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Catalyzing Change: Unraveling the Next Generation EU Governance's Impact on Italy's National Recovery and Resilience Plan Governance and Public Policy Landscape

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List of Abbreviations

AMR	Alert Mechanism Report
AGS	Annual Growth Survey
CEMR	Council of European Municipalities and Regions
CJEU	Court of Justice of the European Union
CoR	Committee of the Regions
CSRs	Country-Specific Recommendations
ECOFIN	Economic and Financial Affairs Council
EDP	Excessive Deficit Procedure
EIB	European Investment Bank
EMU	Economic and Monetary Union
EPRS	European Parliamentary Research Service
ES	European Semester
ESM	European Stability Mechanism
EU	European Union
EURI	European Union Recovery Instrument
GDP	Gross Domestic Product
GNI	Gross National Income
IDR	In-Depth Review
MFF	Multiannual Financial Framework
MIP	Macroeconomic Imbalance Procedure
NGEU	Next Generation EU

NRRP	National Recovery and Resilience Plan
ORD	Own Resources Decisions
PCS	Pandemic Crisis Support
RC	Conference of Presidents of the Regions and Autonomous Provinces
RRF	Recovery and Resilience Facility
SGP	Stability and Growth Pact
SRC	State-Regions Conference
SURE	Support to mitigate Unemployment Risks in an Emergency
TFEU	Treaty of the Functioning of the European Union
UC	Unified Conferences

Introduction

This research embarks on the exploration of the intricate interplay between the newly established European governance model through the Next Generation EU (NGEU) and the governance of the Italian National Recovery and Resilience Plan (NRRP). The European Commission allocated an extraordinary pool of recovery funds for member states to mitigate the repercussions of the economic downturn caused by the COVID-19 pandemic[1]. These funds, a combination of grants and loans, will be distributed between 2021 and 2026, guided by a meticulously designed governance framework outlined in Regulation 2021/241[2] of the 12th of February 2021. This regulation introduces the cornerstone of the NGEU plan's governance, the Recovery and Resilience Facility (RRF), which not only delineates objectives for member states but also sets forth eligibility criteria and fund allocation principles. The Recovery and Resilience Facility marks a paradigm shift in European governance. Unlike prior instruments, wherein the European Commission wielded a corrective arm to enforce adherence to EU-set parameters and ceilings[3] – it is the case of the Macroeconomic Imbalance Procedure (MIP) and the Excessive Deficit Procedure (EDP) – the RRF establishes a fresh mode of engagement with member states. Under the Next Generation EU framework, indeed, non-compliance with the European Commission-set targets and milestones does not trigger sanctions or fines from the EU. Instead, non-compliant states face temporary halts or delays in fund disbursement until they realign with the Commission's direction. This represents a paramount governance transformation; there is a shift from a coercive economic governance model towards a quasi-contractual framework[4]. The RRF imposes a series of conditionalities on member states seeking access to the allocated funds. First, they must comply with the targets and milestones outlined in Article 24(6) of Regulation 2021/241[5]. Additionally, member states must align with

[1] European Commission, 'Press Corner "Europe's Moment: Repair and Prepare for the next Generation"' (*European Commission - European Commission*27 May 2020) <https://ec.europa.eu/commission/presscorner/detail/en/ip_20_940>.

[2] European Parliament and Council of the European Union, 'Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 Establishing the Recovery and Resilience Facility' (12 February 2021).

[3] David Bokhorst and Francesco Corti, 'Governing Europe's Recovery and Resilience Facility: Between Discipline and Discretion' [2023] Government and Opposition 1.

[4] Elena Griglio, 'National Parliaments' Resilience under the Euro-Zone and the Covid-19 Crises: Continuity and Discontinuity in the Euro-National Scrutiny' (2022) 28 The Journal of Legislative Studies 313

[5] European Parliament and Council of the European Union, 'Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 Establishing the Recovery and Resilience Facility' (12 February 2021).

the Country-Specific Recommendations (CSRs) issued under the framework of the European Semester (ES), as detailed in Article 19[6]. Lastly, RRF mandates the formulation of a National Recovery and Resilience Plan by beneficiary states, presenting a comprehensive national roadmap for achieving targets, milestones, and Country-Specific Recommendations set by the European Union.

The Next Generation EU can be characterized as a Euro-national process[7], as it is an instrument endorsed and authorized by the European Commission but formulated and executed - through the NRRPs- by individual member states. This results in a synergy, if not a true convergence, of European and national governance layers due to their joint participation at both levels. In the case of Italy, this collaborative effort has been particularly strong. The Italian plan assumes monumental proportions, given the substantial sum of 191.5 billion euros that Europe is allocating to the country. The Italian NRRP outlines extensive reform projects across various facets of public policy. Notably, it places a significant emphasis on streamlining, simplifying, and digitizing public administration, a critical burden within the country's public system[8]. The reform agenda also includes measures to expedite the judicial system, ensuring more expedient and efficient trials. Concurrently, there is a pronounced focus on digitization and the green revolution, emerging as true priorities within Italy's transformative agenda[9].
Formulated under the auspices of the Draghi government, the Italian NRRP received Commission approval in 2021. In crafting this plan, Draghi navigated multiple influences, both direct and indirect. The European Union exerted diverse forms and intensities of pressure during the plan's formulation phase, with Country-Specific Recommendations assuming a central role as crucial determinants for fund allocation[10]. Italy was compelled to align more closely with European CSRs, shaping its reform initiatives to comply with the directives of the European Semester. Simultaneously, the Commission imposed tight deadlines, challenging the institutional equilibrium of the country, where both the central state and regional autonomies contribute to policymaking in time-consuming consultative processes. These causes of pressure

[6] Ibid, Art.19

[7] Nicola Lupo, 'Il Piano Nazionale Di Ripresa E Resilienza: Un Nuovo Procedimento Euro-Nazionale' [2023] Federalismi.it, Rivista di diritto pubblico italiano, comparato, europeo.

[8] Presidenza del Consiglio dei Ministri , *Piano Nazionale di Ripresa e Resilienza* (2022) <https://www.italiadomani.gov.it/content/sogei-ng/it/it/home.html>

[9] Ibid

[10] Sonja Bekker, 'Hardening and Softening of Country-Specific Recommendations in the European Semester' [2020] West European Politics 1.

culminated in a centralization[11] of the governance structure for the Recovery Plan, consolidating increasing responsibilities and authority around the executive, while depowering decentralized entities[12] and the Parliament.
Mario Draghi paved the way, yet it is Giorgia Meloni, the incumbent Italian Prime Minister, who keeps shaping the Plan's governance. Strongly supported by a cohesive political landscape, the Meloni government strengthened even more the level of centralization in the NRRP's governance[13], consolidating further authority in the hands of the Prime Minister. The shift away from Draghi's technocratic administration heralds a return to a distinctly political approach, affording the Prime Minister substantial sway over the governance of the Plan and the evolving landscape of reformed public policies.

The pandemic has set forth a pivotal rebalancing process between European authority and national sovereignty. The European Union seized a moment of acute vulnerability among member states, proffering financial assistance while concurrently fortifying its influence over them. The orchestration of the Next Generation EU governance may be understood as a catalytic endeavor to draw member states into closer alignment with Brussels's political trajectory. A meticulous examination of the interplay between the freshly instituted European economic governance and one of the National Plans affords a profound insight into the ongoing process of harmonizing the national and supranational tiers. While this overarching convergence between the two strata is palpable across all states benefiting from Next Generation EU subsidies, the Italian scenario assumes truly extraordinary traits. By pure logical deduction, the greater the sum of funding sought by a member state, the more stringent the constraints the EU will impose upon the expenditure blueprint. Italy benefits more than any other member state from NGEU funds with a staggering allocation of EUR 191.5 billion, comparable only to Spain, which has sought around EUR 140 billion in funding. Furthermore, Italy was already confronted with the urge to reform many areas of its public sector, which had long been undermining its competitiveness and economic performance. The intricate economic

[11] Fabrizio Di Mascio, Alessandro Natalini and Stefania Profeti, 'The Draghi Government Put to the Test by the National Recovery and Resilience Plan' [2022] Contemporary Italian Politics 1

[12] Stefania Profeti and Brunetta Baldi, 'Le Regioni Italiane E Il PNRR: La (Vana) Ricerca Di Canali d'Accesso All'agenda' (2021) 3 Rivista Italiana di Politiche Pubbliche

[13] Piero David and Giacomo D'Arrigo, 'Cosa Cambia Con La Nuova Governance Del Pnrr' (*Lavoce.info*6 April 2023) <https://lavoce.info/archives/100758/cosa-cambia-con-la-nuova-governance-del-pnrr/>___ Giacomo Menegus, 'La Riforma Della Governance Del PNRR' (2023) 3 Osservatorio Costituzionale - Associazione Italiana dei Costituzionalisti.

and political fabric of Italy, coupled with the severe impact of the pandemic, explains the colossal appeal for EU grants and loans. It is precisely this exceptional mobilization of funding that renders the Italian case an object of profound interest. No other instance offers indeed such an expansive canvas for scrutinizing the ramifications of the nexus between European and national governance.

While certainly guided by the academic purpose of contributing to the research in the realm of Euro-national governance, this research thesis fully mirrors my interest in Euro-national processes that, in the aftermath of the Euro crisis, have multiplied, progressively shaping the relationship between member states and Brussels. Specifically, my fascination lies in investigating the substantive bonds linking Rome to Brussels in 2023, capturing the pace of the convergence between Italian and EU policy trajectories. The Italian National Recovery and Resilience Plan leaves no room for ambiguity: Italy is resolute in speeding up and aligning with Brussels's political orientation. To what extent will this unfold? What impediments may beset this trajectory of convergence? I will concentrate on these questions in future research; for the time being, I consider it crucial to further investigate the nexus between national and European governance, as behind their convergence may lie an irrevocable process of rapprochement that, in many respects, triggers potentially prosperous scenarios for the Italian state.

Literature Review

To grasp the novelty brought about by the European performance-based economic governance introduced through the NGEU, this thesis examines past decades' employed governance mechanisms in the initial chapter. Extensive contributions in the literature focus on the Stability and Growth Pact (SGP) of 1997[14], which established macroeconomic ceilings on debt and the deficit[15] not to be exceeded by member states. The Excessive Deficit Procedure (EDP) was introduced alongside the SGP, enabling sanctions against states breaching the thresholds. Scholars consider this coercive economic governance necessary to mitigate moral hazard risks within the Economic and Monetary Union (EMU)[16]. Koehler and König[17] emphasize the importance of a common economic governance for EMU member states, arguing that the coercive approach involving sanctions, is paramount for the Union's financial stability. Following the Great Financial Crisis, EU economic governance became even more coercive with the Six-Pack legislation and the Fiscal Compact[18]. However, as multiple scholars have noted, the Commission refrained from implementing punitive measures against non-compliant

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[14] Sebastian Koehler and Thomas König, 'Fiscal Governance in the Eurozone: How Effectively Does the Stability and Growth Pact Limit Governmental Debt in the Euro Countries?' (2014) 3 Political Science Research and Methods 329.

[15] The legal texts analyzed are the European Council , 'Resolution of the European Council on the Stability and Growth Pact Amsterdam, 17 June 1997' (17 June 1997)__ Council of the European Union, 'Council Regulation (EC) No 1466/97 of 7 July 1997 on the Strengthening of the Surveillance of Budgetary Positions and the Surveillance and Coordination of Economic Policies' (7 July 1997)___ Council of the European Union, 'Council Regulation (EC) No 1467/97 of 7 July 1997 on Speeding up and Clarifying the Implementation of the Excessive Deficit Procedure' (7 July 1997).

[16] Renaud Dehousse, 'Why Has EU Macroeconomic Governance Become More Supranational?' (2016) 38 Journal of European Integration 617___ Economic Governance and EMU Scrutiny Unit, European Parliament and Berthold Rittberger, *Democratic Control and Legitimacy in the Evolving EU Economic Governance Framework* (2023).

[17] Sebastian Koehler and Thomas König, 'Fiscal Governance in the Eurozone: How Effectively Does the Stability and Growth Pact Limit Governmental Debt in the Euro Countries?' (2014) 3 Political Science Research and Methods 329

[18] J-P Keppene, 'Institutional Report ', *The Economic and Monetary Union: Constitutional and Institutional Aspects of the Economic Governance within the EU* (DJoF Publishing 2014)__ European Parliamentary Research Service (EPRS), 'Review of the "Six-Pack" and "Two-Pack"' (*Epthinktank*13 December 2014) <https://epthinktank.eu/2014/12/13/review-of-the-six-pack-and-two-pack/>__ Dermot Hodson, 'The Macroeconomic Imbalance Procedure as European Integration: A Legalization Perspective' (2017) 25 Journal of European Public Policy 1610___ Martin Sacher, 'Avoiding the Inappropriate: The European Commission and Sanctions under the Stability and Growth Pact' (2021) 9 Politics and Governance 163.

states, not to worsen their economic conditions[19]. Following the Great Financial crisis, a unique governance instrument emerged—the European Semester. This mechanism, described as a 'feedback loop' by Saurugger[20], promotes cooperation between the Commission and member states to align their policy directions[21]. Through the European Semester, the Commission issues Country-Specific Recommendations, encouraging member states to address internal deficiencies identified by European institutions. CSRs have been a focal point of discussion in European economic, political, and legal literature. One academic stream examines the impact of CSRs on member states, using quantitative research to gauge alignment between national policies, reform initiatives, and Commission-issued CSRs[22]. Another line of inquiry centers on the voluntary nature of CSRs, analyzing their poor influence, excluding those directly linked to MIP or EDP, on national policymaking[23].

In the second chapter, this thesis investigates the instrument at the core of the transforming process of the EU economic governance, the Next Generation EU, which has been the subject of extensive research since 2020[24]. Scholars have examined its various dimensions, focusing

[19] Martin Sacher, 'Avoiding the Inappropriate: The European Commission and Sanctions under the Stability and Growth Pact' (2021) 9 Politics and Governance 163__ European Central Bank, 'Monthly Bulletin March 2012' (2012).

[20] Sabine Saurugger, 'Europeanisation in Times of Crisis' (2014) 12 Political Studies Review 181

[21] Jonathan Zeitlin and Bart Vanhercke, 'Socializing the European Semester: EU Social and Economic Policy Co-Ordination in Crisis and Beyond' (2017) 25 Journal of European Public Policy 149__ David Bokhorst, 'The Influence of the European Semester: Case Study Analysis and Lessons for Its Post-Pandemic Transformation.' (2021) 60 JCMS: Journal of Common Market Studies 101.

[22] K Grigaite and others, 'Country-Specific Recommendations for 2019, 2020, 2021 and 2022: A Tabular Comparison and an Overview of Implementation' (2022)__ Lucia Quaglia and Sebastián Royo, 'Banks and the Political Economy of the Sovereign Debt Crisis in Italy and Spain' (2014) 22 Review of International Political Economy 485___ Sonja Bekker, 'Hardening and Softening of Country-Specific Recommendations in the European Semester' [2020] West European Politics 1

[23] Cinzia Alcidi and Daniel Gros, 'How to Strengthen the European Semester' (2017) 15 RePEc: Research Papers in Economics.

[24] For a general overview over the distribution of grants and loans to member states see Marco Lopriore and Marina Vlachodimitropoulou, 'Recovery and Resilience Plans for the next Generation EU: A Unique Opportunity That Must Be Taken Quickly, and Carefully' [2021] EIPA Paper, European Institute of Public Administration__ For a diachronic illustration of negotiations among member states, see Caroline De la Porte and Mads Dagnis Jensen, 'The next Generation EU: An Analysis of the Dimensions of Conflict behind the Deal' (2021) 55 Social Policy & Administration 388. __ To grasp the conflict behind the Next Generation EU see Stella Ladi and Dimitris Tsarouhas, 'EU Economic Governance and Covid-19: Policy Learning and Windows of Opportunity' (2020) 42 Journal of European Integration 1041__ To understand the window of opportunity behind the Next Generation EU for member states hardly hit by the pandemic-related recession (mostly Southern states) look at Marco Buti and Sergio Fabbrini, 'Next Generation EU and the Future of Economic Governance: Towards a Paradigm Change or Just a Big One-Off?' [2022] Journal of European Public Policy 1

primarily on the complex negotiations regarding fund allocation[25]. The literature highlights the clash between the frugal states (Austria, the Netherlands, Denmark, and Sweden) and a coalition of nine states led by Spain and Italy[26]. The former advocated a national-responsibility approach to avoid moral hazard, while the latter supported a solidarity-oriented strategy. This clash ultimately favored a solidarity-driven approach due to Germany's intervention, resulting in the proposal of the monumental 750 billion fund, known as the Next Generation EU[27]. The literature extensively analyzes the legal genesis of the NGEU plan, particularly focusing on Articles 122 and 175 TFEU, as analyzed by Federico Fabbrini[28]. Additionally, many academic contributions evaluate the governance structure established by the Recovery and Resilience Facility[29], the RRF conditionalities, the required characteristics of National Recovery and Resilience Plans, and targets member states must meet to secure funding[30]. Parallelly, we remark Paul Dermine's academic discourse[31], which explores the adaptability of the EU's founding treaties to current necessities. He contends that, unlike measures taken during the Euro crisis, the NGEU plan was developed within existing treaties. The literature scrutinizes

[25] A Comprehensive illustration of the conflict leading to the endorsement of the NGEU plan is provided by Caroline De la Porte and Mads Dagnis Jensen, 'The Next Generation EU: An Analysis of the Dimensions of Conflict behind the Deal' (2021) 55 Social Policy & Administration 388.

[26] S Michalopoulos , 'Nine Member States Ask for Eurobonds to Face Coronavirus Crisis' *Euractiv* (25 March 2020); D Dombey, G Chazan and J Brunsen , 'Nine Eurozone Countries Issue Call for 'Coronabonds' [2020] Financial Times__ see also Marco Buti and Sergio Fabbrini, 'Next Generation EU and the Future of Economic Governance: Towards a Paradigm Change or Just a Big One-Off?' [2022] Journal of European Public Policy 1__ Edoardo Bressanelli and Lucia Quaglia , 'La Genesi Del next Generation EU: Intergovernativismo vs Sovranazionalismo?' [2021] Rivista Italiana di Politiche Pubbliche 353.

[27] Lili Bayer, Hans Von Der Burchard and Bjarke Smith-Meyer, 'France, Germany Propose €500B EU Recovery Fund' (*POLITICO,* 18 May 2020) <https://www.politico.eu/article/france-germany-propose-e500b-eu-recovery-fund/> accessed 6 December 2022.

[28] Federico Fabbrini, 'Next Generation Eu: Legal Structure and Constitutional Consequences' [2022] Cambridge Yearbook of European Legal Studies 1.

[29] The major legal texts used at this stage were the European Parliament and Council of the European Union, 'Regulation (EU, Euratom) 2020/2092 of the European Parliament and of the Council of 16 December 2020 on a General Regime of Conditionality for the Protection of the Union Budget' (16 December 2020) __ and the European Parliament and Council of the European Union, 'Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 Establishing the Recovery and Resilience Facility' (12 February 2021).

[30] For a comphrensive overview of member states' commitment to respect RFF conditionalities see Valerie D'Erman and Amy Verdun, 'An Introduction: "Macroeconomic Policy Coordination and Domestic Politics: Policy Coordination in the EU from the European Semester to the Covid-19 Crisis"*' [2021] JCMS: Journal of Common Market Studies___ to deepen rule of law-related conditionality see Christophe Hillion, 'Compromising (On) the General Conditionality Mechanism and the Rule of Law' [2021] SSRN Electronic Journal___to analyze the conflict behind rule of law conditionality caused by Hungary and Poland see Andi Hoxhaj, 'The CJEU Validates in C-156/21 and C-157/21 the Rule of Law Conditionality Regulation Regime to Protect the EU Budget' (2022) 5 Nordic Journal of European Law 131.

[31] Paul Dermine , 'The New Economic Governance of the Eurozone and the Competence Allocation System of the EU', *The New Economic Governance of the Eurozone: A Rule of Law Analysis* (Cambridge University Press 2022).

whether reform in founding treaties is necessary to make the EU more responsive to potential future crises[32].

The introduction of the NGEU plan has sparked new interest in economic governance literature. The governance established by the Recovery and Resilience Facility is often categorized as performance-based[33] or contractual[34]. States unable to satisfy EU-set conditions may face the postponement or blockage of funds until they align with Europe's prescribed trajectory. It is important to note that the RRF is closely linked with the European Semester[35]. Nguyen and Redeker[36] explain that the RRF does not represent a radical departure from existing economic governance but rather aims at strengthening the existing one. If the voluntary nature of CSRs hindered their implementation rate, the threat of delaying or blocking NGEU funds prompted member states to adhere more rigorously to the European Semester's CSRs.

The second half of the sources surveyed by this research thesis centers on the Italian context. Overall, we recognize a gap in the literature addressing the relationship between European and Italian economic governance. Nicola Lupo[37] is one of the few scholars to address the link between the two governance levels, situating the NGEU plan within Euro-national processes—those originating in EU supranational institutions but executed at the national level. Turning our attention to this research's core, the examination of the Italian Recovery Plan[38] and its governance relies on four types of sources. The first of an institutional nature concerns the alignment between the Italian National Plan and EU-set Country-Specific Recommendations.

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[32] Ibid__ Bruno De Witte, 'The Innovative European Response to COVID-19: Decline of Differentiated Integration and Reinvention of Cohesion Policy', *Continuity and change – how the challenges of today prepare the ground for tomorrow. ECB Legal Conference 2021* (2022).

[33] David Bokhorst and Francesco Corti, 'Governing Europe's Recovery and Resilience Facility: Between Discipline and Discretion' [2023] Government and Opposition 1

[34] Elena Griglio, 'National Parliaments' Resilience under the Euro-Zone and the Covid-19 Crises: Continuity and Discontinuity in the Euro-National Scrutiny' (2022) 28 The Journal of Legislative Studies 313

[35] Bart Vanhercke and Amy C Verdun, 'From the European Semester to the Recovery and Resilience Facility: Some Social Actors Are (Not) Resurfacing' [2022] SSRN Electronic Journal.

[36] Thu Nguyen and Nils Redeker, 'How to Make the Marriage Work: Wedding the Recovery and Resilience Facility and European Semester' (Jacques Delors Center 2022).

[37] Nicola Lupo, 'Il Piano Nazionale Di Ripresa E Resilienza: Un Nuovo Procedimento Euro-Nazionale' [2023] Federalismi.it, Rivista di diritto pubblico italiano, comparato, europeo.

[38] Presidenza del Consiglio dei Ministri , *Piano Nazionale di Ripresa e Resilienza* (2022) https://www.italiadomani.gov.it/content/sogei-ng/it/it/home.html__ DECRETO-LEGGE 31 Maggio 2021, n.77 Governance del Piano nazionale di rilancio e resilienza e prime misure di rafforzamento delle strutture amministrative e di accelerazione e snellimento delle procedure. 2021.

Official European Union documents and inquiries conducted by institutional research centers, such as the European Parliamentary Research Service (EPRS), demonstrate the growing adherence of Italy to CSRs within the context of the European Semester under the RRF[39]. The second set of sources explores the governance of the Italian Recovery Plan and theoretically defines the concept of governance centralization in the public sphere[40]. The third set investigates interactions between regional autonomies and the central state[41] during the formulation of the Italian National Recovery and Resilience Plan. We paid attention on the contribution of Profeti and Baldi[42], who elucidate the role of regional autonomies during the Conte II and Draghi governments. They highlight the effects for the Italian institutional equilibrium resulting from excessive centralization of authority around the executive during the plan's formulation phase. Bolgherini and Lippi's contribution[43] is equally significant. It centers on the highly centralized nature of the NRRP's governance, focusing on its main 'centralizing' organs, that are the *Cabina di Regia* and the Central Service of the NRRP. Lastly, the work of Di Mascio, Natalini, and Profeti[44] unveils the practices contributing to the centralization of the Plan during the Draghi government.

Additionally, a completely new area of literature - due to its chronological proximity to the events - has been consulted. This includes the emerging literature on the Meloni government

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[39] K Grigaite and others, 'Country-Specific Recommendations for 2019, 2020, 2021 and 2022: A Tabular Comparison and an Overview of Implementation' (2022)___ Sonja Bekker, 'Hardening and Softening of Country-Specific Recommendations in the European Semester' [2020] West European Politics 1___ M Hradiský, J Backman and S La Vella, 'Country Specific Recommendations (CSRs) for 2013 and 2014: A Comparison and an Overview of Implementation'.

[40] William Dillinger and Marianne Fay, 'From Centralized to Decentralized Governance' (1999) 36 Finance & Development__ Jennifer Gaskell and Gerry Stoker, 'Centralized or Decentralized. Which Governance Systems Are Having a "Good" Pandemic?' (2020) 7 Democratic Theory 33___ Scott L Greer and others, 'Centralizing and Decentralizing Governance in the COVID-19 Pandemic: The Politics of Credit and Blame' (2022) 126 Health Policy

[41] Simon Toubeau and Davide Vampa, 'Adjusting to Austerity: The Public Spending Responses of Regional Governments to the Budget Constraint in Spain and Italy' [2020] Journal of Public Policy 1.__ Giliberto Capano, 'Policy Design and State Capacity in the COVID-19 Emergency in Italy: If You Are Not Prepared for the (Un)Expected, You Can Be Only What You Already Are' (2020) 39 Policy and Society 326.

[42] Stefania Profeti and Brunetta Baldi, 'Le Regioni Italiane E Il PNRR: La (Vana) Ricerca Di Canali d'Accesso All'agenda' (2021) 3 Rivista Italiana di Politiche Pubbliche.

[43] Silvia Bolgherini and Andrea Lippi, 'Politicization without Institutionalization: Relations between State and Regions in Crisis Governance' (2022) 14 Contemporary Italian Politics 22

[44] Fabrizio Di Mascio, Alessandro Natalini and Stefania Profeti, 'The Draghi Government Put to the Test by the National Recovery and Resilience Plan' [2022] Contemporary Italian Politics 1

and its interface with the Italian National Recovery and Resilience Plan[45]. Giacomo Menegus[46] is commended for conducting a comparative analysis between the NRRP governance outlined by Draghi and the one modified by Meloni. Supported by fellow academics[47], Menegus outlines the rationales behind the heightened centralization of the Plan's governance. It is worth noting that most of the sources consulted retain an institutional character reflective of the temporal proximity of the events under scrutiny.
In conclusion, the literature displays diverse characteristics. While the governance of the Next Generation EU and the governance of the Italian Recovery Plan have been subjects of advanced research over the past three years, no work has sought to unify these two macro-topics into one causal process. This research thesis aims to fill this gap in the literature, aspiring to chart a new and fruitful course for future scientific research and debate.

To comprehend the intricacies underlying the Italian NRRP governance and the country's public policy orientation, this research thesis necessitates a robust argumentative framework. This entails identifying independent and dependent variables to trace the causal relationships within our discourse. We identified two changing phenomena – namely, two dependent variables. The first dependent variable concerns the *shift in the country's public policies through the NRRP*. The conditionalities imposed on Italy through the RRF necessitate the country's alignment with the Country-Specific Recommendations issued within the framework of the European Semester—from the 2019 cycle. In the Commission's CSRs, Italy is urged to address longstanding issues, such as the sluggishness of public administration and civil processes[48], while also steering its political trajectory toward policies not previously pursued in the Italian context. This is notably evident in domains like the green transition or digitalization, where Italy lags the European average. We will emphasize the evolution of the country's public policies during both the Draghi and Meloni administrations. Draghi, helming a technocratic government, is inclined to adhere rigorously to European guidelines. Giorgia Meloni, buoyed by a substantial political majority, will imbue the reform initiatives outlined in

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[45] Piero David and Giacomo D'Arrigo, 'Cosa Cambia Con La Nuova Governance Del Pnrr' (*Lavoce.info*6 April 2023) <https://lavoce.info/archives/100758/cosa-cambia-con-la-nuova-governance-del-pnrr/>

[46] Giacomo Menegus, 'La Riforma Della Governance Del PNRR' (2023) 3 Osservatorio Costituzionale - Associazione Italiana dei Costituzionalisti.

