Regulation 2021/241, the monitoring process is primarily guided by a Commission Delegated Regulation that delegates authority. This regulation establishes the indicators, methodology, and provides detailed identification of the components of the “Recovery and Resilience Scoreboard.”²⁰ Commission Delegated Regulation (EU) 2021/2106, dated Sept. 28, 2021, which supplements Regulation (EU) 2021/241 of the European Parliament and of the Council, establishing the Recovery and Resilience Facility, by establishing the common indicators and detailed elements of the Recovery and Resilience Scoreboard. It consists of 2 articles, which among other things set a timetable for the transmission of indicators (coordinated with the European Semester) and identify a (short) list of 14 common indicators.

Finally, a role more marginal, but with ill-defined contours, falls to the European Council. This institution, in fact, is recalled only within a *recital* of Regulation 2021/241: the second part of *Recital* n.52. Specifically, there it envisages that one or more Member States may involve the European Council in the NRRP implementation pathway and its evaluation if they “exceptionally [...] consider that there are serious deviations from the satisfactory fulfilment of the relevant milestones and targets”. In such a case, “they may request the President of the European Council to refer the matter to the next European Council”. A solution often described as an “emergency brake”, clearly the result of a last-minute compromise, aimed essentially at nonetheless allowing the European Council to have some say, “by way of exception,” in the event of deviations deemed “serious” (Lupo 2022).

The European Parliament retains also a pivotal role especially through its Committee on Budgets (BUDG) and on Budgetary Control (CONT). The Committee on Budgets takes part in the Interinstitutional meetings on NGEU and information are only internal documents of the Parliament. *Interinstitutional meetings on Next Generation EU* (NGEU) and more in general the EU’s Recovery

²⁰ See: https://ec.europa.eu/economy_finance/recovery-and-resilience-scoreboard/

instrument have been established by the Interinstitutional Agreement of 16 December 2020²¹ in order to enhance the role of the budgetary authority and to increase transparency in relation to the external assigned revenue under NGEU. The NGEU meeting take place three times a year, usually back-to-back with the budgetary trilogues. The interinstitutional meeting for NGEU focuses on the comprehensive expenditure of NGEU in a cross-cutting manner. It encompasses all programs that are financed or supplemented by the recovery instrument, including the RRF, Horizon Europe, REACT-EU, InvestEU, the Just Transition Fund, Rural Development, and RescEU.

As it is a new instrument, the European Court of Auditors (ECA) and the Committee on Budgetary Control of the European Parliament (CONT) are paying attention to the implementation side of the national plans. The ECA Special Report 7/2023 is dedicated to the Design of the Commission's control system for the RRF (March 2023)²². The report *“examined the design of the Commission's control system for the RRF to assess how it contributes to ensuring that milestones and targets are satisfactorily fulfilled and that the Union's financial interests are protected. We found that, in a relatively short time, the Commission has designed a control system that provides for an extensive process for verifying the fulfilment of milestones and targets. However, an assurance and accountability gaps remain at EU level in protecting the financial interest of the Union. We recommend that the Commission identify measures to address this assurance gap, as well as drawing up guidance on corrections and for the reversal of a measure related to a previously fulfilled milestone or target.”*²³ CONT Committee gave its opinion on the proposal for a Recovery and Resilience Facility in 2020, where it considered that the Recovery and Resilience Facility (RRF) is an exceptional instrument designed to address the unparalleled impact of the Covid-19 pandemic on the EU. It serves as tangible evidence for EU citizens that the EU demonstrates solidarity with those most affected by the pandemic and works towards a better and stronger future. However, the current proposal has deficiencies in safeguarding the EU's financial interests, which could potentially erode trust among EU citizens. The proposals put forth by the Budgetary Control Committee aim to rectify these shortcomings by emphasizing the importance of the rule of law, addressing issues related to irregularities and fraud, and placing greater emphasis on sound financial management²⁴. In February

²¹ Interinstitutional Agreement between the European Parliament, the Council of the European Union and the European Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management, as well as on new own resources, including a roadmap towards the introduction of new own resources Interinstitutional Agreement of 16 December 2020 between the European Parliament, the Council of the European Union and the European Commission on budgetary discipline, on cooperation in budgetary matters, (2020). Document 32020Q1222(01)

²² Special report 07/2023: Design of the Commission's control system for the RRF (8th March 2023). Available at: <https://www.eca.europa.eu/en/publications?did=63634>, accessed on 9th July 2023.

²³ Ibid.

²⁴ CONT Opinion on the Recovery and Resilience Facility (RRF), 2020/0104(COD). Available at: https://www.europarl.europa.eu/doceo/document/CONT-AD-655861_EN.pdf

2023, the CONT committee travelled to Spain in a mission in which the was “*objective was to assess the implementation of Spain's National Recovery and Resilience Plan including milestones and targets and particularly the management, audit and control systems in place.*”²⁵

Within the European Commission, it is an ad hoc structure, named "RECOVER" (Recovery and Resilience Task Force) and established on August 16th, 2020 within the Secretariat-General, that monitors the implementation of the Plans and coordinates with the activities related to the European Semester. This Task Force reports directly to the President of the Commission Ursula von der Leyen and works in close cooperation with the Directorate-General for Economic and Financial Affairs (ECFIN). Céline Gauer is Head of RECOVER. It works “*in close cooperation with the Commission’s Directorate-General for Economic and Financial Affairs to:*

- *coordinate support to the Member States in the elaboration of their recovery and resilience plans;*
- *engage with the Member States to ensure that the notified plans comply with the regulatory requirements set by the legislation and that the proposed reform and investment initiatives deliver on the objectives of the twin green and digital transition, of recovery and resilience;*
- *prepare the necessary implementing acts for the approval of the plans;*
- *assess the progress made by the Member States in the implementation of the plans and analyse the periodic reports provided for by the legislation;*
- *coordinate the European Semester in this period of time*²⁶.

In more detail, the Task Force is made up of around 150 people²⁷. Out of that, one third work in the European Union representations in the capitals of Member States. The whole Task Force works in close relationship, hand in hand, with DG ECFIN. They are the experts on economy and finance matters and they are the responsible for the delivering of more economical analysis. As an example, there will be a team working for France in RRF Task Force and the same team working for France in DG ECFIN. In addition, they have a Spokesperson service which deals with media matters, covered by DG EMPL and DG ECFIN. Finally, they are part of SG mainly for the use of their support functions.

Within SG RECOVER, there are three directorates, covering eight units. Two directorates have three units, and one has two units. Member States (MS) and horizontal topics are spread out

²⁵ Implementation of EU’s recovery funds in Spain: MEPs conclude a fact-finding visit (2023). Available at: <https://www.europarl.europa.eu/news/en/press-room/20230217IPR75806/implementation-of-recovery-funds-in-spain-meps-conclude-a-fact-finding-visit>

²⁶ see https://commission.europa.eu/about-european-commission/departments-and-executive-agencies/recovery-and-resilience-task-force_en#responsibilities

²⁷ The following information on the structure of SG RECOVER has been collected by the author from personal communication with Commission officials.

over these units. This means that, within the Task Force, the Commission officers are organized as a so-called matrix. Everyone has between one and three Member States to cover and one, two or three policy areas that they cover. De facto, there are a lot of different teams where there are not two people working on the same matters, which allows the equality of treatment of MS to be able to see what happening on different files and different MSs. With this matrix system, the work is generally spread out all over the task force. The management is composed of one head of unit and one deputy head of unit, with a total of 12-15 people for each unit.

3.2.2. New Roles of National Authorities

In this unique new dialogue between the European Commission and Member States, national authorities become recipients of a variety of new tasks and roles that challenge the traditional ones assigned to European affairs experts.

Much of the detail on the rules of national authorities depends on the governance system implemented in each Member State. From a top-down approach, the EPRS briefing on Governance and oversight of the Recovery and Resilience Facility (Lilyanova 2023), examine of the duties and obligations of key entities such as the EU Member States, the European Commission, the European Court of Auditors, and other stakeholders involved in the implementation of the RRF. Their primary objective is to ensure effective monitoring and oversight at each phase of the RRF's implementation. The Member States, as beneficiaries of RRF funding, assume a significant role in guaranteeing the appropriate utilization of funds in adherence to both EU and national regulations. Conversely, the European Commission bears direct responsibility for executing the EU budget. It is required to obtain satisfactory assurances from Member States regarding the proper implementation of the budget and ensure the effective protection of the Union's financial interests. A table (*Table 1*) by Lilyanova (2023) also sufficiently summarizes the steps taken by the Commission and Member States to ensure sound financial management of the RRF funds implementation:

Ex-ante	Throughout implementation	Ex-post*
<p>Member States:</p> <ul style="list-style-type: none"> - describe in the NRRPs the national control systems to prevent, detect and correct corruption, fraud and conflicts of interest, and to avoid double funding from other EU programmes; - define the audit and control bodies and their capacity; - describe relevant measures and arrangements for collecting and making available of data on final recipients. <p>The Commission:</p> <ul style="list-style-type: none"> - assesses the adequacy and robustness of national audit and control systems for the RRF, presented in the NRRPs; - sets relevant milestones and targets to be met before the first payment requests. 	<p>Member States:</p> <ul style="list-style-type: none"> - investigate and take corrective measures if irregularities are detected; - submit their payment requests, accompanied by a management declaration and summary of audits to justify the completion of milestones and targets. <p>The Commission:</p> <ul style="list-style-type: none"> - examines payment requests with the evidence presented and external sources, and asks for more detailed information where it deems necessary; - can reduce or recover funds in cases of irregularities if Member States do not act on them; - performs system audits on the milestones and targets system, based on the financing agreement; - performs system audits on serious irregularities or serious breaches of the financing agreement; - performs system audits (at least one per Member State) on measures taken to protect the EU's financial interests; - performs dedicated audits on achieved milestones and targets. 	<p>The Commission:</p> <ul style="list-style-type: none"> - performs audits of milestones and targets, reported by the Member States following a risk assessment; - performs system audits of the monitoring data collection systems (before or after payment); - performs system audits of measures to protect the EU's financial interests, and ad hoc audits where serious irregularities are suspected; - proportionately recovers funds in case milestones and targets assessed as fulfilled have been reversed. <p><i>*Based on the financing agreement, ex-post audits can be carried out up to 5 years from the date after the last payment has been submitted.</i></p>

Table 1. Ensuring protection of the EU's financial interests at various RRF implementation stages.
Source: European Parliament (Lilyanova 2023)

Member States are also audited by the European Court of Auditors (ECA) on the implementation of the RRF. The novelty, magnitude, and significance of the RRF position it as one of the top audit priorities for the European Court of Auditors (ECA). The ECA's work program for 2023 includes the examination of various overarching aspects, such as the performance and absorption of the RRF. However, auditing the *performance-based* RRF presents several challenges, as outlined in the ECA's strategy for the period 2021-2025. Ivana Maletić, an ECA member, emphasized in the ECA Journal that the primary task of the ECA is to assess the legality and regularity of EU payments, including the effectiveness of measures in place to prevent irregularities, fraud, and corruption²⁸. To adopt a comprehensive approach, the ECA supplements its assessment with compliance and performance audits. Furthermore, the RRF's six-year timeline exposes the National Recovery and Resilience Plans to risks that were not initially considered, such as security concerns, inflation, and volatility in costs. Consequently, additional *ex-post* evaluations would be necessary to ensure thorough scrutiny. Additionally, there is an important survey carried out by the European Parliament on the role of national parliaments in the implementation of RRF²⁹ (EGOV 2022). This

²⁸ EU auditors identify risks to the successful implementation of national recovery and resilience plans. Available at: <https://www.eca.europa.eu/en/Pages/news.aspx?nid=16929>

²⁹ Survey on the role of national parliaments in the implementation of the Recovery and Resilience Facility: Synthetic presentation of the results. European Parliament, Economic Governance Support Unit (EGOV) Directorate-General for Internal Policies PE 699.524 - April 2022.

shows that actions were taken, and some Parliaments have effectively activated a scrutiny over the implementation of the Plan. Something still needs to be done but this 2022 survey results are half satisfactory. Ensuring comprehensive transparency and accountability through parliamentary scrutiny is crucial to uphold democratic legitimacy, foster citizens' sense of ownership, and enhance the RRF's overall credibility.

3.3. A new Euro-national Method of Government: an Evolutionary Constitutional Interpretation

More than once in this chapter I have mentioned the expression “Euro-national method of government” which is mainly rooted in the academic research and work of Nicola Lupo (2022; 2023)³⁰. He affirms that, as a result of the RRF, the limitations of national sovereignty, in favour of a shared and progressively European sovereignty, are going to touch the heart of redistributive policies (Lupo 2022). It will be no longer in the name of respecting the limits to public finance, but to make the Member State economy develop, with resources found on the European financial market, along shared directions between Brussels and Member States and pursued by the European Commission itself (Lupo 2022). Elements all of which the PNRR makes more visible, helping to make people perceive what and how many interweaving are in place between the European and national legal systems (Lupo 2022).

The NextGenerationEU has introduced a new legal dimension. Its main instrument, the Recovery and Resilience Facility (RRF), has triggered significant changes in the EU's constitutional framework, which has been widely analyzed by the academia. In this direction, there have been significant developments in the scholarly discourse surrounding the constitutional implications of the NextGenerationEU.

