

Europeanization and domestic governance of the RRF: the case of Italy and Spain

Sara Legnani

Universitat Pompeu Fabra

sara.legnani01@estudiant.upf.edu

ORCID: 0009-0003-3978-2783



Received: 12/11/2023

Accepted: 23/12/2023

Published: 31/01/2024

Recommended citation: LEGNANI, S. (2024). "Europeanization and domestic governance of the RRF: the case of Italy and Spain". *Quaderns IEE: Revista de l'Institut d'Estudis Europeus*, 3(1), 34-61.

DOI: <<https://doi.org/10.5565/rev/quadernsieve.68>>

Abstract

This article analyzes the governance mechanisms chosen by Italy and Spain to implement their National Recovery and Resilience Plan. The focus is on two factors that are crucial when it comes to downloading and implementing EU policies, which are the political and administrative systems. Thus, it is assumed that any divergence in the structure of governance can be attributed to political structures and the territorial political and administrative structures. To conduct the analysis, both rational choice and historical institutionalism are used as complementary perspectives, to explain which factors led to specific type of governance.

Keywords: Recovery and Resilience Facility; Domestic implementation; Governance structure; Political and administrative system; Rational choice institutionalism; Historical institutionalism.

Resumen. *Europeización y gobernanza interna del MRR: el caso de Italia y España*

Este artículo analiza los mecanismos de gobernanza elegidos por Italia y España para implementar el plan nacional del Mecanismo Europeo de Recuperación y Resiliencia (MRR). La atención se centra en dos factores que se consideran cruciales para implementar las políticas de la Unión Europea, que son los sistemas políticos y

administrativos. Así, se supone que cualquier divergencia en los mecanismos de gobernanza puede atribuirse a las estructuras políticas y a las estructuras territoriales políticas y administrativas. Para realizar el análisis se utilizan las teorías del institucionalismo de elección racional y la del institucionalismo histórico, como perspectivas complementarias, para explicar qué factores llevaron a un tipo específico de gobernanza del Plan.

Palabras clave: Mecanismo Europeo de Recuperación y Resiliencia; Implementación nacional; Estructura de gobierno; Sistema político y administrativo; Institucionalismo de elección racional; Institucionalismo histórico.

Resum. *Europeïtzació i governança interna del MRR: el cas d'Itàlia i d'Espanya*

En aquest article s'analitzen els mecanismes de governança elegits per Itàlia i Espanya per implementar el pla nacional de Mecanisme Europeu de Recuperació i Resiliència. L'atenció se centra en dos factors que es consideren crucials per implementar les polítiques de la Unió Europea, que són sistemes polítics i administratius. Així, se suposa que qualsevol divergència en els mecanismes de governança es pot atribuir a les estructures polítiques i a les estructures territorials polítiques i administratives. Per fer l'anàlisi s'utilitzen les teories de l'institucionalisme d'elecció racional i la de l'institucionalisme històric, com a perspectives complementàries per explicar quins factors van portar a un tipus específic de governança del Pla.

Paraules clau: Mecanisme Europeu de Recuperació i Resiliència; Implementació nacional; Estructura de govern; Sistema polític i administratiu; Institucionalisme d'elecció racional; Institucionalisme històric.

Summary

1. Introduction
 2. Research design
 3. How Europeanization impacts the domestic dimension: rational choice institutionalism and historical institutionalism
 4. Italy's and Spain's past implementations performances of EU policies
 5. Structure of governance envisaged by the Italian NRRP
 6. Structure of governance envisaged by the Spanish NRRP
 7. Comparison and discussion
 8. References
-

1. INTRODUCTION

The COVID-19 outbreak in 2020 has caused an unprecedented and unexpected crisis in the EU that has caused widespread and serious economic and social consequences. Despite its negative consequences, a crisis can also present an opportunity for change. In May 2020 the European Commission proposed to introduce a temporary recovery instrument within the framework of the EU long-term budget (The Multiannual Financial Framework 2021-2027): the Next Generation EU (NGEU, hereinafter). The NGEU was then approved by the European Council and the European Parliament in July 2020, and it represents 'another joint venture in European Integration' (D'Erman and Verdun, 2022: 3). The NGEU has been planned with a far-reaching scope, since it aims at addressing the social and economic consequences of the pandemic and at fostering "broader policy reforms: reforms dealing with growing inequalities, environmental pollution and climate change" (Cotta and Domorenok, 2022: 425). The core instrument of the NGEU is the Recovery and Resilience Facility (RRF, hereinafter), a financial instrument set up "for providing grants (€385.8 billions) and loans (€338 billions) to support reforms and investments in the EU Member States at a total value of €723.8 billion" (European Commission, The Recovery and Resilience Facility) with a duration of six years (from 2021 to 2026). The NGEU represents a major innovation because of its redistributive dimension (Di Mascio et al., 2022: 402) compared with the austerity programs attached to the rescue funds coping with the crisis of 2008; the RRF instrument also "breaks new ground because of the issuance of common bonds by the European Commission" (Fernández-Pasarín and Lanaia: 2022: 38) in order to secure funds to Member States, in addition a large part of the RRF resources would be distributed as grants rather than loans (D'Erman and Verdun, 2022: 3). The RRF is structured around six pillars: the green transition; digital transformation; economic cohesion; productivity and competitiveness; social and territorial cohesion; health, economic, social, and institutional resilience; and policies for the next

generation. The main objective of this instrument is not only to help Member States to recover their economies but also to 'enhance the Union's economic, social, and territorial cohesion and convergence (Corti and Vesan, 2022: 2). The most relevant aspect of the Facility lies in its strong conditional character, implying that, in order to receive their allotted funds, Member States must prepare a National Recovery and Resilience Plan (NRRP, hereinafter) defining both, the organisation of a spending plan for investments within the six pillars listed above and an enabling reform package. Reforms must moreover include structural reforms in accordance with the European Semester's recommendations (Cotta and Domorenok, 2022: 425), i.e., with the Country Specific Recommendations (CSRs, hereinafter). The NRRP is "the centrepiece of the relation between the beneficiary Member State, the Commission and other EU institutions" (Fernández-Pasarín and Lanaia: 2022: 39), once approved by the Commission it 'constitutes the measuring stick against which performance will be assessed and allotments eventually disbursed, delayed, or cancelled' (Fernández-Pasarín and Lanaia: 2022: 39). The European Commission will approve the disbursement of the RRF funds, once Member States have satisfactorily fulfilled key steps in the implementation of reforms and investments included in the NRRP (European Commission, Next Generation EU), key steps are defined in terms of milestones and targets. Milestones are objectives related to qualitative achievements, such as enacted legislation, while targets are the ones related to quantitative achievements, e.g., square metres of buildings that are now energy efficient (Moran, 2023: 10). If milestones and targets are not met by the deadline established in the NRRP, payments may be suspended. The use and continued disbursement of RRF funds is subject to strict monitoring (Moran, 2023: 9), the Recovery and Resilience Task Force (RECOVER) is a new body established within the European Commissions' Secretariat General that has been put in charge of monitoring the implementation of NRRPs (Mascio et al., 2022: 403); in addition, to facilitate the implementation for Member States of NRRP, a new DG REFORM has been created to assist Member States with technical support (Di Mascio et al., 2022: 403). Member States must present reports on the achievement of their plan twice per year (Moran, 2023: 9).