[47] Piero David and Giacomo D'Arrigo, 'Cosa Cambia Con La Nuova Governance Del Pnrr' (*Lavoce.info*6 April 2023) <https://lavoce.info/archives/100758/cosa-cambia-con-la-nuova-governance-del-pnrr/>

[48] Presidenza del Consiglio dei Ministri , *Piano Nazionale Di Ripresa E Resilienza* (2022) <https://www.italiadomani.gov.it/content/sogei-ng/it/it/home.html>

the Italian NRRP with a distinct political imprint, asking the Commission to endorse amendments to the Plan formulated by the previous government on 11th July 2023[49]. The second dependent variable pertains to the *governance model employed in the Italian National Recovery and Resilience Plan*. We will underscore how the Italian Plan's governance structure, initially instituted during the Draghi administration through Decree-Law N. 77/2021[50] and subsequently modified by the Meloni administration via Decree-Law No. 13/2023[51], adopts markedly centralized and hierarchical characteristics. It will be demonstrated how the amplification of executive powers, at the expense of regional autonomies, local authorities, and parliamentary customary activity, constitutes a factor of discontinuity with previous public governance approaches pursued in the country.

The independent variable under scrutiny in this thesis – namely, the triggering factor leading to the variation of the two dependent variables previously identified - is the *novel form of European economic governance* articulated in the NGEU plan. The first and the second chapters will delineate the characteristics of this fresh governance paradigm. Specifically, we will illuminate the legal underpinnings enabling the European Commission to establish the Recovery and Resilience Facility[52], the instrument governing this new performance-based governance[53]. To comprehensively portray our independent variable, we will chart the evolution of European governance in recent decades. In designating the NGEU plan's governance as 'new', we must substantiate what elements puts it in discontinuity with previous European governance frameworks. In this vein, the very first chapter will delineate the governance approaches employed by the EU, emphasizing the contrast between a coercive approach[54], prevalent in the pre-pandemic era, and a 'contractual' and performance-based

[49] Governo Italiano, dipartimento per le Politiche Europee, 'Cabina Di Regia PNRR Approva La Proposta Di Revisione Della Quarta Rata' (*Dipartimento per le Politiche Europee*11 July 2023)

[50] DECRETO-LEGGE 31 Maggio 2021, n.77 Governance del Piano nazionale di rilancio e resilienza e prime misure di rafforzamento delle strutture amministrative e di accelerazione e snellimento delle procedure. 2021.

[51] DECRETO-LEGGE 24 febbraio 2023, n. 13, Art.2, Disposizioni urgenti per l'attuazione del Piano nazionale di ripresa e resilienza (PNRR) e del Piano nazionale degli investimenti complementari al PNRR (PNC), nonche' per l'attuazione delle politiche di coesione e della politica agricola comune. 2023

[52] European Parliament and Council of the European Union, 'Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 Establishing the Recovery and Resilience Facility' (12 February 2021).

[53] Economic Governance and EMU Scrutiny Unit, European Parliament and Berthold Rittberger, *Democratic Control and Legitimacy in the Evolving EU Economic Governance Framework* (2023).

[54] Sebastian Koehler and Thomas König, 'Fiscal Governance in the Eurozone: How Effectively Does the Stability and Growth Pact Limit Governmental Debt in the Euro Countries?' (2014) 3 Political Science Research and Methods 329.

approach[55] intrinsic to the new governance framework outlined in the RRF. In sum, by linking together independent and dependent variables, this research thesis establishes a causal relationship between the new EU Performance-Based governance and the governance of the Italian NRRP as well as the country's public policies panorama.

The chosen variables, the legal orientation of the research thesis, the object of the study, and the level of analysis all lead to the adoption of an institutionalist approach. This contribution primarily focuses on European and Italian governance systems. Governance encompasses the rules, procedures, and principles governing a society. Hence, legal documents within the European framework (such as regulations, decisions, and the founding treaties) and within the Italian framework (laws, decree laws, or articles of the country's constitution) will be scrutinized. Additionally, as previously mentioned, the analysis will maintain a macroscopic perspective. The research thesis does not delve into individual or mesoscopic phenomena; instead, it centers on the interaction between international institutions (European Union) and nation states (Italy). The entire thesis hinges on the causal relationship between two macro systems of governance, positioned at the international and national levels. The institutionalist approach aligns also with the chosen data collection methods, which lean towards qualitative approaches emphasizing document analysis, encompassing both academic research and legal texts. As a counter-prove, the institutionalist approach's validity for this research thesis can be demonstrated by gauging its compatibility with the three selected variables. All three underscore formal institutions, addressing European governance (independent variable), national public policy (first dependent variable), and national governance (second dependent variable). The Key concepts interweaving all three variables are laws, constitutions, regimes, and legal frameworks—fundamental to the institutionalist approach. Moreover, all three maintain a macroscopic level of analysis, as required by a consistent institutionalist approach-related investigation. Finally, this research thesis leans heavily towards the legal domain, with a pronounced influence from jurisprudential disciplines, especially through the extensive consultation of various sources of European and Italian law. The data collection method for all three variables centers on document analysis, with a preference for legal texts from European or Italian authorities. Alongside the perusal of legal texts, there is a substantial consultation of academic sources, oriented towards forensic disciplines.

[55] Elena Griglio, 'National Parliaments' Resilience under the Euro-Zone and the Covid-19 Crises: Continuity and Discontinuity in the Euro-National Scrutiny' (2022) 28 The Journal of Legislative Studies 313

With the variables and approach clearly outlined, the research question can now be formulated:

Q: *'How does the new performance-based governance of the Next Generation EU shape Italy's National Recovery and Resilience Plan governance and transform the landscape of the country's public policies?'*

Given the institutionalist approach and selected variables, two hypotheses are posited:

H1: The Next Generation EU's performance-based economic governance incentivizes Italy to align its public policies with European guidelines through the NRRP.

We hypothesize that the new economic governance system introduced by the NGEU plan has, first and foremost, encouraged a shift in the political direction of nation states seeking access to the fund. Italy, in this context, has received CSRs aimed at modernizing various aspects of the public sector. These include the revamping and digitization of public administration, as well as the imperative for a more agile and efficient judicial system[56]. We hypothesize that the necessity to access funds allocated by the Next Generation EU has prompted Italy to diligently adhere to the conditionalities set forth by the RRF, kickstarting a period of vigorous reforms for the nation. Performance-based governance establishes accountability for member states: if the reform efforts fall short of European legislators' expectations, funds may be blocked or delayed.

H2: The pressure to meet deadlines and targets leads to a centralized governance approach in the Italian National Recovery and Resilience Plan.

We hypothesize that the new European governance exerts strong pressure on national institutions. The pressure exerted is of two types. The first is aimed at making member states carefully follow the targets and milestones set out in the RRF to avoid blocking funds. The second relates to meeting the deadlines imposed by the Commission in delivering the plan and cyclically maintaining contact with the commission for the continuous evaluation of the

[56] K Grigaite and others, 'Country-Specific Recommendations for 2019, 2020, 2021 and 2022: A Tabular Comparison and an Overview of Implementation' (2022).

NRRP's performance[57]. It is assumed that these forms of pressure have a highly visible impact on the governance of the Italian National Recovery and Resilience Plan, which assumes strongly centralized traits. The need to avoid delays and comply with the conditions imposed by the Commission has pushed the Italian government to synthesize the usual decision-making process, which includes regional and local authorities, avoiding dangerous centrifugal forces[58]. In addition, there is a further factor such as the absence of a specific European provision requiring member states to involve regional authorities in the decision-making process on the reforms to be adopted in the plan[59].

As already illustrated, the case selection chosen for this research thesis is the case-study, namely the Italian National Recovery and Resilience Plan. This choice is mainly justified by the need to obtain in-depth knowledge of the selected case. The literature offers numerous examples of comparative studies in which the effects of European economic governance on the institutional balances of member states are generally illustrated. Although of great academic value and not denying their precious contribution within this research thesis, these studies show a strong level of abstraction and generality. Our intention is to carefully dissect the form of governance of the Italian NRRP and the changing public policies of the state. We intend to carefully grasp the multifaceted nature of the phenomenon and vivisect its complexity into smaller, measurable units. Italy, after all, presents itself as a very special case for two reasons. On the one hand, the extraordinary amount of funds it has had access to, around 191.5 billion euro, more than any other beneficiary state. On the other hand, the fragility of its economic conditions at the onset of the pandemic, with a public debt already at more than alarming levels.

It is then important to extrapolate some means of measurement within the selected two hypotheses by a process of operationalization. Examining the H1: *The Next Generation EU's performance-based economic governance incentivizes Italy to align its public policies with European guidelines through the NRRP*, it is required to identify measurement tools for the

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[57] European Parliament and Council of the European Union, 'Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 Establishing the Recovery and Resilience Facility' (12 February 2021).

[58] Davide Vampa, 'COVID-19 and Territorial Policy Dynamics in Western Europe: Comparing France, Spain, Italy, Germany, and the United Kingdom' [2021] Publius: The Journal of Federalism

[59] European Committee of the Regions, 'A New Consultation Warns: Many EU Governments Are Excluding Regions and Cities from the Preparation of Post-COVID Recovery Plans' (*cor.europa.eu*22 January 2021) <https://cor.europa.eu/en/news/Pages/post-COVID-recovery-plans-.aspx>.

influence of European performance-based governance on state public policies. It is suggested as an indicator the degree of alignment of public policies enshrined in the Italian NRRP and the Country-Specific Recommendations of the ES cycles after 2019[60].

For the H2: *The pressure to meet deadlines and targets leads to a centralized governance approach in the Italian National Recovery and Resilience Plan*, the consultation of regional and local authorities as well as Parliament by the central state will be considered. The number of conferences and the elements of each agenda will be examined to gauge the engagement of the decentralized authorities and the Parliament in discussions around the formulation of the National Recovery and Resilience Plan[61]. Another measurement tool to assess the centralization undoubtedly concerns the analysis of the distribution of responsibilities for drafting and managing the Recovery Plan among government figures. In detail, we will look at which figures are given decision-making roles in governing the plan and to what extent[62].

Another key step is to specify the type of data collection method. First, it must be highlighted that the research relied on secondary data, namely data that was not personally gathered. We made use of written records, i.e., official documents and reports from the European institutions and Italian authorities, European and Italian legislation, and an extensive academic apparatus focusing on the empirical phenomenon under consideration. The selection process of our sources responded to the criteria of credibility. On the one hand, official documents and reports were collected by consulting certified web pages of the European institutions (European Commission, European Parliament, Council of the European Union, European Council, Committee of the Regions) and the Italian Ministry of the Interior, Economy and Finance, European Affairs and Regional Affairs respectively. On the other hand, academic articles and books were selected though the criterion of scientificity and pertinence to our research field. It should be lastly emphasized that priority was given to the choice of 'running records', documents produced and preserved by organizations and institutions, such as reports and papers produced and stored by the European Parliamentary Service. The choice of these data

[60] See table 1

[61] Governo Italiano, Presidenza del Consiglio dei Ministri. Conferenza Permanente per i rapporti tra lo Stato, le Regioni e le Province Autonome di Trento e Bolzano. , 'Conferenza Stato-Regioni' *Conferenza Permanente per i rapporti tra lo Stato, le Regioni e le Province Autonome di Trento e Bolzano* <https://www.statoregioni.it/it/presentazione/attivita/conferenza-stato-regioni/>___Conferenza delle Regioni e delle Province Autonome, 'Regioni.it - Conferenza Delle Regioni E Delle Province Autonome' (*Regioni.it*) <https://www.regioni.it/>.

[62] Presidenza del Consiglio dei Ministri , *Piano Nazionale di Ripresa e Resilienza* (2022) <https://www.italiadomani.gov.it/content/sogei-ng/it/it/home.html>

revealed its advantages; they are easy to access, and they are already collected and organized by records keepers.

1: The pre-pandemic form of European economic governance

Inaugurating this research thesis, the first chapter delineates the origins, features, and evolution of European economic governance leading up to the inception of the Next Generation EU initiative. We begin tracing the progression of European economic governance from the Amsterdam Summit in 1997 to the inception of the Recovery and Resilience Facility. The investigation will be underpinned by the analysis of the various economic governance tools, such as the Stability and Growth Pact (SGP) and the Six-Pack legislation, with a particular emphasis on the Macroeconomic Imbalance Procedure (MIP) it introduced. Through a meticulous examination of these legal instruments, we contend that prior to the pandemic crisis, European economic governance possessed a coercive nature. These instruments vested the European Union with the authority to impose sanctions on member states failing to meet financial curbs that might jeopardize the Union's financial stability[63]. Additionally, we investigate the role of the European Semester, emphasizing its function in harmonizing all other European governance mechanisms[64]. Our primary focus will be on Country-Specific Recommendations, representing the guidelines provided by the European Union to member states within the annual cycle of the European Semester, aimed at addressing member states' primary challenges. This introductory chapter provides the basis for gaining insight into the continuity and discontinuity factors of European economic governance after the establishment of the Next Generation EU. Emphasizing the state of pre-pandemic governance is indeed indispensable for a comprehensive grasp of the extent and implications of the post-pandemic EU-set governance framework.

1.1 The coercive nature of the European economic governance

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[63] Martin Sacher, 'Avoiding the Inappropriate: The European Commission and Sanctions under the Stability and Growth Pact' (2021) 9 Politics and Governance 163 __ David Bokhorst, 'The Influence of the European Semester: Case Study Analysis and Lessons for Its Post-Pandemic Transformation.' (2021) 60 JCMS: Journal of Common Market Studies 101__ Mark Dawson, 'New Governance in the EU after the Euro Crisis: Retired or Re-Born?' [2015] SSRN Electronic Journal.

[64] Economic Governance and EMU Scrutiny Unit, European Parliament and Berthold Rittberger, *Democratic Control and Legitimacy in the Evolving EU Economic Governance Framework* (2023).

1.1.1 The Stability and Growth Pact: materializing coercive economic governance

The foundation of European Economic governance traces back to the Maastricht Treaty. It takes concrete form during the Amsterdam summit in June 1997 with the introduction of the Stability and Growth Pact (SGP). The SGP imposes a cap on government debt at 60% of a member state's Gross Domestic Product (GDP) and sets a limit on the deficit at 3% of its GDP[65]. Legally speaking, the SGP originates from the European Council Resolution[66] of 17 June, accompanied by two Council regulations[67]. The first regulation[68] requires member states to produce medium-term budgetary positions that are close to balance. The second regulation[69] establishes the Excessive Deficit Procedure (EDP) against member states exceeding the 3% deficit ceiling agreed under the SGP. The EDP intends to push member states to keep the deficit under control, triggering sanctions for those non-compliant.

The first query pertains to the rationale behind the establishment of a common economic governance through the SGP. The creation of a common economic governance structure becomes indispensable in the context of an economic and monetary union. Member states share fiscal responsibilities and are consistently exposed to potential moral hazard[70], i.e., the possibility of an economic entity behaving differently than it would if it were to suffer the full consequences of its actions. The elevated risk of moral hazard might emerge because policymakers tend to favor policies that yield visible short-term effects. This inclination is logically driven by the desire to enhance popularity among the electorate by showcasing the immediate benefits of their decisions. As an instance, to fund public expenditures,

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[65] European Council , 'Resolution of the European Council on the Stability and Growth Pact Amsterdam, 17 June 1997' (17 June 1997).

[66] European Council , 'Resolution of the European Council on the Stability and Growth Pact Amsterdam, 17 June 1997' (17 June 1997).

[67] Council of the European Union, 'Council Regulation (EC) No 1466/97 of 7 July 1997 on the Strengthening of the Surveillance of Budgetary Positions and the Surveillance and Coordination of Economic Policies' (7 July 1997).
Council of the European Union, 'Council Regulation (EC) No 1467/97 of 7 July 1997 on Speeding up and Clarifying the Implementation of the Excessive Deficit Procedure' (7 July 1997).

[68] Council of the European Union, 'Council Regulation (EC) No 1466/97 of 7 July 1997 on the Strengthening of the Surveillance of Budgetary Positions and the Surveillance and Coordination of Economic Policies' (7 July 1997).

[69] Council of the European Union, 'Council Regulation (EC) No 1467/97 of 7 July 1997 on Speeding up and Clarifying the Implementation of the Excessive Deficit Procedure' (7 July 1997).

[70] Sebastian Koehler and Thomas König, 'Fiscal Governance in the Eurozone: How Effectively Does the Stability and Growth Pact Limit Governmental Debt in the Euro Countries?' (2014) 3 Political Science Research and Methods 329.

policymakers often resort to increasing government debt, which consequently burdens their successors with repayment obligations[71]. In the context of an economic and monetary union, a high-debt economic strategy is not only detrimental to the country in question but also to the other member states within the Union[72]. Indeed, the most suitable solution to lower the government debt is to let the inflation rate increase, harming those states connected to the same central bank and currency. In sum, a national economic policy can remarkably impact the financial stability of the member states joining the same economic Union[73].

This concise analysis illustrates the core objective of the Stability and Growth Pact: to prevent states within the Economic and Monetary Union (EMU) from adopting high-debt economic and financial policies. However, the SGP is not only a preventive measure but also a corrective mechanism. The regulation (EC) 1467/97[74], indeed, establishes the procedural framework for the implementation of the Excessive Deficit Procedure - introduced in 1992 with the establishment of the EMU. The Regulation[75] enables EU institutions to impose fiscal sanctions on member states that do not adhere to fiscal requirements, endangering the solidity of the EMU. Therefore, the economic governance model materialized by the SGP can be characterized as coercive, as member states risk being sanctioned if they fail to meet the macroeconomic ceiling set by Brussels.

1.1.2 Tangible but ineffective coercion: the case of the Six-Pack legislation

The severity of the Great Financial Crisis and the risk of macroeconomic imbalances coming from indebted southern economies called for hardened economic policy coordination[76]. In this subsection, we will examine the instruments the EU used to tighten economic governance in

[71] Roel Beetsma and Harald Uhlig, 'An Analysis of the Stability and Growth Pact' (1999) 109 The Economic Journal 546.

[72] VV Chari and Patrick J Kehoe, 'On the Need for Fiscal Constraints in a Monetary Union' (2007) 54 Journal of Monetary Economics 2399.

[73] Ibid

[74] Council of the European Union, 'Council Regulation (EC) No 1467/97 of 7 July 1997 on Speeding up and Clarifying the Implementation of the Excessive Deficit Procedure' (7 July 1997).

[75] Ibid

[76] Renaud Dehousse, 'Why Has EU Macroeconomic Governance Become More Supranational?' (2016) 38 Journal of European Integration 617.

the aftermath of the financial crisis[77]. We will focus on two significant legislative packages known as the Six-Pack Legislation and the Fiscal Compact, in addition to the establishment of the European semester.

The Six-Pack legislation was introduced in 2011 to control macroeconomic imbalances. The six cornerstones of the legislation are: bringing fiscal and economic policy control within the European Semester, establishing a public spending ceiling for each state with reference to its medium-term budgetary target, increasing surveillance of state deficits and surpluses, opening the excessive deficit procedure only with the breach of the debt limit, introducing the Macroeconomic Imbalance Procedure (MIP), and imposing financial sanctions of up to 0.5 percent of state GDP[78]. Among these cornerstones, the Macroeconomic Imbalance Procedure needs to be carefully analyzed. Under the MIP, the Commission is responsible for monitoring the macroeconomic performance of states. Also, it is tasked to compile an annual alert report that detects states at financial risk. The Commission's assessment involves a scoreboard incorporating relevant, practical, simple, and measurable indicators[79]. Whether the Council agrees with the Commission's assessment of a member state's breach of financial security standards, the latter issues corrective recommendations. Simultaneously, a member state under the MIP is required to prepare a rectifying action plan. Suppose the member state does not take corrective measures and persists not to address excessive imbalances. In that case the Commission holds the authority to forward a recommendation to the Council to impose financial penalties on the non-compliant member states. These penalties can range from an interest-bearing deposit to an annual fine. The aspect we intend to focus on is the degree of coercivity present in the MIP. In this regard, one aspect must be kept in mind: the degree of delegation of power from member states to the Commission under the MIP[80]. In general, the greater the delegation of power to third-party entities, the more binding the decisions made are on the principal[81]. Under the MIP, the member state delegates to the Commission the authority to choose the scoreboard indicators to assess states' macroeconomic performance and to initiate

[77] J-P Keppene, 'Institutional Report ', *The Economic and Monetary Union: Constitutional and Institutional Aspects of the Economic Governance within the EU* (DJoF Publishing 2014).

[78] European Parliamentary Research Service (EPRS), 'Review of the "Six-Pack" and "Two-Pack"' (*Epthinktank*13 December 2014) <https://epthinktank.eu/2014/12/13/review-of-the-six-pack-and-two-pack/>.

[79] Dermot Hodson, 'The Macroeconomic Imbalance Procedure as European Integration: A Legalization Perspective' (2017) 25 Journal of European Public Policy 1610.

[80] Ibid

[81] Ibid

an in-depth review of those at risk. Therefore, the MIP confers upon the Commission an active role in scrutinizing the actions of member states. In this capacity, the Commission takes on the roles of both an arbiter and an educator. It not only defines the path each state should follow; it also prescribes corrective measures for any state that deviates from the EU-set ceilings. In essence, it is the delegation of power to the Commission that renders the governance behind the MIP coercive in nature.

Another significant legislation tightening European economic governance is the Treaty on Stability, Coordination, and Governance in the Economic and Monetary Union, commonly known as the Fiscal Compact. It is a paramount instrument for establishing a well-defined framework for European economic governance amidst the challenges of the Euro crisis. Specifically, the treaty mandates that each member state must maintain a deficit not exceeding its GDP's 0.5% in structural terms while also requiring the general government budget to achieve balance or a surplus[82]. The implications of the Fiscal Compact are wide-ranging, but it is worth noting the inclusion of an automatic correction mechanism within the treaty. In brief, if a member state deviates from its medium-term economic goals, an automatic corrective mechanism is triggered[83]. The Commission has the responsibility to determine the nature, scale, and timing of these corrective actions. In sum, the Fiscal Compact enables supranational entities to intervene when a member state fails to uphold its financial commitments. Once again, we encounter a tool that exerts coercive effects on member states in economic matters.

While endowed with the authority to implement corrective measures upon member states found to be non-compliant with financial requirements, the Commission has consistently refrained from taking punitive actions. As posited by Martin Sacher[84], the Six-Pack legislation bolstered the coerciveness within the Stability and Growth Pact via sanctions applicable under the Macroeconomic Imbalance Procedure. However, the Commission has consistently prioritized cooperative attitudes and endeavors toward change, even if such efforts have been deemed insufficient. Notably, when a member state demonstrated to be cooperative with the EU by taking actions to solve its financial troubles, the Commission was inclined to perceive such initiatives as satisfactory[85]. An illustrative instance is the case of Spain and Portugal,

[82] European Central Bank, 'Monthly Bulletin March 2012' (2012).

[83] Ibid

[84] Martin Sacher, 'Avoiding the Inappropriate: The European Commission and Sanctions under the Stability and Growth Pact' (2021) 9 Politics and Governance 163.

[85] Ibid

which entered the corrective arm of the MIP in 2009 due to excessive imbalances. In 2016, the Commission determined that both nations had not undertaken remedial actions to rectify their excessive deficits. Nonetheless, the Commission did not impose fines contending that both countries had demonstrated a commitment to cooperate with European institutions and that imposing sanctions would merely aggravate the already precarious financial conditions of the two Iberian countries[86].

1.2 Hard law and soft law

1.2.1 The European Semester

In the previous subsection, we examined some of the fundamental elements of European economic governance since the foundation of the EMU. Our focus has been on the coercive form of economic governance embedded in the Stability and Growth Pact, the Six-Pack legislation, and the Fiscal Compact. These mechanisms grant supranational European entities the authority to impose sanctions on member states that deviate from EU-set economic targets. Turning our attention to the next instrument, the European Semester (ES), we can envision it as the agent connecting all the facets of European economic governance. Through the ES, the EU governance instruments are integrated into a unified policy coordination cycle that involves close collaboration between European institutions and national entities[87]. The European Semester serves our discussion by assuming the role of the linchpin to illustrate the transformations that European governance underwent in the aftermath of the pandemic crisis. Although the ES maintained its original structure, its marriage with the RFF significantly modified European economic governance. However, before analyzing the shift in economic governance, we must identify the structures and components that define the European Semester.

As pointed out by Saurugger, the European Semester might be depicted as a 'feedback loop'[88] between the member states and the European institutions. The ES cycle lasts one year and is temporally divided into two phases: the initial phase entails active involvement by the

[86] Ibid

[87] Economic Governance and EMU Scrutiny Unit, European Parliament and Berthold Rittberger, *Democratic Control and Legitimacy in the Evolving EU Economic Governance Framework* (2023).

[88] Sabine Saurugger, 'Europeanisation in Times of Crisis' (2014) 12 Political Studies Review 181.

European institutions, while the second one centers on member states. In November, the Commission issues the Alert Mechanism Report (AMR) and the Annual Growth Survey (AGS). These two reports provide for pertinent economic and financial insights that are indispensable for the operation of the semester itself. The AMR identifies macroeconomic imbalances and determines the member states needing an In-depth Review (IDR). On the other hand, the AGS delineates the economic and financial priorities of the European Union. These priorities serve as benchmarks for member states in formulating their own national economic policy priorities. From January to March, the Commission utilizes the technical data gleaned from the AMR and the AGS to formulate guidelines for the member states. With the Council's approval, the Commission issues a comprehensive report for each state. The report elucidates all socio-economic aspects that each member state should undertake reforms for. In April, member states articulate their plans for structural reforms and medium-term budgetary strategies. The Commission evaluates the plans presented by the member states, scrutinizing the pertinence of the proposed reforms. Subsequently, it releases Country-Specific Recommendations (CSRs) that are formally adopted in July after the Council's ratification. The European phase of the semester concludes upon the formal acceptance of the Country-Specific Recommendations. At this point, the member states assume an active role, incorporating the CSRs into their budgetary strategy and the national reform agenda.

A relevant aspect of our analysis revolves around CSRs, which will be examined through two distinct lenses. First, our investigation will center on the governance underpinning CSRs. Second, we will scrutinize their implementation rate among member states. As pointed out at the outset of this subsection, the European Semester stands as the unifying force interweaving European economic governance instruments. It incorporates within a singular annual cycle all the procedures that would otherwise be compartmentalized. Notably, the integration of the Macroeconomic Imbalance Procedure and the Excessive Deficit Procedure into the European Semester framework is of great relevance. Under the ES, the Commission furnishes guidelines to fulfil MIP and EDP procedures. These guidelines are emitted as CSRs, which thus assume binding force as non-compliant member states can be sanctioned by the Commission. Conversely, CSRs promoted outside the MIP and EDP context lack coercivity, operating within a voluntarist logic as their implementation is contingent upon the discretion of member states. In sum, the governance framework behind CSRs amalgamates elements of hard law, when enacted in the context of the MIP and the EDP, and soft law aimed at exerting influence, lacking coercive power[89].

The second element our investigation focuses on is the Country-Specific Recommendations' implementation rate. Analyzing the figures presented by Alcidi & Gros[90], it becomes evident that the number of CSRs fully implemented in the EU remains notably constrained and exhibits a diminishing trend over time. Specifically, from 2011 to 2012, approximately 20% of CSRs[91]were comprehensively implemented. However, by 2016, this figure had receded to a mere 5%[92]. How can we explain this fluctuation in the implementation rate? First, as illustrated above, CSRs outside the MIP and the EDP follow a voluntarist logic. Notably, the discretion to enforce CSRs rests with the member states themselves. Second, the reduction of CSRs' implementation rate is highly influenced by the resolution of the sovereign debt crisis. Indeed, from 2011 to 2014, CSRs were predominantly economically and financially oriented, designed to solve crisis-driven challenges. Therefore, due to the macroeconomic vulnerability experienced by the southern states and a prevalent inclination towards negative fiscal balance, the CSRs were more diligently respected by the member states. As soon as the impact of the crisis subsided, financial markets started breathing again, leading national governments to shift their focus toward matters of diverse nature[93]. This evolution from a crisis-driven focus to a broader scope gradually diluted the intensity of attention directed toward CSRs. In sum, CSRs suggest member states how to cope with their socio-economic challenges. They embody an *ex-ante* governance approach by suggesting preemptive measures to member states. Unlike *ex-post* monitoring and sanctioning mechanisms such as the Excessive Deficit Procedure or the Macroeconomic Imbalance Procedure, which empower the Commission to sanction member states for fiscal non-compliance, CSRs lack a corrective arm[94]. When not addressing macroeconomic imbalances, member states prefer to maintain distance from EU intervention, shaping their own economic policies and resulting in limited enforcement of

89 David Bokhorst, 'The Influence of the European Semester: Case Study Analysis and Lessons for Its Post-Pandemic Transformation.' (2021) 60 JCMS: Journal of Common Market Studies 101.