The establishment of NextGenerationEU was successfully done within the existing Treaty framework, using a complex normative constellation (Fabbrini 2022). However, there are profound constitutional consequences that NextGenerationEU has on the EU's architecture of economic governance ultimately making NextGenerationEU contribute significantly to the federalization of the EU and on the strengthening of its fiscal union. Porrás-Gómez (2023) highlights that the EU Recovery Instrument has led to radical expansions in budgetary commitments, resulting in new arrangements

³⁰ From the Italian “Procedimento euro-nazionale” in Lupo, N. (2022, January 12th), «The National Recovery and Resilience Plan (NRP) and Some Research Perspectives for Constitutionalists», in www.federalismi.it, n.1/2022. See also: Lupo, N. (2022). «Next Generation EU e sviluppi costituzionali dell'integrazione europea: Verso un nuovo metodo di governo» in "Diritto pubblico, Rivista fondata da Andrea Orsi Battaglini" 3/2022, DP, 729–755; Lupo, N. (2023), «Il Piano Nazionale di Ripresa e Resilienza: un nuovo procedimento euro-nazionale» in www.federalismi.it, n.5/2023.

for the expenditure of funds. These changes affect the relations between EU institutions and various levels of government, thus impacting the constitutional checks and balances system and the pursuit of supranational integration and intergovernmental cooperation (Porrás-Gómez 2023). This kind of mechanism was already experimented in the context of the European Semester and, as the latter, this new euro-national procedure is a combination of hard-law and soft-law prescriptions, which includes actors operating at different levels of government and straddles somewhat between opposite poles of the Union's governance, that is, between the economic and the social, the supranational and the intergovernmental, the technocratic and the democratic (Lupo 2022). In this sense, it appears as decidedly more stringent and more effective than the experiences of the recent past, in which the country-specific recommendations, forwarded by the Council as part of the European semester, have had, in Italy as in many other countries, a very limited follow-up. As has been noted, the limited follow-up of country-specific recommendations is believed to have stemmed mainly from their overly bureaucratic, economic and hetero-determined nature, and thus from a lack of "national ownership" (Lupo 2022). Hence, the need to build "a new mode of EU policymaking" (Schramm et al 2022, p. 7), potentially extendable to the ordinary procedures set by the Stability and Growth Pact. From the Euro-national nature of the procedure in question comes the observation that what each Member State has assumed through the submission of the Plan, the adoption of governance to ensure its implementation and then the signing of the operational agreements takes the form of a "self-binding," rather than a true "external constraint" (Lupo 2022).

In addition, Creel and his colleagues (2021) argue that embedding the Recovery and Resilience Facility into the European Semester's architecture could significantly enhance macroeconomic coordination, which the European Semester has struggled to achieve. However, the authors caution that such supranational coordination among sovereign states may encounter democratic limits. They emphasize the need to broaden the accountability of RRF management to the European Parliament and social partners at the national or European level, in order to ensure democratic legitimacy and foster European integration.

In conclusion, what emerges from our analysis is that the NextGenerationEU's Recovery and Resilience Facility introduces a new legal dimension with significant constitutional implications for the European Union. The scholarly discourse surrounding this topic highlights the need for comprehensive analyses of the constitutional changes brought about by the RRF for Europe, especially concerning public finance architecture and macroeconomic coordination. These analyses contribute to understanding the implications for EU constitutional evolution, the federalization of the EU, and the broader quest for European democracy.

Chapter 4

Unpacking *Italia Domani*: Governance, Structure, and Framework of the Italian Recovery and Resilience Facility

4.1. Tracing the Origins of Italy's National Recovery and Resilience Plan: *Italia Domani*

In the exploration of Italy's ambitious path towards economic revitalization and resilience, this chapter delves into the intricate journey that has led to the conception and formulation of the comprehensive Plan known as *Italia Domani*. This analysis invites us to dig into the historical underpinnings, strategic considerations, and the intricate planning that have culminated in the development of a visionary framework poised to reshape Italy's trajectory. By retracing the evolution of this transformative initiative, we gain a deeper understanding of the motivating factors and collaborative efforts that have shaped the contours of Italy's path towards a more sustainable and resilient future.

Next Generation EU represents a significant opportunity for Italy's development in the coming decade, requiring a collective and immediate push. Italy is the first beneficiary of NGEU, in absolute value, with guaranteed resources of 191.5 billion of euros, to be used in the period 2021-2026, of which 68.9 billion are grants. Bottom line, this is a considerable and particularly large resource envelope that has paved the way for broader consideration regarding the presentation and implementation of an unprecedented package of actions, investments, and reforms aimed at developing certain areas of strategic growth.

The National Recovery and Resilience Plan (NRRP) is the instrument to drive this national effort, with the potential to transform Italy into a more sustainable, inclusive, and economically advanced nation. Furthermore, the NRRP functions as a Reform Plan, intertwining investment strategies with a reform agenda, aligning with European Commission recommendations and the National Reform Plan.³¹ This comprehensive approach incorporates ongoing reforms as an integral part of the plan. Guided by three core European priorities—digitization and innovation, ecological transition, and social inclusion—the Plan seeks to address Italy's innovation deficits, low digitization levels, and regional disparities that hinder economic growth and employment.

For this reason, as highlighted by Cavatorto et her colleagues (2021) the possibility of building a common policy response at the EU level has triggered, in Italy, a process of politicization of

³¹ Concepts shared in the Recovery and Resilience Plan #NEXTGENERATIONITALIA Document by the Ministry of Economy and Finance, approved by the Council of Ministers on 12th January 2021. Accessible at: https://www.mef.gov.it/en/focus/documents/PNRR-NEXT-GENERATION-ITALIA_ENG_09022021.pdf

European issues, no longer only in the electoral arena, but also in the parliamentary confrontation between government, majority and opposition. That is to say, the authors identify several stages in the public policy cycle associated with the NGEU, which were corresponded to different levels of politicization of the debate.

European issues that are central to the development of the Plan. Embracing, in fact, the dual ecological and digital transition challenges, Italy emerges as a key player in the European Green Deal, aiming to reduce emissions, enhance the green economy, improve energy efficiency, and bolster sustainable industrial processes. As digital transformation becomes increasingly pivotal in industry and societal domains, Italy's commitment to digital infrastructure, skills, and culture will be crucial for nationwide development and inclusivity. To be truly sustainable, Italy must address gender, generational, and geographical inequalities, which perpetuate social exclusion. The Plan emphasizes these cross-cutting priorities and targets specific interventions to empower women, youth, and the Southern regions. Recognizing that inclusive development is a fundamental driver, the Plan focuses on reshaping social infrastructure and public mechanisms.

In addition, to the resources of the National Recovery and Resilience Plan, with Decree Law 59/2021³², Italy approved the National Plan for Complementary Investments aimed at integrating with national resources the interventions of the National Recovery and Resilience Plan for a total of 30,622.46 million euros for the years 2021 to 2026.

Next Generation EU, in other words, was a salient step not only for the European membership of Italy, but also for policy changes at the national level that could prove to be incremental in their outcomes, as well as their goals (Cavatorto et al 2021).

4.2. Missions, Components, and Priorities

The Plan is divided into six Missions and sixteen Components,³³ with three underlining priorities. Italy's revitalization effort outlined in this Plan is, in fact, developed around three strategic axes shared at the European level: digitization and innovation, ecological transition, and social inclusion.³⁴

³² DECREE-LAW May, 6th 2021, n. 59, *Misure urgenti relative al Fondo complementare al Piano nazionale di ripresa e resilienza e altre misure urgenti per gli investimenti* (Urgent measures related to the Complementary Fund to the National Recovery and Resilience Plan and other urgent investment measures), (21G00070), Official Journal of the Italian Republic. Available at: <https://www.gazzettaufficiale.it/eli/id/2021/05/07/21G00070/sg>

³³ Governo.it. (2022), *Piano Nazionale di Ripresa e Resilienza*. Available at: https://www.governo.it/sites/governo.it/files/PNRR_0.pdf

³⁴ Ibid.

Digitization and innovation of processes, products and services represent a determining factor of the country's transformation and must characterize every reform policy in the Plan. Italy has lagged considerably behind in this field, both in the skills of citizens and in the adoption of digital technologies in the production system and public services. Recovering from this deficit and promote investment in digital technologies, infrastructure and processes is essential to improve Italian and European competitiveness; foster the emergence of strategies to diversify production; and improve adaptability to changing markets.

The ecological transition, as indicated by the UN Agenda 2030 and the new European goals for the 2030, underpins the new Italian and European development model. Taking action to reduce emissions pollutants, prevent and combat land disruption, and minimize the impact of productive activities on the environment is necessary to improve the quality of life and environmental safety, as well as to leave a greener country and a more sustainable economy to future generations.

The third strategic axis is social inclusion. Ensuring full social inclusion is key to improving territorial cohesion, helping the economy grow, and overcoming deep inequalities often exacerbated by the pandemic. The three main priorities are gender equality, youth protection and empowerment, and bridging territorial gaps. Women's empowerment and countering gender discrimination, enhancing the skills, capacity and employment prospects of young people, territorial rebalancing and the development of the South are not uniquely entrusted to individual interventions, but pursued as cross-cutting objectives in all components of the NRRP.

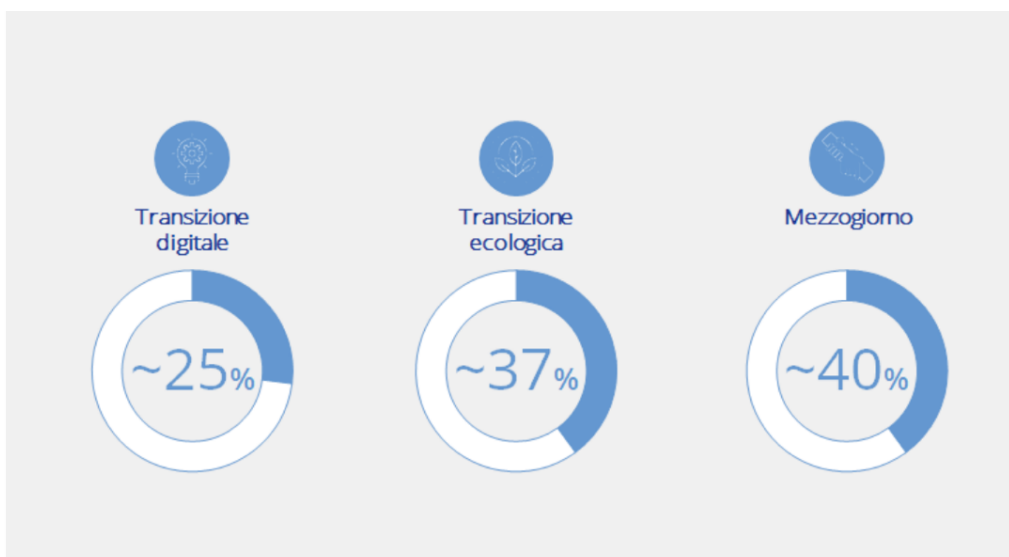


Figure 3. Allocation of RRF resources to the three strategic axes (% of total RRF). Source: Italian Presidency of the Council of Minister³⁵.

³⁵ Governo.it. (2022), *Piano Nazionale di Ripresa e Resilienza*. Available at: <https://www.governo.it/sites/governo.it/files/PNRR_0.pdf>

Transversally to these three priorities, the six mission are developed in a total of sixteen components (e.g., two, three or four per each mission). Missions include: Digitalization, Innovation, Competitiveness, and Culture; Green Revolution and Ecological Transition; Infrastructure for Sustainable Mobility; Education and Research; Inclusion and Cohesion, and Health. The figure below (*Figure 2*) sets out the resources allocated to missions and components of the NRRP. In addition to these resources, there are: those made available by REACT-EU, which, as required by EU regulations, are spent in the years 2021-2023 as well as those from additional national programming.

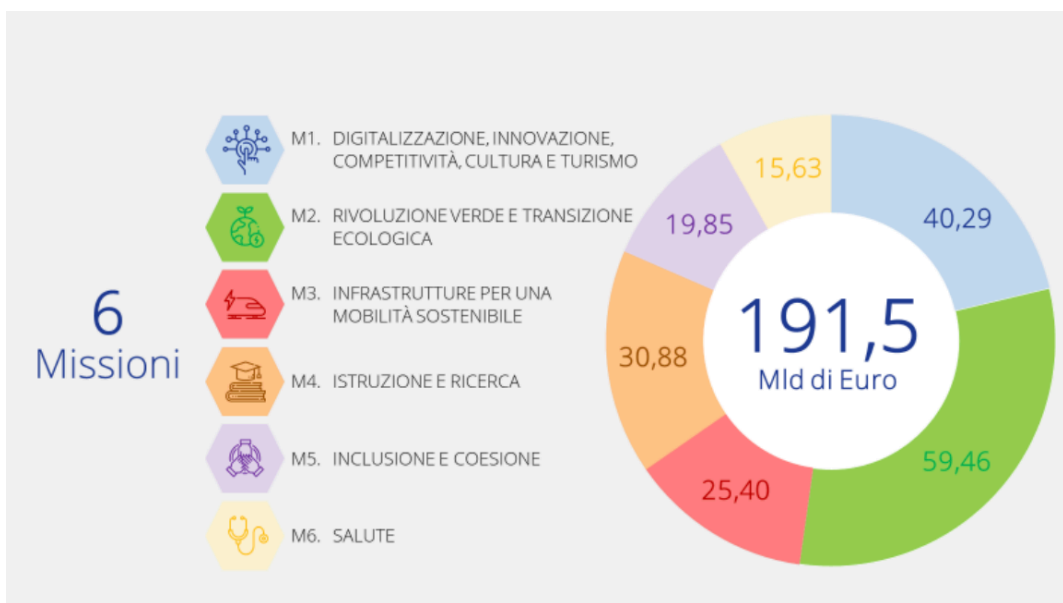


Figure 4. Allocation of RRF funds per Mission. Source: Italian Presidency of the Council of Ministers.³⁶

4.3. The Governance Structure

Within the intricate landscape of Italy's National Recovery and Resilience Plan, the following section offers a focused exploration into its governance structure. This examination unravels the mechanisms, roles, and collaborative dynamics that constitute the backbone of the NRRP's governance. By delving into the intricate web of decision-making, coordination, and oversight, we gain a comprehensive understanding of how Italy has orchestrated a multifaceted approach to drive the realization of its recovery and resilience objectives and we shed light on its the complex interplay of stakeholders, responsibilities, and strategies.