The conditionality aspect of the RRF should enhance compliance by Member States (Domorenok and Guardianich, 2022: 192) and it helps countries to overcome problems regarding their financial situation as well as resolving structural deficiencies, while ensuring that loans are repaid (Bekker, 2021: 179); in other words, conditionality would maximise the effectiveness of EU budgetary spending (Domorenok and Guardianich, 2022: 193). In fact, many observers consider the instrument of RRF as an unprecedented opportunity for Member States to recover from the pandemic crisis, but foremost as a chance to develop innovative institutional and policy reforms to cope with structural problems and tackle future challenges. The RRF instrument is however based on a bottom-up approach, its effectiveness depending on the implementation performances of Member States. Since implementation is key, it is a responsibility of Member States, their governments, and administrations to cooperate

and coordinate in order to make the most out of the RRF. Implementation of EU policies has never been an easy task for Member States, and a programme (NGEU) of this magnitude, with such a wide scope and subject to detailed conditionality, only adds complexity and pressure to the process. It was already mentioned how the NRRPs had to be made in accordance with the European Semester recommendations and CSRs, but they also need to be consistent with several other EU-driven policy instruments, such as the National Energy and Climate plans and the European structural Investments Funds programming (Cotta and Domorenok, 2022: 425). Moreover, the time of implementation is quite tight, the financial support foreseen by NRRP must be committed by the end of 2023 and all disbursements are to be made before the end of 2026. This requires 'extensive domestic coordination capacities, considerable political commitment, and solid policy backgrounds' (Cotta and Domorenok, 2022: 425). If Member States do not want to lose this historical opportunity, it is fundamental that they roll out streamlined implementation and oversight instruments, as well as governance structures that guarantee transparency, coordination, coherence of action, and continuity overtime. There are, in particular, two Member States for which it is imperative to take advantage of this opportunity, Spain and Italy. They are the largest recipients under the RRF: Spain will be receiving a total amount of €69.5 billion in grants and Italy is set to receive 68.9 billion in grants and 122.6 in loans for a total of €191.5 billion (Moran, 2023: 8). The amount of funds from which Italy is benefitting represents almost one third of NGEU. This is a big opportunity for these two countries to tackle some of the structural problems that have been slowing them down and to create a solid base for the challenges ahead. Therefore, it is paramount that Spain and Italy develop the needed spending capacities and consistent reforms to not miss their chance.

Since the governance structure is a key factor of the implementation process, it was decided to focus the analysis on the governance machinery adopted by the Italian and Spanish government. Hence the research question is: which type of governance mechanisms have Italy and Spain adopted, in order to implement their NRRPs? In particular, the analysis will encompass two levels of coordination and cooperation, with a focus on the attribution of powers and responsibilities at the central level and the territorial administrative coordination (centre-periphery relations). In the following paragraphs, I will go through the explanation of the elements comprising the research design, including a brief description of past implementation performances of Italy and Spain of EU policies. The fourth chapter will be dedicated to the analysis of the governance structure set up by the Italian government, through rational choice and historical institutionalism perspective, the analysis will focus on which factors led to that specific structure. Since there is already some evidence that the two Member States are producing different outcomes in terms of implementation performance, it is assumed that the differences in the results are partially due to the divergences of the two governance structures. Thus, I will also present some facts about the current status of implementation in Italy and then in Spain. Thereafter, the same process will be

applied for the case of Spain. In the final chapter a comparison of the empirical results will be conducted, followed by a discussion. Subsequently, suggestions and considerations regarding the three remaining years of NRRP implementations will be provided.

2. RESEARCH DESIGN

As it is mentioned above, the implementation performance of NRRPs is fundamental for Spain and Italy, not only because of the scale of resources that they are set to receive but to overcome some important structural deficiencies that could give them a real and innovative change, which in turn pits the two Member States against a daunting implementation challenge for which the utmost political attention is expected to be devoted. This is the reason why it was decided to focus the research on comparing these two case studies. In particular, the focus will be on the types of governance mechanisms the two Member States had developed in order to efficiently implement their NRRPs and how they compare to each other. NRRP implementation requires the establishment of dedicated governance structures including mechanisms of coordination within government, and across different horizontal and vertical levels of the public administration. As it is already mentioned above, the research question is which type of governance mechanisms have the two Member States adopted, what differences are likely to be found and what eventually explains them. The question seems moreover relevant because, although the implementation process is still at its initial stage, there is consistent evidence showing that the two Member States, despite their similarities, are showing different implementation performances. While Spain seems to be efficient in the implementation, it seems that Italy is falling behind, presenting difficulties not only regarding deadlines but also in terms of spending capacities and lack of transparency. Therefore, it is further predicted that differences in implementation performances can be, at least partially, attributed to divergences in governance structures. In this context, there are two factors that play a central role in implementing NRRPs and complying with RRF's conditionality: domestic political and administrative horizontal and vertical relations. In fact, 'government effectiveness and administrative capacity building are increasingly recognised as an important condition for the successful absorption of EU funds' (Nakrosis et. al, 2023: 2). How domestic political and administrative systems react to such a challenge is a growing field of research to which I intend to contribute. Hence, in the hypothesis it is assumed that the two Member States will display different structure of governance and administrative arrangements, which, moreover explain the currently observable divergences of implementation performances. While politics might be influenced by contingent factors regarding the composition of government, structures of government and administrative factors are more likely to be intervened by the structural evolution of coordination capacities.

It seemed appropriate to use a methodology that adopts a comparative approach of two most similar cases (Lijphart, 1971: 692), as the objective is to test the hypothesis on the factors that explain variations, in terms of implementation structures and performance, between two similar Member States. Similarities between these two countries are taken into advantage to see if the pattern of observed variations is consistent with our theoretical expectations (Halperin and Heath, 2020: 238). As it is already mentioned above, the focus of the research is on the case of Italy and Spain, they share broadly similar characteristics across all relevant variables except for those that are considered explanatory factors. The shared characteristics act as a control in order to test whether the difference, in terms of implementation performance, is associated with the variation in the dependent variable (machinery of governance and administrative system and, eventually, the implementation performance), (Halperin and Heath, 2020: 239). Both countries, as is the norm for many other Southern European Member States, have always had certain difficulties when downloading EU policies and transposing EU legislations, and their administrative systems are affected by structural deficiencies that could put at risk the effectiveness of their NRRPs. Moreover, such implementation pressure has come under a great deal of pressure because of the specific conditionality regime of the RRF. The hypothesis suggests that the implementation performances of NRRPs can be considered as the examples of different Europeanization paths. The most popular definition of Europeanization is the one of Radaelli that describes it:

as a set of processes of a construction, diffusion, and institutionalisation of formal and informal rules, procedures, policy paradigms, styles, ways of doing things and shared beliefs and norms which are first defined and consolidated in the making of EU decisions and then incorporated in the logic of domestic discourse, identities, political structures, and public policies (Exadaktylos et al., 2020: 51).