90 Cinzia Alcidi and Daniel Gros, 'How to Strengthen the European Semester' (2017) 15 RePEc: Research Papers in Economics.

91 Ibid

92 Ibid

93 Ibid

94 Ibid, Mark Dawson, 'New Governance in the EU after the Euro Crisis: Retired or Re-Born?' [2015] SSRN Electronic Journal.

CSRs. However, not all non-binding CSRs hold equal relevance. Their applicability varies according to their nature and their potential impact on member state's overall conditions. Assessing the comprehensive influence of CSRs on member states' policymaking is indeed a challenging task[95]. As a matter of fact, Member states encounter varying levels of pressure from European institutions to endorse CSRs[96]. While their implementation is contingent upon member state discretion, the EU employs several strategies to encourage states to adopt CSRs. For instance, the precision with which they are crafted serves as an indicator of the importance the European Union attributes to them[97]. A more detailed and specific CSR, such as one outlining necessary legal amendments, signals to the member state the gravity of the required reform[98]. Conversely, greater vagueness in CSRs indicates lower EU pressure on the matter[99].

1.3 Conclusion

The first chapter delineated the instruments of European economic governance during the pre-pandemic period. By means of a detailed analysis, we contended the presence of coercive economic governance within the European Union, exemplified by the European Commission's utilization of corrective mechanisms to sanction member states that fail to comply with financial ceilings. Notable instances of such mechanisms include the Excessive Deficit Procedure, the Macroeconomic Imbalance Procedure, and the Fiscal Compact. Parallelly, we recognized that the most notable deficiency in the pre-pandemic model of economic governance lies in the European Semester's non-binding effects for member states, except for those CSRs tied to macroeconomic imbalances. Therefore, it arose the necessity to fortify the European Semester, rendering it more influential over member states. In the following chapter, we will analyze how the Next Generation EU plan rectified the deficiencies inherent in pre-pandemic European economic governance. The structure of the Next Generation EU enhances

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95 David Bokhorst, 'The Influence of the European Semester: Case Study Analysis and Lessons for Its Post-Pandemic Transformation.' (2021) 60 JCMS: Journal of Common Market Studies 101.

96 Sonja Bekker, 'Hardening and Softening of Country-Specific Recommendations in the European Semester' [2020] West European Politics 1.

97 Mark Dawson, 'New Governance in the EU after the Euro Crisis: Retired or Re-Born?' [2015] SSRN Electronic Journal.

98 Jonathan Zeitlin and Bart Vanhercke, 'Socializing the European Semester: EU Social and Economic Policy Co-Ordination in Crisis and Beyond' (2017) 25 Journal of European Public Policy 149.

99 Sonja Bekker, 'Hardening and Softening of Country-Specific Recommendations in the European Semester' [2020] West European Politics 1.

the impact of Country-Specific Recommendations, thereby augmenting their implementation rate.

2: The Next Generation EU new form of governance

The second chapter of this research thesis elucidates the transformation of European economic governance through the Next Generation EU. In the previous part, we provided an overview of the fundamental attributes of the pre-pandemic coercive form of economic governance. To comprehensively grasp the change brought about by the Recovery initiative, we need to delineate the origins, structures, and legal framework of the Next Generation EU. This chapter is divided as follows.

First, we will explore the complex genesis of NGEU, marked by a long negotiation between frugal and southern states, led by Italy and Spain, regarding the governance and scale of the recovery fund[100]. While the former advocated for a national responsibility approach similar to the crisis management system employed during the Euro crisis[101], the latter called for a unified and solidarity-driven EU strategy to address the pandemic's impact. The disagreement over the use of the European Stability Mechanism (ESM) reached an impasse due to concerns about compromising member states' national sovereignty[102], leading to the establishment of a new grants and loans fund named Next Generation EU in late spring 2020.

Second, the chapter will delve into the legal foundations of the NGEU, focusing on two significant regulations. On the one hand, Regulation (EU, Euratom) 2020/2092[103] establishes a comprehensive framework for conditionality to safeguard the Union budget, making the respect for the rule of law a prerequisite for accessing EU funds. On the other hand, European

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[100] S Michalopoulos , 'Nine Member States Ask for Eurobonds to Face Coronavirus Crisis' *Euractiv* (25 March 2020); D Dombey, G Chazan and J Brunsen , 'Nine Eurozone Countries Issue Call for 'Coronabonds' [2020] Financial Times.

[101] Marco Buti and Sergio Fabbrini, 'Next Generation EU and the Future of Economic Governance: Towards a Paradigm Change or Just a Big One-Off?' [2022] Journal of European Public Policy 1.

[102] Gabriele De Angelis, 'A New Role for the European Stability Mechanism in Post-COVID-19 EMU? Explaining the Failure of the Pandemic Crisis Support and Assessing Ways Forward' (2022) 51 International Journal of Political Economy 18.

[103] European Parliament and Council of the European Union, 'Regulation (EU, Euratom) 2020/2092 of the European Parliament and of the Council of 16 December 2020 on a General Regime of Conditionality for the Protection of the Union Budget' (16 December 2020).

Parliament and Council Regulation 2021/241[104] establishes the Recovery and Resilience Facility (RRF) which outlines the governance of the Recovery Plan.

Third, we will elucidate the substantial evolution in European governance through the NGEU. The integration of the game-changing Recovery and Resilience Facility into the European Semester fundamentally altered the nature of European economic governance. Unlike the pre-pandemic era, where member states held discretionary authority over the implementation of Country Specific Recommendations, the RRF now mandates that member states seeking access to NGEU funds adhere to these recommendations. The transition from a voluntary framework to a contractual one, where compliance with CSRs is a prerequisite for unlocking funds, inaugurates a performance-based economic governance paradigm[105].

2.1 Road to the Next Generation EU

2.1.1 Instinctive cognitive path-dependency

The Next Generation EU (NGEU) stands as a symbol of unity among the European Union member states. However, achieving this sense of solidarity did not come about overnight. The promotion of a collective recovery mechanism faced two initial obstacles. First, despite coping with a shared catastrophe, the European Union encountered internal divisions when tackling the Covid-19 crisis. The so-called frugal states' coalition - the Netherlands, Austria, Denmark, and Sweden – initially supported by Germany, opposed any risk-sharing with the most severely affected economies, actively rejecting extraordinary recovery measures at the EU level[106]. They contended that each country should individually handle the pandemic's repercussions, eventually resorting to pre-existing EU credit lines. They strongly opposed the mutualization of debt due to concerns about potential moral hazard. This refers to the possibility of economic entities behaving differently when they are not held accountable for negative economic outcomes. In this context, given the high public debt levels in southern countries, a worsening of the macroeconomic imbalances might have resulted in shared debt payments, which the

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104 European Parliament and Council of the European Union, 'Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 Establishing the Recovery and Resilience Facility' (12 February 2021).

105 David Bokhorst and Francesco Corti, 'Governing Europe's Recovery and Resilience Facility: Between Discipline and Discretion' [2023] Government and Opposition 1.

106 Marco Buti and Sergio Fabbrini, 'Next Generation EU and the Future of Economic Governance: Towards a Paradigm Change or Just a Big One-Off?' [2022] Journal of European Public Policy 1.

frugal states dreaded[107]. Second, the EU lacked prior experience to draw upon for such an exceptional event. European institutions instinctively relied on governance models that had been employed to recover from previous major crises, i.e., the Euro crisis. Therefore, in early 2020, as the Covid-19 pandemic erupted, the initial European response to the economic downturn was primarily based on national responsibility within an intergovernmental framework[108]. According to Buti & Fabbrini[109] this initial stance of the European institutions might be explained by the concept of 'cognitive path-dependency'[110]. This notion posits that past decisions and actions shape a specific course of action, influencing and constraining future developments. Essentially, the EU, confronted with the tremendous pandemic crisis, initially turned to the familiar governance model used during the euro crisis. Although the EU was initially influenced by the *modus operandi* employed in the Euro crisis, promoting a national responsibility-based approach rapidly proved to be insufficient. The size and atypicality of the pandemic, along with the urgent pleas for assistance from the most burdened economies, accelerated the adoption of a novel strategy[111]. Measures were taken to provide fiscal space to EU member states, such as suspending the adjustment requirements of the Stability and Growth Pact (SGP) and easing rules on state aid to struggling companies. Additionally, the European Investment Bank (EIB) and a new instrument called Support to mitigate Unemployment Risks in an Emergency (SURE) were mobilized to provide financial support[112].

2.1.2 An irreconcilable conflict of interests: the rejection of the ESM loan solution

The Next Generation EU was the outcome of extensive negotiations among EU member states. The so-called frugal states believed that the existing support mechanisms could successfully address the challenges posed by the pandemic. Conversely, the leaders of nine member states, including Belgium, France, Italy, Luxembourg, Spain, Portugal, Greece, Slovenia, and Ireland, signed a letter advocating for the establishment of a common debt instrument issued by

[107] Edoardo Bressanelli and Lucia Quaglia , 'La Genesi Del next Generation EU: Intergovernativismo vs Sovranazionalismo?' [2021] Rivista Italiana di Politiche Pubbliche 353.

[108] Ibid

[109] Ibid

[110] Amy Verdun, 'A Historical Institutionalist Explanation of the EU's Responses to the Euro Area Financial Crisis' (2015) 22 Journal of European Public Policy 219.

[111] Stella Ladi and Dimitris Tsarouhas, 'EU Economic Governance and Covid-19: Policy Learning and Windows of Opportunity' (2020) 42 Journal of European Integration 1041.

[112] Marco Buti and Sergio Fabbrini, 'Next Generation EU and the Future of Economic Governance: Towards a Paradigm Change or Just a Big One-Off?' [2022] Journal of European Public Policy 1.

European institutions[113]. The signatories argued that since all countries were facing a symmetric external shock for which no one nation was responsible, a shared debt instrument could have ensured an effective and fair European response[114]. The purpose of this instrument was to raise funds on the market for the collective benefit of all member states, providing stable long-term financing to address the economic downturn.

On 9 April 2020, the Eurogroup decided to activate the European Stability Mechanism's Pandemic Crisis Support (PCS). The European Stability Mechanism (ESM) is a permanent institution dating back to October 2012, ensuring the financial stability of the eurozone. It provides financial assistance with conditionality (e.g., structural reforms, policy adjustments), addressing the root causes of the recipient's financial imbalances[115]. In April 2020, the ESM was repurposed to address the emerging needs of the Covid-19 crisis. The primary objective of the PCS connected to the ESM was to provide financial assistance specifically targeted towards healthcare, cure, and prevention measures related to the Covid-19 pandemic[116]. The ESM's support was capped at a maximum of 2% of each member state's GDP. While the applicability of the ESM is not the focus of this thesis, it is important to point out that ESM's loans were mostly unattractive for the countries of Southern Europe, particularly Italy. These nations were burdened with a substantial amount of public debt and had the option to refinance their debt in the market[117]. Between January and April of 2020, Italy's sovereign debt escalated to 137.2%, Greek's one surged to 180.7%, and Portuguese sovereign debt stood at 119.1%[118]. The global health crisis worsened the already substantial public debt of these nations, leading to the inclusion of additional countries on the list. Notably, Spain's debt rose to 120.4%, and France's reached 115% by the year's last quarter[119]. Moreover, highly indebted countries were unwilling

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[113] S Michalopoulos , 'Nine Member States Ask for Eurobonds to Face Coronavirus Crisis' *Euractiv* (25 March 2020).

[114]D Dombey, G Chazan and J Brunsen , 'Nine Eurozone Countries Issue Call for 'Coronabonds' [2020] Financial Times.

[115] Ledina Gocaj and Sophie Meunier, 'Time Will Tell: The EFSF, the ESM, and the Euro Crisis' (2013) 35 Journal of European Integration 239.

[116] Gabriele De Angelis, 'A New Role for the European Stability Mechanism in Post-COVID-19 EMU? Explaining the Failure of the Pandemic Crisis Support and Assessing Ways Forward' (2022) 51 International Journal of Political Economy 18.

[117] Edoardo Bressanelli and Lucia Quaglia , 'La Genesi Del next Generation EU: Intergovernativismo vs Sovranazionalismo?' [2021] Rivista Italiana di Politiche Pubbliche 353.

[118] Eurostat, 'Quarterly Government Debt' (*Europa.eu*2021) <https://ec.europa.eu/eurostat/databrowser/view/GOV_10Q_GGDEBT/default/table?lang=en>.

[119] Ibid

to access the ESM to avoid damaging the country's financial market reputation in terms of debt sustainability[120]. Political barriers also hindered the access to the ESM. Sovereigntist and populist parties harbored concerns about the ESM's conditionality that could compromise the sovereignty of a state's internal affairs, particularly regarding the involvement of the Troika[121]. Due to a generalized skepticism, none of the member states utilized the ESM. While the Southern democracies refused to access ESM's loans, the frugal states' coalition firmly supported it, being a loan-based instrument centered on individual state accountability. Moreover, ESM's conditionality was perceived by the frugal as a safeguard against moral hazard, wherein countries may take on risky macroeconomic choices knowing that the consequences will be shared among all EU members. Also, the ESM's conditionality would have enforced necessary reforms, fostering financial discipline and responsibility at the national level[122]. In sum, the disagreement over the ESM deepened the divide between Northern and Southern states. A resolution seemed impossible until Germany's influential shift in faction ultimately broke the impasse.

2.1.3 From Corona Bonds to the Next Generation EU

Initially, the frugal states and Germany strongly opposed the establishment of corona bonds. Nevertheless, the German government shifted towards a flexible stance, concerned about the potential negative spillovers from indebted economies[123]. A significant change occurred in May 2020 when France and Germany, under pressure from those nine member states advocating for Eurobonds issuance, proposed a recovery fund of 500 billion euros. This fund sought to allocate resources based on the sectors and geographic areas most impacted by the pandemic[124]. On 27 May, the European Commission relaunched the Franco-German proposal by establishing the 'Next Generation EU', a fund of 750 billion euros at 2018 prices[125]. While

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[120] Miles Johnson, Sam Fleming and Guy Chazan, 'Coronavirus: Is Europe Losing Italy?' [2020] Financial Times.

[121] Edoardo Bressanelli and Lucia Quaglia , 'La Genesi Del next Generation EU: Intergovernativismo vs Sovranazionalismo?' [2021] Rivista Italiana di Politiche Pubbliche 353.

[122] Ibid

[123] Ibid

[124] Lili Bayer, Hans Von Der Burchard and Bjarke Smith-Meyer, 'France, Germany Propose €500B EU Recovery Fund' (*POLITICO,* 18 May 2020) <https://www.politico.eu/article/france-germany-propose-e500b-eu-recovery-fund/> accessed 6 December 2022.

[125] European Commission, 'Press Corner "Europe's Moment: Repair and Prepare for the next Generation"' (*European Commission - European Commission*27 May 2020) <https://ec.europa.eu/commission/presscorner/detail/en/ip_20_940>.

Germany distanced itself from the frugal states' position, the latter continued to exhibit strong obstructionism[126]. Between 17 and 21 July, the European Council approved the Commission's Next Generation EU. However, significant modifications were made to the fund's allocation and nature.

The frugal states' unwillingness to provide grants, initially set at EUR 500 billion by the Franco-German axis, became a major obstacle to the ambitions of the opposing coalition. The Next Generation EU package, which amounts to a total of EUR 750 billion at 2018 prices, allocates only EUR 390 billion for grants, while the remaining EUR 360 billion is earmarked for loans. This allocation represents the 'middle ground' that the two coalitions were able to reach through negotiation[127]. Crucially, the EU's long-term budget for 2021–2027, which included EUR 1074.3 billion to support recovery efforts from the Covid–19 crisis and to fund long-term initiatives[128], was launched alongside the Next Generation EU. Collectively, the European institutions have earmarked an unprecedented fund exceeding EUR 1800 billion to lead Europe towards a greener, more digital, and more cohesive future.

In conclusion, the NGEU's adoption undergoes several stages of negotiation. At the beginning, the coalition of frugal states pushed for an intergovernmental and national responsibility approach. In contrast, Spain and Italy led an opposing coalition advocating for supranational governance and solidarity. The shift towards a supranational approach was significantly facilitated by a change of stance from Germany and France[129]. Initially, Germany supported intergovernmental governance and national responsibility. Still, it later shifted towards a supranational approach due to its concerns about the potential impact of negative economic spillovers from weaker economies. Similarly, France emphasized solidarity by supporting the Eurobond project and fully aligning with the cause of the Southern states.

[126] Edoardo Bressanelli and Lucia Quaglia , 'La Genesi Del next Generation EU: Intergovernativismo vs Sovranazionalismo?' [2021] Rivista Italiana di Politiche Pubbliche 353.

[127] Marco Buti and Sergio Fabbrini, 'Next Generation EU and the Future of Economic Governance: Towards a Paradigm Change or Just a Big One-Off?' [2022] Journal of European Public Policy 1.

[128] Council of the European Union, 'Il Quadro Finanziario Pluriennale per Il Periodo 2021-2027 è Stato Adottato' (*www.consilium.europa.eu*17 December 2020) <https://www.consilium.europa.eu/it/press/press-releases/2020/12/17/multiannual-financial-framework-for-2021-2027-adopted/>

[129] Marco Buti and Sergio Fabbrini, 'Next Generation EU and the Future of Economic Governance: Towards a Paradigm Change or Just a Big One-Off?' [2022] Journal of European Public Policy 1.

2.2 The Legal basis of the Next Generation EU

The initial part of the second chapter provided an overview of the dynamics that led to the approval of the NGEU. It centered on the shift from a national responsibility approach, influenced by the Euro crisis management experience, to a risk-sharing approach among member states. The second subsection focuses on the legal framework governing the implementation of the Recovery plan. Between December 2020 and February 2021, the European Council and Parliament adopted six Regulations to implement the NGEU[130]. While providing an overview of the main founding Regulations, this subsection will emphasize the Regulation (EU, Euratom) 2020/2092[131] of the European Parliament and of the Council of 16 December 2020 on a general regime of conditionality for the protection of the Union budget, and the European Parliament and Council regulation 2021/241 establishing the Recovery and Resilience Facility (RFF)[132]. The first stipulates member states must respect the rule of law principle to access funds. The second Regulation establishes the RRF, that sets the Next Generation EU's governance and provides practical criteria for member states to access the Recovery fund.

2.2.1 Founding Regulations

The first Regulation we analyze is the Council Regulation (EU) 2020/2094[133], dated 14 December, establishing the European Union Recovery Instrument (EURI), designed to finance measures aimed at mitigating the adverse economic consequences stemming from the Covid-19 crisis. This Regulation[134] establishes the framework for the Recovery Instrument. In detail, it specifies the allocation of funds and guidelines for budgetary implementation. The EURI bases on Article 122 of the Treaty on the Functioning of the European Union (TFEU). According to Art. 122, the Council, in solidarity with member states and after a Commission's

130 Federico Fabbrini, 'Next Generation Eu: Legal Structure and Constitutional Consequences' [2022] Cambridge Yearbook of European Legal Studies 1.

131 European Parliament and Council of the European Union, 'Regulation (EU, Euratom) 2020/2092 of the European Parliament and of the Council of 16 December 2020 on a General Regime of Conditionality for the Protection of the Union Budget' (16 December 2020).

132 European Parliament and Council of the European Union, 'Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 Establishing the Recovery and Resilience Facility' (12 February 2021).

133 Council of the European Union, 'Council Regulation (EU) 2020/2094 of 14 December 2020 Establishing a European Union Recovery Instrument to Support the Recovery in the Aftermath of the COVID-19 Crisis' (14 December 2020).

134 Ibid

proposal, may undertake appropriate measures to address economic hardship. The article also stipulates that the Council, based on a proposal advanced by the Commission, can provide financial assistance to a member state grappling with difficulties or disasters beyond its control. The Council Regulation[135] establishing the EURI delineates the purposes of the fund as well. Article 1[136] of the Regulation outlines that the fund provides financial support to restore employment and job creation, as well as stimulate investments and reforms to reinvigorate sustainable growth. Moreover, it assists businesses that have been affected by the economic repercussions of the Covid-19 crisis, raises the EU resistance to crises, and stimulates the transition toward a climate-neutral economy. Parallelly, Article 5[137] of the Regulation governs the allocation of resources for each program of the Next Generation EU. In short, the Council regulation (EU) 2020/2094[138] lays the foundation for a comprehensive regulatory framework to cope with the challenges posed by the pandemic and enhances the Union's resilience and its commitment to sustainable growth.

As mentioned earlier, the Commission set up a substantial sum of funds, that needed careful and timely financial planning. To finance NGEU, the Commission was authorized to temporarily increase its borrowing capacity from financial markets and raise up to €807 billion (at current prices) between 2021 and 2026. The crux of the matter lies in how the EU strategized to finance the fund and ensure its repayment by 2058. The Council enabled this borrowing by means of the new Council Decision (EU, Euratom) 2020/2053[139] on a new Own Resources Decision (ORD) on 14 December 2020 - enabling the funding for the Multiannual Financial Framework (MFF) 2021-2027 - which included a temporary increase of 0.6% of the EU's GNI. The increase enables the EU to obtain enough resources from member states to repay the borrowed funds[140]. By implementing NGEU, the EU becomes one of the major issuers of euro-denominated debt, with an average annual issuance of around €150 billion. It also becomes the

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[135] Ibid

[136] Ibid, Art.1

[137] Ibid Art.5

[138] Ibid

[139] Council of the European Union , 'Council Decision (EU, Euratom) 2020/2053 of 14 December 2020 on the System of Own Resources of the European Union and Repealing Decision 2014/335/EU, Euratom' (14 December 2020).

[140] EPRS, European Parliament , 'National Ratification of the Own Resources Decision Procedure Completed on 31 May 2021' (2021) <https://www.europarl.europa.eu/RegData/etudes/BRIE/2021/690520/EPRS_BRI(2021)690520_EN.pdf>.

world's largest issuer of green bonds, aligning with the goal of securing funds safely and cost-effectively through a diverse funding strategy[141].

2.2.2 Conditionality and the rule of law

A further landmark piece of legislation is the Regulation (EU, Euratom) 2020/2092[142] of the European Parliament and of the Council of 16 December 2020. It pertains to the conditionality regime for accessing NGEU funds. This Regulation legally bases on Article 322 of the Treaty on the Functioning of the European Union (TFEU), which delineates the roles of the Council and the European Parliament in budget management and establishes responsibilities and rules for financial actors. The Regulation 2020/2092[143] stipulates that access to European recovery funds is contingent upon adhering to the principles of the rule of law and demonstrating appropriate conduct in the management of EU funds. Article 4[144] clearly stipulates that the Regulation does not jeopardize access to funds in case of a random breach of the rule of law. Instead, sanctions can only be applied when the violation of the rule of law directly pertains to EU budget matters. Overall, the Regulation[145] plays a crucial role in connecting the financial realm with EU democratic values. The endeavor to link the disbursement of European funding to the rule of law can be traced back to previous unsuccessful attempts during Jean-Claude Juncker's presidency. In 2018, the European Commission proposed a budget for 2021-2027[146] with a rule of law mechanism tied to EU funding. This would allow the EU to withhold funds in response to rule of law deficiencies from member states[147]. While the European Parliament supported the proposal, the Council hesitated, jeopardizing the desired outcome. The proposal was a remarkable attempt to incentivize member states to respect the rule of law, by threatening their financial interests[148]. The adoption of the NGEU and the MFF 2021-2027 achieved

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[141] Velina Lilyanova, 'AT a GLANCE Plenary - November II 2022' (2022) <https://www.europarl.europa.eu/RegData/etudes/ATAG/2022/738210/EPRS_ATA(2022)738210_EN.pdf>.

[142] European Parliament and Council of the European Union, 'Regulation (EU, Euratom) 2020/2092 of the European Parliament and of the Council of 16 December 2020 on a General Regime of Conditionality for the Protection of the Union Budget' (16 December 2020).

[143] Ibid

[144] Ibid

[145] Ibid

[146] Proposal for a Regulation of the European Parliament and of the Council on the Protection of the Union's Budget in Case of Generalised Deficiencies as regards the Rule of Law in the Member States, COM(2018)324' (2 May 2018)

[147] Ibid

[148] Ibid

significant progress on the matter. Ursula Von Der Leyen took on the initiative of the former Commission President Jean-Claude Juncker, merging the rule of law requirement with the Multiannual Financial Framework and the Next Generation EU[149]. The EU acutely recognized that member states desperately needed to access funds to mitigate the pandemic's impact. By introducing the rule of law conditionality, Von Der Leyen leveraged the emergency to achieve what European institutions have long supported[150]. However, the acceptance of the rule of law conditionality was far from easy. Frugal states, led by Dutch Prime Minister Mark Rutte, supported its introduction. At the same time, countries like Italy and Spain focused on negotiations regarding grant release and showed less interest in the fund's conditionality. Eastern European countries, particularly Hungary and Poland, whose governments has been repeatedly criticized for compromising the independence of media and judiciary, were the primary opponents[151]. Hungary and Poland contested the legality of the Council Regulation (EU, Euratom) 2020/2092[152]. Still, the Court of Justice of the European Union (CJEU) dismissed both cases in February 2022[153], affirming that the Regulation[154] was appropriately grounded and aligned with Article 7 TFEU. The CJEU emphasized that the Regulation aims to protect the European budget and does not overstep Article 322 TFEU, making it a valid tool for effective EU budget implementation. To conclude, the respect for the rule of law is crucial for safeguarding the EU budget and falls within the institutions' powers under Article 322 TFEU.

In summary, the Regulation (EU, Euratom) 2020/2092[155] links the financial and democratic domains. It leverages the economic vulnerability of member states to induce their

[149] Caroline De la Porte and Mads Dagnis Jensen, 'The next Generation EU: An Analysis of the Dimensions of Conflict behind the Deal' (2021) 55 Social Policy & Administration 388.

[150] Niels Kirst, 'Rule of Law Conditionality: The Long-Awaited Step towards a Solution of the Rule of Law Crisis in the European Union?' (2021) 6 European Papers 101.

[151] Christophe Hillion, 'Compromising (On) the General Conditionality Mechanism and the Rule of Law' [2021] SSRN Electronic Journal.

[152] European Parliament and Council of the European Union, 'Regulation (EU, Euratom) 2020/2092 of the European Parliament and of the Council of 16 December 2020 on a General Regime of Conditionality for the Protection of the Union Budget' (16 December 2020).

[153] Andi Hoxhaj, 'The CJEU Validates in C-156/21 and C-157/21 the Rule of Law Conditionality Regulation Regime to Protect the EU Budget' (2022) 5 Nordic Journal of European Law 131.

[154] European Parliament and Council of the European Union, 'Regulation (EU, Euratom) 2020/2092 of the European Parliament and of the Council of 16 December 2020 on a General Regime of Conditionality for the Protection of the Union Budget' (16 December 2020).

[155] Ibid

acceptance of the conditionality based on the rule of law. The NGEU has facilitated a direct correlation between European funds and adherence to the fundamental principles upon which the EU was established. Despite the resistance exhibited by Hungary and Poland, the CJEU has pronounced their allegations baseless, thereby reaffirming the complete validity of the rule of law provision pertaining to access to funds.