The real backbone of Italian NRRP governance is represented by the ambitious Decree Law 77/2021, then Law 108/2021. The present decree establishes the national regulatory framework aimed

³⁶ Ibid.

at simplifying and facilitating the achievement of goals and objectives set forth in the National Recovery and Resilience Plan, as outlined in the EU Regulation 2021/241. An Organizational model is set, with two levels of management (supervision and coordination, implementation of measures) that will facilitate interlocutions with the EC in all phases of implementation, control and reporting. It also encompasses the National Plan for Complementary Investments (PNC), outlined in the Decree-Law of May 6th, 2021, No. 59, and the Integrated National Plan for Energy and Climate 2030 as per EU Regulation 2018/1999.

Decree Law 77/2021 emphasizes the national interest in promptly and effectively implementing interventions aligned with EU climate and environmental standards. The provisions of the Decree, derived from the EU Regulation 2021/241, are adopted within the scope of legislative competence concerning the State's relations with the EU. The Decree provides definitions for various terms, including key bodies and plans, such as the "*Cabina di regia*" (Steering Committee), "*Fondo di Rotazione del Next Generation EU-Italia*" (Next Generation EU-Italy Revolving Fund), "PNC," "PNRR," and "*Semestre europeo*" (European Semester), among others, outlining their roles in the implementation of the NRRP.³⁷

The Government in force at the time, headed by Mario Draghi, has set a governance scheme that provided for a central coordination structure at the Ministry of Economy and Finance (MEF) with the task of overseeing the implementation of the Plan, responsible for sending payment requests to the European Commission, a payment request that is contingent on the achievement of the planned targets. Instead, the administrations (e.g., Ministries, local entities, implementing bodies, etc.) are responsible of individual investments and reforms and send their reports to the central coordination office. The RRF proposes entirely innovative ways to regulate financial relations between the European Union and Member States. The main novelty is embodied in the fact that the National Recovery and Resilience Plans (NRPs) are *performance-based* rather than *expenditure-based* programs. In fact, NRRPs are focused on setting and pursuing *milestones* and *targets* (M&T) that describe the progress and results of the reforms and investments that they propose to implement.³⁸

Milestones generally define relevant administrative and procedural steps, are *qualitative* targets to be achieved by a NRRP measure, and often identify key steps in the implementation of the measures (e.g., legislation adopted, information systems fully operational, etc.); *targets*, on the other hand, represent the expected results of the interventions, quantified by measurable indicators. These

³⁷ See: DECRETO-LEGGE 31 maggio 2021, n. 77, Gazzetta Ufficiale della Repubblica Italiana, Governance del Piano nazionale di ripresa e resilienza e prime misure di rafforzamento delle strutture amministrative e di accelerazione e snellimento delle procedure. Available at: <https://www.gazzettaufficiale.it/eli/id/2021/05/31/21G00087/sg>

³⁸ Technical instructions for the drafting of management and control systems of central administrations holding PNRR interventions – annex to Circular No. 9, 2022, February 10, 2022.

are *quantitative* targets to be achieved through a given NRRP measure and defined through specific indicators (e.g., km of railways built, square meters of an area subject to energy efficiency interventions, etc.).³⁹ The milestones and targets are characterized, in addition, by a number of cross-cutting requirements, including compliance with the so-called DNSH (Do No Significant Harm) principle and the 40 percent share of resources to be allocated to the so-called “*Mezzogiorno*” (Southern part of the country), in the Italian case. With a view to efficiency and sustainability, disbursement of funds, except for the advance of resources at the kick start of the Plan implementation in 2021, are made by the European Union to the Member State only on the basis of the achievement of agreed, defined and time-bound M&Ts. A milestone or target is considered to be achieved when all of the above requirements are met and evidence required in the verification mechanism is produced, as specified in the *Operational Arrangements* agreed with the European Commission and signed on December 22nd, 2021.⁴⁰

4.3.1. The Original Structure by Draghi Government

Considering Italy’s public administration landscape, marked by a longstanding shortfall in administrative capability, the Draghi administration recognized the need to acknowledge that both the European Union and financial markets would find it hardly believable to contend that Italy's bureaucracy, which had endured a decade of cuts without accompanying reforms, could form the foundational support for the intricate organizational framework crucial to executing the National Recovery and Resilience Plan.

For this reason, Italy invested 0.66 percent of the European funds allocated under the NGEU on building administrative capacity, totaling 1,268.9 million euros. Moreover, in the Italian NRRP, administrative change is not only the subject of specific interventions but is also the focus of a series of cross-cutting and enabling reforms referring to two areas (Di Mascio and Natalini 2022).

The first area concerns the introduction of buffer measures aimed at ensuring from the outset that interventions are implemented within the set deadlines. The second area of interventions includes measures by which the Draghi government has sought to structurally strengthen administrative capacity by providing in the NRRP for the adoption of a number of sectoral legislative reforms on

³⁹ Technical instructions for the drafting of management and control systems of central administrations holding PNRR interventions – annex to Circular No. 9, 2022, February 10, 2022.

⁴⁰ Annex to the Council Implementing Decision on the approval of the assessment of Italy's Plan for Recovery and Resilience (see the "Description of each goal and objective" column for the part on verification of requirements). Accessible at: <https://data.consilium.europa.eu/doc/document/ST-10160-2021-ADD-1-REV-1/it/pdf>.

taxation, competition, procurement and anti-corruption. Efforts have been made to streamline staff recruitment through the launch of a single portal, to strengthen the ever-neglected training of civil servants, to merge into a single Integrated Plan of Activities and Organization (Piao) the too many plans and programs that must be adopted by individual administrations, and, above all, to revive collective bargaining with a view to revising job profiles and increasing salaries (Di Mascio and Natalini 2022).

The definition of the governance of the NRRP, as highlighted by the constitutionalist Menegus (2023), is the result of a process of progressive additions and corrections, rather than a single decisive intervention, as it was in relation to the rewriting of procedures and the simplification measures necessary for its implementation. In the run-up of the discussion on what to do with the resources of the Recovery Package, the main question was about *who* would eventually be responsible for the implementation of the measure. Draghi government had two main roads in front of him: he would either entrust the implementation of the NRRP to the already existing apparatuses at the different levels of government according to the constitutional distribution of competencies, or entrusting the same execution to extraordinary administrative structures, established *ad hoc*. It was eventually decided to take an intermediate path between the two possibilities. The coordination and control functions – and thus overall the governance functions for the NRP – were then all assigned to newly established structures and not to existing structures within the PCM or MEF.

The common denominator to all structures is the element of *temporariness*. All these apparatuses compose, within the central administration, an innovative and separate administration whose maximum term is set at the completion of the NRRP and in any case not later than December 31st, 2026. A “fixed-term” administration as remarked by Bontempi (2022) which is under a special regime that opens some path for discussion over its – not very remote – future. While the temporary duration of these cannot be longer than that of the government that established them, that of the governance structures for the NRRP is linked to the achievement of the goal (the full implementation of the Plan) and remains indifferent to the “political cycle, or rethinking” (Torchia 2016).

Regarding the governance *per se*, limiting ourselves only to the new structures, on two levels, introduced by Decree Law No. 77/2021 the following are established directly at the *Presidency of the Council of Ministers*: the Cabina di regia (*Steering Committee*) (*Article 2*), the Permanent Table for Economic, Social and Territorial Partnership (*Article 3*), the Technical Secretariat (*Article 4*) and the Unit for the Rationalization and Improvement of Regulation (*Article 5*); *at the MEF*, on the other hand, the Central Service for the NRRP (*Article 6*) and a managerial office of non-general level having audit functions for the NRRP (*Article 7*).

As for the other pivot around which the implementation of the Plan revolves, namely the MEF, in addition to the Mission Unit (established in the Budget Law 2021), a “Central Service for the NRP” (*Servizio Centrale per il PNRR*) was created to the State’s General Accounting Office (*Ragioneria Generale dello Stato*). It is a central office of general executive level with tasks of operational coordination, monitoring, reporting and control of the NRRP. The Central Service carried out functions very relevant to the implementation of the Plan, both because it represented the point of contact national point of contact for the implementation of the PNRR under Article 22 of Regulation (EU) 2021/241, and because it was responsible for managing both the Next Generation EU Revolving Fund and the of the NRRP’s Reform and Investment Implementation Monitoring System (ReGiS). However, the Central Service was also greatly affected by the changes made by Decree Law no. 13/2023 with Meloni Government that will be explored later in this chapter.

The examination of this unique “administration within the administration” (Bontempi 2022) provided room for multiple considerations that changed slightly when the new governance by the following government was implemented. To begin, we can scrutinize its functions, composition, and legal nature to assess its suitability for achieving its intended objectives. Building upon this initial inquiry, two additional reflections emerge. The first focused on the understanding of the impact of the governance structures for the National Recovery Plan (NRRP) on the central administration as a whole (Menegus 2023). The second perspective looked towards a distant future, pondering the changes that might affect the Prime Minister's Office (PCM) and the Ministry of Economy and Finance (MEF) after 2026, when the implementation of the NRRP is expected to be completed (Bontempi 2022). What enduring traces might this “fixed-term” administration leave behind when its term expires?

4.3.2. The updated version by Meloni Government

In order to deliberately “improve and make more efficient the coordination of the activities of management, as well as monitoring, reporting and control of interventions” (Art. 1, para. 2, Decree Law No. 13/2023), the Meloni government made a number of changes to the governance described in the previous paragraph (*Paragraph 4.3.1*) significantly altering its characterizing features. Wanting to offer an initial general framework and limiting ourselves for the moment to the given normative data, one can certainly observe how the Council Presidency-MEF axis, along which had been set all the previous structure of management and implementation of the Plan, is substantially lacking (Menegus 2023). At least, as it is configured in the new regulations, and always subject to

the declinations that will emerge from practice, the new governance in fact sees a decisive centralization of most functions at the Presidency of the Council, with the creation of an *ad hoc* mission structure of considerable size, reporting directly to the Delegated Political Authority, namely the Minister for European Affairs, the South, Cohesion Policies and for the NRRP.

The Italian government's adjustments to the management framework of the NRRP are geared towards streamlining decision-making processes and creating a more unified approach to the management of various sectors, responsibilities, and resources. However, the uncertainty surrounding the timing of implementing certain regulations raises concerns. The amendments to the NRRP's governance, outlined in Decree Law No. 13 of 2023 published on February 24th, mark a significant shift in management mechanisms rather than altering the Plan itself. This legislative revision addresses multiple aspects related to the PNRR, incorporating both swift-execution interventions and those requiring more extended timelines.⁴¹

Among the key modifications is the establishment of two new offices: the NRRP Mission Structure at Palazzo Chigi, active until December 31st, 2026, and the General Inspectorate for the NRRP situated within the Ministry of Economy and Finance. The Mission Structure, outlined in Article 2 of the decree, assumes the principal role in facilitating the NRRP's operations. It assimilates the tasks of the technical secretariat and collaborates with the delegated political authority – the Ministry headed by Raffaele Fitto – to guide and coordinate the government's actions concerning the NRRP's overall implementation.⁴² Additionally, it becomes the designated national point of contact with the European Commission for the Plan, a role previously fulfilled by the Ministry of Economy and Finance (Menegus 2023).

On the other hand, the General Inspectorate for the NRRP (as indicated in Article 1 point *e* of the Decree), is anchored to the State General Accounting Office and supersedes the Central Service while maintaining pivotal functions for implementing the Plan. These include overseeing the revolving fund, financial flows, and monitoring management. The Inspectorate, despite being under the purview of the Ministry of Economy and Finance, directly supports the Ministry for European Affairs, the South, Cohesion Policies and for the NRRP.