In simple words we can say that Europeanization is a phenomenon that describes how the European integration process influences the domestic dimension of Member States and, by the same token, as specific domestic characteristics explain the effects of EU inputs are usually different across Member States; to do so, it rests on different theoretical causal mechanisms. In the case under discussion, rational choice institutionalism (RC, hereinafter) and historical institutionalism (HI, hereinafter) are considered to be the best suited to explain the reason why different systems of governance had been selected. Hence, the analytical framework considers two levels of coordination and cooperation: the political and the administrative level. As it is commonly shared by Europeanization studies, the independent variable resides in the upstream EU input shared by the Member States, in this case the conditionality of the RRF instrument that exerts pressure on the domestic systems. The dependent variable is the governance machinery adopted by the two Member States, consisting in the attributions of powers and responsibilities at the level of the central government and

the territorial administrative coordination (centre-periphery relations). The analysis is further extended to preliminary implementation outcomes to strengthen confidence in the hypothesis.

The arrangement within the political wings of government is considered as the result of two factors. According to RC approaches, contingent political balance of power (coalitional politics) explains the more immediate governance choices to maximise the payoffs of implementation in the light of the relative force of political groups (within and across parties). At the same time, it is acknowledged, based on HI approaches, how long-standing structures of government and political environments are not entirely flexible and can have a constraining effect on the scope of governance innovations. In concrete terms, the analysis will focus on the centralization of control around the core executive, i.e., the Prime Minister cabinet and/or taskforces or more collegial decision-making involving Ministers. On the other hand, consideration is given to administrative arrangements regarding bureaucratic coordination among the centre and the periphery, i.e., centralization of decision making within central government or delegation of administrative tasks to periphery – i.e., regions- as the outcome of more long-standing structural dynamics (HI). Regarding the time frame, the analysis will be made starting from 2020, in the case of Italy, the three governments that have been involved in the process of negotiating, drafting and implementing the Italian NRRP will be considered in the following order: The second government of Prime Minister (PM, hereinafter) Conte, the government of PM Draghi and the actual government of the PM Meloni. While for the case of Spain, the one government that has been in charge since the beginning of the pandemic will be analysed, the second government of PM Sánchez.

3. HOW EUROPEANIZATION IMPACTS THE DOMESTIC DIMENSION: RATIONAL CHOICE INSTITUTIONALISM AND HISTORICAL INSTITUTIONALISM

Europeanization is a phenomenon that analyses the strong interactions between Member States and the European Union. Vink and Graziano (2007) defined Europeanization “as a process of domestic adaptation to European regional integration” (Exadaktylos et al, 2020: 51) and it is a process taking place from the Member States up to the EU (bottom-up) and from the EU down to the Member States (top-down) (Exadaktylos et al, 2020: 51). The Europeanization process implies changes to domestic structures at the institutional and governance level, “such as dominant regulatory styles and the decision-making structures of particular policy sectors” (Knill and Lehmkuhl, 2003: 255). As a result of the variety of political and administrative systems among Member States, how each of them will respond and adapt to this process will present certain differences at national and subnational levels. More specifically, there will be different degrees of change and adaptation on political and institutional systems of Member States when *downloading* EU policies (Börzel, 2005: 51). Europeanization is explained through a variety of theories which adopt different points of view, methods, and logics, depending on the particular aspect of this

phenomenon (Europeanization) that needs to be understood and explained. Among this puzzle of theory, I have chosen those that seemed most appropriate to try to understand and explain the specific case study. In order to analyse how domestic political and administrative systems in Italy and Spain are facing the challenge posed by the RRF mechanism, the perspective of new institutionalism is used, more specifically the strands of rational choice institutionalism (RC) and historical institutionalism (HI). Rational choice institutionalism follows “the logic of consequence” (Exadaktylos et al, 2020: 55) which assumes that political actors “have a fixed and ordered set of preferences and they act instrumentally in order to maximise their expected utilities by deploying the resources at their disposal” (Börzel, 2005: 8). From this point of view, the European Union is seen “as an emerging political opportunity structure” which offers some actors additional political resources to exert influence and maximise their interest (Börzel, 2005: 8). Thus, “political change occurs primarily when domestic political actors rationally use European resources in order to support predefined preferences” (Exadaktylos et al, 2020: 55). Accordingly, it is considered the NRRPs a political resource and, also, a potential liability. It is a resource because it considerably increases the potential for government spending, providing “credit”. At the same time, if the credit is not shared equally among coalition partners (let alone with opposition) the relative benefit can be considered, at least in part, a loss for those enjoying a smaller share. Finally, failure to implement correctly can bring political blame from public opinion while, of course carrying out the required reforms can also be politically costly. Considering the former, NRRPs implementation and more specifically, the structure of governance put in place to coordinate and to assess investments and reforms is expected to depend on preferences and interests of involved political actors, and how they will strategically balance the resources and liabilities involved. Thus, Europeanization can affect the domestic structure “by altering the domestic rule of the game” (Knill and Lehmkuhl, 2003: 258) and shifting the distribution of powers, resources and creating an effective challenge to the existing institutional equilibria (Knill and Lehmkuhl, 2003: 258). Rational choice institutionalism enables the capture of the balance of power between different actors, therefore, to explain why a particular structure of governance, whether the centralization of control around the core executive or more collegial decision-making involving Ministers has been selected to implement NRRPs. Rational choice institutionalism considers two mediating factors that could influence the capacities of domestic actors to exploit new opportunities and avoid constraints with opposite effects: *multiple veto players* and *facilitating formal institutions* (Börzel, 2005: 9). The existence of *multiple veto players* in the institutional structure “can empower actors with diverse interests to avoid constraints and, thus, effectively inhibit domestic adaptation” (Börzel and Risse, 2000: 7). “The more power is dispersed across the political system and the more actors have a say in political decision-making, the more difficult it is to foster the domestic consensus or ‘winning coalition’ necessary to introduce changes in response to Europeanization pressure” (Börzel and Risse, 2000:

7). Hence, it is fundamental to analyse to what extent the Europeanization process has altered the strategic position of domestic actors, especially of those actors holding veto power. (Knill and Lehmkuhl, 2003: 260). A clear example could be the European liberalisation of the transport sector, that empowered societal and political actors in highly regulated Member States, which had been unsuccessfully pushing for privatisation and deregulation (Börzel and Risse 2000: 7).