2.2.3 The Establishment of the Recovery and Resilience Facility

The Recovery and Resilience Facility (RRF) is relevant to this thesis as it delineates the governance of the Next Generation EU and outlines specific criteria for member states' utilization of funds. The RRF was established in February 2021 through the Regulation (EU) 2021/241[156] of the European Parliament and of the Council, and is based on Article 175 of the Treaty on the Functioning of the European Union (TFEU). The RFF has three primary purposes. Firstly, it delineates the objectives that member states should achieve through the NGEU funds. Secondly, it establishes the resources' allocation criteria and the conditions member states must meet to access the funds. Lastly, it identifies coordination rules that align the NGEU with existing governance mechanisms like the European Semester. In sum, the RFF can be considered the 'heart of the matter', as it is the implementation mechanism through which NGEU's funds are distributed to recipients.

The regulatory framework governing the Recovery and Resilience Facility distributes NGEU funds across six pillars enumerated in Article 3 of the Regulation (EU) 2021/241[157]. They are the green transition; digital transformation; smart, sustainable, and inclusive growth; social and territorial cohesion; health, and economic, social, and institutional resilience; as well as policies for the next generation. The second chapter of the Regulation[158] contains the calculation principles to allocate funds to each member state. Two separate calculations for distributing grants and loans are outlined. Article 11[159] specifically determines the amount of grants that each member state can receive. This calculation considers several factors, such as

[156] European Parliament and Council of the European Union, 'Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 Establishing the Recovery and Resilience Facility' (12 February 2021).

[157] Ibid, Art.3

[158] Ibid, Chapter II

[159] Ibid, Art.11

the country's size, its economic conditions before the pandemic (including public debt), and the extent of Covid-19's impact on its economy. Article 14(5) of the Regulation[160] governs the disbursement of loans, setting a maximum threshold of 6.8% of the 2019 GNI in current prices. Unlike grants, the allocation of loans is not tied to the pandemic's impact on the respective member state's economy.

Chapter III of the Regulation[161] outlines how member states can access NGEU's grants and loans. Article 17[162] pertains to National Recovery and Resilience Plans, that are Plans encompassing reforms and investments that member states intend to pursue in alignment with the scope (Article 3)[163] and objectives (Article 4)[164] of the RRF. Article 18[165] emphasizes the mandatory requirement for each member state to formulate a comprehensive Recovery and Resilience Plan, clearly demonstrating how the country will achieve the objectives set by the Next Generation EU. Within these Plans, member states are asked to provide a detailed outline of their investment priorities and policies that align with the NGEU targets, which they intend to finance through the funds available from the Recovery and Resilience Facility. Article 19[166] of the Regulation, titled 'Commission assessment', illustrates the Commission's assessing parameters of National Recovery and Resilience Plans. The Commission is tasked to evaluate the NRRPs considering their relevance, effectiveness, efficiency, and coherence. In the context of our investigation, it is important to identify the parameters the Commission uses to gauge the Plans' relevance. The first criterion concerns the extent to which the National Plans adequately address the six pillars outlined in Article 3 of the Regulation[167]. The second parameter focuses on the relationship between the proposed policies within the Recovery and Resilience Plans and the Country-Specific Recommendations issued during the European Semester. To be deemed relevant, the Plans must demonstrate a commitment to addressing the

[160] Ibid, Art. 14(5)

[161] Ibid, Chapter III

[162] Ibid, Art.17

[163] Ibid, Art.3

[164] Ibid, Art.4

[165] Ibid, Art.18

[166] Ibid, Art.19

[167] Ibid, Art.3

country's challenges identified by the Commission in the context of the European semester[168]. Finally, Article 24(6)[169] outlines that if the Commission judges that the member states have not adequately met the targets for which the funds have been disbursed, the financial contribution can be partially or completely suspended or postponed.

To gain a true understanding of the RRF, we must clarify its legal basis. As previously indicated, the RRF is based on Article 175 TFEU, which mandates member states to coordinate their economic policies in order to achieve the objectives of economic, social, and territorial cohesion outlined in Article 174 of the TFEU. Through the Article 175(3), the European institutions gain the authority to implement extraordinary measures to facilitate cohesion. In the context of the NGEU, the Commission designates the RRF as the preeminent mechanism for fostering cohesion among member states during their recovery from the pandemic crisis. Nevertheless, it is important to underscore the limited scope of the cohesion rationale[170]. Undeniably, the RRF contribute to making member states economically converge in the aftermath of the pandemic crisis. However, it should be emphasized that the NGEU is a comprehensive instrument intended to pursue a sustainable and digitally driven recovery across the European Union. Cohesion, therefore, assumes a 'triggering' role, justifying the mobilization of supplementary funds under Article 175[171].

2.2.4 Unlocking the Potential of the Founding Treaties of the European Union

To comprehend *tout court* the reasoning behind the legal foundation of the NGEU, it is crucial to draw a comparison with the utilization of the EU legal framework in previous crisis scenarios. The legal instruments devised to materialize the NGEU were firmly grounded within the framework of European law, particularly on Articles 122 and 175 of the TFEU. Article 122 TFEU confers the Council, upon proposal from the Commission, the authority to adopt

[168] Valerie D'Erman and Amy Verdun, 'An Introduction: "Macroeconomic Policy Coordination and Domestic Politics: Policy Coordination in the EU from the European Semester to the Covid-19 Crisis"*' [2021] JCMS: Journal of Common Market Studies.

[169] European Parliament and Council of the European Union, 'Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 Establishing the Recovery and Resilience Facility' (12 February 2021).

[170] Paul Dermine , 'The New Economic Governance of the Eurozone and the Competence Allocation System of the EU', *The New Economic Governance of the Eurozone: A Rule of Law Analysis* (Cambridge University Press 2022).

[171] Paul Dermine , 'The New Economic Governance of the Eurozone and the Competence Allocation System of the EU', *The New Economic Governance of the Eurozone: A Rule of Law Analysis* (Cambridge University Press 2022).

appropriate measures in response to economic challenges faced by member states. It specifically allows for economic assistance to member states encountering severe difficulties. Notably, the extraordinary mobilization of funds through the EURI arises from a reevaluation and reinterpretation of Article 122 TFEU[172]. Likewise, the establishment of the Recovery and Resilience Facility stems from a reinterpretation of Article 175 TFEU, contending that member states should coordinate their efforts to achieve the objectives outlined in Article 174. Article 175(3) also emphasizes the significance of social, economic, and territorial cohesion, and the RRF is thus designed to harmonize the economic response of member states. By employing Article 175(3), the EU wants to build a European economic policy that respects individual diversity while forging a cohesive and united strategy.

The legal basis used to materialize the NGEU represents a departure from past legal experiments during crises. During the Euro crisis, member states primarily used intergovernmental agreements and external treaties - such as the Fiscal Compact in 2012[173] - rather than resorting to the existing EU legal framework, perceived to be highly limited[174]. The euro crisis' approach evidently contrasts with the one adopted in the post-pandemic period. There is no creation of new institutional arrangements located outside the EU legal framework. The recovery instruments created in the Covid-19's aftermath find their legal foundation exclusively in the EU constitution. It is noteworthy that these 'EU-based' recovery instruments stem from a dynamic and innovative reinterpretation of pre-existing EU laws[175]. In fact, existing legal framework was adapted to cope with an unprecedented crisis in terms of magnitude and nature. In summary, the European treaties exhibit a certain degree of flexibility, enabling the incorporation of new institutional experiments to address new emerging crises effectively. The NGEU demonstrates the 'cleverness' of the EU's institutional lawyers[176] in responding to emergencies and adapting the EU constitution to current needs. The experience

[172] Council of the European Union, 'Council Regulation (EU) 2020/2094 of 14 December 2020 Establishing a European Union Recovery Instrument to Support the Recovery in the Aftermath of the COVID-19 Crisis' (14 December 2020).

[173] Ibid

[174] Bruno De Witte, 'The Innovative European Response to COVID-19: Decline of Differentiated Integration and Reinvention of Cohesion Policy', *Continuity and change – how the challenges of today prepare the ground for tomorrow. ECB Legal Conference 2021* (2022).

[175] Ibid

[176] Paul Dermine , 'The New Economic Governance of the Eurozone and the Competence Allocation System of the EU', *The New Economic Governance of the Eurozone: A Rule of Law Analysis* (Cambridge University Press 2022).

with NGEU might also suggest a need for a renovated legal basis. The utilization of interpretive acrobatics[177] to justify the use of exceptional instruments and funding in the context of the NGEU might signal the necessity for devising new legal instruments that enable direct institutional response in case of future emergencies.

2.3 The Recovery and Resilience Facility as Governance Turnaround

In the preceding two sections, we have undertaken a historical and legal contextualization of Next Generation EU. Of particular significance to our discourse is the governance framework delineated in Regulation (EU) 2021/241[178], which establishes the Recovery and Resilience Facility. In the evolving governance landscape, the Recovery and Resilience Facility within the NGEU represents a paradigmatic departure from previous economic governance experiments. As highlighted in the first chapter, the European economic governance model prevalent during the pre-pandemic period can be characterized as 'ruled by numbers'[179]. Within this governance framework, the Commission exercised a corrective arm, sanctioning those member states that repeatedly exceeded macroeconomic ceilings deemed pivotal for maintaining the economic and financial equilibrium in the EMU. The corrective arm materialized through mechanisms such as the MIP or the EDP, endowing the Commission with coercive powers to sanction those non-compliant member states that triggered financial instability in the EMU[180]. However, it is notable that the Commission's corrective arm proved to yield often dissatisfactory results. On the one hand, member state's political influence on the EU – as in the case of France in 2015[181] – discouraged the Commission from triggering hard sanctions. On the other hand, the unwillingness to worsen the already difficult macroeconomic conditions via fines deterred the Commission from resorting to coercive measures – as in the

[177] Ibid

[178] European Parliament and Council of the European Union, 'Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 Establishing the Recovery and Resilience Facility' (12 February 2021).

[179] David Bokhorst and Francesco Corti, 'Governing Europe's Recovery and Resilience Facility: Between Discipline and Discretion' [2023] Government and Opposition 1.

[180] Mark Dawson, 'New Governance in the EU after the Euro Crisis: Retired or Re-Born?' [2015] SSRN Electronic Journal.

[181] Martin Sacher, 'Avoiding the Inappropriate: The European Commission and Sanctions under the Stability and Growth Pact' (2021) 9 Politics and Governance 163

case of Spain and Portugal in 2016[182]. Parallelly, it should not be underestimated the scarce impact of CSRs, underpinned by a voluntaristic logic[183]. In sum, the pre-pandemic governance approach, encompassing both coercive instruments such as the MIP and the EDP and the utilization of soft law mechanisms such as CSRs, often failed to yield the desired effects. The RRF introduces a new contractual logic in the EU governance framework[184]. Under this logic, member states willing to access NGEU funds assume a contractual commitment to meet Commission-defined milestones and targets[185] enshrined in Art.3 and Art.4 of the Regulation (EU) 2021/241[186]. A formal agreement is established between the Commission and the national government, stipulating that non-compliance with EU-set pre-established obligations will lead to the suspension or postponement of fund disbursement. Thus, the innovative form of contractual governance is performance-based: a member state failing to meet the EU's milestones and targets does not face punitive measures, rather is excluded from accessing to funds. This delineates a new interaction between the EU and the member states.

First, the Commission assumes an agenda-setting influence[187] on National Recovery and Resilience Plans, embodying an *ex-ante* approach to economic governance. This shift marks a departure from the prior imposition of reform packages based on a nation's macroeconomic performance (exemplified by the MIP and EDP), as well as the imposition of fines for breaches of EU commitments. The Commission's role is now characterized by an *ex-ante* stance, where it explicitly outlines the benchmarks that must be met to access funds. Rather than curtailment, the Commission leverages fund allocation as an incentive linked to achieving predefined objectives across sensitive policy domains.

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[182] Ibid

[183] Cinzia Alcidi and Daniel Gros, 'How to Strengthen the European Semester' (2017) 15 RePEc: Research Papers in Economics.

[184] David Bokhorst and Francesco Corti, 'Governing Europe's Recovery and Resilience Facility: Between Discipline and Discretion' [2023] Government and Opposition 1

[185] Elena Griglio, 'National Parliaments' Resilience under the Euro-Zone and the Covid-19 Crises: Continuity and Discontinuity in the Euro-National Scrutiny' (2022) 28 The Journal of Legislative Studies 313.

[186] European Parliament and Council of the European Union, 'Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 Establishing the Recovery and Resilience Facility' (12 February 2021); Art.3 and Art.4

[187] David Bokhorst, 'The Influence of the European Semester: Case Study Analysis and Lessons for Its Post-Pandemic Transformation.' (2021) 60 JCMS: Journal of Common Market Studies 101.

Second, the new type of economic governance might seem highly hierarchical, with the Commission dictating requisite reforms that member states must implement to access funds. This perspective contends that the Commission's technocratic authority is augmented disproportionately, potentially diminishing the bargaining leverage of nation states and thereby eroding the democratic functionality of national parliaments[188]. However, while the Commission holds *ex-ante* influence over the formulation of National Recovery and Resilience Plans, member states retain discretion in crafting their plans. The obligation to fulfill Commission-established targets is accompanied by the autonomy to determine the means to achieve said targets. Notably, it falls within the purview of finance ministers, and occasionally prime ministers and central institutions as observed in the case of Italy, to develop these plans[189]. Member states maintain the latitude to prioritize necessary reforms in alignment with their contexts.

Overall, the new performance-based economic governance promoted by the NGEU increases the importance of negotiation. The negotiation transpires at two levels[190]: the first is technocratic where the Commission sets a roster of investment priorities that member states must adhere to to avoid fund suspension. It has a technocratic facet as it focuses on targets deemed sensitive, requiring experts' guidance. The second negotiation, on the other hand, concerns the package of reforms that the state must adopt to access the funds. Here, negotiation loses its technocratic character and becomes politically charged. National governments and parliaments choose the reforms through parliamentary consultation and internal negotiation.

2.3.1 The marriage between the ES and the RRF

Elaborating upon the consolidation of the RRF within the framework of the European Semester is easier when likened to the analogy of the 'carrot and stick'[191]. On the one hand, member states are incentivized to ask for loans and grants to recover from the pandemic-related economic crisis. On the other hand, they need to commit to structural reforms encompassed in

188 Elena Griglio, 'National Parliaments' Resilience under the Euro-Zone and the Covid-19 Crises: Continuity and Discontinuity in the Euro-National Scrutiny' (2022) 28 The Journal of Legislative Studies 313.

189 David Bokhorst and Francesco Corti, 'Governing Europe's Recovery and Resilience Facility: Between Discipline and Discretion' [2023] Government and Opposition 1

190 Ibid

191 Bart Vanhercke and Amy C Verdun, 'From the European Semester to the Recovery and Resilience Facility: Some Social Actors Are (Not) Resurfacing' [2022] SSRN Electronic Journal.

the ES Country-Specific Recommendations. Indeed, as elucidated in the preceding chapter, the RRF expressly requires that access to funding hinges upon the provision of a National Plan delineating the recipient's strategy for achieving the milestones set by the Commission. Furthermore, Article 19 of Regulation (EU) 2021/241[192] unambiguously specifies that the member state's action plan must align with the CSRs revealed during the 2019 European Semester cycle. Overall, the RRF does not revolutionize the existing economic governance structure, but rather it aims to strengthen it[193]. The RRF provides significant incentives compelling member states to comply with CSRs. It bridges the gap inherent in the preceding governance paradigm, wherein most CSRs relied on a voluntary logic, resulting in limited engagement from member states. The marriage[194] between the European Semester and the RRF has thus produced a mixed economic governance that, on the one hand, reinforces and centralizes the Commission's role, while on the other, maintains a degree of latitude for member states to champion their own recovery initiatives. The combination of the ES and the RRF bears long-lasting and remarkable consequences. We will focus on three dimensions deriving from this 'marriage'[195].

First, access to funds is linked to a meticulous implementation of CSRs enshrined in national plans. The assessment of milestone attainment within CSRs rests solely with the Commission, with no discretionary power from member states. Unsatisfactory outcomes could lead to postponement or cancellation of disbursement. Consequently, the voluntaristic rationale undergoes a reversal: the assessment of member states' compliance to CSRs rests solely with the Commission. For states to access the funds, their intentions must inherently align with those of the European institutions.

Second, the economic coordination under the RRF generates asymmetries among member states. On the one hand, those most reliant on funds (e.g., Italy, Spain, Romania,

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[192] European Parliament and Council of the European Union, 'Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 Establishing the Recovery and Resilience Facility' (12 February 2021).

[193] Thu Nguyen and Nils Redeker, 'How to Make the Marriage Work: Wedding the Recovery and Resilience Facility and European Semester' (Jacques Delors Center 2022).

[194] Ibid

[195] Ibid

etc.)[196] experienced heightened European Union involvement in national policymaking. Indeed, to unlock funds for the country's economic stabilization, major recipients must embark on a process of structural reforms under the constant monitoring of the Commission. On the other hand, frugal states that are not reliant on EU funds have been subjected to less frequent oversight from supranational bodies. The concept of asymmetry serves as a conceptual bridge guiding our assessment of the implications of this new governance structure on states that have received larger fund allocations, for instance, Italy. A detailed examination of this asymmetry within funds' recipients will follow, yet for the moment, it is important to underscore that the economic governance emanating from the fusion of the RRF and European Semester generates discrepancies among member states.

Third, it should be considered the flexibility inherent in the RRF's integration with the annual cycle of the European Semester. While the national recovery plans should ideally be harmonized with the 2019 CSRs, Regulation (EU) 2021/241[197] refrains from making this link legally binding. The intrinsic nature of the European Semester, as elucidated initially, involves a continual 'feedback loop'[198], where European and national institutions remain in continuous interaction, giving rise to a ceaseless negotiation process. The dynamicity of this negotiation incentivizes the adaptation of NRRPs to forthcoming needs. As economic priorities will significantly oscillate until 2026, it is imperative for NRRPs to exhibit flexibility and the capacity to cope with evolving challenges. The most significant counterprove of the RRF's flexibility came with the 'Repower EU' plan, which is legally intertwined with the NGEU framework[199] and modifies the RRF to align it with the evolving geopolitical landscape and the imperative of reducing energy dependency from Russia. In sum, the 'cyclical' structure of the European Semester ensures the adaptability of the NRRPs to meet contemporary challenges beyond the pandemic-related crisis.

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[196] Thu Nguyen and Nils Redeker, 'How to Make the Marriage Work: Wedding the Recovery and Resilience Facility and European Semester' (Jacques Delors Center 2022).

[197] European Parliament and Council of the European Union, 'Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 Establishing the Recovery and Resilience Facility' (12 February 2021).

[198] Sabine Saurugger, 'Europeanisation in Times of Crisis' (2014) 12 Political Studies Review 181

[199] Rosalba Famà, *REPowerEU: Next Generation EU's Architecture beyond the Pandemic* (Rebuild centre, Bocconi University 2023) <https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4365069>.

In conclusion, the integration of ES and RRF yields three key outcomes. Firstly, a consolidation of the Commission's authority, leading to an enhanced *ex-ante* monitoring mechanism, enabling the potential withholding of funds from states with inadequate commitments. Secondly, the emergence of asymmetries between states with higher funding reception, rendering them more reliant on European institutional directives, compared to those with lower dependence on EU financial assistance. Lastly, the provision of flexibility to national recovery strategies, permitting member states to align their priorities with current needs.

2.3.2 Unraveling the impact on major recipients

The NGEU provides substantial financial assistance to member states in response to the Covid-19 pandemic. As previously contended, access to funds is contingent on meeting Commission-imposed milestones and targets. We employed the carrot-and-stick metaphor to illustrate performance-based economic governance. To access EU funding (carrot), member states must adhere to EU-imposed contractual conditions (stick); the larger the funding, the more Commission-set targets to be met. Member states can unlock the amount of funds needed to meet their national needs within the EU-set ceiling. Funds allocation fluctuates according to each state's conditions and needs, triggering a quantitative asymmetry among member states[200]. Yet, this quantitative discrepancy comes parallelly with a qualitative imbalance, stemming from the new economic governance model underpinning the RRF. The greater the fund requirement, the more stringent the contractual constraints for member states. In essence, larger EU fund recipients face more rigid constraints and a deeper integration of European Commission guidelines. Logically, nations with lesser reliance on EU funds encounter proportionally lower exposure to European Commission influence, thereby safeguarding their policy autonomy.

Focusing on the quantitative asymmetry, it is important to distinguish between those member states heavily relying on grants and loans and those that do not. Italy emerges as the largest applicant for European funds. Out of the entire NGEU fund pool (in grants and loans), Italy

[200] David Bokhorst and Francesco Corti, 'Governing Europe's Recovery and Resilience Facility: Between Discipline and Discretion' [2023] Government and Opposition 1

secures 191,5 billion[201], Spain follows with 69,5 billion[202], succeeded by France, Poland, and Greece. Germany, a big and central economic player in the EU, receives 25,6 billion[203] out of the total sum; it reflects the country's minimal dependence on the recovery mechanism. In sum, countries like Italy or Spain are considered significant NGEU fund beneficiaries, whereas Germany belongs to the group of states benefiting least from EU financial aid.

According to Bokhorst and Corti, the major recipients of NGEU funds underwent a 'positive cultural shift'[204]. Due to the urgent need to rapidly recover from the pandemic-related economic downturn, major recipients comprehensively respected their commitments with the European institutions. They experience deep pressure to meet deadlines, adhere to Commission-set milestones, and fulfill CSRs. This pressure stimulated major recipient countries to comply with EU guidelines[205]. In contrast, frugal states did not equally commit to reformative processes, as they scarcely relied on EU financial aid. As a matter of fact, massive access to European funds translates to an increased number of reforms to implement. The National Bank of Belgium furnishes illustrative figures[206]. Italy, the major recipient, must align with 527 milestones and targets set by the Commission, Spain at least 416 and Germany, a mere 129[207]. Using ECOFIN's quantitative data from 2021, the same trend is outlined. Italy is advised to undertake a large range of structural reforms concerning youth unemployment, women's labor market participation, public debt reduction, stabilizing the banking sector, enhancing productivity, and addressing public administration inefficiency[208]. The Commission specifies eight structural reforms for Spain in 2021, advising Germany to address just three structural challenges. In sum, the figures numerically convey the message that the more funds, the stricter the alignment with EU-set guidelines.

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[201] NGEU tracker, 'NGEU - Recovery and Resilience Plans' (*www.ngeutracker.org*) <https://www.ngeutracker.org/recovery-resilience-plans>.

[202] Ibid

[203] Ibid

[204] David Bokhorst and Francesco Corti, 'Governing Europe's Recovery and Resilience Facility: Between Discipline and Discretion' [2023] Government and Opposition 1

[205] Ibid.

[206] Patrick Bisciari, Wim Melyn and Wouter Gelade, 'Investment and Reform in Germany, France, Italy, Spain and Belgium's National Recovery and Resilience Plans' [2021] NBB Economic Review.

[207] Ibid.

[208] Ibid.

2.4 Conclusion

The NGEU represents a comprehensive policy instrument crafted in response to the 2020 pandemic crisis. This chapter centered on the reconstruction of its origin, structure, and legal foundation. Initially, member states engaged in a vibrant debate with the coalition of frugal countries favoring a model centered around national responsibility within an intergovernmental framework. However, this equilibrium gradually shifted, witnessing a remarkable openness towards a risk-sharing approach strongly supported by Italy and Spain[209]. The turning point came in May 2020 when the Franco-German axis adopted a more solidarity-driven stance[210]. This shift paved the way for the creation of a 750-billion-euro fund at 2018 prices, allocated with 390 billion in grants and 360 billion in loans. Beyond the structure and funding allocations, the chapter also emphasized the distinctive features of the NGEU's legal basis, with a particular focus on the meaningful Regulation (EU, Euratom) 2020/2092[211]. This Regulation stands as a symbol of the achievement of a long-sought goal already set during Jean-Claude Juncker's presidency: binding access to EU funds to the rule of law. Notably, adherence to the rule of law emerges as the major conditionality imposed on member states to access NGEU grants and loans. The European Parliament and Council Regulation 2021/241[212] establishing the Recovery and Resilience Facility is another legal cornerstone of the NGEU since it defines its governance structure. The RRF has four major roles. Firstly, it delineates the six essential pillars outlining how the funds are to be utilized. Secondly, it establishes a comprehensive algorithm to calculate the distribution of grants and loans. Thirdly, it mandates the formulation of National Recovery and Resilience Plans, wherein member states articulate their strategies for investing European funds. Lastly, it specifies that the Commission assumes the responsibility of assessing the Recovery Plans, evaluating their efficacy in achieving the EU-set milestones. The presentation of the Recovery and Resilience Facility's governance framework elucidates the broader transformation in European economic governance catalyzed

[209] Stella Ladi and Dimitris Tsarouhas, 'EU Economic Governance and Covid-19: Policy Learning and Windows of Opportunity' (2020) 42 Journal of European Integration 1041.

[210] Marco Buti and Sergio Fabbrini, 'Next Generation EU and the Future of Economic Governance: Towards a Paradigm Change or Just a Big One-Off?' [2022] Journal of European Public Policy 1.

[211] European Parliament and Council of the European Union, 'Regulation (EU, Euratom) 2020/2092 of the European Parliament and of the Council of 16 December 2020 on a General Regime of Conditionality for the Protection of the Union Budget' (16 December 2020).

[212] European Parliament and Council of the European Union, 'Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 Establishing the Recovery and Resilience Facility' (12 February 2021).

by the Next Generation EU. This shift entails linking the allocation of NGEU funds to the attainment of Commission-defined milestones and targets. Unlike the previous governance paradigm, which enforced sanctions on non-compliant states, the Next Generation EU mandates the Commission to allocate funds to member states in adherence to the RRF's contractual terms. In cases of non-compliance with EU-prescribed milestones and targets, sanctions are not applied. Rather, non-compliant states may face a temporary halt or delay in fund disbursement. This triggers a shift towards a new performance-based economic governance model within the EU[213]. In addition, we underscored the varying levels of funds accessible to member states, resulting in the creation of Recovery Plans of differing scopes and extents. This discrepancy translates into varying degrees of required reforms, with highly reliant states like Italy needing to implement a larger number of reforms (527 in Italy's case) compared to less-dependent states like Germany, which is tasked with implementing only 129 reforms[214]. This asymmetry has led to heightened Commission involvement in the policymaking of the most dependent states.

[213] David Bokhorst and Francesco Corti, 'Governing Europe's Recovery and Resilience Facility: Between Discipline and Discretion' [2023] Government and Opposition 1

[214] Patrick Bisciari, Wim Melyn and Wouter Gelade, 'Investment and Reform in Germany, France, Italy, Spain and Belgium's National Recovery and Resilience Plans' [2021] NBB Economic Review.

3: The influence of the EU Performance-Based governance on Italian NRRP's governance and the public policy landscape

The first and second chapters serve as tools to help us explain how the new form of European governance in the Next Generation EU has influenced the governance of Italy's National Recovery and Resilience Plan, as well as public policies in the country. In the first chapter, we retraced the origins of European economic governance up to the outbreak of the pandemic, delving into the instruments that made it coercive in nature. In the second chapter, we introduced the instrument that brought about a remarkable change in European governance: the Next Generation EU. We have carefully illustrated its genesis and legal foundation, even contending that the introduction of the Recovery and Resilience Facility has turned the previous coercive governance model into a performance-based one. The forthcoming third chapter promises to be a rigorous exploration of the fundamental aspects of our study. On the one hand, we will introduce our two dependent variables, namely the governance framework of the Italian National Recovery and Resilience Plan, and the landscape of public policy in the country. On the other hand, we will systematically demonstrate how each of these variables is profoundly influenced by the performance-based governance paradigm established by the Next Generation EU. In the first section of this chapter, we will assess the impact of European performance-based governance on the evolution of Italian public policies within the National Recovery and Resilience Plan. This involves examining the alignment between government-initiated policies through the Recovery Plan and the Country-Specific Recommendations released within the European Semester. Moving to the second section, we will evaluate the effects of performance-based governance on the governance of the National Recovery and Resilience Plan. This will entail an investigation into the centralization and hierarchical structure of the governance framework employed in the Plan. Additionally, we will contextualize this governance model by identifying elements of continuity and discontinuity from previous models utilized in the country.