Additional changes regarding the central administration encompass various areas: the dissolution (*Article 1, Clause 4*) of the Permanent Table for economic, social, and territorial

⁴¹ See: DECRETO-LEGGE 24 febbraio 2023, n. 13. Disposizioni urgenti per l'attuazione del Piano nazionale di ripresa e resilienza (PNRR) e del Piano nazionale degli investimenti complementari al PNRR (PNC), nonché per l'attuazione delle politiche di coesione e della politica agricola comune. Gazzetta Ufficiale della Repubblica Italiana. Available at: <https://www.gazzettaufficiale.it/eli/id/2023/02/24/23G00022/sg>

⁴² Ibid.

partnership, transferring its functions to the Steering Committee with representatives from entities and organizations previously forming the table; the closure of the Agency for Cohesion, transferring its responsibilities to the Department for Cohesion Policies at Palazzo Chigi (*Article 50*); granting administrations responsible for NRRP interventions (ministries) the flexibility to reorganize their structures (*Article 1, Clauses 1-3*); and bolstering the mechanism for substitute powers, including reducing the decision-making timeline from 30 to 15 days (*Article 3*). Moreover, the text addresses peripheral administrations involved as implementing entities in the Plan through two measures aimed at strengthening local government structures: granting municipalities overseeing NRRP projects the option to increase the number of managers (*Article 8, Clauses 1-6*) and permitting the regularization of personnel previously hired on a fixed-term basis for Plan projects (*Article 4*). Notably, Articles 6 and 12 aim to simplify procedures for managing NRRP resources and enhance the operation of a unified recruitment portal for administrations at all levels.

Turning to the NRRP Mission Structure of the Presidency of the Council of Ministers (PCM), it should first be pointed out that it is headed by a coordinator and is organized into as many as four directorates-general. The allocation of staff is particularly significant. It concentrates very relevant tasks for the implementation of the Plan, previously divided among different entities and central administrations. First, it assists the performance, by the Minister for European Affairs, the South, Cohesion Policies and for the NRRP, of the functions of guiding and coordinating the action of the government implementing the Plan, assuming all the functions exercised by the Technical Secretariat and part of those exercised by the Unit for the Rationalization and Improvement of Improvement of Regulation (now suppressed). Added to this is the crucial task of ensuring and carrying out the interlocutions with the European Commission, which is exercised by assuming the role of *point of national contact* for the implementation of the NRRP, previously held by the Central Service for the NRRP at the MEF. Added to these already conspicuous functions are also the task of checking the consistency of the implementation phase of the NRRP, compared to the objectives planned, and provide for the definition of any corrective measures deemed necessary (*Article 2(1)c*); as well as the relevant task, central to the current government action, of overseeing the performance of the preliminary activity related to the formulation of the proposals for updating or amending the NRRP pursuant to Article 21 of Regulation (EU) 2021/241 (*Article 2(1) d*), including the addition of the chapter regarding the *REpowerEU* initiative.

To draw some conclusions, as for the duration set until December 31st, 2026 of the previous governance, for various mission units (the Technical Secretariat, the Unit for the Rationalization and

Improvement of Regulation and the various structures at the ministries), it has been seen how this provision, although legislative in rank, did not survive the change of government.

As for the pre-eminence of the technical moment over the political one, which had hinted at the disappearance of the autonomous possibility for the new government to determine its own political-administrative direction with regard to the NRP, here, too, Decree Law No. 13/2023 took it upon itself to disproving the main perplexities (Menegus 2023). The clear “investiture” of Minister Fitto, the creation of the NRRP Mission Structure and the return of the technical structures under the leadership of the same Minister, the disappearance of the unusual alignment between the Council Presidency and the MEF are all factors indicating that there is an overbearing *return of politics* to the leadership of *Italia Domani*; and the revision of governance, with the strong centralization of relevant functions under the Presidency of the Council, through the delegated minister, only prepares for the definition and implementation of a political-administrative direction radically different from that of the previous Government. Meaning that the governance prescribed at the beginning has also not prevented – as feared – the subsequent Government from drafting a quite different direction from the one set previously on the NRRP.

In light of what has been said so far, Menegus (2023) draws two important conclusions that are particularly relevant for our discussion, by looking at overall to the successive interventions on the governance of the Plan, first with Draghi Government and then with the Executive headed by Giorgia Meloni. A *first* impression is that we are witnessing, as has been the case for some time now, attempts to strengthening the role of the Prime Minister of directing the general policy of the government. A *second* aspect that seems useful to highlight is how, in both the Draghi and the Meloni government, the articulation of governance was to a good extent influenced by the need to deal with European institutions, confirming a trend already highlighted in doctrine⁴³. If in the first case, there was an enhancement of the technical element “in the logic of an interaction more continuous and fruitful, at all levels, with the structures of the European Commission, an institution as is known, characterized by a strong presence of the technical-bureaucratic component”⁴⁴, in the second, on the other hand, the centralization at the delegated political authority (Minister Fitto) of the governance structures, with a significant shift of the point of contact with the Commission from the MEF to the Presidency of the Council, appears functional to a different approach to dialogue with the Commission, all focused on *political* negotiation around the changes to be made to the Plan. This

⁴³ The euro-national mechanism of government highlighted by Nicola Lupo (2022). See: Lupo N., (2023) Il Piano Nazionale di Ripresa e Resilienza: un nuovo procedimento euro-nazionale, federalismi.it

⁴⁴ Lupo N., «I poteri dello Stato italiano alla luce del PNRR: prime indicazioni», cit., 9

could ultimately be linked with the politicization of the policy cycle analyzed – albeit for other previous phases of the Plan development – by Cavatorto et al (2021). How much this “change of style” can influence the dialogue with the European institutions is too hard and too early to tell.

4.3.3. Fostering Collaboration: Italian Public Administration and the European Commission Joining Forces

At the heart of this analysis is the close collaboration between the Italian National Authorities and the European Commission, responsible for the implementation of the RRF. This gives light to a series of proceedings that we have previously referred to “euro-national mechanism of government” (Chapter 3, para. 3.3) (Lupo 2022, 2023; Piccirilli 2022). This locution includes all those proceedings that have two characteristics: they require the involvement of both the institutions of the Union and those of its Member States, and they are developed in accordance with both Union law and Member States law. In the administrative field, they tend to be called “composite administrative proceedings” (Bignami and Cassese 2004) and lot of them are, at this point, totally placed at the constitutional level. The most famous of these proceedings in the past few years has been the attempt of the “European Semester” in the relation to the budget law parliamentary and governmental cycle.

The political decision of instituting the Recovery fund was surely in the hand of the European Union but in itself admittedly incomplete and essentially procedural in nature. For the mechanism to be effectively functional, both a political decision, consisting of the proposal of a Plan, and an appropriate discipline designed to ensure its management on the domestic side are needed (Lupo 2023). Decision and discipline that must be adopted, in forms consistent with national constitutions, by each Member State wishing to join such a mechanism. Finally, as rightly pointed out by N. Lupo (2023), the RRF makes the intertwining of the dynamics of the Italian and European forms of government even more evident and tight. It is easy to see, in fact, how the two government crises that occurred in the middle of the legislature, one in August 2019 and the other in February 2021, turn out to be closely linked to the form of government of the European Union and its dynamics, to the point of being incomprehensible where they are not related to evolutions that, in parallel, were developing in the European context (Lupo 2023). Confirming that it is on this intertwining between Italy and the Union that the circuit of political direction is centered, today, regarding the NRRP and its implementation, but also outside it.

What is incredibly interesting and that is emerging also from the interviews carried out for the analysis of this dissertation, is that the Italian Ministries and a series of entities revolving around the NRRP are having a constant and direct contact with the Commission itself. Meaning that European Commission officials exchange – depending on the period daily, weekly or monthly – directly with Italian public administration officials at all levels. An extraordinary fact that sees the Union institutions entering directly on the current and daily affairs of Italian public offices. The latter, as it will be extensively explored in the next chapter, has significant backlashes on the mentality and an influence on the way Italian officials were traditionally used to approach their work. Other than a quite intense impact on the execution and results of a given measure or bureaucratic process.

4.4. Embracing Innovation in Public Policy: Addressing Implementation Challenges and Capitalizing on Opportunities

In an era characterized by rapid change and evolving challenges, the traditional methods of public administration are being questioned to adapt and innovate. The Italian National Recovery and Resilience Plan stands at the forefront of this transformation, presenting both opportunities and challenges for the nation's public policy landscape. As we delve into the NRRP's journey, we find a narrative of embracing innovation in public policy. This chapter explores how the Plan addresses the complex networks of implementation challenges while strategically capitalizing on opportunities to reshape Italy's administrative landscape. It's a story of adaptability and foresight, where the principles of agility and innovation are integral to the NRRP's vision for a resilient and forward-looking Italy.

Innovation opens the way to important challenges. One of the most debated is related to administrative capacity. Is Italy ready to absorb such an amount of resources and has tools to cope with all the bureaucracy and process that the RRF involves? Paolo Casalino, Head of Mission Unit for the Implementation of the NRRP at the Ministry of Enterprises and Made in Italy (MIMIT), highlighted that one of the things that could be developed better was the management of the governance definition at the outset, including the necessary administrative capacity and the timelines for its implementation⁴⁵. It was necessary to ensure a prompt and delay-free commencement. In April 2021, the proposal was submitted to the European Commission (EC), which, in a span of three months until July, made the implementation decision. Consequently, the National Recovery and Resilience Plan officially commenced in late August or early September 2021, incorporating some measures,

⁴⁵ Casalino P., Head of Mission Unit for the Implementation of the NRRP at the Ministry of Enterprises and Made in Italy (MIMIT), on personal capacity, interview by author, online, July 25th, 2023.

particularly those projects that were already underway. In certain instances, notifications were initiated and calls for proposals were issued. In other cases, there were pre-existing projects. Regarding the structuring of Mission Units, for instance, considerations were made regarding the employment of staff on fixed-term contracts as opposed to indefinite ones, as well as whether technical assistance would be admitted supporting the administration. Additionally, according to DL 77/2021, Article 8, Mission Units were required to be established within 30 days of the entry into force of the issuance (in that case, July). Reality was that the latter were formed almost eight months later. These aspects encompassed the timelines and methods that could have facilitated a more auspicious start, which subsequently had to be addressed retrospectively.⁴⁶ Therefore, once again the matter of administrative capacity proves to be a pivotal factor.

Secondly, a big challenge regards communication strategy behind the RRF and is related to a transparency matter. From our interview to members of SG RECOVER, when asked what the biggest challenge is, the answer focused on communication.⁴⁷ In their perspective, a potential area for reconsideration relates to the communication aspect. As outlined in the RRF regulation, Member States bear communication obligations, including the necessity to elucidate the source of funds and establish a direct link to the EU. This ensures that citizens can readily trace the origin of financial resources. However, we have observed certain challenges in this regard, particularly at the grassroots level, where such information may not be readily accessible. In hindsight, it might have been beneficial to fortify these communication requirements to enhance transparency and ensure that citizens have a clearer understanding of the Recovery and Resilience Facility and its association with the broader framework of Next Generation EU, primarily conceived as a responsive tool for the European Union to address crises.⁴⁸ Also, a perfect example of capitalizing on opportunities is a significant challenge they encountered with the introduction of *REpowerEU* at a point when they had already designed and adopted the Plans, along with the allocation of additional funds under the Recovery initiative. Consequently, Member States were required to draft additional chapters and incorporate them into the Plans. While this presented an excellent opportunity and underscored the adaptability of these instruments in addressing crises, it also necessitated a realignment of timelines pertaining to the functioning of the RFF.⁴⁹

Another element, also raised by some insiders that were interviewed is related to the temporariness of the creation of the structures supporting the implementation of the plan. This

⁴⁶ Ibid.

⁴⁷ From interviews conducted by the author to members of the Recovery and Resilience Task Force of the European Commission.

⁴⁸ Ibid.

⁴⁹ From interviews conducted by the author to member of the Recovery and Resilience Task Force of the European Commission.

simplification strategy has preferred to sidestep the path of the rapid introduction of structural reforms of the administrative system, instead pursuing that of extraordinary procedures intended to apply only to the timeframe of the NRRP implementation. In this sense, it is assumed that an organic reform of administration management aimed at simplification, acceleration and, above all, strengthening of public administrations, central and local, is not deemed necessary (Fabbri 2022).

In conclusion, embracing innovation in public policy, particularly within the context of the Italian National Recovery and Resilience Plan has been met with its share of challenges that merit careful consideration. First and foremost, *administrative capacity* stands out as a pivotal challenge. The complexity and magnitude of the Plan necessitate a robust and efficient administrative apparatus to ensure effective execution. As seen in the delayed establishment of mission units and the employment of staff on fixed-term contracts, the initial management of administrative resources proved challenging. To confront this issue, enhancing the preparation and organization of administrative capacities at the outset of such initiatives becomes paramount. Secondly, the *temporariness* of certain arrangements within the NRRP's governance structure has posed challenges. Lastly, the aspect of *communication and transparency* has unveiled complexities within the NRRP execution. While there exists a commendable emphasis on communicating the origin of funds and their EU connection, practical challenges on the ground have emerged. Transparency in providing Member States citizens with a clear view of their respective national Recovery and Resilience Fund's impact and funding sources must be improved to build trust and ensure accountability.

In navigating these challenges, the Plan demonstrates an impressive capacity for adaptation and resilience. However, it is crucial to recognize that addressing these challenges effectively will be instrumental in capitalizing on the opportunities presented by this ambitious initiative. Through concerted efforts to enhance administrative capacity, streamline temporary processes, and boost communication and transparency, Italy can harness the full potential of the NRRP, fostering innovation and progress in public policy implementation. In doing so, it can set a precedent for successful large-scale initiatives that address the pressing needs of society while ensuring administrative efficiency and accountability.