While the existence of *facilitating formal institutions* “can provide actors with material and ideational resources necessary to exploit European opportunities thus promoting domestic adaptation” (Börzel and Risse, 2000:7). As it is mentioned before, the European Union can offer a political opportunity structure with additional resources, but domestic actors need the “action capacity” (Börzel and Risse, 2000: 7) in order to take advantage of it. For example, “direct relations with European decision-makers provide regions with the opportunity to circumvent their central government in European policy-making” (Börzel and Risse, 2000: 7), but many regions lack of resources (money, expertise, manpower) to be permanently present at the EU level and, thus, to exploit new opportunities (Börzel and Risse, 2000: 7). Strong regions like Catalonia can maintain regular relations with EU institutions but small regions like Extremadura lack the action capacity (Börzel and Risse, 2000: 7). In the analysis on how the conditionality mechanism of the RRF has impacted the political and administrative systems of Spain and Italy, it is necessary to consider and underline the fact that this mechanism includes broad areas of policies, meaning that many actors are involved, with different preferences and interests. Moreover, considering the quantity of financial resources and reforms involved in this programme, the stakes are high. For the purposes of the research is necessary to consider that, in terms of *facilitating formal institutions*, Spain and Italy have broadly similar characteristics of parliamentary democracies, but there are also crucial factors that facilitate government stability and longevity in the former which are absent in the latter, in particular the formal rules for withdrawing support to a government and forcing its resignation. While in the case of Spain the constructive motion of censure facilitates government stability, since if the opposition wants to force a government crisis and resignation, it must present an alternative candidate (Magone, 2018: 79). The Italian political system is very well known for its permanent political instability, a high level of government turnover (often bringing to office broad, fragmentary, and unwieldy coalitions) and growing electoral volatility (Capano and Sandri, 2022: 128). No mechanism is in place to safeguard the government against even minor shifts in support enjoyed in Parliament. Hence, in terms of institutional stability and relationship between parliaments and governments, Spain is definitely more stable than Italy. Differences are further found when it comes to *veto player actors*. We can say that power, in Spain and in Italy is relatively dispersed across the political system, both countries have a multi-party system but the dispersion and the fluidity of political forces, measured by the number of parties represented in Parliament and needed to provide support to a government, as well as changes of MPs’ political affiliations

during the same legislature, is much higher in Italy than in Spain. Moving now to the territorial dimension, Spain is one of the most decentralised states in the EU, in which the Autonomous Communities (Comunidades Autónomas) play a key role and are often trying to gain more institutional power and influence over the process of decision-making. It is considered that the Autonomous Communities can act like veto players, by blocking and claiming more capacity in the implementation process of policies. As for politics, the party system in Spain has over time become relatively fragmented, with multiple parties obtaining seats in the Spanish Parliament. The political fragmentation has made it difficult for a single political party to achieve a majority, resulting in the formation of coalition governments and political alliances. Additionally major political parties often needed to negotiate with smaller regional parties under the condition of an absence of absolute majority, as was the case of the actual government of the PM Sánchez. Hence regional parties were in part included in the decision-making process (influencing the agenda of the government) and their interest had to be considered. Therefore, we can say that, in spite of the potential for contestation, the political system of Spain can also favour institutional coordination (Parliament, government coalitions and territorial government and administration) reducing the incentives to exercise veto and instead support governmental action. Compared to the case of Spain, Italy sails over more turbulent waters. As it is already mentioned above the Italian political system is characterised by a high fluidity of political forces that both reflects and feeds into its instability. Within the body of government Ministries often have an interest in interfering and diverging from the agreed coalition/government agenda, making the implementation process more difficult and less effective; at the extreme, they can play the role of veto actors. This probability increases when the political context involves the distribution of a consistent number of resources, as in the case of the RRF. The key here is to understand how and why the interest in taking advantage of the resource opportunity would prevail over the political convenience of torpedoing the government agenda for parry political calculus. Conversely, a related question is whether the mechanisms established by the presidency of government to avoid such possibility, by for instance centralising governance in the hands of the PM cabinet, might also result in sluggish and ineffective implementation arrangements. The Italian political system has traditionally been characterised by multiple government crises and frequent changes of political direction resulting in suboptimal and insufficient public policies and institutional reforms. Political actors tend to maximise the short-term and the governance tends to be more centralised around the figure of the Prime Minister. As it is already mentioned above the negotiation, drafting and implementation of the Italian NRPP had to go through three different governments. Differently from the Spanish case, Italy is a more centralised State, regions have exclusive and shared competences with the central State, and they do not tend to claim more capacity, except for some exceptional cases that are not particularly relevant for our case study. In this context, the difficulty does not stand whether regions can act like veto players but rather in their weak capacity of

implementation, managing of resources and ensuring transparency. In other words, while the Spanish territorial organisation might have a difficult start in competing interests over implementation, once a compromise is found, territorial governments have robust implementation capacities. In Italy, the problem is almost the opposite, an easy start because of lack of interest by peripheral governments in competing with the central power, but difficult implementation afterwards due to the lack of robust administrative capacities. In addition, the Italian political system is also fractured by the lack of cohesion, in terms of the quality of institutions, economic and social development, among the Italian regions; in particular, there are huge inequalities between the South, *Mezzogiorno*, and the rest of Italy. These factors, for both Italy and Spain have affected the process of *downloading* and implementing EU policies, as it will be explained in the next chapter.

The other strand of new institutionalism, historical institutionalism, provides a complementary perspective based on the assumption that “history matters” (Nakrosis et. al, 2023: 5). It tries to explain domestic political change focusing on how institutions, rules, and policies adapt at the European integration pressure, assuming that there is a tendency to “path dependency” and “increasing returns” of existing institutions (Exadaktylos T et al, 2020: 55). The former means that domestic political and administrative structure will adapt to European integration without substantially modifying existing domestic structures, reproducing historically established repertoires of rules and standard operating procedures (Cotta and Domorenok, 2022: 427). The logic of path dependency could facilitate or constraints the current capacities of actors (Nakrosis et. al, 2023: 5). Accordingly, it is considered that political expediency and rational cost-benefit calculations expected by adopting a rational choice perspective must be filtered through the more long-standing structural dynamics, following the tendency of path dependency. As such, administrative arrangements set for the implementation of NRRPs, such as coordination between the centre-periphery administration, are less likely to be changed in time for the effective implementation of the NRRP. The scenario of path dependency entails the incorporation of EU requirements without substantially modifying existing domestic structures and will tend to “reproduce historically established repertoires of rules, norms, and standard operating procedures” (Cotta and Domorenok, 2022: 427). These two approaches (RC, HI) are not mutually exclusive, they are considered complementary, as they help observe and analyse the same phenomenon from two different points of views, offering a more comprehensive understanding on how domestic political and administrative systems adapt to the RRF conditionality mechanism and how this adaptation is producing different results in the two Member States.