Section I

The first section will illustrate the Italian National Recovery and Resilience Plan. As previously emphasized, access to the NGEU funds is contingent upon member states creating a National Recovery Plan, in which they commit to achieving the targets and milestones endorsed by the Commission and sanctioned by the Council. Member states possess the liberty to enact domestic reforms as long as these align with EU-set targets. Failing to meet these requirements empowers the Commission to postpone or block the allocation of funds designated for the country under Regulation (EU) 2020/2094[215]. In this first section, we will scrutinize the CSRs specifically tailored for Italy in 2019, 2020, and 2021. Transitioning from a descriptive approach to a more analytical one, we will explore the actual implementation in the country of these European guidelines. This analytical investigation encompasses two facets. First, we assess Italy's alignment with EU flagship programs. Second, we embark on a more critical evaluation, examining the harmony between the public policies executed within Italy's National Recovery and Resilience Plan and the CSRs issued by the Commission. To precisely measure this alignment, we employ quantitative metrics, comparing the government's compliance with the 2019 and 2020 CSRs to its alignment concerning the CSRs issued in 2013 when they pertained to a voluntarist-based model of governance. Ultimately, the overarching objective of this chapter is to offer an initial assessment of how the redefined European economic governance framework has influenced Italy, which stands as the principal recipient of Next Generation EU funds.

3.1 The NGEU performance-based governance influencing Italian public policies

3.1.1 The Italian National Recovery and Resilience Plan: A Short Introduction

The six pillars listed in the Recovery and Resilience Facility correspond to the six 'missions' that compose the Italian National Recovery and Resilience Plan. These missions are Digitization, Innovation, Competitiveness, Culture, and Tourism; Green Revolution and

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[215] Council of the European Union, 'Council Regulation (EU) 2020/2094 of 14 December 2020 Establishing a European Union Recovery Instrument to Support the Recovery in the Aftermath of the COVID-19 Crisis' (14 December 2020).

Ecological Transition; Infrastructure for Sustainable Mobility; Education and Research; Cohesion and Inclusion; and Health[216]. Figure 1 graphically depicts the allocation of Next Generation EU funds across the six missions outlined within the Italian National Recovery and Resilience Plan. Below, a concise overview is provided for the content and funding of each mission.

A significant amount, approximately EUR 99.75 billion of the overall grants and loans is designated for digitization and the green revolution. The digital transformation is prominent in the Italian NNRP. It encompasses remarkable challenges for Italy, such as modernizing public administration, infrastructures, and the broader production system. Investments in the digital mission are directed towards establishing an extensive ultra-wideband network and enhancing the global presence and competitiveness of Italian businesses in an increasingly interconnected digital landscape. The driving force behind this digitization process is the 'Cloud first' strategy, wherein public administration leverages digital platforms to ensure constant updates of files and documents, enhancing administrative cohesion and centralizing bureaucratic processes. Another government objective is the 'Once Only' initiative, streamlining public administration procedures by allowing citizens to submit documents in a single step through e-government services, reducing bureaucratic burden and enhancing efficiency. Parallelly, the green revolution focuses on three key action areas: advancing research in renewable energies, improving buildings' efficiency while addressing hydrogeological instability, and promoting and preserving biodiversity. All these directives share the common goal of decarbonizing industrial sectors by increasing the use of renewable energy sources.

The education and research mission, with a budget of EUR 30.88 billion, is divided into two action areas: expanding access to education for all age groups, from kindergartens to universities, and bolstering the university research system to counteract the 'brain drain' phenomenon. Following that is the sustainable mobility mission, aiming to enhance the country's land, sea, and air transportation systems by making them more efficient, digital, and sustainable. A comparatively smaller portion of the budget, EUR 35.48 billion, is dedicated to investments in health, aiming to modernize the National Health Service's high-tech tools, expand telemedicine services, and promote biomedical research. Lastly, the cohesion and

[216] Presidenza del Consiglio dei Ministri , *Piano Nazionale di Ripresa e Resilienza* (2022) <https://www.italiadomani.gov.it/content/sogei-ng/it/it/home.html>

inclusion mission seeks to improve the conditions for women in the workforce (gender inclusion) and support vulnerable social groups. Territorial cohesion is also a priority, with funds allocated to bridging the socio-economic gap between the northern and southern regions of the country.

The Italian NRRP outlines the reforms that the Italian government plans to implement to achieve its six main missions. Overall, the Plan includes three types of reforms: horizontal or contextual reforms, enabling reforms, and sector-specific reforms[217]. Horizontal reforms are applicable to each of the Plan's missions. Their cross-cutting nature stems from their overarching purpose of creating conditions conducive to long-term socioeconomic progress. These reforms address aspects of public life that are generally applicable to all citizens, with the goal of correcting flaws of the public system that transcend individual sectors and permeate the operational framework of multiple socioeconomic sectors. The major goal of horizontal reforms is to improve equality of opportunity for all citizens, regardless of gender, place of residence, age, or income. These changes aim to improve the efficiency and competitiveness of the public sector, ensuring equitable access for all citizens. The most ambitious horizontal reforms highlighted in the NRRP pertain to the public administration and the judicial system. The public administration reform envisages the simplification of the access system, with the goal of fostering generational turnover and speeding up selection processes. Additionally, it seeks to eliminate bureaucratic hurdles, enhancing the effectiveness and efficiency of administrative actions while reducing costs and time burdens on citizens. Another aspect of this reform involves enhancing the competencies of civil servants by aligning professional roles with the various functional areas within the public administration. Furthermore, this cross-cutting reform aims to advance digitization across all functions and operations of the public administration, streamlining bureaucratic processes and expediting them for the benefit of users. Parallelly, justice reform centers on reducing the duration of trials, which is perceived as the primary impediment to business growth. It is estimated that a 50 percent reduction in civil litigation timelines could potentially increase the scale of Italian manufacturing companies by 10 percent[218]. The second type of reform in the Italian NRRP is enabling reforms, which are

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[217] Ibid

[218] Presidenza del Consiglio dei Ministri , *Piano Nazionale Di Ripresa E Resilienza* (2022) <https://www.italiadomani.gov.it/content/sogei-ng/it/it/home.html>

functional adjustments aimed to promote the Plan's successful implementation. These reforms are focused on reducing administrative and procedural barriers that impact economic activities and service quality. One of these is the simplification and rationalization of the country's Legislation. This reform is a ground-breaking effort to streamline the Italian legal system. Unlike earlier sporadic initiatives aimed at simplifying specific domains of law, this reform entails a systematic process to streamline the entire legislative structure of the country. It is vital to stress that European funds play a significant role in motivating and supporting this ongoing process, which will last through 2026. While the Recovery and Resilience Facility funding give the initial push and direction, the entire process will take much longer. Finally, the third type of reform is sectoral, which is tailored to one of the government's specified missions.

To conclude, the Italian National Recovery and Resilience Plan is structured around six missions aligned with the foundational pillars of the RRF. The strategic allocation of funds within these missions offers insight into the government's economic recovery priorities. As instance, the challenge of digitization stands out as a critical avenue for Italy to modernize its public administration and bolster the presence of Italian companies in the global market. Consequently, the government gave the highest priority to this objective, backing it with substantial funding. The NNRP also clarifies the practical ways to meet its objectives: three types of reforms are thus listed and explained. The horizontal ones intervene in all missions, enhancing equal opportunities and access to citizens. The enabling reforms assume a functional role by letting missions be practically implemented, and sectoral reforms apply to specific sectors.

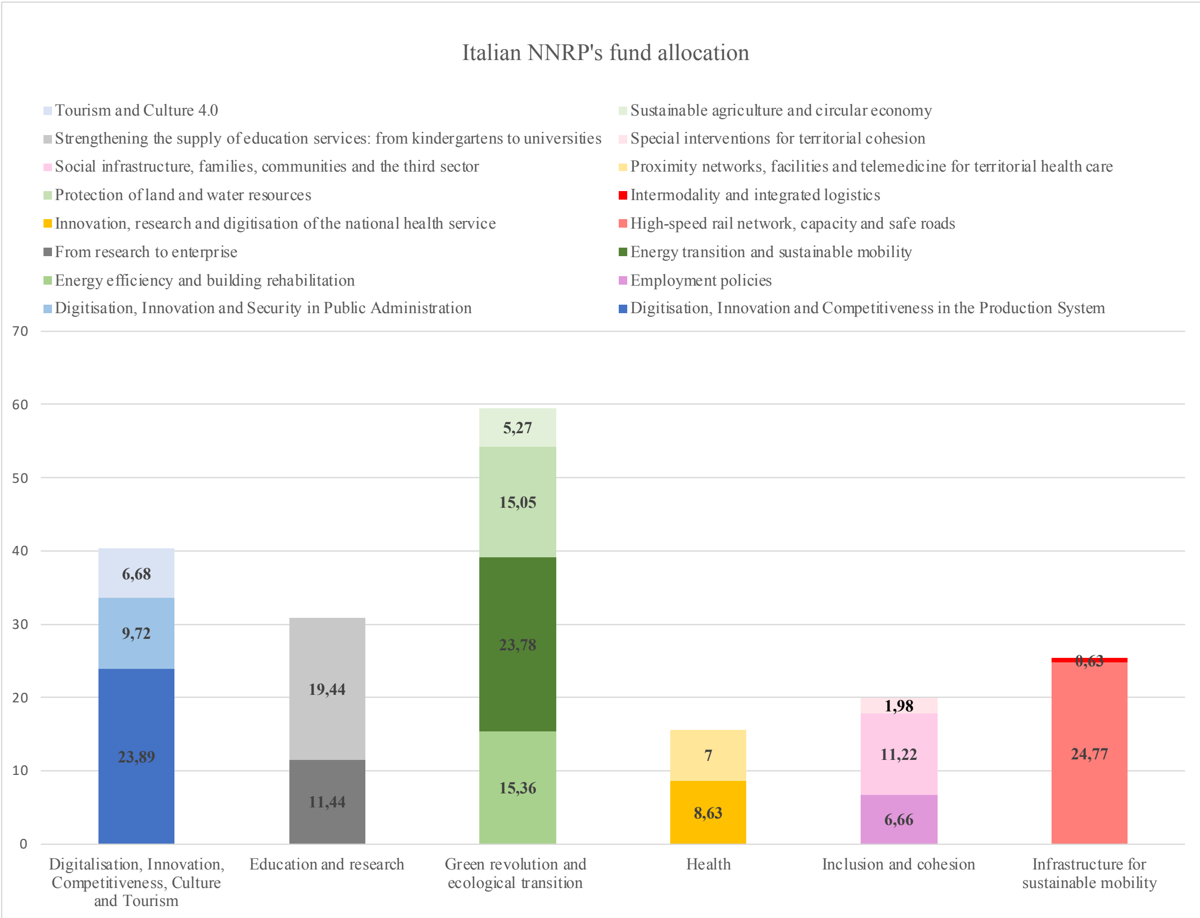

Figure 1: The figures presented in this table have been extracted from the official National Recovery and Resilience Plan (NRRP) issued by the Italian government[219]. These numbers have been elaborated independently by the author.

3.1.2 The Italian NNRP and the EU-set Country-Specific Recommendations

According to the contractual logic governing National Recovery and Resilience Plans, Italy must meet the conditions outlined in the Recovery and Resilience Facility to access NGEU funds. By means of Article 19 of Regulation EU 2021/241[220], NRRPs must align with the Country-Specific Recommendations issued during the 2019 European Semester cycle. In this section, we will assess the Italian government's implementation of EU-set CSRs. On the one hand, we will present the CSRs issued for Italy in the 2019, 2020, and 2021 European Semester cycles, offering a comprehensive overview and highlighting any distinctive features. On the

[219] Ibid

[220] European Parliament and Council of the European Union, 'Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 Establishing the Recovery and Resilience Facility' (12 February 2021).

other hand, we will analyze the Commission's 2022 assessment of Italy's progress in fulfilling the CSRs. This evaluation is crucial in determining whether the new performance-based economic governance has impacted Italian public policies outlined in the NRRP reform agenda. To assess this influence, we will conduct a comparative analysis of the Italian government's efforts to comply with the 2019, 2020, and 2021 CSRs and its compliance in previous cycles, such as 2013.

In earlier sections, we highlighted the significant role of Country-Specific Recommendations in the new European economic governance. CSRs are tailored recommendations from the Commission to individual member states aimed at addressing their specific internal challenges. In addition to these tailored suggestions, the European Commission also launches common, long-term, and medium-term initiatives, known as 'EU flagship programs', designed to contribute to the overall socioeconomic progress across all regions within the EU[221]. As part of the 2021 European Semester, the Commission introduced a flagship program that tackles challenges shared by all member states, which must be addressed within their respective NRRPs. Italy has highly adhered to EU's flagship program, as there is a strong correlation between the seven EU common flagship missions and the six ones outlined in the Italian Recovery Plan[222]. The counterevidence can be found in the Commission's positive evaluation of the Italian NRRP[223]. To date, Italy has successfully unlocked subsequent funds disbursements[224], receiving uninterrupted financial support from EU institutions. This absence of suspensions suggests a positive trajectory: Italy is diligently respecting the contract governing NGEU fund access.

Merely adhering to EU flagship programs falls short of the mark: what can we say about Italy's adherence to the CSRs issued by the Commission? The Recommendation on the 2019

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[221] European Commission, 'Flagships | Shaping Europe's Digital Future' (*digital-strategy.ec.europa.eu*) <https://digital-strategy.ec.europa.eu/en/activities/flagships>.

[222] Presidenza del Consiglio dei Ministri , *Piano Nazionale Di Ripresa E Resilienza* (2022) <https://www.italiadomani.gov.it/content/sogei-ng/it/it/home.html>

[223] European Commission, 'Proposal for a Council Implementing Decision on the Approval of the Assessment of the Recovery and Resilience Plan for Italy' (22 June 2021).

[224] European Commission, 'Commission Implementing Decision of 31.3.2022 on the Authorisation of the Disbursement of the First Instalment of the Non-Repayable Support and the First Instalment of the Loan Support for Italy' (31 March 2022). ——, 'Commission Implementing Decision of 28.10.2022 on the Authorisation of the Disbursement of the Second Instalment of the Non-Repayable Support and the Second Instalment of the Loan Support for Italy' (28 October 2022).

National Reform Program of Italy[225] delineates five categories of CSRs directed to the country. The first group of CSRs[226] pertains to fiscal matters. Italy should shift the tax burden towards labor by reducing tax incentives and modernizing property values. In addition, the country should combat tax evasion by strengthening electronic monitoring and promoting electronic payment methods while curbing the use of cash, a preferred means of payment often associated with tax fraud. Parallelly, the first CSRs group incentivizes the country to reduce pension expenditures to create fiscal space for additional social spending. The second group of CSRs[227] focuses on promoting cohesion policies for disadvantaged social groups. The first group is women in the labor market, which still favors men. The EU stresses the importance of providing young mothers access to childcare services. Additionally, it is suggested to stimulate digital literacy to facilitate entry into job market while creating a workforce proficient in digital services. The third group of CSRs[228] emphasizes the necessity of investing in research, innovation, and improving the quality of public infrastructure, particularly in southern regions. The Italian public administration faces issues of inefficiency and overload. Recommendations include speeding up the digitalization of public administration, establishing streamlined processes, and incentivizing the enhancement of digital competencies among civil servants. The fourth group of CSRs[229] centers on reforming the Italian justice system, with a focus on procedural aspects to rationalize legal proceedings, reduce costs, and expedite civil trials. This reform also addresses the fight against corruption through procedural changes aimed at shortening criminal trial duration. Finally, the fifth group of CSRs[230] is directed towards the banking sector, advocating for the restructuring of bank balance sheets to enhance efficiency and asset quality.

In the subsequent 2020 European Semester cycle[231], the CSRs put forth by the European Commission for Italy assume a markedly different character. This transformation might be explained in response to the emergence of the pandemic crisis in the winter of 2020, which

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[225] European Commission , 'Recommendation for a Council Recommendation on the 2019 National Reform Programme of Italy and Delivering a Council Opinion on the 2019 Stability Programme of Italy' (5 June 2019).

[226] Ibid

[227] Ibid

[228] Ibid

[229] Ibid

[230] Ibid

[231] European Commission, 'Recommendation for a Council Recommendation on the 2020 National Reform Programme of Italy and Delivering a Council Opinion on the 2020 Stability Programme of Italy' (20 May 2020)

fundamentally altered the political-economic trajectory of most countries. Italy, being the member state most severely affected by the pandemic underwent a substantial recalibration of priorities. The Commission 2020 recommendation to Italy[232] references the term 'crisis' 25 times. Unsurprisingly, the primary focus during the 2020 ES cycle was to deliver a swift response to the pandemic crisis, safeguarding the economic and social groups most susceptible to and affected by its repercussions. The first group of 2020 CSRs[233] continues to echo the 2019 ones. It remains paramount the need to pursue prudent fiscal policies over the medium and long term to ensure the sustainability of public debt, which escalated in the wake of the pandemic crisis. However, the presentation of the first group of CSRs in the 2020 document shows textual reconfiguration compared to the prior cycle. Balancing the budget has assumed a secondary role, with a higher emphasis placed on implementing all requisite measures to deal with the pandemic. In the second CSRs group[234], the spotlight reverts to matters of cohesion, albeit adopting a distinct character compared to the 2019 cycle[235]. Cohesion is no longer framed through a gender perspective; instead, the focus is on employment. The CSRs suggest supporting all worker segments affected by the crisis. The recommendations include exploring flexible employment arrangements, facilitating remote learning, and enhancing the digital competencies of the Italian workforce. The third group of CSRs[236] assumes a broader scope. The CSRs encompass the need for a green transformation, digital revolution, promotion of research and innovation, as well as the encouragement of private investments and the need not to delay payments not to block the economic system liquidity. Finally, the fourth group of CSRs[237], in continuity with the preceding category, recommends enhancing the functioning of public administration and the justice system. In sum, it is evident that the emphasis in the 2020 cycle revolves around the measures to recover from the pandemic crisis.

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[232] Ibid

[233] Ibid

[234] Ibid

[235] K Grigaite and others, 'Country-Specific Recommendations for 2019, 2020, 2021 and 2022: A Tabular Comparison and an Overview of Implementation' (2022).

[236] European Commission, 'Recommendation for a Council Recommendation on the 2020 National Reform Programme of Italy and Delivering a Council Opinion on the 2020 Stability Programme of Italy' (20 May 2020)

[237] European Commission, 'Recommendation for a Council Recommendation on the 2020 National Reform Programme of Italy and Delivering a Council Opinion on the 2020 Stability Programme of Italy' (20 May 2020)

The European Semester for the 2021 cycle introduces a further deviation from the prior two cycles[238]. While the 2020 recommendations primarily pertained to coping with the pandemic-induced challenges, the 2021 recommendations inaugurated a shift towards a post-pandemic perspective. Some instances from the official document follow. In the first group of CSRs, phrases such as 'finance additional investment in support of the recovery'[239] surface, while in the second group, 'when economic conditions allow, pursue a fiscal policy aimed at achieving prudent medium-term fiscal positions'[240] is articulated. In the third group, the emphasis lies on 'prioritizing fiscal structural reforms that will facilitate financing for public policy priorities and contribute to the long-term sustainability of public finances.[241] In summary, the 2019 CSRs address the country's challenges before the pandemic, the 2020 CSRs guide the state of emergency, and the 2021 cycle offers strategies for Italy to recover from the Covid-19 pandemic.

3.1.3 Assessing compliance to Country-Specific Recommendations

Having presented the content of the CSRs issued for Italy in 2019, 2020, and 2021, it is now crucial to assess the level of governmental compliance with them. Overall, the Commission has expressed favorable assessments of Italy's compliance with CSRs[242]. Particularly noteworthy is substantial progress achieved in the 2019 CSRs related to enhancing e-payment systems to combat tax fraud, investments in research, innovation, and public infrastructure quality, as well as justice reform to expedite civic trials. Regarding the 2020 CSRs, the Commission acknowledges substantial compliance only with the recommendation to avoid delaying payments to safeguard liquidity and the ongoing justice system reform. While less pronounced, Italy has made progress in most of the remaining CSRs both in 2019 and 2020. Within the 2019 recommendations, Italy has partially fulfilled its commitment to gender balance policies and facilitating access to childcare facilities. A similar outcome is observed for enhancing digitization and rationalization of public administration. The fight against corruption, including the expedited handling of criminal trials, is partially achieved, as is the

[238] K Grigaite and others, 'Country-Specific Recommendations for 2019, 2020, 2021 and 2022: A Tabular Comparison and an Overview of Implementation' (2022).

[239] Ibid

[240] Ibid

[241] Ibid

[242] Ibid

restructuring of bank balance sheets. Within the 2020 recommendations, except for the aforementioned substantial progress, the Commission has deemed Italy's achievements as partial. Indeed, the government has implemented imperfect measures to support vulnerable worker and citizen groups affected by the pandemic-induced economic downturn, as well as partial reforms in the green and digital transition, research investment, and public administration enhancement.

Overall, the Commission applauds the Italian government's dedication to aligning with CSRs issued within the European semester cycles. The performance-based approach appears to have exerted ample pressure on Italy to align with EU demands. In fact, the imperative need to access funds for national recovery has driven Italy to acknowledge the conditionalities governing fund accession fully. How can we numerically measure the impact of the new performance-based economic governance through CSRs on the Italian public policy reform process? Two key instruments will be employed for this measurement: the quantity of CSRs implemented by Italy and the depth to which Italy has faithfully implemented them. To gauge actual progress, a comparative analysis will be conducted between the quantity and degree of implementation of CSRs issued in the 2019-2020 period, during which Italy was bound by RRF conditionality within a performance-based governance framework, and those issued in the 2013 ES cycle. The selection of the latter timeframe as the comparative term is not arbitrary. Primarily, it is essential to use a benchmark from a period when the country was grappling with economic turmoil. As highlighted in the initial stages of our research thesis, the euro crisis played a significant role in shaping European economic dynamics. In 2013, Italy navigated difficult socioeconomic conditions, marked by a 1.47% decline in GDP, a general government net debt of 106%, and an unemployment rate around 12% among the active population[243]. While the macroeconomic circumstances in Italy were different from those during the pandemic crisis, both instances saw Italy navigating significant financial hardships. The European Semester cycles of 2013 and 2019/2020, therefore, provide critical inputs aimed at guiding the country out of deep-seated crises. The only distinguishing factor between the two European Semester cycles under examination is the type of economic governance employed. In 2013, CSRs lacked binding force, except for those issued within the Excessive Deficit Procedure and the Macroeconomic Imbalance Procedure. In these latter procedures, the

[243] Lucia Quaglia and Sebastián Royo, 'Banks and the Political Economy of the Sovereign Debt Crisis in Italy and Spain' (2014) 22 Review of International Political Economy 485.

Commission retained the authority to impose sanctions if a member state persisted in disregarding macroeconomic ceilings essential for preserving the financial stability of the Economic and Monetary Union. Conversely, the establishment of the RRF in 2021 ushered in a substantive change in economic governance. It introduced a contractual perspective, requiring states to align with CSRs issued during the 2019 and 2020 European Semesters to access funds, thereby averting potential blockages or delays in fund disbursements.

According to the Commission's assessment, Italy's progress in adhering to 2013 guidelines has been notably limited[244]. Firstly, there is a marked deficiency in improving macroeconomic parameters, with the annual structural adjustment approaching 0.7 percent in 2014, exceeding the 0.1 percent limit set by the SGP rules. Similarly, the endeavor to streamline public administration - a recurring recommendation in the 2019, 2020, and 2021 European semester cycles - shows limited advancement. Also, the Commission highlights the failure to enact the administrative simplification bill presented to Parliament in June 2013. While some simplification reforms were adopted, their implementation, dating as far back as 2012, remains pending. The Commission's report also registers limited progress in combating corruption and tax fraud through tax reform, a persistent focus also in the RRF-guided CSRs. Additionally, there is a lack of progress in efficiently managing EU funds, attributed to continual delays and a lack of staff competence in executing the national reforms mandated by the EU. Social cohesion-related CSRs yield similarly unsatisfactory results. Youth unemployment, a central concern in the 2013 CSRs, was inadequately addressed due to insufficient resource allocation. Women's participation in employment and access to childcare services received scant attention, with only modest progress noted in discouraging work for second earners and safeguarding parenthood in April 2014. CSRs pertaining to the development of the education and training system exhibit minimal advancement, particularly in career guidance and curbing early school dropout rates. Fundamental issues such as labor reform and educational structure enhancement remain largely unaddressed. Furthermore, there is limited progress in 2013 CSRs calling for increased market access for the service sector. Initiatives to reduce infrastructural disparities in areas such as energy and telecommunication interconnections, as well as high-speed internet coverage, are notably lacking. However, there is some tentative progress observed in the 2013 recommendations concerning the banking sector. Notably, measures were

[244] M Hradiský, J Backman and S La Vella , 'Country Specific Recommendations (CSRs) for 2013 and 2014: A Comparison and an Overview of Implementation'.

taken to enhance banking sector efficiency and support credit provision to the country's most productive sectors. Italy facilitated access to credit for businesses, reinforced provisions for new share capital, implemented asset quality screening to mitigate the impact of non-performing loans on banks, and introduced new governance principles for banks through the Bank of Italy.

In summary, among the six macro-CSRs issued by the Commission in 2013, Italy partially fulfilled the one related to the banking sector. The remaining five are categorized as unmet, primarily due to their severely limited progress. Assigning a value from 1 to 3 to each CSR based on the progress degree assessed by the Commission—where 1 signifies 'limited progress,' 2 denotes 'partial progress,' and 3 means 'substantial progress'—reveals that the 2013 CSRs averaged a value of 1.16. In five out of six cases, the Commission indicated the achievement of limited progress. Only in one case, the banking sector, Italy achieved partial progress. In numerical terms, Italy achieved a score of 1 in five CSRs and a score of 2 in one CSR. Conversely, the CSRs issued both in 2019 and 2020 received an average value of 2. Three 2019 CSRs made partial progress, scoring 2. Substantial progress was achieved in only one case, obtaining a score of 3/3, while in only one other case, the Commission judged limited progress achieved (score of 1). In the four 2020 CSRs, on the other hand, the Commission assessed that partial progress was achieved in each of them. These numerical values illustrate how the new governance framework, connecting the ES-related CSRs to the RRF through National Recovery and Resilience Plans, has significantly influenced Italy's policymaking process. In comparison to 2013, the CSRs now exert almost double the impact, with an average value of 2. This outcome suggests that the economic governance established by the RRF, implemented via member states' submission and Commission approval of national plans, has deeply shaped the adoption of public policies aligned with European objectives in Italy.

Table 1: By giving each CSR a score from 1 to 3 on the basis of the type of progress achieved, we obtain the average score for each ES cycle considered. The data were created and elaborated independently by the author.