4.4.1. Unlocking Potential: Integrating REpowerEU Plan to Expand Objectives

How it was highlighted by members of the European Commission as one of the main challenges faced, which later represented quite an opportunity, is the arrival of the REpowerEU initiative. In response to the difficulties and disruptions in the world energy market caused by the Russian invasion of Ukraine, the European Commission launched REPowerEU, which is helping the EU to: save energy, produce clean energy, and diversify EU energy supply.⁵⁰ In this context, Member States were required to draft additional chapters and incorporate them into their Plans.

This has opened the way to another question: what the modalities for revision of the Italian Plan would eventually be. The share of additional REPowerEU grant resources allocated to Italy is 2.76 billion euros. In addition, as stipulated in the Regulation itself, the government intends to use the 7.5 percent share of the 2021-2027 cohesion policy resources already earmarked for objectives similar to those of REPowerEU.⁵¹

The legal basis for the revision of the Plan can be found in Regulation (EU) 2021/241 of the European Parliament and of the Council, which established the Recovery and Resilience Facility (RRF regulation). It has since its inception provided for and regulated the possibility of revision of the Plans. Specifically, Article 21(1) of the RRF Regulation provides that when the Plan with its related milestones and targets is no longer achievable, in whole or in part, by the Member State due to objective circumstances, the member state concerned may submit a reasoned request to the Commission to propose an amendment to the Council Implementing Decision by which the Plan was initially approved the Plan, or even a full replacement thereof.⁵²

In this context, on February 27, 2023, Regulation (EU) 2023/435 of the European Parliament and of the Council (so-called REPowerEU Regulation), which entered into force on March 1st, 2023, which amended Regulation (EU) 2021/241 to allow Member States to amend their National Recovery and Resilience Plans, in addition to the remodeling possibilities already provided, including by adding a chapter dedicated to new actions aimed at achieving the objectives of the REPowerEU plan.⁵³

The REPowerEU regulation contains the legal basis for the measures of the chapter on REpowerEU plan. It set the conditions under which Member States can include in their National

⁵⁰ European Commission website, REpowerEU web page. Accessible at: https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/european-green-deal/repowerEU-affordable-secure-and-sustainable-energy-europe_it

⁵¹ European Policy Department, Presidency of the Council of Ministers, (2023, July 27th) *Proposte di revisione PNRR e integrazione REPowerEU*, Scheda di sintesi - Cabina di regia PNRR del 27 luglio 2023. Accessible at: <https://www.politicheeuropee.gov.it/it/ministro/comunicati-stampa/27-lug-23-pnrr/>

⁵² Ministry of European Affairs, the South, Cohesion Policies, and NRRP (2023, July 27th), *Proposte per la revisione del PNRR e capitolo REpowerEU*, draft for the bench. Accessible at: <https://www.osservatoriorecovery.it/wp-content/uploads/2023/07/Revisione-e-aggiornamento-del-PNRR-parlamento-27-luglio-2023-1.pdf>

⁵³ Ibid.

Recovery and Resilience Plans measures (and corresponding milestones and targets) to pursue the objectives of the Plan with the new Article 21-*quater* of the RRF regulation. With this article, a new legal basis was introduced for reviewing and supplementing National Plans, additional to the objective justifications under Article 21 and linked to the pursuit of the objectives of REPowerEU.⁵⁴

Overall, the Administrations submitted amendment proposals covering *144 investments and reforms*. The change requests can be divided into three categories. The *first* category concerns formal changes related to the description of the measures and especially the *verification mechanisms*. These types of non-substantive changes are very important as they allow for easier reporting of individual objectives. In recent months, with the third and fourth payment requests, we have experienced first-hand the difficulty of reporting on objectives and the need to point out all the individual aspects.⁵⁵ This method has already been fruitfully adopted when amending the fourth payment request.

The *second* type concerns modifications and *reprogramming of measures* that, faced with an inability or strong criticality to achieve certain objectives and especially physical targets, Administrations have proposed to reprogram in favor of coherent interventions of a sectoral nature⁵⁶. This category includes interventions related to the High-Speed Railway, for which archaeological, geological and authorization-related criticalities have emerged during implementation that do not allow compliance with the planned timetable. Similarly for digital transition measures, in the face of some critical issues, the Administrations propose the strengthening of interventions using savings accrued during the bidding process.

The *last* category of changes, however, concerns measures that are proposed to be defunded from the NRRP and safeguarded through coverage *with other funding sources*, such as the National Plan complementary to the NRRP and cohesion policy funds. These are 9 measures with a total amount of 15.9 billion euros⁵⁷.

The Chapter on REpowerEU is divided into three investment measures and six reforms. The investment measures cover: Energy Networks; Green transition and energy efficiency; and Strategic industrial supply chains.

⁵⁴ Ministry of European Affairs, the South, Cohesion Policies, and NRRP (2023, July 27th), *Proposte per la revisione del PNRR e capitolo REpowerEU*, draft for the bench. Accessible at: <https://www.osservatoriorecovery.it/wp-content/uploads/2023/07/Revisione-e-aggiornamento-del-PNRR-parlamento-27-luglio-2023-1.pdf>.

⁵⁵ European Policy Department, Presidency of the Council of Ministers, (2023, July 27th) *Proposte di revisione PNRR e integrazione REPowerEU*, Scheda di sintesi - Cabina di regia PNRR del 27 luglio 2023. Accessible at: <https://www.politicheeuropee.gov.it/it/ministro/comunicati-stampa/27-lug-23-pnrr/>

⁵⁶ Ibid.

⁵⁷ Ibid.

Additionally, six sectoral reforms are provided (from the Government website)⁵⁸:

- Reduced cost connection to gas networks for biomethane production;
- Power Purchasing Agreements (PPAs), innovative contracts to ensure stable remuneration for those who invest in renewables;
- Green skills, private sector, training of human resources currently employed in traditional industry;
- Green skills, public sector, specialized training of public administration employees;
- Road map, pathway for rationalization of inefficient fossil fuel subsidies;
- Consolidated text about the legislation on permitting for renewable sources.

In conclusion, the challenges of RRF have revealed the transformative possibilities that arise when we embrace integration and synergy in the context of the NRRP giving light to the RepowerEU initiative. By breaking down silos and fostering collaboration among diverse plans and objectives, we unlock new avenues for growth, resilience, and progress. The REpowerEU Plan, with its multifaceted approach and adaptability, serves as a catalyst for innovative solutions and the attainment of broader goals. This chapter has underscored the importance of strategic alignment and the power of collective effort in achieving sustainable and inclusive outcomes. As we move forward, the lessons learned from this integration endeavor will continue to inform our approach to policy, planning, and implementation, propelling us toward a more resilient and prosperous future.

⁵⁸ European Policy Department, Presidency of the Council of Ministers, (2023, July 27th) Proposte di revisione PNRR e integrazione REPowerEU, Scheda di sintesi - Cabina di regia PNRR del 27 luglio 2023. Accessible at: <https://www.politicheeuropee.gov.it/it/ministro/comunicati-stampa/27-lug-23-pnrr/>

Chapter 5

Changing the paradigm: thinking performance-based

5.1. Methodological Notes

Before diving into the heart of this analysis, some methodological notes are needed, being them essential to understand the kind of analysis that has been carried out in the context of this dissertation.

Analyzing the Next Generation EU Plan and Recovery and Resilience facility now, in 2023, is not an easy task mainly for the timing. The National Plans are in fact in the middle of their implementation and little academic literature has arisen on the topic until the moment of writing. The scenario is however changing, extensive literature on the Next Generation is appearing and, finally, more and more official documentation both from National Authorities and the European Union is making its way to us in the last couple of months. We are exactly at the middle of the timeline ideated by the European Commission for the RRF, and this maybe allows us to have a daily clearer picture of how it is going. That said, RFF represents a brand-new topic, that has never been studied *ex post* given that it is currently in the implementation phases and so little academic and scholarly literature exists. Therefore, it can only be deeply understood and explored in relation to the experiences and activities of those who are currently working on it. For this reason, as I will clarify in the next lines interviews and observations are the main source of data that are mainly used throughout this analysis.

5.1.1. Data Collection and Analysis Method

Interviews and document analysis represent the best option to the case at stake. In the present analysis, several interviews have been carried out and major data is collected through the study of official documentation on the topic released by national and European authorities. Interviewees at the *European level* are Commission officials who are part of the Recovery and Resilience Task Force (SG RECOVER), the main institutional structure of the European Commission that works in close relationship with DG ECFIN and National Authorities on the on the implementation of RFF and, eventually, on the supervision and monitoring of the Italian activity on the matter. At the *national level*, I have interviewed several Directors Generals who serve as Heads of Mission Unit for the Implementation of the National Recovery and Resilience Plan (NRRP) Interventions. They are responsible for the entire Mission Unit as the point of contact with the Central Service for PNRR for

the fulfillment of the requirements of Regulation (EU) 2021/241, with respect to the interventions under their Ministry's ownership. At the *local* level, I have interviewed officials of “ANCI” the Italian Association of Italian Municipalities, an association of local administrators who are currently implementing a consistent number of planned measures of the Italian NRRP.

The data through the interviews are collected through a questionnaire of around seven to ten question different for European and national officials who is focused on a reasoning over the governance of NRRP and its impact on Italian public administration. With this data collected, I conducted some in-depth observations on the use of the instruments and understand how the “style” of governance is thought by official as having currently an impact on how they work with objective and with a result-oriented mindset.

Finally, I will mainly rely on official reports, records, scoreboards, and datasets by national and European institutions, made available from the interviewees and on the advancement of the implementation and monitoring of the Plan in daily affairs. In this regard, the analysis method will involve both discourse and process-tracing as I will try to highlight if there exists a correlation which links the implementation of the NRRP and its governance to the improvement of Italian public administration efficiency.

5.1.2. Limits

As strongly remarked in the first chapter, an important aspect that needs to be considered is that we are attempting to examine efficiency in a system that is strongly focused on values, inspirations, and human perceptions – like the one of a national public administration office, opposed to an environment of conventionally measured quantities, and this takes on a completely different viewpoint (Grandy 2009). The “value dimension” that we have mentioned offers a distinctive and completely different perspective on public administration efficiency. All this needs to be considered when it comes to measuring efficiency, and it is particularly crucial in relation to different public offices.

What can represent a consistent drawback in our analysis is the fact that the data collected relies on the mere personal experiences of public officials. Despite their effort in trying to remain neutral and answering question following a “technical” analysis, the risk of their answers being influenced by perception is high. Following this line, perceptions are not the best driver for unbiased data collection.

However, this kind of bias represents the main limit of data collection through interviews and therefore I have tried to minimize it attempting to pose the right questions, avoiding them to be biasing in regard to interviewees.

5.2. From Spending Programmes to a Result-Oriented Approach

The Recovery and Resilience Facility (RRF) proposes entirely innovative ways to regulate financial relations between the European Union and Member States. The main novelty comes in the form of the approach to the spending of resources that is *performance-based* rather than expenditure-based programs. In fact, NRRPs are focused on setting and pursuing *milestones* and *targets* (M&T) that describe the progress and results of the reforms and investments (i.e., PNRR measures) that they propose to implement.⁵⁹ *Milestones* generally define relevant administrative and procedural steps, are qualitative targets to be achieved by a NRRP measure, and often identify key steps in the implementation of the measures (e.g., legislation adopted, information systems fully operational, etc.); *targets*, on the other hand, represent the expected results of the interventions, quantified by measurable indicators. These are quantitative milestones to be achieved through a given NRRP measure and defined through specific indicators (e.g., km of railways built, square meters of surface area covered by energy efficiency interventions, etc.).⁶⁰ Milestones and targets are also characterized by a number of cross-cutting requirements, including compliance with the so-called DNSH (Do No Significant Harm) principle and the 40 percent share of resources to be allocated to the *Mezzogiorno*, (Southern part of Italy) in the Italian case. With a view to efficiency and sustainability, disbursement of funds are made by the European Union to the Member State only on the basis of the achievement of agreed, defined and time-bound M&Ts.

A milestone or target is considered to be achieved when all of the above requirements are met and evidence required in the verification mechanism is produced, as specified in the “Operational Arrangements” agreed with the European Commission and signed on December 22nd, 2021.⁶¹

To make all of this feasible, the great question was revolving around Italian administrative capacity: was Italy’s existing structure of public administration ready to support and implement an

⁵⁹ Technical instructions for the drafting of management and control systems of the central administrations holding PNRR interventions - Circular No. 9, February 10th, 2022

⁶⁰ Ibid.

⁶¹ Annex to the Council Implementing Decision on the Approval of the Assessment of Italy’s Plan for Recovery and Resilience (for verification of requirements see the “Description of each goal and objective” column) <https://data.consilium.europa.eu/doc/document/ST-10160-2021-ADD-1-REV-1/it/pdf>.

ambitious Plan like the NRRP? The Draghi government took note that in the eyes of the European Union and the financial markets, it would have been scarcely credible to claim that the Italian bureaucracy could be the backbone on which the complex organizational machinery of the NRRP would eventually have its bases.