4. ITALY'S AND SPAIN'S PAST IMPLEMENTATIONS PERFORMANCES OF EU POLICIES

Italy has always had a difficult time when it comes to effectively downloading EU policies, due to different factors depending on the policy area involved. It has always had major difficulties meeting EU financial deadlines and a problematic capacity of funds absorption (Domorenok and Guardiancich, 2022: 6). One example could be the implementation of the European Structural and Investment Fund (ESIF), the lowest levels of spending have been observed in some of the EU thematic priority guidance for the NGEU, such as: social inclusion, climate and environmental action, and small and medium sized enterprises (Domorenok and Guardiancich, 2022: 196). The literature agrees that Italy's poor results are linked to the following factors: lack of capacity and resources of administrations; political instability, that brings lack of strong public policies; and long delays in the implementation process due to implementation procedural variables (Terracciano and Graziano, 2016: 295). Furthermore, variation in the implementation performance does not only affect the national dimension but it is also present at the regional level, meaning that there are significant differences between the performances of the Italian regions, in particular between the north and south regions, *Mezzogiorno* (Terracciano and Graziano, 2016: 295). Moreover, Italy has always had problems of credibility, lack of transparency and corruption which affected the effectiveness of policy implementation and the correct use of funds. The detection rate for irregularities and fraud in Italy ranges from average to high (Domorenok and Guardiancich, 2022: 196). Italy has also had a poor track record of implementing CSRs in the pre-pandemic period (Cotta and Domorenok, 2022: 428), which are key factors in order to comply with the RRF mechanism; the European Commission has identified several shortcomings and bottlenecks that Italy needs to resolve in order to implement its ambitious NRRP (Domorenok and Guardiancich, 2022: 200). The NRRP has been planned with the scope to overcome structural shortage in terms of effective implementation, but there is a high risk that the Italian political and administrative system will still have certain difficulties and delays in complying with the RRF mechanism. The Italian political system has been profoundly challenged by the fact that, so far, NRRP implementation had to be carried out in the midst of a profound, yet not unusual, political turmoil featuring three different governments, two government crises, and a snap election resulting in a radical and unprecedented change of political orientation. Similarly, the lack of administrative capacity is a well-known characteristic of the Italian system. The administration system, in terms of allocation of responsibilities and resources, cooperation and coordination, has been identified as one of the country's major weaknesses (Domorenok and Guardiancich, 2022: 197). In fact, the NRRP included important cut-through reforms of the public administrations system; but still, the number of resources envisaged by the RRF are going to put a lot of pressure on the system (Di Mascio and Natalini, 2023: 239). Spain has presented similar struggles when implementing EU policy and transposing EU legislations; and this can be demonstrated by the many infringements procedures opened by the

European Commission. Still, most of them were resolved rapidly without reaching the Court of Justice of the European Union (CJEU). Like Italy, Spain has shown some difficulties and deficiencies when implementing EU policies, as in the emblematic case of environmental policy. Nevertheless, looking back at Spain's history there is one important factor that is worth to note. Since its entrance into the European Union, there has always been a general consensus toward the integration process, a positive opinion of Spanish parties towards the EU. This can be in part explained by all the benefits that this process brought to the economy of Spain (Arregui, 2020: 136); Spain has benefited enormously from redistributive policies of the EU, also the Common Agricultural Policy (CAP) and fisheries funds have been key instruments for the economic growth of the country (Arregui, 2020: 136). This consensus created a positive tendency of the Spanish political system to the EU, it looked forward and openly toward European integration. Therefore, it is not surprising that "Spain has been one of the Member States that historically has called for further integration" (Arregui, 2020: 137). Following this will to become a leading EU Member State, the government of PM Sánchez, before the pandemic, had proposed the so-called *Agenda del Cambio*, an agenda comprising several cross-cutting measures that would include reforms in order to promote an inclusive and sustainable economic growth. In this agenda there are reforms for the environment, digitalization, and a more efficient administration; objectives which are perfectly in line with the pillars of the NGEU programme. From a perspective of goodness of fit, it can be said that this was a case of "fit" between the European agenda and Spain's domestic agenda. The challenge in the case of Spain stands in the decentralised nature of the Spanish political system; the RRF instrument requires a system of effective and efficient cooperation and coordination between the central government and the Autonomous Communities (Royo, 2020: 185). As for the Italian case it is paramount that the cut-through reforms, especially the one regarding the public administration, go hand in hand with the investment projects. They are essential for an appropriate use of the RRF instrument and for expediting the administration of the money and the projects (Bonisconi, 2021: 12).

5. STRUCTURE OF GOVERNANCE ENVISAGED BY THE ITALIAN NRRP

This chapter will be dedicated to the description of the governance machinery adopted by the Italian government to implement its NRRP, the focus will be on two levels of coordination and cooperation, i.e., the political and the administrative levels. In particular, on the attribution of powers and responsibilities at the central level and the territorial administrative coordination (centre-periphery relations). Through the perspective of RC and HI, the analysis will be conducted to examine the factors leading different governments to choose (and modify) specific types of governance machinery. As it is already mentioned above the Italian political system is quite unstable due to the high fluidity of political forces, indeed the negotiations, drafting and implementation of the NRRPP had to go through three different governments. The government of PM Conte

oversaw the first draft that was then modified by the technocratic government of PM Draghi, which lasted until October 2022, and was thus in charge of the first phase of implementation. At present the implementation of the NRRP is in the hands of the new government of FM Meloni. The second government of PM Conte took office on 5 September of 2019, after the collapse of his first governing coalition (Bull, 2021: 149). Giuseppe Conte's second coalition was formed by *Movimento Cinque Stelle* (M5s) and the *Partito Democratico* (PD) alongside the smaller left-wing *Liberi e Uguali* (LeU) and Matteo Renzi's *Italia Viva* (IV) (Bull, 2021: 149). Soon after, the government of PM Conte had to manage an unprecedented public health crisis and once the NGEU was approved by the end of 2020, the government was not ready to set up an effective governance structure for the supervision of the reforms and the spending envisaged by the RRF instrument. As it is already mentioned, the RRF is an enormous resource but at the same time is a potential liability. It was indeed the organisation of the governance structure for the NRRP that brought strong disagreement among the government coalition and destabilised the already unsteady balance of power. PM Conte, among others, is the leader who negotiated the approval of the RRF mechanism at the European level, hence the disbursement of the generous number of resources available for the recovery from the pandemic. In a way, he felt that these resources were his to manage; in fact, in the first draft of the NRRP, the Control Room (the head of the NRRP's governance structure) was structured around the figure of the PM supported by the Minister of the Economy and the Minister of Economic Development, effectively ruling out the other political forces. Matteo Renzi, the leader of *Italia Viva*, hardly criticised this decision and claimed more participation within the management and distribution of the RRF funds. With the unpreparedness of the government on how to manage and distribute the resources, the ongoing political fragmentation, the situation escalated, and *Italia Viva* decided to leave the ruling coalition and opened a government crisis (Fabbrini, 2022: 665). From the perspective of RC, Renzi was thus acting like a veto player. At this point of time, Italy found itself in the middle of a second wave of the COVID-19 pandemic and a government crisis, therefore the President of the Republic, Sergio Mattarella, proposed to form a technocratic government "with the specific mandate to speed up the national COVID-19 vaccination plan, address the devastating socio-economic consequences of the pandemic, and to put together a NRPP up to the challenges" (Fabbrini, 2022: 665). So, he appointed the former European Central Bank (ECB) President Mario Draghi, who accepted the task and set out to form a government based on the by then familiar concept of Italian politics, that of "national unity", which in practice means an "apolitical" government as possible, asked with the limited goal of facing specific urgent challenges and supported by a broad political coalition. The PM Draghi revised and modified the draft made by his predecessor and put together an ambitious NRPP to present before the deadline of 30 April 2021 to the European Commission (Fabbrini, 2022: 665). Considering that the Draghi government was composed by Ministries coming from a broad (and also adversarial) party base, from the right *Lega* party to the progressive democrats of *Articolo Uno* (Moschella and