ES cycle	CSR1	CSR2	CSR3	CSR4	CSR5	CSR6	Average
2013	1	1	2	1	1	1	1,1666667
2019	1	2	2	3	2	/	2,0
2020	2	2	2	2	/	/	2,0

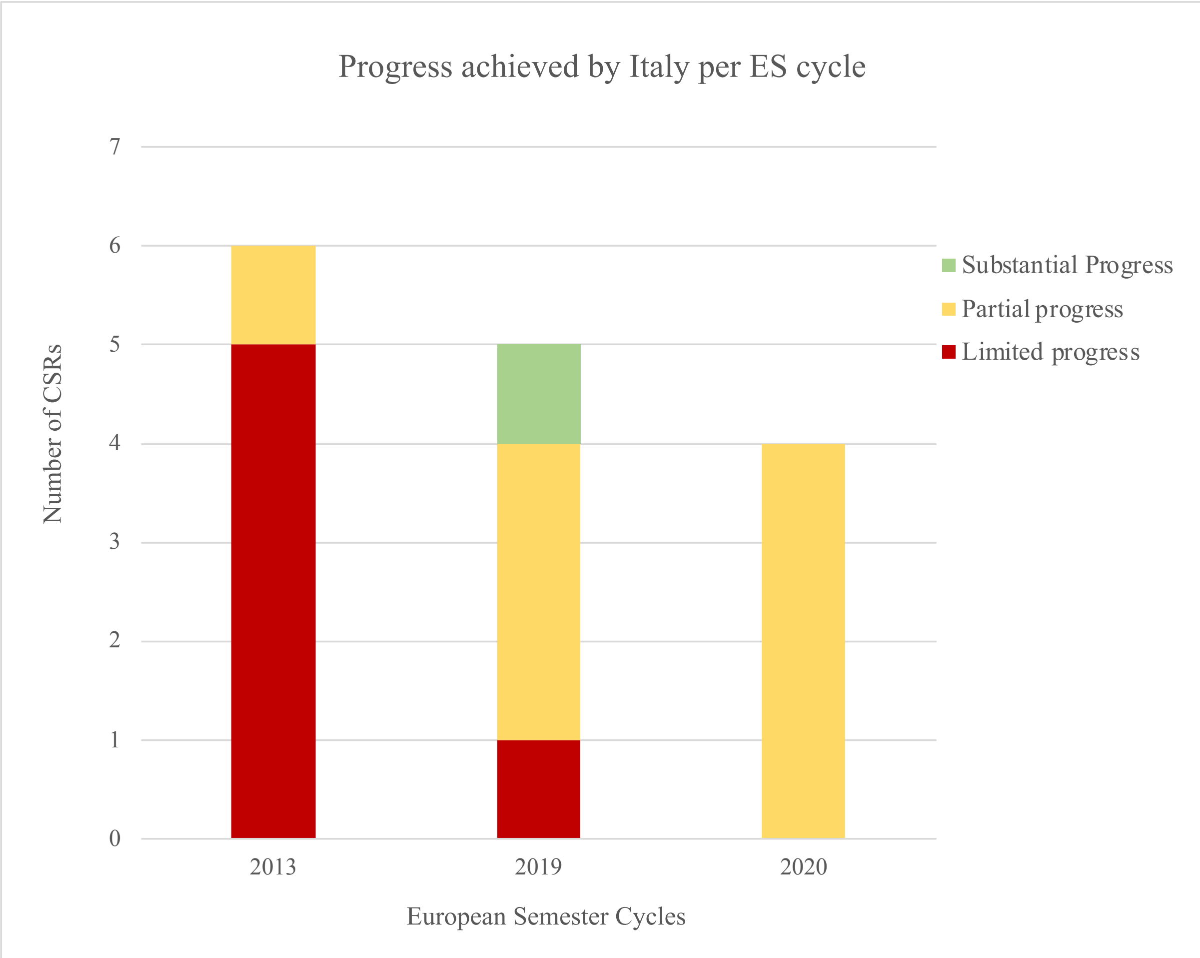

Figure 2 Commission assessment of Italy's progress in meeting the CSRs issued under the 2013, 2019 and 2020 ES cycles. These data have been updated and verified independently by the author.

3.1.4 Concluding remarks

In conclusion, we comprehensively described the illustrative case of Italy, being the country accessing the most to NGEU funds. On the one hand, we examined the major reforms enshrined in the Italian NRRP – particularly focusing on public administration and justice reforms[245]. We also illustrated the way reform projects are classified within the Plan. On the other hand, we gauged Italy's National Recovery and Resilience Plan alignment with the six European pillars outlined by the RRF, EU flagship programs, and the Country-Specific Recommendations from European Semester cycles. Quantitative measurements of Italy's government compliance with

[245] Presidenza del Consiglio dei Ministri , *Piano Nazionale di Ripresa e Resilienza* (2022) <https://www.italiadomani.gov.it/content/sogei-ng/it/it/home.html>

the 2019 and 2020 CSRs[246], compared to the 2013 CSRs[247], revealed the impact of this new contractual governance model. On a scale of 1 to 3, where 1 represents the lowest level of progress and 3 the highest, Italy's average score increased from 1.16 in 2013 to 2 in 2019 and 2020, nearly doubling its performance. This figure clearly delineates that the adoption of the new European governance model has had a discernible impact on the public policies enshrined in the Italian National Recovery and Resilience Plan. The Italian government has indeed launched reform packages aimed at satisfying the political direction advanced by the European Union, reducing the risk of funds being blocked or delayed.

[246] K Grigaite and others, 'Country-Specific Recommendations for 2019, 2020, 2021 and 2022: A Tabular Comparison and an Overview of Implementation' (2022).

[247] M Hradiský, J Backman and S La Vella , 'Country Specific Recommendations (CSRs) for 2013 and 2014: A Comparison and an Overview of Implementation'.

Section II

In the previous section, we examined the influence of the EU performance-based governance model on the Italian NRRP's public policies, gauging their adherence to EU-prescribed Country-Specific Recommendations. In the upcoming second section, our focus will shift towards the innovative aspects of the Italian National Recovery and Resilience Plan's governance model. Initially, we will present the attributes that define a centralized and decentralized governance system. Within this context, Italy, characterized by a composite form of state governance, shows pronounced features of centralization, such as in foreign policy, juxtaposed with decentralization facilitated by substantial regional autonomy[248]. The equilibrium between centralized and decentralized elements in Italy's institutional framework underwent a substantial transformation in the aftermath of two central events. The first pertains to the Covid-19 pandemic, necessitating extensive state intervention at the expense of regional autonomies[249]. The second revolves around the formulation and implementation of the National Recovery and Resilience Plan, serving as a vital lifeline for the nation grappling with economic issues. To begin, we will scrutinize Decree-Law N. 77/2021[250], which delineated the governance structure of the NRRP during the tenure of the Draghi government. Following the illustration of the institutions introduced by the decree[251]- with particular emphasis on the establishment of the *Cabina di Regia* and the Central Service for the NRRP- we will proceed with an in-depth analysis of the differences with previous governance models employed in Italy. The NRRP, as envisioned by the Draghi government, predominantly hinges on executive authority, notably within the Prime Minister's Office and the Ministry of the Economy and Finance. The influence of decentralized entities such as regions, autonomies, and local bodies is poised for gradual reduction[252]. The national Parliament suffered as well from a *de facto* belittlement of its role. We will delve into the limited engagement of regional authorities during

[248] Brunetta Baldi, 'Autonomismo O Federalismo? Modelli Di Sviluppo per Il Regionalismo Italiano' [2019] ECONOMIA E SOCIETÀ REGIONALE 22

[249] Davide Vampa, 'COVID-19 and Territorial Policy Dynamics in Western Europe: Comparing France, Spain, Italy, Germany, and the United Kingdom' [2021] Publius: The Journal of Federalism

[250] DECRETO-LEGGE 31 Maggio 2021, n.77 Governance del Piano nazionale di rilancio e resilienza e prime misure di rafforzamento delle strutture amministrative e di accelerazione e snellimento delle procedure. 2021.

[251] Ibid

[252] Stefania Profeti and Brunetta Baldi, 'Le Regioni Italiane E Il PNRR: La (Vana) Ricerca Di Canali d'Accesso All'agenda' (2021) 3 Rivista Italiana di Politiche Pubbliche

the plan formulation phase, highlighting the sporadic and unfruitful interaction with the central government. The strengthening of the executive against the Parliament and the decentralized authorities results in a discernible trend toward centralization and a hierarchical form of governance[253].

Nevertheless, the connection between EU performance-based governance and the one of the Italian Recovery Plan remains unaddressed. What is the cause-and-effect relationship between these two governance structures? We will present three determining factors shaping the Italian Recovery Plan governance, two out of three directly related to shifts in European governance and one stemming from endogenous factors within the country. The first two encompass the pressure exerted by European institutions and the absence of a legal bond for member states to engage with decentralized authorities. The last endogenous factor relates to a pre-existing, unstable, and scarcely institutionalized state-regions dialogue. Finally, the concluding subsection will explore the more recent dynamics in the governance of the National Plan, which underwent a substantial transformation after the establishment of the Meloni government[254]. As part of a centralization path initiated by Mario Draghi, Meloni further consolidates the role of the executive, buoyed by a climate of renewed political vigor following the elections of the 25 September 2022.

3.2 The Italian National Recovery and Resilience Plan's form of governance: factors of change

3.2.1 A 'Mixed' public governance

What is meant by centralized and decentralized governance in the context of a nation state? Centralized governance refers to the concentration of decision-making power in the central government while decentralized governance involves the distribution of decision-making authority to sub-national bodies[255]. In a centralized governance system, the central government holds significant control. It aims to standardize policies across regions, reducing the risk of macroeconomic instability and promoting efficient resource allocation by preventing

[253] Fabrizio Di Mascio, Alessandro Natalini and Stefania Profeti, 'The Draghi Government Put to the Test by the National Recovery and Resilience Plan' [2022] Contemporary Italian Politics 1

[254] Giacomo Menegus, 'La Riforma Della Governance Del PNRR' (2023) 3 Osservatorio Costituzionale - Associazione Italiana dei Costituzionalisti

[255] Jennifer Gaskell and Gerry Stoker, 'Centralized or Decentralized. Which Governance Systems Are Having a "Good" Pandemic?' (2020) 7 Democratic Theory 33.

competition or isolated responses among decentral bodies. In contrast, decentralized governance brings policymaking closer to citizens, allowing local entities to address local issues more responsively[256].

The relationship between centralization and decentralization can be understood along two dimensions: within government and between government levels[257]. Centralization within government increases the power of the executive, such as the prime minister and ministers. In contrast, centralization between governments explores the connection between the central and sub-national governments. Hooghe et al.[258] distinguish between 'Regional self-rule,' where regional governments exercise authority independently, and 'Shared rule,' where authority is jointly exercised over the region. A governance system can exhibit elements of both 'regional self-rule' and 'shared rule' simultaneously.

Among EU countries, Italy emerged as a mixed governance model, combining features of strong centralization and significant regional autonomy, particularly since the late 1970s[259]. The 2001 constitutional reform increased power-sharing between the central state and regions. While the regions have been endowed with substantial powers, they have not attained the full extent of their legislative autonomy. Conversely, through the augmentation of the Constitutional Court's role in the 2001 reform, Italy initiated a trajectory towards centralization[260]. In the Italian legal framework, the central state and regions benefit from several points of interaction through what is called the 'Conference system'. This system comprises a series of institutions designed to facilitate both collaboration and conflict resolution between the two levels of government. The State-Regions Conference (SRC) serves as the primary platform for political negotiations between the central government and regional administrations. They engage in dialogues to reach mutual understandings, agreements, and the exchange of information to achieve coordinated policy objectives. Through the SRC, the central government gains insight into the positions of regional authorities regarding matters

[256] William Dillinger and Marianne Fay, 'From Centralized to Decentralized Governance' (1999) 36 Finance & Development .

[257] Scott L Greer and others, 'Centralizing and Decentralizing Governance in the COVID-19 Pandemic: The Politics of Credit and Blame' (2022) 126 Health Policy <https://www.sciencedirect.com/science/article/pii/S0168851022000604>.

[258] Liesbet Hooghe, Gary Marks and Arjan H Schakel, *The Rise of Regional Authority* (Routledge 2010).

[259] Simon Toubeau and Davide Vampa, 'Adjusting to Austerity: The Public Spending Responses of Regional Governments to the Budget Constraint in Spain and Italy' [2020] Journal of Public Policy 1.

[260] Tania Groppi, 'Giustizia Costituzionale E Stati Decentrati. L'esperienza Della Corto Costituzionale Italiana' [2005] Universidad De La Rioja 1.

falling under regional jurisdiction. It solicits their input on the direction of national policy to be pursued[261]. Additionally, the Unified Conference (UC) operates alongside the SRC and extends participation to representatives from local entities, enriching the state-region dialogue[262]. Finally, the Conference of Presidents of the Regions and Autonomous Provinces (RC) facilitates direct communication between the Prime Minister or specific ministers and the presidents of regions and autonomous provinces[263]. The conference system aims to foster coordination among regional governments, serving as a mechanism that bridges the gap between national and sub-national decision-making processes. At the core of the Italian governance system lies a clear distinction of areas of jurisdiction, outlining the specific domains in which both the central state and regional authorities maintain their respective powers. On the one hand, regions enjoy substantial autonomy, particularly in areas like welfare and public health[264]. On the other hand, matters like fiscal authority and foreign policy remains highly centralized[265].

The Covid-19 pandemic deeply affected the Italian institutional system, revealing coordination challenges between the central government and regions, both responsible for managing the crisis. The state of emergency underscored the constraints of decentralizing authority and emphasized the necessity for a robust state intervention and coordination role. The coexistence of centralization and decentralization elements led to confusion and uncertainty in pandemic response strategies, with regions reacting in very different ways to Covid-19 due to different epidemiological situations across the country. In response to this chaos, the central government reinforced its authority by issuing numerous decrees that bypassed regional authority and directly intervened in local matters[266]. This sudden centralization of power aimed to harmonize the pandemic response and mitigate the centrifugal

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[261] Governo Italiano, Presidenza del Consiglio dei Ministri. Conferenza Permanente per i rapporti tra lo Stato, le Regioni e le Province Autonome di Trento e Bolzano. , 'Conferenza Stato-Regioni' *Conferenza Permanente per i rapporti tra lo Stato, le Regioni e le Province Autonome di Trento e Bolzano* <https://www.statoregioni.it/it/presentazione/attivita/conferenza-stato-regioni/>.

[262] Ibid

[263] Conferenza delle Regioni e delle Province Autonome, 'Regioni.it - Conferenza Delle Regioni E Delle Province Autonome' (*Regioni.it*) <https://www.regioni.it/>.

[264] Simon Toubeau and Davide Vampa, 'Adjusting to Austerity: The Public Spending Responses of Regional Governments to the Budget Constraint in Spain and Italy' [2020] Journal of Public Policy 1.__ Giliberto Capano, 'Policy Design and State Capacity in the COVID-19 Emergency in Italy: If You Are Not Prepared for the (Un)Expected, You Can Be Only What You Already Are' (2020) 39 Policy and Society 326.

[265] Davide Vampa, 'COVID-19 and Territorial Policy Dynamics in Western Europe: Comparing France, Spain, Italy, Germany, and the United Kingdom' [2021] Publius: The Journal of Federalism.

[266] Ibid

force of regional governments. The pandemic crisis accelerated the process of governance centralization since March 2020. However, as it will be discussed in the following subsections, Italy will engage even further in a period of governance experimentation through the drafting and implementation of the National Recovery and Resilience Plan.

3.2.2 The governance of the Italian National Recovery and Resilience Plan

We have reviewed, in the first section of the third chapter, the missions and primary reforms outlined in the Italian National Recovery Plan[267]. However, the governance aspects of the Plan have not been delineated thus far. The initial provision that delineates, albeit to a limited extent, the governance framework of the Italian National Plan is enshrined within the Budget Law for the fiscal year 2021[268]. This legislation establishes the 'Revolving Fund for the Execution of the Next Generation EU Program' as the primary repository for financial resources dedicated to the realization of the Plan within the *Ragioneria Generale dello Stato* department[269]. Additionally, the law mandates the establishment of the 'ReGiS Unified Information System' as the exclusive means by which all administrative entities involved in the execution of the Plan must discharge their responsibilities pertaining to the monitoring, reporting, and oversight of measures outlined in the National Recovery and Resilience Plan. Furthermore, the Budget Law requires the submission of an 'Annual Report to Parliament on the Utilization of Resources from the Next Generation EU Program and the Attainment of Objectives' for accountability and transparency purposes.

However, a comprehensive legal framework detailing the governance structure of the Italian National Recovery and Resilience Plan is encapsulated in Decree-Law N. 77 of 31 May 2021[270], on the governance of the NRRP and initial measures aimed at fortifying administrative structures and streamlining procedures (from now on referred to as Decree-Law N.77). Decree-Law N. 77 delineates the interrelationships among the entities responsible for overseeing the Plan and their interactions with European institutions. This decree serves as the conduit

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[267] See more in: Presidenza del Consiglio dei ministri, *Piano Nazionale di Ripresa e Resilienza* (2022) <https://www.italiadomani.gov.it/content/sogei-ng/it/it/home.html>

[268] LEGGE 30 dicembre 2020, n.178. Bilancio di previsione dello Stato per l'anno finanziario 2021 e bilancio pluriennale per il triennio 2021-2023. 2020.

[269] Ibid, paragraph 1037

[270] DECRETO-LEGGE 31 Maggio 2021, n.77 Governance del Piano nazionale di rilancio e resilienza e prime misure di rafforzamento delle strutture amministrative e di accelerazione e snellimento delle procedure. 2021.

between European and national governance, establishing a framework that defines bodies essential to the Plan's oversight and implementation.

Decree-Law N.77/2021[271] delineates a dual governance structure. On the one hand, the first layer of governance pertains to the direction, oversight, and monitoring of the NRRP. This entails the active participation of the Prime Minister and pertinent ministers, who collaborate within specialized bodies to fulfill European-set targets and milestones. Through this outward-facing governance layer, Italy receives feedback from European institutions and reciprocates with reform proposals and elaboration projects. On the other hand, the second layer of governance pertains to the implementation of the NRRP and is conceived as an exclusively national layer. The ministries involve regional authorities that are either directly or indirectly engaged in the execution of the reform initiatives outlined in the Plan.

The first layer of governance amalgamates two distinct facets. The first facet pertains to the 'guiding responsibility'[272] vested in the Presidency of the Council of Ministers. Within this realm, novel organs are established to bear the full responsibility for directing the Plan. Foremost among them, both in terms of scope and significance, is the *Cabina di Regia* (Steering Committee), as set forth in Article 2 of Decree-Law of 31 May 2021, N. 77[273]. The *Cabina di Regia* assumes a multifaceted role, which, for the sake of clarity, can be categorized into four overarching functions[274].

Firstly, it concerns the effective management of the Plan[275]. The Steering Committee formulates guidelines for the execution of interventions within the National Recovery and Resilience Plan. It assesses critical issues reported by various competent ministries, the Minister for Regional Affairs and Autonomies, and the Conference of Regions and Autonomous Provinces.

Secondly, it encompasses a monitoring and reporting function[276]. The *Cabina di Regia* oversees the progress of commitments outlined in the Plan and communicates to the

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[271] Ibid

[272] Governo italiano, Presidenza del Consiglio dei Ministri, 'Governance Del PNRR' (*www.governo.it*23 April 2021) <https://www.governo.it/it/approfondimento/governance-del-pnrr/16709>.

[273] DECRETO-LEGGE 31 Maggio 2021, n.77, Art.2

[274] Governo italiano, Presidenza del Consiglio dei Ministri, 'Funzioni Della Cabina Di Regia' (*www.governo.it*7 October 2021) <https://www.governo.it/it/approfondimento/funzioni-della-cabina-di-regia/18143>.

[275] Ibid

[276] Ibid

‘Rationalization and Improvement Unit’ any regulatory measures aimed at expediting plan implementation. Additionally, it is responsible for reporting on the status of Plan implementation providing biannual progress reports to Parliament, while keeping the Council of Ministers apprised of NRRP intervention progress. Moreover, it conveys information on plan implementation and emerging challenges to regional entities.

The third sphere of functions performed by the Steering Committee involves coordination[277]. The *Cabina di Regia* acts as an intermediary between regional bodies, including the Minister of Regional Affairs and Autonomies, the President of the National Association of Italian Municipalities, the President of the Union of Italian Provinces, and the Conference of Regions and Autonomous Provinces, directly connecting them with the Presidency of the Council of Ministers, various ministries, and parliamentary chambers. It serves as a coordinating entity bridging different levels of government, undertaking information and communication activities mandated by Regulation 2021/241, Article 34(2)[278]. Notably, the Recovery and Resilience Facility binds recipient states to promote targeted information dissemination to diverse audiences, including other political entities, media outlets, and the public.

The fourth function vested in the Steering Committee pertains to its capacity to propose the use of substitute powers or amend the Plan to ensure its efficient execution. Indeed, where the regions, metropolitan cities, provinces, or municipalities fail to fulfill their obligations associated with the implementation of the NRRP, the Steering Committee is authorized to direct the Prime Minister to undertake requisite measures for rectifying the deficiency in implementation[279].

The second organ belonging to the ‘guiding responsibility’ facet of the first layer of governance is the Technical Secretariat, the right-hand man of the Steering Committee. It was established by the Prime Ministerial Decree of 28 June 2021[280], with reference to Decree-Law N. 77[281]. It assists the *Cabina di Regia* in monitoring and reporting operations and periodically

[277] Ibid

[278] European Parliament and Council of the European Union, ‘Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 Establishing the Recovery and Resilience Facility’ (12 February 2021), Art.34(2).

[279] Governo italiano, Presidenza del Consiglio dei Ministri, ‘Poteri Sostitutivi’ (*www.governo.it*19 November 2021) <https://www.governo.it/it/approfondimento/poteri-sostitutivi/18607>.

[280] DECRETO DEL PRESIDENTE DEL CONSIGLIO DEI MINISTRI 28 Giugno 2021. 2021.

[281] DECRETO-LEGGE 31 Maggio 2021, n.77 Governance del Piano nazionale di rilancio e resilienza e prime misure di rafforzamento delle strutture amministrative e di accelerazione e snellimento delle procedure. 2021.

draws up information reports on the state of implementation of the NNRP by obtaining data from the Ministry of Economy and Finance[282]. The Technical Secretariat is also responsible for retrieving from the 'Central Service for the NRRP' the information and data for each project of the National Plan, so that the Steering Committee can assess its critical issues to be discussed with the regional bodies and the government. The Secretariat, therefore, has a technical function; it assumes a preparatory role towards the procedures and functions performed by the Steering Committee.

The third body is the Permanent Table for the Economic, Social and Territorial Partnership[283]. This organ was created by the Decree of the President of the Council of Ministers of 14 October 2021[284], which refers to Art.3(2) of Decree-Law N. 77[285]. The Permanent Table for the Economic, Social and Territorial Partnership gathers the main social partners, the government, the regions, the autonomous provinces, the local authorities, the municipality of Rome, the productive and social categories, the university and research system, civil society, and active citizenship organizations to gain inputs and feedback.

The fourth significant entity within the framework governing the plan is known as 'The Rationalization and Better Regulation Unit'[286], in the department for legal and legislative affairs of the Presidency of the Council. This organ is tasked with identifying regulatory impediments hindering the execution of the NRRP and subsequently proffering suitable remedies, thereby facilitating the refinement and revision of pertinent regulations.

The second facet to be examined within the first governance layer pertains to 'monitoring and reporting'[287]. The entity established for this purpose is the *Servizio Centrale per il PNRR* (Central Service for the NRRP), located within the Ministry of Economy and Finance. This

[282] Governo italiano, Presidenza del Consiglio dei Ministri, 'Segreteria Tecnica per Il PNRR' (*www.governo.it*7 October 2021) <https://www.governo.it/it/approfondimento/segreteria-tecnica-il-pnrr/18144>.

[283] Governo italiano, Presidenza del Consiglio dei Ministri, 'Tavolo Permanente per Il Partenariato Economico, Sociale E Territoriale' (*www.governo.it*16 November 2021) <https://www.governo.it/it/approfondimento/tavolo-permanente-il-partenariato-economico-sociale-e-territoriale/18584>.

[284] DECRETO DEL PRESIDENTE DEL CONSIGLIO DEI MINISTRI 14 Ottobre 2021. 2021.

[285] DECRETO-LEGGE 31 Maggio 2021, n.77, Art.3(2), Governance del Piano nazionale di rilancio e resilienza e prime misure di rafforzamento delle strutture amministrative e di accelerazione e snellimento delle procedure. 2021.

[286] Governi italiano, Presidenza del Consiglio dei Ministri, 'Unità per La Razionalizzazione E Il Miglioramento Della Regolazione' (*www.governo.it*23 December 2021) <https://www.governo.it/it/approfondimento/unit-la-razionalizzazione-e-il-miglioramento-della-regolazione/18896>.

[287] Governo italiano, Presidenza del Consiglio dei Ministri, 'Governance Del PNRR' (*www.governo.it*23 April 2021) <https://www.governo.it/it/approfondimento/governance-del-pnrr/16709>.

body serves as the direct point of contact with the European Commission[288], as put down in Art.22 of the Regulation EU 2021/241[289]. This entity can be characterized as a consistent liaison with supranational governance bodies. Its responsibilities encompass Plan formulation, execution, and oversight[290]. The key objective of the Central Service for the NRRP is to verify the compliance of the objectives set within the Plan with the obligations outlined in Regulation 2021/241[291] establishing the Recovery and Resilience Facility. In addition, the Central Service assumes the role of delineating corrective measures or revisions to the plan in response to new EU guidelines. Moreover, the financial management of the EU fund falls under its purview, as it is entrusted with transferring funds to the administrations overseeing the reform projects. Parallelly, each administration receiving these funds establishes a coordinating structure that collaborates continuously with the Central Service. In fact, it may be perceived as a channel that connects the supranational governance level to the administrations engaged in the national reform endeavor. In sum, it serves both as the conduit through which information, data, and funding circulate to execute the reforms specified in the Plan, and as a monitoring administration that ensures congruence with European targets and milestones.

The second layer of governance of the NRRP centers on the execution of reform interventions[292]. Implementation can take place either directly or indirectly. On the one hand, individual ministries can orchestrate the implementation of reforms. On the other hand, implementation can be facilitated through entities known as 'implementing actors.' These encompass central administrations, regions, autonomous provinces, and local authorities vested

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[288] Ministero dell'Economia e della Finanze, Ragioneria Generale dello Stato , 'Ragioneria Generale Dello Stato - Ministero Dell Economia E Delle Finanze - Ispettorato Generale per Il PNRR' (*www.rgs.mef.gov.it*) <https://www.rgs.mef.gov.it/VERSIONE-I/ragioneria_generale/struttura_e_funzioni/ispettorati_generali_e_servizio_studi/servizio_centrale_per_il_pnrr/>

[289] European Parliament and Council of the European Union, 'Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 Establishing the Recovery and Resilience Facility' (12 February 2021), Art.22.

[290] Ministero dell'Economia e della Finanze, Ragioneria Generale dello Stato , 'Ragioneria Generale Dello Stato - Ministero Dell Economia E Delle Finanze - Ispettorato Generale per Il PNRR' (*www.rgs.mef.gov.it*) <https://www.rgs.mef.gov.it/VERSIONE-I/ragioneria_generale/struttura_e_funzioni/ispettorati_generali_e_servizio_studi/servizio_centrale_per_il_pnrr/>

[291] European Parliament and Council of the European Union, 'Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 Establishing the Recovery and Resilience Facility' (12 February 2021).

[292] Governo italiano, Presidenza del Consiglio dei Ministri, 'Governance Del PNRR' (*www.governo.it*23 April 2021) <https://www.governo.it/it/approfondimento/governance-del-pnrr/16709>.

with ownership of the reform measures incorporated within the National Recovery and Resilience Plan.

To conclude, this subsection has provided an overview of the governance framework for the Italian National Recovery and Resilience Plan. The allocation of NGEU funds, regulated by the Recovery and Resilience Facility in accordance with Regulation (EU) 2021/241[293], hinges on the submission and approval of the National Recovery and Resilience Plan. In the case of Italy, the European Commission maintains continuous engagement with the Central Service for the NRRP, a central entity responsible for ensuring alignment with European milestones within the Italian Plan. The Central Service functions as the principal 'external' component within the Italian governance mechanism, tasked with the role of facilitating the exchange of information between European institutions and the national Plan, thus aligning it with European prerequisites. In conjunction with the Central Service, there is the *Cabina di Regia*, presided over by the Prime Minister, which serves as the linchpin for directing reform processes associated with the Plan. The Steering Committee primarily shapes reform initiatives thanks to its intermediary role, connecting with specialized institutions and regional as well as local authorities, which provide inputs on critical issues and the pressing reform needs across various sectors. Implementation responsibility, on the other hand, is entrusted to central administrations, encompassing regional and local entities, and may manifest in either direct or indirect forms of execution.

3.2.3 Towards centralization: a new governance panorama

In the context of the Italian National Recovery and Resilience Plan, an examination of the role undertaken by decentralized institutions within the decision-making process necessitates a dual-tiered analysis. The initial level of scrutiny involves a review of European legislation pertaining to the participation of local entities in NRRPs-related decision-making processes. The second level of analysis delves into the relationship between the Italian central government and regional authorities during the formulation phase of the NRRP.