The first area concerns the introduction of *buffer measures* aimed at ensuring from the outset that interventions are carried out within the set deadlines. This is basically the use of the typically Italian strategy of carrying out new tasks by adding extraordinary administrations to ordinary ones (Di Mascio and Natalini 2022). In fact, to shore up the governance of the NRP, a network of mission structures has been set up, one for each ministry and generally for each department, untied from the spoils system and intended to last until December 31st, 2026. In addition, various forms of technical assistance have been activated that should accompany and support administrations, especially local ones in the South, which are less equipped to implement on time the commitments made by Italy with the Plan. Finally, efforts have been made to prevent the implementation of interventions from being hindered or delayed by the intrusiveness of the courts, for which limits have been placed on the action of accounting judges (for fiscal damage), criminal judges (for abuse of office) and finally also administrative judges, reshaping their precautionary powers in order to make the adoption of suspensive measures merely residual.

The second area of intervention includes the measures with which the Draghi government sought to structurally strengthen administrative capacity, envisaging in the NRRP the adoption of a number of *sectoral legislative reforms* on taxation, competition, procurement and anti-corruption, which, however, already at the end of the legislative term encountered quite a few obstacles in being adopted by Parliament (Di Mascio and Natalini 2022). With respect to public administration, efforts have been made to streamline personnel recruitment through the launch of a single portal, to strengthen the ever-neglected training of civil servants, to merge into a single Integrated Plan of Activities and Organization (Piao) the too many plans and programs that must be adopted by individual administrations, and, above all, to revive collective bargaining with a view to revising job profiles and increasing salaries. In this second area, they leave it up to individual administrations to design the objectives, timing and methods of implementing their own change processes by exercising their autonomy with respect to the assessment of their hiring and training needs, the adoption of remote work in its various forms, the evaluation of staff productivity as well as the digitization of administrative processes (Di Mascio and Natalini 2022). For the same reason of no confidence in Italian administrative capacity, from a comparative analysis of some NRRPs (in particular, with those of Spain, France and Greece) it was observed that has been an Italian peculiarity to include “specific result objectives attached to some important reforms.” It was explained, albeit dubiously, by “a

certain distrust on the part of the Commission with respect to the Italian government's ability to effectively implement the adopted reforms”⁶² (Rubio 2022).

In this sense, and in relation to the second area of action mentioned above, the NRRP legally commits, with regard to the results specified therein, “not only the administration called upon to execute the Plan, but also the other legal actors, all interpreters, including the jurisdiction of course,” thus imposing a decisive enhancement of *administrative discretion* and its effectiveness in order to ensure the timely achievement of the results in question (Sciortino 2021).

Finally, it is no doubt that the governance implemented for *Italia Domani* represent an unparalleled opportunity for Italy’s public administration and this has been rightly pointed up by Minister of Economy and Finance, Daniele Franco, that during a public hearing when examining a proposal of the NRRP affirmed that “the NRRP constitutes an unprecedented learning exercise for Italian institutions. It requires a strengthening of the Administrations’ technical structures and their strategic and planning capacity.”⁶³

This ultimately leads to the heart of this dissertation analysis which aims at deepening the analysis of the use of the Plan and its underlying *rationale* as a tool to improve Italian administrative quality. It embodies a step forward from the traditional model of understanding policy making in the country and more specifically. Emphasis is placed on the fact that the Plan is *performance-based*, meaning that it is organized by objectives, and no longer by spending programmes. This will radically change the way of conceiving public policy cycles with a substantial evolution in the landscape of implementation of Italy’s reforms and policy performances, which is known to be suffering from a strong quality and public innovation *deficit*. Building measurement systems to be able to follow a result-oriented approach can increase the link between the NRRP and PA and I expect that this will ensure better results. The definition of actions, the clear portrayal of realistic objectives, and the monitoring and evaluation of results can ultimately lead to better efficiency in PA.

Within the sphere of contemporary governance and public administration, the imperatives of optimizing resource allocation and enhancing operational efficiency have assumed paramount significance. In this chapter, we undertake a rigorous examination of a paradigmatic shift, characterized by the transition from conventional spending programs to a performance-oriented approach. Furthermore, this chapter delves into the intricate dynamics between NRRP governance

⁶² For more see Rubio, E. (2022), «From Words to Deeds. Analysis of possible scenarios and policy dynamics in the process of disbursing funds from the European Instrument for Recovery and Resilience», Policy Paper No. 274, *Notre Europe*, p. 6.

⁶³ Hearing of the Minister of Economy and Finance, Daniele Franco, as part of the examination of Doc. XXVII, No. 18 (Proposed National Recovery and Resilience Plan), before the Joint Committees 5th, 6th and 14th of the Senate of the Republic and V, VI and XIV of the Chamber of Deputies.

and the functioning of the Italian public administration. Within this exploration, we dissect the temporal dimension and the exigency for multi-level deliberations.

At the heart of the chapter, a scrutiny of the nexus between the Italian NRRP and public administration's operational efficiency is undertaken, with the precious contribution of all data collected through the author's interviews. As we navigate through each subsection, the ambition is to unfurl the intricacies and implications of embracing a performance-based *ethos*, potentially reshaping the contours of policy implementation and resource allocation *vis-à-vis* the NRRP in the backdrop of scholarly inquiry and academic rigor. Lastly, we venture into the horizon of a new paradigm, namely an "extraordinary procedure for more ordinary times" (Section 5.4), underscoring the prospect of innovative administrative procedures within this evolving landscape.

5.3. The impact of NRRP Governance on Italian Public Administration Functioning: Findings

The aim of this paragraph is of particular ambition. It pretends – together with the subsequent ones – to summarize the important findings that this thesis aimed to ultimately reach, namely the impacts of the National Recovery and Resilience Plan governance on Italian PA. More precisely, one of the pivotal dimensions is assessing whether the governance of NRRP, which is based on a performance-based approach, has an influence on the functioning of Italian PA, in terms of quality, and whether will serve as a "best practice" for future ordinary times.

The main findings coming from the interviews conducted generally confirms our hypotheses, namely the fact that the governance of the Italian National Recovery and Resilience Plan has effectively an impact on public administration. This perspective is shared by all interviewees, who are part of the central administration, meaning Heads of Mission Units of Italian Ministries and at the Inspectorate General of the NRRP at the MEF. All of them answered positively to the question of whether, from your perspective, this Plan was having an impact on the way they do policy making, and therefore, whether it was having a qualitative impact on the Italian PA in particular. The answer concentrated on how it absolutely was having an impact and, redundantly, it will have an impact. Antonia Ronzio from the Inspectorate General of the PNRR, shared that the Plan is changing the way they think. In the moment where, I must think about a new measure, I am now taking into consideration which options must provide, who has to regulate and so on. Affirming that the concept

of *reversal* was something completely new to their way of working and thinking as policy makers⁶⁴. There is ultimately a different approach to administrative activity at all levels. Fabrizio Penna from MASE, precises that surely this is the ultimate aim and that the whole public administration is learning and taking the Plan as a benchmark, as an example to improve their policymaking. The Plan has significantly changed from its first phases and also the perception of fulfillments changed. In this moment we find ourselves in a moment of difficult and of critics to the Plan, a transitory phase which is destined to fade, according to him, and this is because the Plan has changed its *escursus* from the beginning⁶⁵. Also, Paolo Casalino, from MIMIT confirmed that the answer to the question was positive and that certainly it has forced the administration and implementing subject to think in terms of deadlines and timelines⁶⁶. When should I commit and how much should I pay? This mechanism was new for everyone and even for the Commission itself.

In this sense, Commission officials confirmed this perception. This new methodology of thinking about results are to be achieved and that I think we start seeing it both at the level of the central administration and the local administration, as a big part of the Italian Plan is implemented by a very wide number of implementing parties.

There is, in fact, some evidence of successful implementation of a new methodology in Italy aimed at improving the management of national funds and achieving specific objectives. The Italian Plan utilizes this methodology to assess its effectiveness in enhancing the management of funds at the national level. A significant milestone in the Italian Plan involves the allocation of a 30 billion fund called “Piano Nazionale Complementare” which complements Italy’s existing resources. This national fund is managed using a milestone target system to evaluate how milestones and targets can be applied to national funds effectively. The approach is result-oriented, focusing on measuring the outcomes, particularly the absorption capacity of national funds, using improved milestones and targets. This assessment is essential, given that the European Union uses performance-based instruments, and it looks at both the standing and absorption outcomes.

Additionally, there has been observable progress in the management of these national funds. Beyond the methodology itself, the Italian Plan includes actions designed to have a structural impact on public administration. These actions encompass both short-term measures, urgent quick-fix measures, aimed at addressing urgent issues and big fixes of long-term structural reforms intended to endure beyond the current planning cycle of the European Union. Examples of these structural

⁶⁴ Ronzio A., General Inspectorate of NRRP, MEF, in personal capacity, personal communication, September 15th, 2023.

⁶⁵ Penna F. Head of Mission Unit for the Implementation of the NRRP, Ministry of Environment and of Energetic Safety (MASE), in personal capacity, personal communication, September 15th, 2023.

⁶⁶ Casalino P., Head of Mission Unit for the Implementation of the NRRP, Ministry of Entreprises and Made in Italy (MIMIT), in personal capacity, personal communication, July 25th, 2023.

reforms include significant changes to public employment procedures, the simplification of administrative procedures, the adoption of a public procurement code and so on. Therefore, there is both the methodological point of view, but also, in terms of substance, the reforms and investments that are included in the Plan and that can actually make a difference.

In addition, there is hope and expectation that the working model of the National Recovery and Resilience Plan becomes the standard method of government for local administrations. Also, in terms of instrument, hopefully, the single monitoring platform ReGis will remain. Massimo Allulli, from ANCI, the National Association of Italian municipalities affirmed how there has been an unprecedented effort and mobilization by municipalities and metropolitan cities that goes beyond any recent efforts in terms of project applications and implementation.⁶⁷ We are talking about around 40 billion euros allocated through a pace of 1-2 tenders per week. A tremendous mobilization by municipal administrations, the latter achieving all milestones and targets. In May 2023, all “sports and inclusion” public calls worth 700 million euros; in June 2023, 100% of adjudications for kindergartens⁶⁸. Certainly, Allulli talks about a commitment with a sense of mission. Even more, if we link it to the fact that all of this hits a local administration which is exhausted from a season of budget cuts. They have lost approximately 20% of their staff in recent years, with a hiring freeze, a stability pact for municipalities – 1 out of 5 affected. The NRRP arrives with a municipal structure make up of an aging workforce and challenges in adopting new technologies. Conditions, in short, that make municipalities' arduous undertaking already a success.

When exploring the novelties and challenges of NRRP governance, we need to deal with two main aspects of it: the multi-level governance, with the time-related aspect which has never been experienced before and some elements of criticism. In the next two sections, with the continuous support of data collected through our interviews, I will try to focus on these peculiar angles.

5.3.1. Thinking multi-level

The Recovery and Resilience Facility forced administrations to think multi-level. As we have analyzed in previous chapters, what is revolutionary about the RRF governance is exactly this unique dialogue which has been established between national authorities and the European Commission. Checking this aspect with the data collected from officials through interviews, we see how the national authorities have establish a truly constant and perpetual contact with their

⁶⁷ Allulli M., ANCI, in personal capacity, personal communication, September 15th, 2023

⁶⁸ Ibid.

Commission counterparts. Making it almost special how the national and supranational level merge in a unique composite governance.

According to Commission officials, daily exchanges, and regular meetings, held on a weekly basis, are instrumental in fostering constructive dialogues with Member States. The frequency and depth of engagement in these exchanges are contingent upon the individual circumstances of each Member State. This dynamic process changes in the various phase of the Plan: the initial phase was of intensive planning, followed by ongoing adjustments in collaboration with Member States to incorporate their specific measures. The overarching objective is to ensure that the National Recovery and Resilience Plans align seamlessly with the rigorous criteria outlined in the Regulation of the Recovery and Resilience Facility (RRF).

The nature of the engagement of the European Commission with the Member States has undergone a notable intensification in comparison to the previous procedures associated with the European Semester. This heightened level of interaction is primarily attributed to the imperative of executing the National Recovery and Resilience Plans (NRRPs) on a month-to-month basis. Consequently, the frequency and depth of communications have significantly escalated. Furthermore, the discourse pertaining to policy matters with Member States has experienced a corresponding intensification. While it is acknowledged that the country-specific recommendations issued during the semester persist as a foundational framework, there is a substantive shift in the manner in which these NRRPs are executed. This shift has led to a more extensive dialogue with the Commission, especially when contrasted with the traditional implementation of national policies within the confines of the semester, thereby influencing the ensuing impacts.

Italy, in this context, does not receive preferential treatment; the European Commission maintains continuous and rigorous communication with Italy as it does with other Member States. Surely, Italy's NRRP is notably extensive, and it stands out as one of the few Member States that have already submitted three payment requests. Moreover, the ongoing process of review and REpowerEU chapters underscores the persistent and intensive nature of interactions with Italy. This engagement has been a hallmark of the relationship from the inception of the NRRP's drafting, reflecting its comprehensive nature.

It is important to underscore that the principle of equal treatment among Member States prevails throughout these interactions. While the substantive content of discussions remains consistent, encompassing uniform requirements and assessments, the scale and scope of engagement naturally vary, reflecting the differing magnitudes of the national plans under consideration.