Verzichelli, 2021: 340), it is understandable how such heterogeneity represented, at least from the perspective of the PM, a serious risk of the emergence of veto players and thus frictions during the implementation process. The task facing Draghi was therefore daunting because of its multiple challenges. Not only he faced a situation of crisis and urgency to draw a plan in a short amount of time, but he was also under pressure to preserve a delicate balance of power (and responsibility) among the multiple forces co-opted within government while at the same time guaranteeing (or at least, give the impression to external audiences at EU level) that the plan would not be used to distribute politically and electorally relevant resources to parties nor that reforms would be diluted to avoid touching on the many sensitive issues for the parties involved. As a partial proof of such endeavour, the NRRP final draft has been considered as a rather technical exercise: “the NRRP does not divide resources between various government departments, according to a pure political, electoral logic. On the contrary, the NRRP identifies issues which require priority action and allocates resources in a targeted manner to address them” (Fabbrini, 2022: 667).

The government of PM Draghi organised the following governance system. According to Decree Law 77/2021 enacted in May 2021, at the centre of the system there is the Control Room, headed by the Prime Minister and composed by constantly rotating Ministers that alternate according to the agenda of the NRRP (Bonisconi, 2021: 6). In practice, when a particular theme of the plan involves a particular Ministry, the latter participates in the Control Room’s meeting (Bonisconi, 2021:6). Other actors can also participate at these meetings, such as regional representatives when the area of the plan involves their territories (Bonisconi, 2021:6). The Control Room is in charge of the selection of projects that materialise the NRRP objectives (Bonisconi, 2021:6). We can say that this institutional body exercises powers of policy, impulse, and general coordination (D’Arrigo and David, 2022: 177). To do so it collaborates with two other bodies: the Technical Secretary and the Permanent Table. The Technical Secretary shares technical knowledge with the Permanent Table and it updates the Council of Ministries. An important aspect to underline is the fact that the Technical Secretary stays in place until the complete implementation of the NRRP envisaged by the end of 2026 (D’Arrigo and David, 2022: 177). The Permanent Table, an organism with advisory capacity to the Control Room, is composed by different societal and institutional actors, such as representatives of social organisations, of the governments of the regions and of local authorities, business representatives and so on (Bonisconi, 2021:6). This body should be able to identify relevant profiles for the practical execution of each part of the plan and it should also identify possible obstacles and issues that could affect the implementation and inform the Control Room. In other words, the Permanent Table should ensure a linear and effective performance (Bonisconi, 2021: 7). The Central Service, a body that lies within the Ministry of Economy and finance (MEF), communicates and reports directly to the European Commission and it is in charge of the oversight and control of the implementation, it monitors the spending of RRF’s funds and the execution of investments and reforms. To do so, any administration responsible

for the practical implementation of projects must report to the Central Service of any development made in that direction (Bonissoni, 2021: 7). Within the MEF, the General State Accounting Department (*Dipartimento della Ragioneria generale dello stato*) has audit functions and it monitors the legality of the process, it exercises anti-corruption monitoring (D'Arrigo and David, 2022: 178). The relevant government departments and local administrations are responsible for executing the specific NRRP's mission and projects (Fabbrini, 2022: 668). However, and crucial from the perspective of a RC understanding, Article 12 of the Decree Law establishes that the Prime Minister office holds substitutive power (D'Arrigo and David, 2022: 180). This means that in case of delays, dissent, denial, and opposition by any of the implementing actors, that can put at risk the achievement of the objectives of the plan, the Prime Minister Office can step in and take over (D'Arrigo and David, 2022: 180). The central government holds extremely broad powers. All in all we can say that the governance structure of the Italian NRRP is extremely centralised around the Prime Minister Office, leaving a small space of participation in the decision-making process on priorities and how to distribute financial resources, to other institutional actors such as regions and local authorities (Di Mascio et al., 2022: 405); their involvement has been redirected to the more practical implementation phase (Di Mascio et al., 2022: 405). The reason for this centralization can be found in the origin and the composition of forces of the government led by PM Draghi. As it is already mentioned above, the heterogeneity of the government could represent a risk in the management and implementation of the NRRP, hence the PM decided to decrease the possibility of veto players hindering this crucial process and concentrate powers around his office. The outcome is a top-down and very pragmatic approach with a focus on selective and targeted interventions, but "with little coordination between the individual ministries and between the levels of government involved" (Di Mascio et al., 2022: 405). The NRRP envisaged by PM Draghi also involved an important reform of the administrative system, in order to secure an effective implementation. Even so, this reform seems to be less ambitious than expected and targeted to more limited interventions (Di Mascio and Natalini, 2023: 245), the reason for this can be found again in the composition of political forces supporting the government. On one hand it has prevented "establishing clear and coherent objectives for a process of structural change" (Di Mascio and Natalini, 2023: 245) and on the other the PM wanted to "avoid undermining support for the Government by provoking conflict with the public-sector unions" (Di Mascio and Natalini, 2023: 245).

When the urgency to set the NRRP and launch the first phase of implementation faded, it became more difficult for PM Draghi to balance the political forces that went from centre left to the right, which then decided to take advantage of the situation and shift power in order to advance their political and electoral interests. Once the PM lost the broad political majority that supported its government, hence without the "national unity" that was an indispensable condition for the PM to stay in office, he decided to step down and yet once again, Italy had to face another government crisis.