[293] European Parliament and Council of the European Union, 'Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 Establishing the Recovery and Resilience Facility' (12 February 2021).

Within the European framework, we emphasize the significant attention given to localities and regional authorities. The European Committee of the Regions (CoR) has voiced concerns regarding the NRRPs' governance structure, contending it may lead to a markedly centralized mechanism that delegates substantial discretion to national executive bodies[294]. Specifically, the Committee of the Regions underscores that the Recovery and Resilience Facility fails to delineate a clear roadmap for the involvement of regional and local authorities. Moreover, it sustains that the engagement of regional and local authorities is requisite for rendering the entirety of the European Semester more inclusive, democratic, and efficacious[295]. Nevertheless, it is noteworthy that Regulation 2021/241[296] does not impose any obligatory requirements upon executive bodies to engage in consultations with local and regional authorities, nor does it encompass provisions for the involvement of civil society, stakeholders, or social partners. An examination of the work paper[297] finalized by the European Committee of Regions (CoR) and the Council of European Municipalities and Regions (CEMR) to assess the extent of local and regional authorities' engagement reveals that only a limited number of member states have instituted effective consultation procedures involving social partners and local entities[298]. Notably, the highest degree of regional engagement in NRRPs-related matters is observed in countries such as France, Lithuania, Finland, and Ireland[299].

In Italy, the absence of a specific obligatory provision within the framework of the Recovery and Resilience Facility has resulted in a scarce impact of decentralized authorities' decision-making processes. For the sake of clarity, we distinguish between the two governments that presided over the formulation phase of the National Recovery and Resilience Plan in the years 2020 and 2021. The first of these governments, under the leadership of Prime

[294] European Committee of the Regions , Opinion of the European Committee of the Regions – Recovery Plan for Europe in Response to the COVID-19 Pandemic: Recovery and Resilience Facility and Technical Support Instrument (2020).

[295] Ibid

[296] European Parliament and Council of the European Union, 'Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 Establishing the Recovery and Resilience Facility' (12 February 2021).

[297] European Committee of the Regions, 'A New Consultation Warns: Many EU Governments Are Excluding Regions and Cities from the Preparation of Post-COVID Recovery Plans' (*cor.europa.eu*22 January 2021) <https://cor.europa.eu/en/news/Pages/post-COVID-recovery-plans-.aspx>.

[298] Ibid

[299] Marco Lopriore and Marina Vlachodimitropoulou, 'Recovery and Resilience Plans for the next Generation EU: A Unique Opportunity That Must Be Taken Quickly, and Carefully' [2021] EIPA Paper, European Institute of Public Administration.

Minister Giuseppe Conte, featured a coalition comprising the Five Star Movement, the Democratic Party, *Liberi e Uguali*, and *Italia Viva*. This administration's tenure spanned one year and five months, concluding in February 2021. Subsequently, the reins of government were handed over to a national unity government, helmed by Prime Minister Mario Draghi, which endured for one year and eight months until October 2022.

During the Conte II administration, neither the State-Regions Conference (SRC) nor the Unified Conference (UC) was convened in the preparatory phase of the National Plan[300]. Conversely, interactions with the Regional Conference (RC) exhibited notable activity, featuring six informal meetings between representatives of the regions, provincial autonomies, and ministers concerning the NRRP[301]. However, even during the Conte II administration, the RC's request for participation in the *Cabina di Regia* pursuant to the principle of loyal cooperation as delineated in Title V of the Italian Constitution was regrettably unfulfilled. The Conte II government had an extended timeframe at its disposal for the preparation of the NRRP, with the Plan's submission deadline set for 30 April 2021. This ample window gave the government an opportunity to engage in consultations with regional entities and integrate them into the process of drafting the national plan. Although two of the three primary bodies within the conference system were not actively engaged, the regions maintained a fluid dialogue with the government until February 2021, albeit without formal institutionalization of their participation within the steering committee.

The advent of the Draghi government ushered in a peculiar dynamic between the executive and decentralized bodies. The Prime Minister convened the UC and the SRC on a regular basis[302], albeit solely for informational purposes. This engendered a lack of bilateral dialogue and consequently, no active involvement in the formulation of the national Plan on the part of regional and local authorities[303]. These latter were relegated to the status of passive observers. Notably, President Draghi's choice to mostly employ the UC, which incorporates

[300] Stefania Profeti and Brunetta Baldi, 'Le Regioni Italiane E Il PNRR: La (Vana) Ricerca Di Canali d'Accesso All'agenda' (2021) 3 Rivista Italiana di Politiche Pubbliche.

[301] Ibid

[302] Data available at: Conferenza delle Regioni e delle Province Autonome, 'Conferenze' (*Regioni.it*) <https://www.regioni.it/conferenze/data-20210428/>.

[303] Stefania Profeti and Brunetta Baldi, 'Le Regioni Italiane E Il PNRR: La (Vana) Ricerca Di Canali d'Accesso All'agenda' (2021) 3 Rivista Italiana di Politiche Pubbliche

local authorities, as a channel of information underscores his intent to equate regions, autonomous provinces, and local authorities. This decision, despite the distinctive legislative competencies attributed to regions within the constitution and their jurisdiction within the purview of the NRRP's objectives, effectively reduced their status to that of local authorities. Table 2 provides an overview of meetings conducted by the RC, UC, and SRC, presenting data within the timeframe spanning from 13 February 2021, coinciding with the formation of the Draghi government, to 30 April 2021, the date of submission of the Italian National Recovery and Resilience Plan. In the table, conferences where the NRRP was not discussed are highlighted in red, while those wherein the NRRP was featured as at least one agenda item are colored in green. The data conspicuously reflect Prime Minister Draghi's predilection for engaging with the Unified Conference (UC). However, it is noteworthy that the UC was utilized for discussing the Plan in six meetings only in April. As foreseen, concentrating the consultation on the NRRP within the final three weeks preceding the plan’s submission effectively diminishes the substantive influence wielded by local and regional authorities. The brevity of the timeframe precluded the possibility of fostering a comprehensive and fruitful dialogue between the central government and decentralized authorities.

Regional Conference (RC)	Unified Conference (UC)	State-Region Conference (SRC)
20/02/2021	11/03/2021	25/03/2021
11/03/2021	25/03/2021	15/04/2021
25/03/2021	08/04/2021	21/04/2021
08/04/2021	14/04/2021	28/04/2021
08/04/2021	15/04/2021	
09/04/2021	21/04/2021	
15/04/2021	22/04/2021	
21/04/2021	28/04/2021	
22/04/2021		
28/04/2021		

Table 2 Data sourced from https://www.regioni.it, elaborated by the author

On 27 May 2021, the draft of the forthcoming governance decree[304] was diffused and subsequently ratified on 31 May. This draft perpetuated the same disregard for the regions' demands that had been espoused hitherto. In the governance of the NRRP, regions and local authorities were relegated to the role of recipients rather than active participants, particularly on the political front. In the draft, the RC's call for the active engagement of regional representatives in the *Cabina di Regia* remained wholly unmet. The only concession within the draft decree text was the consultative role assigned to the UC within the Permanent Table of the Economic, Social, and Territorial Partnership[305]. In response to the unsatisfactory draft, the RC proposed an amendment to the decree text and issued a veiled threat of recourse to the Constitutional Court should their demands remain unaddressed in the final decree[306]. This action finds its legal basis in Article 120 of Title V of the Italian constitution, which regulates the relations between the state, regions, provincial and local authorities, emphasizing the principles of subsidiarity and loyal cooperation. At the end, with the issuance of the definitive governance decree N.77[307] on 31 May, regional entities assumed an augmented role within the structural framework governing the National Recovery and Resilience Plan. It was explicitly delineated that regions could attain representation within the Steering Committee, albeit subject to specific constraints such as the involvement in sectoral issues, rather than permanently.

A comprehensive review of the unfolding events facilitates an understanding of an established paradigm: the governance structure of the Italian National Recovery and Resilience Plan demonstrates a prevailing trend toward centralization[308]. In this trajectory, the authority wielded by regions and local governing bodies undergoes significant curtailment. While, during the Conte II government, regions were partially integrated into the decision-making process, the Draghi administration relegated the UC and the SRC to a passive observer role. Consequently, there is a discernible shift from a consultative and dialogic function, as experienced during the Conte administration, to a top-down mode of communication under

[304] DECRETO-LEGGE 31 Maggio 2021, n.77 Governance del Piano nazionale di rilancio e resilienza e prime misure di rafforzamento delle strutture amministrative e di accelerazione e snellimento delle procedure. 2021.

[305] Ibid

[306] Ibid

[307] DECRETO-LEGGE 31 Maggio 2021, n.77 Governance del Piano nazionale di rilancio e resilienza e prime misure di rafforzamento delle strutture amministrative e di accelerazione e snellimento delle procedure. 2021.

[308] Fabrizio Di Mascio, Alessandro Natalini and Stefania Profeti, 'The Draghi Government Put to the Test by the National Recovery and Resilience Plan' [2022] Contemporary Italian Politics 1.__ Silvia Niccolai, 'L'influenza Del PNRR Sui Processi Di Decisione Politica' (2022) 3 Associazione Italiana dei Costituzionalisti.

Draghi's presidency[309]. Contemporary scholarly literature underscores the consolidation of decision-making authority concerning the National Plan's preparatory phase within the central government, where it exercises control over the political direction and allocation of European financial resources[310]. The *Cabina di Regia* catalyzes this centralization process, functioning as the Prime Minister's administrative instrument for directing and coordinating the formulation, implementation, and oversight of the National Plan. The participation of regions and autonomous provinces within the Steering Committee is episodic, contingent upon government authorization, and subject to temporary limitations. However, this perspective is not the sole one to discern the centralization inherent in the governance model adopted. The *Cabina di Regia* also operates as a mechanism to circumvent the central bureaucratic apparatus, as it engages directly with the government, thereby preventing the need to navigate central bureaucratic procedures. This, in turn, intensifies the Steering Committee's reliance on the executive branch, not only diminishing the level of dialogue and the counterbalance afforded by local and regional authorities but also ensuring that bureaucratic processes do not hinder or scrutinize the direction of the government[311]. In sum, the initiation of the drafting process for the National Recovery and Resilience Plan marks the establishment of a hierarchical order, where the central government reinforces its authority over regions and local entities. However, it is imperative to refrain from characterizing this assertion as an absolute. Within the realm of Italian constitutional debate, there exists a prevailing argument that the nation had been undergoing a process of centralization for a considerable duration prior. The principal impetus behind this centralizing trajectory is attributed to the 2001 constitutional reform. Furthermore, the various crises confronted by Italy over the past two decades – the Great Financial Crisis as the main one – have contributed to the fortification of central institutional frameworks at the expense of decentralized bodies[312]. As it will be elucidated in the following subsection, the advent of the Covid-19 pandemic marked a distinct juncture in this trend toward centralization. Thus, it should not come as a surprise that the articulation of the National Recovery and

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309 Ibid

310 Silvia Bolgherini and Andrea Lippi, 'Politicization without Institutionalization: Relations between State and Regions in Crisis Governance' (2022) 14 Contemporary Italian Politics 22; Fabrizio Di Mascio, Alessandro Natalini and Stefania Profeti, 'The Draghi Government Put to the Test by the National Recovery and Resilience Plan' [2022] Contemporary Italian Politics 1; Ekaterina Domorenok and Igor Guardiancich, 'The Italian National Recovery and Resilience Plan: Coordination and Conditionality' (2022) 14 Contemporary Italian Politics 191.

311 Fabrizio Di Mascio, Alessandro Natalini and Stefania Profeti, 'The Draghi Government Put to the Test by the National Recovery and Resilience Plan' [2022] Contemporary Italian Politics 1

312 Tania Groppi, 'Giustizia Costituzionale E Stati Decentrati. L'esperienza Della Corto Costituzionale Italiana' [2005] Universidad De La Rioja 1.

Resilience Plan in times of emergency contextualizes to a well-grounded continuum directed toward centralization.

3.2.4 The Role of the Italian Parliament

One further aspect that merits attention while analyzing the centralization of the governance of the Italian NRRP is the role played by the Parliament during the formulation of the Recovery Plan. While the Italian Parliament should ideally assume a leading role in sanctioning the NRRP and its governance, Decree-Law No. 77/2021[313] appears to confine the chambers to a mere monitoring function. This oversight transpires through the obligation of the *Cabina di Regia* and the Technical Secretariat to provide semestral reports to the chambers regarding the progress and status of the NRRP[314]. Nonetheless, the role of Parliament extensively contributed to the Recovery Plan's formulation. In September 2020, the chambers started working to provide a political direction for the NRRP. The initiative was originally examined by three parliamentary committees: the 5th Permanent Budget Committee of the Chamber of Deputies, as well as the Senate of the Republic's 5th (Budget) and 14th (European Union Policies) joint committees[315]. These parliamentary commissions function as specialized forums, essentially mirroring the political spectrum of the broader Parliament. They specialize in specific areas and legislate accordingly. On 15 September 2020, the Chamber's Budget Committee invited other parliamentary committees to provide advice conducive to initiating discussions on the political orientation the government should adopt for the Recovery Plan. On 13 October 2020, both the Lower House and Senate passed separate resolutions on the political direction to be given to the Italian NRRP. The resolutions[316] outlined the country's investment priorities and the most pressing challenges to cope with. They underscored the imperative of reforming public administration, justice, and labor while emphasizing the goal of bridging the structural disparities separating Italy from the rest of the European Union[317]. Additionally, they

[313] DECRETO-LEGGE 31 Maggio 2021, n.77 Governance del Piano nazionale di rilancio e resilienza e prime misure di rafforzamento delle strutture amministrative e di accelerazione e snellimento delle procedure. 2021.

[314] Ibid

[315] Camera Dei Deputati, 'Il Ruolo Del Parlamento Nella Definizione Del PNRR' (*temi.camera.it*) <https://temi.camera.it/leg19DIL/temi/il-ruolo-del-parlamento-nella-definizione-del-pnrr>.

[316] Camera Dei Deputati, Servizio Studi XVIII Legislatura, 'PROVVEDIMENTO Priorità Nell'utilizzo Del Recovery Fund L'intervento Dell'Unione Europea' (2020) <https://www.camera.it/temiap/documentazione/temi/pdf/1236247.pdf?_1695163248247>

[317] Ibid

highlighted the socio-economic divide between the northern and southern regions of the country, thereby underlining the intent (later subject to contentious debates between the regions) to employ NGEU funds to narrow the North-South gap[318]. Of particular interest to us is the analysis of passages in the resolutions pertaining to the NRRP's governance scheme. If they predate the so-called 'Governance decree-law'[319], yet the Parliament was already deliberating on the governance direction to be taken. The resolutions pointed out that the magnitude of the resources and the tight timeline for their allocation could potentially lead to expeditious decisions. Consequently, as early as October 2020, it appeared imperative to establish a governance system that would foster transparency and oversight. The resolutions further suggested the establishment of a service infrastructure for the NRRP akin to ISTAT, responsible for gathering and processing data essential for evaluating and formulating reform projects. Subsequently, based on the input proposed by the parliamentary committees, the Conte II government adopted the Proposed National Recovery and Resilience Plan on 15 January 2021.

The parliamentary commissions have engaged in a commendable cognitive endeavor through hearings involving a diverse array of stakeholders. These commissions have delved deeply into their areas of expertise, gathering highly specialized feedback. This culminated in the formulation of two reports containing recommendations to complement and amend the government's NRRP proposal issued in January. On 31 March and 1 April 2021, both the House and Senate endorsed two resolutions[320], wherein they approved the opinions and amendments proposed by the parliamentary committees engaged in the exploratory process. These resolutions made explicit the government's obligation to engage with the Parliament prior to transmitting the NRRP to the European Commission. Furthermore, the resolutions bound the government to involve Parliament in all subsequent stages of the NRRP's progress. On 26 and 27 April 2021, just three days before the submission of the NRRP to the European Commission, Draghi presented the Recovery Plan to the chambers, which immediately approved it[321]. Following the transmission of the Recovery Plan to the European Commission, the Parliamentary Commissions managed to monitor the NRRP's implementation and progress by

[318] Ibid

[319] DECRETO-LEGGE 31 Maggio 2021, n.77 Governance del Piano nazionale di rilancio e resilienza e prime misure di rafforzamento delle strutture amministrative e di accelerazione e snellimento delle procedure. 2021.

[320] 6/00179: Camera - Iter Atto 2021 (aiccamerait).

[321] 6/00189 : Camera - Iter Atto 2021 (aiccamerait)__ 6/00188 : Senato - Iter Atto 2021 (aiccamerait).

means of the *Cabina di Regia*-issued semestral reports. The substantial parliamentary activity concerning the NRRP can be gleaned from the data archive of the House and Senate on the meetings of the various Parliamentary Commissions regarding the NRRP after the first report on the status of implementation of the National Recovery and Resilience Plan of 23 December 2021[322]. The Commissions convened 94 times and conducted audits of most ministers in a total of 35 sittings.

The extensive policy work undertaken by Parliament and the oversight role assumed by the chambers through the semestral reports is notable, albeit circumscribed in its effects. Once again, it is crucial to bear in mind that the NGEU fundamentally constitutes a contractual commitment for Italy. Any disagreement in Parliament might undermine the adherence to the timelines stipulated by the European Commission, thereby compromising the country's performance and subsequent fund disbursement. It is no coincidence that the Draghi government presented the NRRP to Parliament on 26 and 27 April, just three days prior to the deadline. Such a time constraint places pressure on the chambers to tacitly align with the government's stance not to jeopardize the disbursement of funds.

3.2.5 The shift in Italian governance and policymaking: explaining factors

We have asserted that the governance structure of the National Recovery and Resilience Plan displays hierarchical and centralized characteristics[323]. Prime Minister Mario Draghi has limited meaningful discussions with representatives of regional and local entities, thereby altering the balance of power in favor of the central government[324]. The Governance Decree N. 77 of 31 May 2021[325], grants expanded authority to centralized entities directly linked to the executive branch, with the *Cabina di Regia* being the most prominent among them. We have also explored the dynamic between the executive and the Parliament, highlighting the active involvement of the latter in policymaking. However, bound by significant constraints

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[322] Openpolis, 'Come Il Parlamento Valuta L'attuazione Del Pnrr' (*Openpolis*4 May 2022) <https://www.openpolis.it/parole/come-il-parlamento-valuta-lattuazione-del-pnrr/>.

[323] Ibid __Silvia Niccolai, 'L'influenza Del PNRR Sui Processi Di Decisione Politica' (2022) 3 Associazione Italiana dei Costituzionalisti.

[324] Stefania Profeti and Brunetta Baldi, 'Le Regioni Italiane E Il PNRR: La (Vana) Ricerca Di Canali d'Accesso All'agenda' (2021) 3 Rivista Italiana di Politiche Pubbliche

[325] DECRETO-LEGGE 31 Maggio 2021, n.77 Governance del Piano nazionale di rilancio e resilienza e prime misure di rafforzamento delle strutture amministrative e di accelerazione e snellimento delle procedure. 2021.

due to the Commission-set tight deadlines. Up to this point, we have clarified the aspects that make the Italian NRRP's governance system notably centralized and hierarchical. However, we have not undertaken a complete analysis of the underlying causes for this centralization. This thesis postulates that the primary (though not exclusive) driver behind this centralization process originates from changes in European economic governance implemented within the NGEU framework through the Recovery and Resilience Facility RRF. In this context, it is pertinent to emphasize the inseparable connection that now exists between the European and national levels of governance. This interdependence has been steadily strengthening over for past decades, with the European Semester process arguably being the most prominent mechanism drawing supranational institutions closer to those of the 27 member states. These processes, which reinforce the synergy between the two tiers of government, are commonly referred to as 'euro-national' processes[326], and the Next Generation EU program serves as a concrete instance of this convergence. Comprehending the intricate dynamics of such processes can be challenging; they are mechanisms conceived and delineated at the European level, yet they are executed at National level. Nevertheless, the alignment of national and European plans results in an increasingly harmonious direction of policies[327]. The European Union, through such procedures, facilitates closer collaboration among member states and enhances their relationship with European institutions. This exerts an ongoing and transformative influence on institutional balances, ultimately leading to a shift from predominantly national policymaking to a more European approach.

In theoretical terms, it should not come as a surprise that a novel form of governance championed by Brussels ends up shaping the governance framework of the Italian National Recovery and Resilience Plan. However, it is essential to identify the specific elements that have exerted this influence and contributed to centralization and hierarchization within the governance structure of the Plan. In the following discussion, we will pinpoint three causal factors that, in our estimation, have played a more substantial role than others in shaping this new governance paradigm. Two of these factors stem directly from changes in European governance, while the third factor has its roots within the pre-existing Italian context. They are the pressure exerted by European institutions, the absence of a mandatory framework for

[326] Nicola Lupo, 'Il Piano Nazionale Di Ripresa E Resilienza: Un Nuovo Procedimento Euro-Nazionale' [2023] Federalismi.it, Rivista di diritto pubblico italiano, comparato, europeo.

[327] Ibid

engaging in dialogues with regional authorities and preexisting regional conflicts predating the onset of the pandemic.

Our initial consideration pertains to the first factor, namely, the pressure emanating from European institutions. As illustrated in the second chapter, the National Recovery and Resilience Plans serve as the triggering mechanism for the contractual and performance-based model of governance introduced by the NGEU[328]. Notably, access to funds is contingent upon strict adherence to European targets and milestones in the National Plans. This nexus, as underscored earlier, imposes substantial constraints upon national governments, particularly those grappling with challenging financial conditions, such as Italy. The pressure exerted by European institutions assumes two distinct forms. The first concerns the imperative to comply with the conditions imposed by the European Commission through the Recovery and Resilience Facility. In this context, we have already conducted an in-depth analysis of Italy's satisfactory progress in aligning with the Country-Specific Recommendations issued during the 2019 and 2020 ES cycles[329]. The second form of pressure from the EU pertains to timing[330]. The Commission established the deadline for the submission of the National Plans on 30 April 2021. Consequently, it compelled governments to expedite their customary national decision-making processes for plan approval and the selection of reform packages to implement. In the case of Italy, to adhere to the stipulated timeline for accessing EU funds, prime ministers, with particular reference to Draghi, were obliged to forego comprehensive consultations with regional and local authorities[331]. As delineated in the preceding subsection, the Draghi administration compressed the discussions with the Unified Conference (UC) concerning the National Recovery and Resilience Plan to April, coinciding with the Plan's formal submission. Thus, in addition to relegating regional assemblies to a passive role characterized by the mere reception of information, the period designated for consultation on the National Recovery and Resilience Plan was curtailed to a mere 20 days, spanning from 8 April to 28 April 2021[332]. Another crucial aspect lies in the relationship between the Italian Government and Parliament.

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[328] David Bokhorst and Francesco Corti, 'Governing Europe's Recovery and Resilience Facility: Between Discipline and Discretion' [2023] Government and Opposition 1

[329] Look at chapter II, part II, subsection 2.2.

[330] Riccardo Crescenzi, Mara Giua and Giulia Valeria Sonzogno, 'Mind the Covid-19 Crisis: An Evidence-Based Implementation of next Generation EU' (2021) 43 Journal of Policy Modeling 278.

[331] Stefania Profeti and Brunetta Baldi, 'Le Regioni Italiane E Il PNRR: La (Vana) Ricerca Di Canali d'Accesso All'agenda' (2021) 3 Rivista Italiana di Politiche Pubbliche

[332] Look at Table 2

The parliamentary commissions have assumed a significant role in shaping the initial political direction of the NRRP. Moreover, according to the Governance Decree[333], the Parliament is tasked with overseeing the progress of the NRRP by means of a semestral report provided by the Steering Committee. However, due to the pressure to meet stringent deadlines, Parliament has often endorsed the government's course with no objections not to jeopardize the country's access to funds. For instance, President Mario Draghi presented the final version of the NRRP to the chambers just three days before the deadline for submission to the European Commission. This left the chambers with insufficient time for the customary parliamentary debate. Consequently, while Parliament contributes to setting policy direction and keeps an eye on potential critical situations for amending the NRRP, it has, *de facto*, experienced a diminishing of its authority due to time constraints.

The second factor under scrutiny pertains to the absence of a mandatory obligation to formalize a dialogue with decentralized entities. In this context, it is essential to highlight that despite the European Committee of the Regions' emphasis on the importance of institutionalizing dialogue with local authorities[334], akin to the practice observed with cohesion funds, the European Commission refrained from enacting a legally binding obligation to this effect not to overstep member states' national sovereignty in internal affairs. Regulation 2021/241[335], which delineates the governance framework of the NGEU, indeed advocates for the participation of local entities yet does not confer legal enforceability upon this recommendation. Consequently, national governments have opted to mobilize central entities, thereby precluding the potential emergence of centrifugal influences that might have jeopardized compliance with European objectives or impeded the timely submission of National Plans. This second factor is intrinsically interconnected with the first one. In the absence of a statutory safeguard for local entities within European legislation, sources of pressure, including the necessity to adhere to prescribed targets and timelines, supersede the inclusion of decentralized entities. The Italian government, in light of these considerations,

333 DECRETO-LEGGE 31 Maggio 2021, n.77 Governance del Piano nazionale di rilancio e resilienza e prime misure di rafforzamento delle strutture amministrative e di accelerazione e snellimento delle procedure. 2021.

334 European Committee of the Regions , Opinion of the European Committee of the Regions – Recovery Plan for Europe in Response to the COVID-19 Pandemic: Recovery and Resilience Facility and Technical Support Instrument (2020).

335 European Parliament and Council of the European Union, 'Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 Establishing the Recovery and Resilience Facility' (12 February 2021).

chose to centralize the governance of the National Recovery and Resilience Plan as a preventive measure against fragmentation and protracted procedural complexities. Notably, the *Cabina di Regia* has been established with the objective of directing politically the National Plan and is further fortified by technical bodies that furnish requisite data and oversight mechanisms[336], facilitating the alignment of public policies and reform initiatives with the Commission's stipulated requisites.

The third factor pertains to regional conflicts preceding the formulation of the National Recovery and Resilience Plan. Importantly, this third explanatory factor is not directly correlated with the shift in EU economic governance but dates back to the historical contention characterizing Italian regionalism. Regions in Italy enjoy substantial autonomy owing to a multitude of distinctive factors differentiating them[337]. Two salient aspects accentuate regional conflicts in this context.

Firstly, the political dimension has engendered difficulties in fostering interregional and vertical dialogues[338]. Notably, the center-left-oriented Conte II government clashed with 13 regions, constituting over half of the total Italian regions, oriented toward the center-right of the political spectrum. Moreover, the management of the pandemic triggered countless disputes with the central government, as individual regions were inclined to adopt semi-autonomous decision-making. A notable instance is the case of the *Val d'Aosta* region, which enacted regional law N. 11/2020[339] to address economic measures during the Covid-19-related state of emergency. However, the Italian Constitutional Court's ruling on 24 February 2021[340], deemed this regional law unconstitutional, signifying the pinnacle of the vertical conflict between the state and regions and underscoring the intricacy and instability of the relationship between central and decentralized bodies in Italy. Additionally, it is worth recalling that the government initially tasked individual regions with collecting their own interests to be incorporated into the National Plan. Between October and December 2020, the RC forwarded the plans submitted by most of the regions. However, an individualistic approach became evident as regions

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[336] Presidenza del Consiglio dei Ministri , *Piano Nazionale di Ripresa e Resilienza* (2022) <https://www.italiadomani.gov.it/content/sogei-ng/it/it/home.html>

[337] Brunetta Baldi, 'Autonomismo O Federalismo? Modelli Di Sviluppo per Il Regionalismo Italiano' [2019] ECONOMIA E SOCIETÀ REGIONALE 22

[338] Stefania Profeti and Brunetta Baldi, 'Le Regioni Italiane E Il PNRR: La (Vana) Ricerca Di Canali d'Accesso All'agenda' (2021) 3 Rivista Italiana di Politiche Pubbliche

[339] LEGGE REGIONALE 9 dicembre 2020, n. 11 2020.