According to Italian central administration officials too, the dialogue established in the context of NRRP is of special and unprecedented nature. Antonia Ronzio had previously worked with European Funds, namely Cohesion Funds, but she highlights how the level of involvement in the implementation of the National Recovery and Resilience Plan is incomparable.⁶⁹ The interaction has evolved into a continuous, daily interaction. Fabrizio Penna shares the same perspective, where the ecosystem in relation with the European Union was somewhat similar, but the intensity of engagement experienced with the NRRP is unparalleled.⁷⁰ This sustained and ongoing engagement extends not only to the European Commission but also to European oversight bodies such as the European Court of Auditors (ECA) and the European Anti-Fraud Office (OLAF).⁷¹ The depth and frequency of communication across these entities underscore the exceptional nature of the NRRP's implementation process.

Multi-level thinking includes also dialogues at the national level which see central administration talking closely with local ones and other stakeholders. As proved both by Commission and ANCI officials, the direct contact regards all levels. Institutional representation plays a pivotal role in the implementation process and political intervention occurs at various levels, ANCI, for example, is actively participating to the *Cabina di Regia* (Steering committee) of the NRRP. The dialogue between ANCI and the European Commission (CE) follows a highly formalized structure. During the periodic cycles of meetings involving both public administration and stakeholders, ANCI is consistently convened, highlighting the significant attention and importance placed on ensuring the effective collaboration between these entities in the Plan's execution.

Similarly, Penna also emphasized his Mission Unit has initiated several initiatives and highlighted the innovative nature of stakeholder engagement within the unit.⁷² MASE's mission unit is structured into two directorates: the Directorate General for Financial Management and Monitoring (DG GFIM) and the second, DG COGEPRO, focused on project coordination and management. The latter is particularly innovative in its daily interactions with legal entities that tend to operate within a more privatized framework. Maintaining continuous and open communication with stakeholders, especially within the complex regulatory landscape encompassing aspects such as anti-corruption

⁶⁹ Ronzio A., General Inspectorate of NRRP, MEF, in personal capacity, personal communication, September 15th, 2023.

⁷⁰ Penna F. Head of Mission Unit for the Implementation of the NRRP, Ministry of Environment and of Energetic Safety (MASE), in personal capacity, personal communication, September 15th, 2023.

⁷¹ Ibid.

⁷² Ibid.

measures and lobbying, is a primary focus.⁷³ Special attention is placed on navigating this intricate regulatory environment while adhering to the established rules and guidelines.

5.3.2. Elements of criticism

It is crucial to consider that today we are much more aware of certain implementation dynamics. Looking back, no one could have foreseen these developments, and the administration constructed everything based on the available information and in the best-way solution. The rules were not all laid out, and some unforeseeable changes occurred. However, according to Antonia Ronzio, making the process of modifying the Plan easier would have allowed for greater adaptability.⁷⁴ According to Fabrizio Penna, at the national level, we initially envisioned the Plan differently. During that phase, they did not fully grasp that the NRRP primarily involved taking on debt, which would contribute to increase public debt. The choice was to maximize the amount the country could obtain, somewhat underestimating that a higher sum would come with greater challenges.⁷⁵ The NRRP is not simply a fund; it operates as a comprehensive Plan guided by outcome indicators and established criteria. For instance, the DNSH criterion, in light of the evolving circumstances, is outdated, and for instance the European Commission has updated it. Therefore, Penna underlines the importance of negotiating for significantly reduced resource requirements but focusing more on infrastructure measures.⁷⁶ The market was not prepared, and the fragmentation of overly specific measures, which other states did not undertake, is the reason for the recent remodulation.

For local entities, to the extent it would have been feasible, Allulli highlighted the need for more structured measures for centralized support to local authorities from the outset, allocating more resources. Maintaining a central state structure, even interministerial, capable of effectively supporting the regions in generating projects, assisting with tenders, and overseeing activities beyond the NRRP period.⁷⁷ The system somewhat reacted to events, but this was necessary probably from the beginning. In the line of Invitalia's involvement through, for instance, framework agreements that eased the burden of procurement for projects like kindergartens or integrated urban plans. If there had

⁷³ Penna F. Head of Mission Unit for the Implementation of the NRRP, Ministry of Environment and of Energetic Safety (MASE), in personal capacity, personal communication, September 15th, 2023.

⁷⁴ Ronzio A., General Inspectorate of NRRP, MEF, in personal capacity, personal communication, September 15th, 2023.

⁷⁵ Penna F. Head of Mission Unit for the Implementation of the NRRP, Ministry of Environment and of Energetic Safety (MASE), in personal capacity, personal communication, September 15th, 2023.

⁷⁶ Ibid.

⁷⁷ Alulli M., ANCI, in personal capacity, personal communication, September 15th, 2023

been this centralized expertise, there might have been fewer tenders and more negotiated planning models.

But this is in line with our opening: today we are much more aware of certain implementation dynamics. And therefore, these elements of criticism were not possible to forecast at the initial stages. Lastly, in terms of timing Paolo Casalino concentrated the attention on better management of the initial governance definition phase, including the administrative capacity required and the time needed for implementation, to enable a prompt start without delays.⁷⁸ The block was submitted to the European Commission in April 2021, and in just three months, by July, they issued an implementation decision. The NRRP commenced at the end of August and early September 2021, with some ongoing projects initiated. In some cases, notifications were initiated, followed by tenders. In others, existing projects were already underway, creating a complex landscape that required more efficient governance at the outset.⁷⁹

To conclude, the lesson learned is that Italian central and local administration has learnt and learning dynamically day by day, the processes and mechanism connected to the development and actual implementation of the National Recovery and Resilience Plan. Those exposed elements of criticism do not want to represent a stated critique, on the opposite they want to put in light and underline an administration which is dynamically evolving, catching all profiles of innovation that this “experiment” like it has often been referred to, brings in relation to the novelties and multi-level challenges that this Facility represents.

5.4. Analysis of the Link between the Italian NRRP and Public Administration Efficiency

Is it correct to link the governance of the Italian Recover and Resilience Facility to the concept of improving efficiency and quality in the Italian PA?

Data collected show us that, according to academics and personnel working on the topic, this is exact.

The first, biggest theme in terms of impact is related to a change of mentality of public administrators. People, including administrations at all levels, start to think about results to be achieved, a methodological aspect that is completely new and which is probably there to stay also in terms of mentality, at least of planning. Antonia Ronzio underscores the shifting mindset within

⁷⁸ Casalino P., Head of Mission Unit for the Implementation of the NRRP, Ministry of Enterprises and Made in Italy (MIMIT), in personal capacity, personal communication, July 25th, 2023.

⁷⁹ Ibid.

public administration, characterizing a distinct approach to administrative activities at all levels: small, medium, and higher administration.⁸⁰ Ronzio notes that the public administration has become more aware of the significance of achieving a shared target. The mechanism has been set in motion, with the most challenging aspect being during its initiation. The fact that everyone now understands that securing funding entails contributing to a target and adhering to new and diverse logics is a notable development.⁸¹ Moreover, Italy's robust emphasis on this mechanism, including the complementary fund, demonstrates a commitment to its enhancement.⁸² Whether this endeavor proves successful for the country will depend on its outcomes. Ronzio suggests that, at the very least, this serves as a foundational experiment that can undoubtedly be refined and improved over time, making it a distinctive and evolving experience.⁸³

An affirmative response is also given by Paolo Casalino, notwithstanding the evident challenges and difficulties that emerged initially. The unfamiliarity with the rules and the novelty of the Recovery and Resilience Facility (RRF) presented obstacles for all parts, including the Commission, which has demonstrated a commitment to improvement. This situation compelled not only the administration but also downstream implementing entities to adopt a mindset based on *deadlines and timelines*.⁸⁴ In this sense, this goes the opposite direction in respect to the Italian administrative tradition, which had for long witnessed an independent variable: the element of time. Particularly in terms of financial resource utilization – adhering to deadlines for resource commitment to avoid their forfeiture. Historically, administrative processes have predominantly followed an “ordinary” approach, aligning procedural norms along these lines. This paradigm shift represents a true case of performance-based administration, to the extent that it has been integrated into the Performance Plan of the Ministry of Enterprises and Made in Italy (MIMIT). Meaning that the Director-General, for instance, now has specific milestones and targets to achieve in a given year, which are considered his/her objectives.⁸⁵ Therefore, this shift constitutes a significant change, and it is not without its challenges get all levels of the administration accustomed to this methodological shift.

⁸⁰ Ronzio A., General Inspectorate of NRRP, MEF, in personal capacity, personal communication, September 15th, 2023.

⁸¹ Ibid.

⁸² Ibid.

⁸³ Ibid.

⁸⁴ Casalino P., Head of Mission Unit for the Implementation of the NRRP, Ministry of Enterprises and Made in Italy (MIMIT), in personal capacity, personal communication, July 25th, 2023.

⁸⁵ Ibid.

5.5. A New Paradigm: the Extraordinary Procedure for More Ordinary Times

The innovative approach represents a fundamental departure from conventional administrative practices and encompasses a reimagined framework for the public administration. In this section, we explore the intricacies of this transformative procedure and its implications, shedding light on its potential to reshape administrative dynamics in response to contemporary challenges.

Noteworthy is the integration of refund and investments facilitated by the RRF. Previously, cohesion funds supported investments significantly, and reform was achieved through technical Support instruments, providing concrete assistance to Member States in implementing reforms. What sets the RRF apart is its innovative approach of linking investments with the implementation of reforms, thereby incentivizing progress in both areas. The implementation of reforms becomes a prerequisite for obtaining funding for investments, resulting in a mutually reinforcing cycle. Additionally, the performance-based nature of the instrument is a key aspect, requiring project milestones and targets to be progressively met to access funds.

In contrast to cohesion funds, the National Recovery and Resilience Plan represents a shift from a spending-centric approach to one centered on performance. The European Commission's primary concern is not just adherence to expenditure rules but ensuring that spending aligns with the objectives to be achieved. The Commission takes it as a given that spending should be executed effectively. This paradigm shift necessitates a demonstration that commitments have been fulfilled within agreed-upon timelines and in precise alignment with what was agreed upon.⁸⁶ This demonstration encompasses not only investments but also crucial reforms, distinguishing the PNRR from cohesion programs, which focus solely on investments. Thus, the PNRR entails a holistic approach, emphasizing both investment and reform agendas.

The interviewees have been asked whether this mechanism and governance of RRF and therefore of NRRP will serve as a "best practice" for future Plans, exclusively Italian in their nature or measures involving European Union. Their answers are summarized in the following lines.

Regarding best practices, it is observed that the concept of the RRF has been taken up in recent developments, like the proposal for the €50 billion Ukraine facility, which bears resemblance to the RRF's features. Nevertheless, a longer-term perspective is necessary to evaluate the full impact and success of the RRF and how its approach may influence future funding instruments. Moreover, the success of initiatives like the Next Generation EU relies heavily on the implementation of individual

⁸⁶ Ronzio A., General Inspectorate of NRRP, MEF, in personal capacity, personal communication, September 15th, 2023.

Plans, such as the Italian Plan. Beyond the actual implementation, the novel aspect lies in the methodology introduced, which emphasizes results and achievements. Ultimately, it remains essential to observe further developments to assess the long-term implications and potential adaptations of this methodological shift.

Indeed, this transformative endeavor is a work in progress, marked by ongoing efforts and judicious refinements. Its impact, both current and prospective, is undeniable. It is ushering in a profound shift in our collective administrative mindset, resonating across all levels, from the smallest to the highest echelons of the public administration. This novel paradigm emphasizes the paramount importance of achieving shared targets, compelling a mechanism into action—a task not devoid of its inherent challenges. What is particularly noteworthy is the newfound awareness that securing financing entails active participation in a broader target, necessitating responses to novel and diverse logics. Italy's notable emphasis on this mechanism, particularly through the Complementary Fund, underscores a resolute commitment to its enhancement. Whether this endeavor ultimately proves successful for the nation is contingent upon its outcomes. At a minimum, it represents a foundational experiment, poised for refinement and evolution, making it an intrinsically distinctive and evolving experience.

Additionally, as underlined by Antonia Ronzio, the system developed and used for the monitoring procedure, namely the ReGis platform will probably remain. The NRRP monitoring system did not exist because it lacked the investment cycle managed on a single system. Now, she forecasts that there is a probability that it will be used as a transversal system through which all public investments will be monitored.⁸⁷

The NRRP has introduced a pioneering experiment involving the recruitment of a remarkably youthful workforce dedicated exclusively to the Plan's implementation. This recruitment strategy targets not only Mission Units but also all offices associated with the NRRP. It marks the inception of a groundbreaking phase in the Italian public administration—a transformational process often referred to as the “turnover.” What emerges also from young officials engaged in those offices is that this endeavor commenced with vacant offices, presenting notable challenges in terms of augmenting the administrative capacity of the public administration. The infusion of 500 individuals into the NRRP, originating from diverse backgrounds and characterized by their youthful average age, poses both critical and challenging aspects. It entails the intricate task of independently formulating best practices and procedures, essentially adding substantive content into the functioning machinery of

⁸⁷ Ronzio A., General Inspectorate of NRRP, MEF, in personal capacity, personal communication, September 15th, 2023.

administration. Of particular significance is its potential to contribute to the cultivation of a future administrative leadership equipped with innovative tools for public administration. This educational dimension underscores its intrinsic appeal, contributing to a favorable working atmosphere—a phenomenon that warrants further examination and which represent also an hopeful conclusion for a young generation of public officials in the field of Italian PA. Those engaged in the NRRP approach their roles with a remarkable focus on objectives, underpinned by motivation and ambition, fostering an environment of positive engagement that worth a mention in this dissertation.