From an HI point of view, we can find evidence of “path-dependence”. Even if the government ensured a balance of power at first, the outcome follows a path very well known to the Italian political system. Institutions and relations within the political system lack stability, therefore their structures are fragile and produce poor implementation performances. The government crisis brought the actual government led by Giorgia Meloni, in office since 22 October of 2022. It is supported by right parties: *Fratelli D’Italia* (FDL), *Lega*, *Forza Italia* (FI), *Noi Moderati* (NM) and formed by a wide majority of conservative Ministries; it represents a radical change of political orientation in the Italian government. It is important to underline that with this political government, the liability of the RRF turns out to be exclusively political. With the government of PM Draghi, the implementation performance was a responsibility of a non-political figure, but now the situation is reversed. PM Draghi centralised the control of the implementation process at *Palazzo Chigi* (Prime Minister Office), in the hands of the undersecretary to the Prime Minister, Roberto Garofoli, deliberately a non-political figure (Baccaro, 2022). On the other hand, PM Meloni has appointed as the head of the Control Room, the Minister for European Affairs, Raffaele Fitto, a political figure from *Fratelli d’Italia* (Baccaro, 2022). In this new political context, it is possible to identify different aspects of instability that affect both the political balance in the government but also the structure of the plan itself. Raffaele Fitto has to govern and direct the relations between political ministries and other political actors that will manage the different projects of the plan (Baccaro, 2022), which is a challenging task considering the fragmentation and instability of the Italian political system. The political party *Lega* has already requested a review on the distribution of the funds of the NRRP (Baccaro, 2022). In addition, the government of PM Meloni is having great difficulties in the implementation process, in particular in terms of complying with the objectives, absorbing capacities and meeting with the deadlines envisaged by the NRRP. Hence, it is considering reviewing the plan and downsizing the number of resources addressed to implementing actors, e.g., administrations and local authorities, in order to simplify the implementation process and decrease the political pressure. This move could actually hollow out the NRRP of its ambition and great objectives, scuttling the whole project. Since the political liability has increased with this new government, the PM Meloni is strategically acting in order to avoid being held accountable for a possible dissatisfactory implementation performance of the NRRP. In addition, the government is considering revising the structure of governance of the NRRP, reducing the space of manoeuvre of the MEF and centralising even more power around the PM’s office (Di Mascio and Natalini, 2023: 247). Nevertheless, the governance of the NRRP itself ‘is subject to measures included in the Plan and this implies that its modification is subject to an assessment by the European Commission’ (Di Mascio and Natalini, 2023: 247). In addition, this procedure involves the risk of a suspension of the disbursement of funds that could further slowdown or even block the implementation process in its most crucial moment (Di Mascio and Natalini, 2023: 247). As it is specified in the introductory chapter, it is assumed that the specific structure of governance chosen by Italy and

Spain led to different outcomes. Italy seems to be risking losing one of the greatest opportunities for the country, as it is having great difficulties in absorbing the number of resources envisaged by the RRF mechanism and respecting deadlines. It is the principal beneficiary among all the Member States and according to the Italian Court of Audit (*Corte dei Conti*), Italy has managed to only spend 6 % of the total funds, and half of the funds scheduled for 2022. It seems that the Italian administrative system is having great difficulties in absorbing such a large number of resources within a tight timeframe. According to the Parliamentary Office for the Budget (*Ufficio Parlamentare di Bilancio*), the local authorities would be responsible for the achievement of around €70 billion of investments, which means more than 40 % higher than the annual average value of the capital spending undertaken by the local authorities (Di Mascio and Natalini, 2023: 242). In addition, many of the objectives reached during 2022 concerned only milestones which envisaged legal and administrative measures, with the objective to facilitate the achievement of targets in the following semesters (Di Mascio and Natalini, 2023: 238). Targets are objectives related to quantitative achievements, meaning that the following semesters will be the core stages of the implementation process of the NRRP. Since February 2023, the European Commission has retained the third tranche of €19 billion because the Commission wanted to take more time to assess if Italy has effectively complied with the objectives envisaged by the NRRP for the second semester 2022. It is important to consider that the governance structure foreseen by the government of PM Draghi has been designed around the figure and personal credibility of Mario Draghi and his collaborators, which together with the pressure coming from the European Commission, helped to create the necessary political unity and cooperation to ensure a smooth realisation of the objectives established at the early stages of the implementation process (Di Mascio and Natalini, 2023: 244). This political unity couldn't last long in the fragmented and unstable Italian political system. As it is already mentioned, the government crisis of October 2022 has brought a radical change in the political direction that could undermine the ambitious objectives of the Italian NRRP. The government of PM Meloni has shown the intentions of modifying the governance structure established by his predecessor and downsizing the number of resources addressed to implementing actors (administrations and local authorities). Although it hasn't prepared an official proposal yet to present to the European Commission, and negotiations for the disbursement of the third tranche are still pending.

6. STRUCTURE OF GOVERNANCE ENVISAGED BY THE SPANISH NRRP

This chapter will be dedicated to the description of the governance machinery adopted by the Spanish government to implement its NRRP. As for the Italian case, the focus will be on the attribution of powers and responsibilities at the central level and the territorial administrative coordination (centre-periphery relations). Through the perspective of RC and HI, the analysis will be conducted to examine the factors leading

the Spanish government to choose a specific type of governance machinery. As it is already mentioned, the Spanish political system is more stable compared to the Italian one, in fact, the management and distribution of the resources did not cause such political turmoil to lead to a government crisis. Hence, the focus will be on the one government in charge of the negotiation, drafting and implementation of the Spanish NRRP, which is the second government of PM Sanchez, in office since 13 of January of 2020. It is composed by the *Partido Socialista Obrero Espanol* (PSOE), *Unidas Podemos* (UP) alongside the *Esquerra Republicana de Catalunya* (ERC) whose support was crucial to obtain the parliamentary majority in order to form a stable government. When the NGEU had been approved, the coalition government was facing a lack of solid majority in Congress, disputes within the Socialist (PSOE) and *Unidas Podemos* (UP) and high criticism from the opposition parties (Fernández-Pasarín and Lanaia, 2022: 41). In view of the urgency of the situation that required the preparation of an effective NRRP in order to start receiving RRF funds, the coalition was capable of setting aside divergences among the parties and finding common ground. Even though the Spanish government was on new ground, in terms of government formation, it managed to balance the different political forces and maintained unity of action. Given the fundamentally bipolar nature of the political system (notwithstanding the multiplication of parties within each pole), the incentives to stick to a coalition government were higher than provoking a government crisis. Moreover, the RRF resources were perceived as an opportunity to advance the progressive government agenda given the substantial overlap with the RRF priorities, even at the cost of having to compromise on salient political reforms on the part of the government coalition actors. The forces of opposition, in particular the *Partido Popular* (PP), decided to act cautiously, nevertheless it created hurdles to effective governmental action and fed internal tensions within the coalition but without the appearance to act against the national interest (Fernández-Pasarín and Lanaia, 2022: 42). On the other hand, other political actors, such as the Autonomous Communities (CCAA), saw the disbursement of RRF funds as a major distributive policy giving them the possibility to increase their powers and influence. Therefore, the NRRP created an ambiguous situation for Autonomous Communities, as they could have bargained hard and threatened to act as veto players to obtain a higher slice of resources and more autonomy in implementation but not too hard as to endanger effective implementation and risk political blame. With regard to the distribution of resources, the government unilaterally decided over their allocation, privileging those regions that had been hit hardest by the pandemic, considering economic variables such as the GDP and unemployment figures (Fernández-Pasarín and Lanaia, 2022: 43), which generated criticism among some Autonomous Communities. However, cognizant of the risk of an overtly centralised approach, the central government cautiously prepared a governance structure that would coordinate the participation and integration of these relevant political actors, avoid the risk of vetoing and increase participation in a smooth implementation process. The 36/2020 Royal Decree-Law, enacted in December 2020,