[340] *ECLI:IT:COST:2021:37*.

devised autonomous and financially unsustainable regional plans. This approach disregarded both the budgetary constraints imposed by the European Union and compliance with the Commission's prescribed targets. In fact, estimates by Profeti and Baldi reveal that the cumulative value of the regional plans amounted to 230 billion[341], exceeding the 191.5 billion allocated by the EU to Italy.

The second aspect accentuating the regional conflict is the North-South divide. Northern regions vehemently opposed territorial cohesion policies advocated in the NRRP, stemming from the conditions laid out by the Commission pertaining to the mitigation of socio-economic territorial disparities. Indeed, the north was the one most severely impacted by the pandemic and the largest contributor to state revenues, vied for a predominant share of European funds[342]. Conversely, southern regions contended that the EU allocated funds to Italy with the explicit goal of bridging the historical divide between North and South[343]. They argued that an imbalance in investment favoring the north would nullify any prospect of narrowing this gap and deprive the South of funds allocated by the EU to foster territorial cohesion. Notably, *Campania*'s governor, Vincenzo De Luca, advocated for a united front among southern regions to resist the alleged 'appropriation'[344] of European funds, which would be disproportionately redistributed in favor of the north.

3.2.6 New governance horizons with the XIX legislature

On 22 October 2022, the Meloni administration succeeded the technical government led by Draghi. In the preceding elections on the 25 September 2022, the center-right coalition emerged as the winning political force in all Italian regions, save for *Campania*, that assumed office in

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[341] Stefania Profeti and Brunetta Baldi, 'Le Regioni Italiane E Il PNRR: La (Vana) Ricerca Di Canali d'Accesso All'agenda' (2021) 3 Rivista Italiana di Politiche Pubbliche

[342] Ibid

[343] Conferenza delle Regioni e delle Province Autonome, 'Regioni.it - N. 3972 Del 17-12-2020 - Recovery Fund: De Luca Chiama Regioni Del Sud a Posizione Comune - Regioni.it' (*www.regioni.it*17 December 2020) <http://www.regioni.it/newsletter/n-3972/del-17-12-2020/recovery-fund-de-luca-chiama-regioni-del-sud-a-posizione-comune-22069/> accessed 5 September 2023.

[344] Ibid

the chambers with an unequivocal majority[345]. With Meloni's leadership, the Italian government returns to politics after more than twenty months of technical administration.

This transition to politics not only pertains to alterations in majority dynamics but fundamentally encompasses a shift in the very nature of the government. A political administration, as juxtaposed with a technical government, counterbalances the fragmentation induced by the excessive autonomy of ministers hailing from divergent ideological spheres. Thus, it consolidates the executive branch, fosters inter-ministerial collaboration, and ensures procedural continuity. This significant transformation in government has exerted profound impacts on the governance of the National Recovery and Resilience Plan, one of the cornerstones of the Meloni's agenda. By way of Decree-Law N. 13/2023[346], substantial revisions were made to the NRRP's governance framework. By and large, the most salient modification, which garners consensus in the academic discourse, is the heightened centralization of functions within the Office of the Prime Minister[347]. Through Decree-Law N. 13, there is a palpable shift in the locus of control within the governance structure of the NRRP. The *Cabina di Regia* and the Central Service for the NRRP are subordinated to the newly established 'NRRP Mission Structure at the Presidency of the Council of Ministers', as delineated in Article 2 of Decree-Law N. 13/2023[348]. Custodianship of this novel entity is entrusted to the Minister for European Affairs, for the South and Cohesion Policies, and for the NRRP, marking an inter-ministerial horizontal repositioning. While the Ministry of Economy and Finance previously housed the central service for the NRRP under the auspices of the Meloni administration, the core apparatus for NRRP governance falls under the purview of the Minister for European Affairs, for the South and Cohesion Policies, and for the NRRP, Raffaele Fitto. The NRRP mission structure assumes the roles previously played by the Technical Secretariat and the ones of the Unit for Rationalization and Enhancement of Regulation.

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[345] Gruppo GEDI, 'Risultati Elezioni Politiche 2022 - La Repubblica' (*elezioni.repubblica.it*28 September 2022) <https://elezioni.repubblica.it/2022/elezioni-politiche/>.

[346] 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), nonche' per l'attuazione delle politiche di coesione e della politica agricola comune. 2023.

[347] Piero David and Giacomo D'Arrigo, 'Cosa Cambia Con La Nuova Governance Del Pnrr' (*Lavoce.info*6 April 2023) <https://lavoce.info/archives/100758/cosa-cambia-con-la-nuova-governance-del-pnrr/>___ Giacomo Menegus, 'La Riforma Della Governance Del PNRR' (2023) 3 Osservatorio Costituzionale - Associazione Italiana dei Costituzionalisti.

[348] DECRETO-LEGGE 24 febbraio 2023, n. 13, Art.2, Disposizioni urgenti per l'attuazione del Piano nazionale di ripresa e resilienza (PNRR) e del Piano nazionale degli investimenti complementari al PNRR (PNC), nonche' per l'attuazione delle politiche di coesione e della politica agricola comune. 2023

Moreover, it scrutinizes the alignment of NRRP implementation with envisaged objectives, considers the implementation of any corrective measures to the Plan, and ultimately, emerges as the new primary interface with the European Commission[349]. According to the Decree-Law N.13/2023[350], The Central Service for the NRRP is rechristened as the 'General Inspectorate for the NRRP' but maintains its original functions. Although situated within the Ministry of Economy and Finance, the Inspectorate assumes auxiliary roles in support of the Minister for European Affairs, for the South and Cohesion Policies, and the NRRP. Parallelly, with the enactment of Decree-Law N. 13[351], the Permanent Table for Economic, Social and Territorial Partnership is dissolved, and its function as an intermediary with social stakeholders is transferred to the *Cabina di Regia*, which now incorporates a multitude of new participants.

How would this new reconfiguration contribute to the centralization of governance around the figure of the President? The reconfigured framework of the National Recovery and Resilience Plan pivots around the Minister for European Affairs, for the South and Cohesion Policies, and the NRRP. This ministerial role emanates directly from the Prime Minister within a political administration, as earlier elucidated, characterized by a heightened degree of cohesion. However, this alone does not suffice to explain the empowerment of the Prime minister. The other focus is on the inclusion of new members in the Steering Committee, destined to negotiate on behalf of decentralized entities. This encompasses the President of the Conference of Regions and Autonomous Provinces, the President of the National Association of Italian Municipalities, the President of the Union of Italian Provinces, the Mayor of the capital city of Rome, and representatives from social partners, productive sectors, as well as the banking, financial, and insurance domains, the university system, and social associations. The inclusion of many new representatives jeopardizes the original authority of the Steering Committee. The *Cabina di Regia* experiences a diminishment of its role as a political steering entity, becoming a non-sectorial representative body, relegated to a peripheral role in directing the Recovery Plan. This shift in plan governance underpins a markedly distinct policy trajectory from that adopted by the Draghi government in 2021 and 2022. As reiterated, the Meloni administration

[349] 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), nonche' per l'attuazione delle politiche di coesione e della politica agricola comune. 2023

[350] Ibid

[351] Ibid

aims to recalibrate the political tenor of the Recovery Plan, veering away from the more technocratic orientation pursued by its predecessor[352].

Coming to the latest events, on the 28 July 2023, the European Commission approved[353] the proposed amendment to the Italian Recovery Plan ratified by the *Cabina di Regia* on the 11 July 2023. It concerns the revision of benchmarks requisite for the disbursement of the fourth tranche of funds[354]. Italy, distinguished as one of the few nations to have set forth the request for the release of the fourth tranche of funds as early as July, proffered a series of amendments to be incorporated into the NNRP, the endorsement of which, as reiterated, rests solely on the Commission's assessment. The amendments, propounded by the Meloni administration and sanctioned by the Commission, encompass reforms across various spheres of public policy. Notably, these reforms extend to the Ministry of Culture, the Ministry of Enterprise and Made in Italy, the Ministry of Education and Merit, the Ministry of Infrastructure and Transport, the Ministry of the Environment and Energy Security, and the Cohesion Policy Department within the Presidency of the Council of Ministers[355]. Thus, it becomes evident that the strong political direction given by the Meloni government affected the new configuration of the Recovery Plan. On the one hand, the governance of the NRRP has been further centralized around the figure of the prime minister. On the other hand, public policies also took a different shape. In fact, the new political direction does not only redefine the governance of the Plan, but channels investments towards the new priorities of the Meloni agenda, charged with a new and strong political connotation.

3.2.7 Concluding Remarks

In summary, the governance framework of the Italian National Recovery and Resilience Plan exhibits characteristics of centralization and hierarchy. Initially, we underscored how the

[352] Giacomo Menegus, 'La Riforma Della Governance Del PNRR' (2023) 3 Osservatorio Costituzionale - Associazione Italiana dei Costituzionalisti

[353] European Commission, 'Proposal for a Council Implementing Decision Amending Implementing Decision (EU) (ST 10160/21 INIT; ST 10160/21 ADD 1 REV 2) of 13 July 2021 on the Approval of the Assessment of the Recovery and Resilience Plan for Italy' (28 July 2023).

[354] Governo Italiano, dipartimento per le Politiche Europee, 'Cabina Di Regia PNRR Approva La Proposta Di Revisione Della Quarta Rata' (*Dipartimento per le Politiche Europee*11 July 2023) <https://www.politicheeuropee.gov.it/it/ministro/comunicati-stampa/11-lug-2023-pnrr/>.

[355] Ibid

governance provisions delineated in Decree-Law N. 77/2021[356] concentrate the functions of formulation, oversight, and monitoring within the domain of the Prime Minister's Office and the Ministry of Economy and Finance. Subsequently, we illustrated how the actions of the Draghi government contributed to diminishing the role of regional and local entities, thereby minimizing their participation in the decision-making and oversight bodies of the NRRP. Notably, the UC convened a mere eight times in April 2021[357], the very month slated for the final submission of the Plan to the European Commission. The government never convened the State-Region Conference on matters pertaining to the NRRP, and the Regional Conference was summoned a mere two times during April 2021. Parallelly, the Parliamentary scrutiny was put under pressure due to the tight deadline to submit the Recovery Plan. Our thesis advocates three explanatory factors for the highly centralized form of governance adopted for the National Plan. The first two emanate from shifts in governance at the European level, facilitated by the establishment of the Recovery and Resilience Facility within the framework of the Next Generation EU. Conversely, the third factor stems from endogenous factors within the country itself.

The initial factor scrutinized pertains to the pressure exerted by European institutions, which manifests in two forms. The first, as examined in the preceding chapter, pertains to the adherence of National Plans to the CSRs issued by the Commission. The second form of pressure revolves around the notably stringent timelines, compelling the national government to expedite customary national decision-making processes, thereby progressively marginalizing consultations with decentralized authorities.

The second factor centers on the absence, within the European governance underpinning the NGEU, of a binding provision mandating the involvement of regions and local entities. Although the RRF suggests to member states the involvement of regional entities, the text imposes no legal obligations on member states in this regard. This deficiency is not incidental, particularly considering the repeated advisories from the European Committee of Regions, advocating for the introduction of a rule ensuring the proper involvement of decentralized authorities[358]. The Commission deliberately outlined a form of governance

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[356] DECRETO-LEGGE 31 Maggio 2021, n.77 Governance del Piano nazionale di rilancio e resilienza e prime misure di rafforzamento delle strutture amministrative e di accelerazione e snellimento delle procedure. 2021.

[357] Look at table 2

[358] European Committee of the Regions, 'A New Consultation Warns: Many EU Governments Are Excluding Regions and Cities from the Preparation of Post-COVID Recovery Plans' (*cor.europa.eu*22 January 2021) <https://cor.europa.eu/en/news/Pages/post-COVID-recovery-plans-.aspx>.

incentivizing national executives to centralize decision-making processes, thereby speeding up the drafting and implementation of the Plan and avoiding potential centrifugal forces from local entities that may hinder alignment with Commission-prescribed standards and milestones. The European Committee of Regions highlights that very few member states have engaged in comprehensive discussions with local and regional representatives[359].

The third and concluding factor elucidating centralization pertains to Italy's intricate regionalism, where regions tend to progress in a fragmented way, often competing with one another. The government, therefore, forestalled the centrifugal force exerted by this delicate regionalism from jeopardizing the country's access to funds by curbing the involvement of decentralized bodies in the decision-making process.

This trend of centralization appears to have continued unabated under the Meloni government, which, bolstered by a robust political majority, has further consolidated executive authority, consolidating powers within the offices of the Prime Minister and the Minister for European Affairs, Southern and Cohesion Policies, and the NRP. Consequently, the governance of the National Recovery and Resilience Plan inaugurates a new phase of governmental experimentation characterized by a substantial augmentation of executive authority over decentralized entities. Will this governance trajectory be sustained or sustainable in the future?

[359] Marco Lopriore and Marina Vlachodimitropoulou, 'Recovery and Resilience Plans for the next Generation EU: A Unique Opportunity That Must Be Taken Quickly, and Carefully' [2021] EIPA Paper, European Institute of Public Administration.

Conclusion

This research thesis addressed the complex causal link between the European governance of the Next Generation EU to the governance of the Italian National Recovery and Resilience Plan and the public policies initiated therein. This thesis is triadic. The first chapter retraced the European economic governance over the last two decades. We pointed out a clear trend: the EU moved from a coercive form of economic governance[360] to a form defined by scholars as contractual[361] or performance-based[362]. While instruments like the Stability and Growth Pact, the Six-Pack legislation, and the Fiscal Compact allowed European institutions to impose sanctions on member states that did not comply with the financial ceilings set at the European level, the Next Generation EU radically changed this perspective. The RRF guides member states towards meeting the targets and milestones outlined in Articles 3 and 4 of Regulation (EU) 2021/241[363] and ties them to align with the EU-set Country-Specific Recommendations. Suppose a member state fails to adhere to Brussels' political direction (contained in targets, milestones, and CSRs) and demonstrates unsatisfactory performance for European legislators. In that case, the funds allocated by the NGEU plan are either blocked or postponed. Thus, a radical shift in EU governance is observed, no longer coercive but focused on the performance of each government. In the second chapter, we carefully evaluated the Next Generation EU. In the first part of the chapter, we illustrated the negotiation between frugal and southern states. The former preferred rehashing the Euro crisis response to the pandemic, using an approach of national responsibility and resorting to preexisting financial support instruments like the ESM[364]. Conversely, the South opened a solidarity-based approach to help economies most severely affected by the pandemic and whose economic stability was dangerously faltering[365].

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360 Sebastian Koehler and Thomas König, 'Fiscal Governance in the Eurozone: How Effectively Does the Stability and Growth Pact Limit Governmental Debt in the Euro Countries?' (2014) 3 Political Science Research and Methods 329

361 Elena Griglio, 'National Parliaments' Resilience under the Euro-Zone and the Covid-19 Crises: Continuity and Discontinuity in the Euro-National Scrutiny' (2022) 28 The Journal of Legislative Studies 313

362 David Bokhorst and Francesco Corti, 'Governing Europe's Recovery and Resilience Facility: Between Discipline and Discretion' [2023] Government and Opposition 1

363 European Parliament and Council of the European Union, 'Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 Establishing the Recovery and Resilience Facility' (12 February 2021), Art.3 and Art.4

364 Marco Buti and Sergio Fabbrini, 'Next Generation EU and the Future of Economic Governance: Towards a Paradigm Change or Just a Big One-Off?' [2022] Journal of European Public Policy 1

365 S Michalopoulos , 'Nine Member States Ask for Eurobonds to Face Coronavirus Crisis' *Euractiv* (25 March 2020).

The establishment of a Franco-German axis led to the approval of the Next Generation EU Plan by the European Council on 21 July 2020. In the second part of the first chapter, we traced the legal foundation of the NGEU, presenting all the pivotal regulations for the establishment of the Plan. Council Regulation (EU) 2020/2094[366] established the EURI, which constitutes the framework for the recovery instrument and provides for the allocation of funds. Regulation (EU, Euratom) 2020/2092[367] imposes the conditionality regime to which each member state must adhere to access the funds. However, the most important regulation is Regulation (EU) 2021/241[368], which establishes the Recovery and Resilience Facility, the governance instrument of the Next Generation EU. The RRF clarifies the objectives that member states should achieve through the Recovery Fund. Additionally, it sets out the conditions that member states must meet to gain access to funds, as well as the criteria for distributing funds among beneficiary states. Finally, the RRF introduces coordination rules to allow the NGEU to align with existing instruments, primarily with the European Semester. Article 17[369] of the Regulation requires member states to develop National Recovery and Resilience Plans, in which they must outline the set of investments and reforms that each member state intends to pursue through the Recovery Fund. Article 19[370] contends that the European Commission retains the exclusive right to evaluate the reform projects formulated by the states and retains the power to approve or deny progressive fund disbursements based on the performance of the states. The 'marriage'[371] between the European Semester and the Recovery and Resilience Facility, which entails the need for member states wishing to access the funds to implement the CSRs diligently within their respective National Plans, has had a distorting effect. In fact, the states most in need of support have undergone a massive number of reforms, to be carried out in harmony with European directives. Italy is the largest recipient of Next Generation EU funds

[366] Council of the European Union, 'Council Regulation (EU) 2020/2094 of 14 December 2020 Establishing a European Union Recovery Instrument to Support the Recovery in the Aftermath of the COVID-19 Crisis' (14 December 2020).

[367] European Parliament and Council of the European Union, 'Regulation (EU, Euratom) 2020/2092 of the European Parliament and of the Council of 16 December 2020 on a General Regime of Conditionality for the Protection of the Union Budget' (16 December 2020).

[368] European Parliament and Council of the European Union, 'Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 Establishing the Recovery and Resilience Facility' (12 February 2021).

[369] Ibid, Art.17

[370] Ibid, Art.19

[371] Thu Nguyen and Nils Redeker, 'How to Make the Marriage Work: Wedding the Recovery and Resilience Facility and European Semester' (Jacques Delors Center 2022).

and has drafted a National Recovery and Resilience Plan that responds to a long list of reform requests made by the EU.

The third chapter centered on Italy, our case-study. We demonstrated how the country underwent several reforms starting from 2021 through the National Recovery and Resilience Plan[372]. To assess the effect of European performance-based governance on the reforms proposed in the Italian NRRP, we conducted a simple operation. We calculated the alignment rate of public policies released in the NRRP with CSRs and compared it to the alignment rate of public policies introduced in 2013 with CSRs issued during that year's ES cycle. The outcome is clear: the rate has nearly doubled. Italy, subjected to strong stress from the new performance-based governance, has visibly increased its alignment with the European direction. On the other hand, how has EU performance-based governance influenced the form of governance of the Italian National Recovery and Resilience Plan? We answered this question in the second section of the third chapter. The governance form of the NRRP appears hierarchical and centralized[373]. First and foremost, the state preferred to contain centrifugal forces to avoid the blocking or delay of funds. The involvement of decentralized entities would have increased confusion and compromised a clear government direction. In fact, the experience of the pandemic has demonstrated the strong coordination and competition issues among the various regions[374]. The government, therefore, marginalized the consultation of regional bodies through customary communication channels, centralizing the responsibility for political direction and implementation in the offices of the Council's presidency and the relevant ministries. We witnessed a similar outcome in the relationship between the Government and Parliament. The latter assumed a role of political direction through the work of the Parliamentary Committees, which gathered input to proceed with the drafting of the NRRP's priorities[375]. However, the government minimized the impact of Parliament, reducing the parliamentary debate on the NRRP's approval to a limited time span. The European Union, therefore, exerts strong pressure on states to align with the prerogatives and adhere to the

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[372] Presidenza del Consiglio dei Ministri , *Piano Nazionale di Ripresa e Resilienza* (2022) <https://www.italiadomani.gov.it/content/sogei-ng/it/it/home.html>

[373] Silvia Bolgherini and Andrea Lippi, 'Politicization without Institutionalization: Relations between State and Regions in Crisis Governance' (2022) 14 Contemporary Italian Politics 22

[374] Davide Vampa, 'COVID-19 and Territorial Policy Dynamics in Western Europe: Comparing France, Spain, Italy, Germany, and the United Kingdom' [2021] Publius: The Journal of Federalism.

[375] Camera Dei Deputati, 'Il Ruolo Del Parlamento Nella Definizione Del PNRR' (*temi.camera.it*) <https://temi.camera.it/leg19DIL/temi/il-ruolo-del-parlamento-nella-definizione-del-pnrr>.

deadlines set by the RRF. The only deterrent to centralization would have been to have a European norm within the RRF itself to safeguard the role of regional and local authorities. However, despite distinct calls from the Committee of the Regions[376], the Commission has not provided any specific form of protection for regional authorities within the governance of the various National Plans, which, moreover, would have conferred to the EU too intrusive power on the member states' internal affairs. In addition, we demonstrated that the centralization of the NRRP's governance form was also caused by endogenous aspects, such as the difficult relationship between the state and regions – especially during the Conte II government, whose center-left majority differed from a regional political spectrum oriented to the center-right – and the gap between the North and South of the country. The centralization of the governance form occurred with the first Decree-Law No. 77/2021[377], under the Draghi government. Still, it was further reinforced by the Meloni government with the second decree on the governance of the NRRP No. 13/2023[378], which further centralized the powers of the executive and the Prime minister.

In this research thesis, we tested two hypotheses to answer the research question: *Ho does the new performance-based governance of the Next Generation EU shape Italy's National Recovery and Resilience Plan governance and transform the landscape of the country's public policies?* The first hypothesis holds, as the performance-based nature of European governance encouraged Italy to align itself with European policy objectives. Italy's National Recovery and Resilience Plan encompasses six key missions, namely Digitization, Innovation, Competitiveness, Culture, and Tourism; Green Revolution and Ecological Transition; Infrastructure for Sustainable Mobility; Education and Research; Cohesion and Inclusion; and Health[379]. These missions mirror the six pillars of the RRF and directly respond to the Country-Specific Recommendations introduced in the 2019 European Semester cycle. To illustrate the

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376 European Committee of the Regions , Opinion of the European Committee of the Regions – Recovery Plan for Europe in Response to the COVID-19 Pandemic: Recovery and Resilience Facility and Technical Support Instrument (2020).

377 DECRETO-LEGGE 31 Maggio 2021, n.77 Governance del Piano nazionale di rilancio e resilienza e prime misure di rafforzamento delle strutture amministrative e di accelerazione e snellimento delle procedure. 2021.

378 DECRETO-LEGGE 24 febbraio 2023, n. 13, Art.2, Disposizioni urgenti per l'attuazione del Piano nazionale di ripresa e resilienza (PNRR) e del Piano nazionale degli investimenti complementari al PNRR (PNC), nonche' per l'attuazione delle politiche di coesione e della politica agricola comune. 2023

379 Presidenza del Consiglio dei Ministri , *Piano Nazionale di Ripresa e Resilienza* (2022) <https://www.italiadomani.gov.it/content/sogei-ng/it/it/home.html>

alignment of Italian public policies with European semester guidelines, we compared the alignment rates in 2013[380], a period that shared significant similarities with 2020. The comparison revealed that Italy nearly doubled its commitment to adhering to the CSRs issued by the Commission under the RRF. We quantified the level of alignment with CSRs using numerical values. In 2013, the Italian government averaged 1.16 out of a maximum of 3 in compliance with the CSRs from the European semester cycle. Conversely, the assessment from the European Commission in 2022[381] indicates that Italy adhered more rigorously to CSRs since 2020, with an average value of 2 – nearly twice that of 2013. The explaining factor lies in the governance of the RRF, which binds funds to the alignment to CSRs. This governance system compelled Italy to pay attention to the Country-Specific Recommendations. In sum, we can conclude that the new European governance framework has bolstered the significance of the CSRs, compelling Italy to uphold them. Consequently, the Italian government has pursued public policies in harmony with the trajectory delineated by Brussels.

The second hypothesis focuses on the centralization of the NRRP governance. The legislative decree No. 77/2021[382] entrusts the *Cabina di Regia* and the *Servizio Centrale per il PNRR* with the guiding responsibility of the Plan. The Steering Committee established in Article 2[383] and located within the Presidency of the Council of Ministers has a crucial role since it formulates the guidelines for the implementation of the Plan, examines critical problems reported by the various ministries or decentralized bodies, performs monitoring and reporting functions to the Italian Parliament, coordinates the regional units with the government and holds the substitute powers to ensure that the Plan is implemented in accordance with the direction imposed by Brussels. The Central Service for the NRRP, located in the Ministry of Economy and Finance, acts as a contact point with the European Commission. Its main objective is to verify the alignment of the National Plan with the obligations in the NRRP. Decree-Law No. 13/2023[384] introduced by the Meloni government modifies the original

[380] M Hradiský, J Backman and S La Vella , 'Country Specific Recommendations (CSRs) for 2013 and 2014: A Comparison and an Overview of Implementation'.

[381] K Grigaite and others, 'Country-Specific Recommendations for 2019, 2020, 2021 and 2022: A Tabular Comparison and an Overview of Implementation' (2022).

[382] DECRETO-LEGGE 31 Maggio 2021, n.77 Governance del Piano nazionale di rilancio e resilienza e prime misure di rafforzamento delle strutture amministrative e di accelerazione e snellimento delle procedure. 2021.

[383] Ibid, Art.2

[384] DECRETO-LEGGE 24 febbraio 2023, n. 13, Art.2, Disposizioni urgenti per l'attuazione del Piano nazionale di ripresa e resilienza (PNRR) e del Piano nazionale degli investimenti complementari al PNRR (PNC), nonche' per l'attuazione delle politiche di coesione e della politica agricola comune. 2023

governance of the Plan, increasing the role of the Prime Minister's Office in steering and monitoring the NRRP. Both the *Cabina di Regia* and the Central Service for the NRRP are downgraded in favor of the 'NRRP Mission Structure at the Presidency of the Council of Ministers', headed by the Minister for European Affairs, for the South and Cohesion Policies, and for the NRRP. This body collects the roles previously exercised by the Technical Secretariat and the Unit for Rationalization and Enhacement of Regulation. More importantly, the NRRP Mission Structure verifies the Plan's alignment with Europe, communicates directly with the Commission and evaluates any corrective measures. This government-friendly configuration is mainly due to three aspects, two of which caused by the performance-based governance assumed by Europe. On the one hand, the RRF threatens to suspend funds if the member state fails to comply with the prerogatives enshrined in Regulation 2021/241[385]. On the other hand, the Commission set tight deadlines, incentivizing member states to jeopardize customary consultation processes with the decentralized bodies. It is no coincidence that in chapter three, we pointed out that meetings with the regions were sporadic and inconclusive. To avoid that centrifugal forces jeopardize the proper implementation of the Plan, the Italian government fostered a hierarchical, closed system of governance in the hands of the President and the competent ministers.

This research thesis aims to contribute to the strand of governance studies by linking two very different levels and systems of governance. Combining European governance with the governance of a national plan is an experiment that is still little practiced in the field of Euro-national studies. Although the case selected is Italy, given the extraordinary country's conditions before and during the pandemic (the tragic post-pandemic conditions are nothing more than a proportional aggravation of already critical situations), other countries present interesting situations. Certainly, focusing on the governance of the National Recovery and Resilience Plans of other high-debt states such as Spain, Portugal, or Greece would lead to similar outcomes. However, it would be interesting to investigate the governance of national plans also of states characterized by different macroeconomic conditions. Studying Balkan member states could reveal much about the kind of contribution EU performance-based governance had on the formulation of the governance of their Recovery and Resilience Plans.

[385] European Parliament and Council of the European Union, 'Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 Establishing the Recovery and Resilience Facility' (12 February 2021).

Poland, on the other hand, given its historical difficulties in complying with the rule of law conditionality, presents itself as a further case study to be carefully investigated. One enlightening piece of work, for which I hope my work is instructive, might be comparative research on the governance of member states' national plans. That is, research aimed at understanding how member states have responded to the stimulus of the RRF. In the Spanish case, there has been a similar centralization of the form of plan governance, while Portugal seems has involved stakeholders and local authorities more closely. Why so much difference? Is there a place for the institutionalization of a common form of governance for all member states in response to a European plan of this magnitude? I hope that this work will be an inspiration to a field of study that has not yet been explored in depth, given the proximity of the events on which it is based, and that it will lead to new contributions to the relationship between European and national governance.

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