Sometimes, it is asserted that the success of the NGEU hinges on the success of the Italian Recovery and Resilience Plan, and this assertion undoubtedly holds merit, given the sheer magnitude of the plan. However, what may be of equal relevance, beyond the Plan's implementation *per se*, is the transformative impact of the new methodology it embodies.

This unequivocally affirms the underlying hypothesis of this study and underscores the current reality that there is indeed a discernible influence on the landscape of policymaking in Italy. In this chapter and the preceding sections, we have highlighted the pivotal aspects of how this governance mechanism has left an indelible mark on the Italian public administration, reshaping its contours and fostering a new era of policy development and implementation.

For this dissertation and for the analysis and findings of this chapter, the following contributions – rigorously in alphabetical order – have been collected under the form of interviews in personal communication:

Allulli M., ANCI, in personal capacity, personal communication, September 15th, 2023.

Casalino P., Head of Mission Unit for the Implementation of the NRRP, Ministry of Enterprises and Made in Italy (MIMIT), in personal capacity, personal communication, July 25th, 2023.

Mozzi A., SG RECOVER, European Commission, in personal capacity, personal communication, July 10th, 2023.

Penna F. Head of Mission Unit for the Implementation of the NRRP, Ministry of Environment and of Energetic Safety (MASE), in personal capacity, personal communication, September 15th, 2023.

Ronzio A., General Inspectorate of NRRP, MEF, in personal capacity, personal communication, September 15th, 2023.

Tixier C., SG RECOVER, European Commission, in personal capacity, personal communication, July 10th, 2023.

Conclusions

This dissertation has embarked on a comprehensive journey to dissect the intricate Euro-national method of government implemented in the context of the Recovery and Resilience Facility (RRF), with a particular focus on the Italian case. The final aim was to argue the potential efficacy of performance-based governance and its impact on the quality and effectiveness of the Italian public administration.

Following data collected and analysis undertaken, we can state with confidence that this Plan effectively unearthed significant shifts in administrative mindset, emphasizing the importance of shared targets and fostering a results-driven approach. Moreover, as we explored this governance transformation, we recognize that the RRF's emergence in response to economic recovery and resilience needs may not be confined to exceptional circumstances. Instead, it has the potential to transcend these exigencies and evolve into a lasting "best practice" applicable to more "ordinary" times. This not only reaffirms our initial hypotheses but also underscores the adaptability and relevance of this paradigm shift in contemporary governance.

Situating our research at the crossroads of public management theory and practical policy implementation, this dissertation has sought to enrich the scholarly dialogue surrounding composite Euro-national governance models. In this sense, the Recovery and Resilience Facility (RRF) has opened a new era of governance, compelling administrations to embrace a multi-level perspective. Our analysis has revealed the revolutionary nature of RRF governance, characterized by an unprecedented dialogue between national authorities and the European Commission. This distinctive interaction, as validated by data collected through interviews, underscores the remarkable level of continuous and perpetual contact established between national and supranational entities, culminating in a unique composite governance structure.

The insights gleaned from Commission and national officials and the observations made throughout this study highlight the pivotal role of daily exchanges and weekly meetings in nurturing constructive dialogues with Member States. This intensive engagement has been instrumental in the various phases of the National Recovery and Resilience Plans (NRRPs), from intensive planning to ongoing adjustments, ensuring alignment with the stringent criteria outlined in the RRF Regulation. Furthermore, the intensified engagement between the European Commission and Member States represents a departure from previous procedures associated with the European Semester. While country-specific recommendations remain foundational, the way in which NRRPs are executed has evolved, fostering a deeper dialogue with the Commission and influencing subsequent impacts. From the perspective of Italian central administration officials, the dialogue established within the NRRP

context is unparalleled. This transformation from sporadic engagement with European Funds to continuous, daily interaction has been a hallmark of the NRRP's implementation. The impact of this shift is evident in the changing mindset of public administrators at all levels, from small to medium and high administration. The emphasis on achieving shared targets and the integration of performance-based methodologies represents a departure from traditional practices and underscores a commitment to results-oriented policymaking.

In sum, the RRF has not only reshaped governance dynamics but also marked a paradigm shift in way of thinking about performance-based policy making. This transformative journey represents a significant milestone in the evolution of European governance, offering valuable insights and lessons for future endeavors in the realm of composite Euro-national governance models.

This thesis has traversed diverse landscapes, from theories of public management and concepts of efficiency to the intricacies of Next Generation EU, Italy's National Recovery and Resilience Plan (*Italia Domani*), and the paradigm shift toward performance-based governance. As we reflect on this academic journey, several key conclusions and implications emerge.

First and foremost, our investigation has underscored the evolving nature of public management theories, moving from classical public administration through the New Public Management era to contemporary postmodern perspectives (*Chapter 2*). These theories provide a crucial foundation for understanding the shifting landscape of governance in the 21st century. Secondly, the concept of efficiency, encompassing performance management, administrative capacity, and the significance of public value in shaping the result-oriented culture of public administration. Performance in public management holds immense value due to its ability to facilitate efficiency, accountability, transparency, organizational learning and, ultimately, the achievement of public sector goals. By monitoring and evaluating performance closely, public organizations can enhance their capacity to provide responsive services, meet citizen needs and advance public interests more effectively. In the context of Italy's public administration, faced with a traditional *deficit* on the issue of administrative capacity, the Draghi government took note that in the eyes of the European Union and financial markets it would have been scarcely credible to argue that Italy's bureaucracy after this decade of cuts without reforms could be the backbone on which to rest the entire complex organizational machinery supporting the implementation of the National Recovery and Resilience Plan. What emerges is a quite intricate landscape on what we mean by public administration efficiency. Surely, measuring it is not an easy task. Probably it is something that lies in between a culture of results and empirical evidence – based on numbers and data – and not on percentage

spending and fulfillment, like it used to be in the recent Italian tradition. What we are sure about is that moving toward better quantified and better-defined goals that drive the administration toward getting results is a gain, and that all lies in the capacity of being able to organize monetary and human resources get those results. This can be done, on the one hand, knowing how to build and how to measure, through real indicators, all actions, also related to the RRF; on the other hand, having the confidence that this kind of method in defining interventions and scanning targets will lead to improvements in the efficiency of the wider administration.

Moving forward, our examination ventured behind the scenes of the Next Generation EU and the National Recovery and Resilience Facility (*Chapter 3*), offering insights into the politics of an emergency and its genesis. While some argue that NGEU addresses longstanding political and economic imbalances, others view it as a historic achievement and a transformative opportunity for the European Union. The NRRP's rapid implementation underscores its innovative nature. The Plan's origin can be traced back to Italian Prime Minister Giuseppe Conte's call for collective action to combat the COVID-19 pandemic's economic impact. The socio-economic context that led to NGEU's conception reflects the urgent need for a coordinated response to the pandemic's devastating effects. While initial phases witnessed economic turmoil, the Plan offers hope through substantial borrowing and investments in key areas, marking a significant shift in EU economic governance.

In this context, NGEU represents a significant but temporary advancement in EU financial practices. Its primary objective is to substantially enhance the resources allocated through EU budgetary instruments until 2026, facilitating ambitious investment and reform initiatives aimed at fostering a more sustainable, innovative, and inclusive EU economy.

The focus of the chapter lies in an extensive analysis of the new roles of EU and national authorities and the emergence of a Recovery and Resilience Task Force of the European Commission (SG RECOVER). The Task Force reports directly to the President of the Commission Ursula von der Leyen and works in close cooperation with the Directorate-General for Economic and Financial Affairs (DG ECFIN), which is key to understand the scale of this operation. Lastly, a final deepening on the emergence of a new Euro-national method of government is made, underpinning our study. This expression, which lies at the heart of the exploration, is mainly rooted in the academic research and work of Nicola Lupo (2022; 2023) who affirms that, as a result of the RRF, the limitations of national sovereignty, in favour of a shared and progressively European sovereignty, are going to touch the heart of redistributive policies. In conclusion, what emerges from our analysis is that the Next GenerationEU's Recovery and Resilience Facility introduces a new legal dimension with significant constitutional implications for the European Union. The scholarly discourse surrounding this topic

highlights the need for comprehensive analyses of the constitutional changes brought about by the RRF for Europe, especially concerning public finance architecture and macroeconomic coordination. These analyses contribute to understanding the implications for EU constitutional evolution, the federalization of the EU, and the broader quest for European democracy.

Chapter 4 delved deep into the governance, structure, and framework of Italy's National Recovery and Resilience Plan, "*Italia Domani*," highlighting its origins, key components, and priorities. The nuanced analysis of its governance structure, including its evolution from the Draghi to the Meloni government and the collaboration with the European Commission, revealed the intricacies of this transformative initiative. Italy's recognition of the need to enhance administrative capability led to significant investments and structural reforms aimed at building a more efficient and effective public administration. These changes were crucial for the successful execution of the NRRP, especially given the considerable financial resources allocated.

The governance of the NRRP has witnessed a shift from a decentralized approach to a more centralized and coordinated model, with key functions now concentrated within the Presidency of the Council of Ministers. The creation of the NRRP Mission Structure and the General Inspectorate for the NRRP represents a strategic move towards streamlining decision-making processes and ensuring a unified approach to managing the Plan's implementation.

Moreover, Italy's interaction with European institutions has played a pivotal role in shaping its governance structures. The need for continuous and fruitful dialogue with the Commission, characterized by political negotiations and policy changes, has influenced the centralization of governance functions at the delegated political authority level. This demonstrates Italy's commitment to aligning its NRRP with European objectives and requirements. Nonetheless, it remains to be seen how these changes will impact Italy's approach to European negotiations and the legacy left behind when the NRRP's term will expire. The ongoing dialogue with European institutions and the dynamic nature of Italian governance suggest that further adaptations may lie ahead, with implications extending beyond the NRRP's implementation phase. Ultimately, the governance of the NRRP serves as a dynamic case study reflecting the intersection of politics, administration, and European cooperation, offering valuable insights into the evolution of Italy's policy landscape.

One key challenge is the need for robust administrative capacity, which faced initial setbacks in staffing and resource management. To address this, better preparation, and organization of administrative capabilities from the start are crucial. Temporary governance arrangements within the NRRP pose another challenge, creating uncertainties and affecting long-term planning.

Communication and transparency have been complex, with practical challenges in ensuring grassroots-level transparency. Improving transparency to show citizens the Recovery and Resilience Fund's impact and funding sources is essential for trust and accountability. Despite challenges, the NRRP shows adaptability. However, effectively addressing these challenges is vital to fully size NRRP's potential. By enhancing administrative capacity, streamlining temporary processes, and improving transparency, Italy can set a precedent for successful large-scale initiatives, driving progress and transformation in governance practices. The chapter concluded by emphasizing the imperative of embracing innovation in public policy and the integration of the REpowerEU Plan as a capitalizer of opportunity.

The *last chapter* examined the shift from spending programs to a result-oriented approach and investigated the impact of NRRP governance on Italian public administration functioning, paying special attention to the multi-level thinking and some elements of criticism. This exploration into the governance of the Italian Recovery and Resilience Facility (RRF) and the National Recovery and Resilience Plan (NRRP) has shed light on a transformative paradigm shift in Italian public administration. The data collected and the insights shared by academics and personnel working in this domain validate the linkage between this governance structure and the overarching goal of enhancing efficiency and quality within the Italian Public Administration (PA). The impact of this shift is evident in the changing mindset of public administrators at all levels, from small to medium and high administration. The emphasis on achieving shared targets and the integration of performance-based methodologies represents a departure from traditional practices and underscores a commitment to results-oriented policymaking.

Furthermore, the introduction of a youthful workforce dedicated to the NRRP implementation reflects a commitment to cultivating a future generation of administrative leaders equipped with innovative tools. While challenges and complexities have emerged, they serve as catalysts for the evolution of administrative practices.

In the broader context, the RRF and NRRP governance model presents a true potential "best practice" that may influence future funding instruments both at the Italian and European Union levels. It signifies not only a change in how funding is managed, but also a fundamental shift in the way public policies are conceptualized, planned, and executed. In this sense, our findings show that the system developed and used for the monitoring procedure, namely the ReGis platform, represent a cornerstone of a potential "best practice". As analyzed, a monitoring system of public policies did not exist because Italy lacked an investment cycle managed on a single system. Now, ReGis has been created and there is a real probability that it will be used as a transversal system through which all public

investments will be monitored. In essence, this transformative experience represents a promising step forward for Italian public administration, offering a foundation upon which further refinements and improvements can be built.

In summary, this thesis has been a journey through the intricacies of governance, public management theories, and the practical implications of the Next Generation EU and the Italian National Recovery and Resilience Plan. Hopefully, the insights gleaned from this study will contribute to a deeper understanding of the evolving landscape of governance, offering valuable guidance for policymakers, scholars, and practitioners navigating the complexities of modern public administration, and inspire further research and policy development. Findings underscore the potential for transformative change in public administration, offering recommendations to improve Italian public administration efficiency in the context of the governance measures adopted within the Italian NRRP. What is sure is that the journey towards a more efficient, effective, and results-driven Italian public administration is underway, and it holds the promise of shaping the future of policymaking in Italy and beyond.

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