laid out the governance structures to implement the NRRP. Overseeing the whole structure, a Commission of the NRRP would be established and chaired by the President of the government and formed by all the Ministers and a number of Secretaries of State from relevant departments (Bonisconi, 2021: 5). The Commission's function is to establish the general political and strategic orientation of the NRRP (Di Lascio and Lorenzoni, 2022: 345), and it is 'entrusted with making the ultimate informed decision upon the approval of projected proposals' (Bonisconi, 2021: 3). Worth to note from an RC understanding is the fact that the final decision-making body is primarily political (Bonisconi, 2021: 5). The Commission is flanked by the Technical Committee and the Sectorial Conference, who have to communicate to the Commission their preferences that should be taken into consideration and made into practical projects and guidelines (Bonisconi, 2021: 3). The Technical Committee gathers 20 technical experts in management of EU funds and other relevant areas to the implementation process (Di Lascio and Lorenzoni, 2022: 345). It administers the technicalities of the process (Bonisconi, 2021: 5), e.g., it can propose guidelines and manuals relating to procedures and handling of investments, to do so it can create Working Groups with NGOs and private actors (Bonisconi, 2021:5). The Sectorial Conference is formed by the representatives of the Autonomous Communities and chaired by the Ministry of Finance in order to guarantee a constant collaboration between the central government and the Autonomous Communities (Di Lascio and Lorenzoni, 2022: 346). Its function is to delineate concrete projects following the NRRP's objectives, to do so the representatives of Autonomous Communities can request the participation of the Local Administrations (Bonisconi, 2021: 4). Additionally, the Conference is supported by the Commission for the Coordination of European Funds to ensure an effective usage of EU funds (Bonisconi, 2021: 4). In this way the government assures the integration of Autonomous Communities in the decision-making process for projects and in the implementation process, reducing the probability of veto players. In fact, the Autonomous Communities had obtained direct implementation powers over 54 % of the total available funds (Fernández-Pasarín and Lanaia, 2022: 45). Monitoring functions are delegated to a body formed by the General Secretariat for Economic and G20 Affairs (Bonisconi, 2021: 5), The Commission must inform the latter with all the necessary information about the state of implementation of the NRRP by individual Ministries (Di Lascio and Lorenzoni, 2022: 345), and the Monitoring Body directly and constantly report to the Spanish Prime Minister of any developments on the NRRP implementation (Bonisconi, 2021: 5). From an HI perspective we could say that the Spanish governance structure follows the path of decentralisation, since it coordinates competences and resources for the implementation process at the vertical level, from the State to the CCAA, and at the horizontal level among Ministries. A path very well known to the political and administrative system of Spain since the process of democratisation began.

With regard to the administrative system, within the Royal Decree Law 36/2020 the government provided "an ad-hoc framework to increase the effectiveness

of public action in relation to investment spending” (Fernández-Pasarín and Lanaia, 2022: 43), and significant organisational and procedural changes to modernise the public administration and guarantee an effective implementation (Fernández-Pasarín and Lanaia, 2022: 43). In particular, an innovative tool was created to foster public-private partnership, the so-called PERTE (Strategic Projects for Resilience and Economic Transformation). It’s an important and strategic tool with the objective of effectively absorbing the funds from the RRF mechanism to modernise and enhance the competitiveness of the Spanish economy. The PERTE resembles an instrument present at the European level, the Important Projects of Common European Interest (IPCEI) (European Parliament, Spain’s National Recovery and Resilience Plan: Latest state of play), which combines private and public knowledge and resources across Europe to foster projects that will boost innovation and investments in green and digital industries. These kinds of instruments are also extremely important because they improve and innovate the coordination and cooperation among public administration, private actors and research centres. Such tools aim at involving private actors in projects with a high leveraging strategic potential for the rest of the economy whereby the public sector can help overcome market failures caused by the risk involved in R&D on disruptive innovation (Fernández-Pasarín and Lanaia, 2022: 43).

In terms of implementation performances, Spain is showing different results compared to the Italian case. For the Spanish case, the implementation process is so far yielding better outcomes. Although the Spanish political system found itself in a relatively new political context, considering the formation of a coalition government, it has successfully managed to balance out the different political forces and to prepare an effective ad-hoc framework for the administration system in order to ensure the spending capacity needed for the implementation of the Spanish NRRP. In February 2023 the European Commission has decided to approve the disbursement of €6 billion to Spain, the third tranche of RRF funds (European Commission, 2023), after its positive assessment on the fulfilment of milestones and targets envisaged by the second semester 2022. Paolo Gentiloni, the Commissioner for Economy, stated that “the country has now fulfilled more than one quarter of all the milestones and targets set out in the plan” (European Commission, 2023). Moreover, the Spanish government has recently requested the European Commission to approve the disbursement of €90.000 million loans to strengthen the strategic project of PERTE and implement new and complementary reforms and investments. As it is mentioned in the introductory chapter, the RRF instrument envisages the possibility of the disbursement of both grants and loans to Member States; at first the Spanish government decided to only request the disbursement of grants, in order to avoid costly increases on the public debt. However, since the governance structure of the NRRP has proven to be efficient with an effective organisation to ensure the spending capacity for the implementation process, the government of PM Sánchez decided to take a step forward and take full advantage of this great opportunity. This request came at a critical moment for the Spanish political system, as the PM Sánchez called early general election after the

significant defeat of his party (PSOE) in the municipal and autonomic election on 28 May 2023. This meant that if the European Commission accepted this request, the potential disbursement of loans will be a debt that will weigh on the shoulders of the next government. After the election in July 2023, it took long and difficult months of negotiations to find a majority to form and support a new government. As a result, Pedro Sánchez has been re-elected and formed a coalition government composed by PSOE, *Sumar* (SMR), a coalition of left-wing parties alongside *Partit dels Socialistes de Catalunya* (PSC). This new government already has several weaknesses, being nominated amid significant protests from the opposition. It holds a very narrow and fragile majority, further supported by external independent parties with strong leverage. The strong opposition that this government will have to face, together with its fragile and fragmented support, highly increase the probability of veto players, which in consequence might have negative effects on the functioning of the governance structure and implementation of the NRRP. However, the European Commission accepted the request of the former government to mobilise all the Next Generation EU funds destined for Spain (La Moncloa, 2023). It remains to be seen how the new government will manage these additional resources amidst the tumultuous political context.

7. COMPARISON AND DISCUSSION

The objective of the research was to analyse the governance mechanism chosen by Italy and Spain, focusing on two factors that are crucial when it comes to downloading and implementing EU policies, which are the political and administrative systems. It was assumed that any divergence in the structure of governance can be attributed to political structures, in particular those related to government stability and government coalitions and the territorial political and administrative structure (centre-periphery relations). Through the perspective of RC it was possible to find out that the political balance of power and government coalitions influenced the structure of governance for both cases. In particular, it has been observed that in the unstable Italian political system, the high fluidity of the political forces increased the probability of vetoing, and the first draft of the governance structure and the distribution of RRF resources led to the fall of the PM Conte government. The next government, led by PM Draghi, was supported by a broad and adversarial party base—in charge of laying out the NRRP and the first implementation phase—and in order to preserve the already fragile political balance, it decided to set up a governance structure centralising the control around the Office of the Prime Minister and in the hands of a non-political figure; ruling out other institutional actors (regions and local authorities) from the decision-making process, still responsible for the implementation of projects envisaged by the NRRP, but with little coordination. The PM felt that this was a way to decrease the possibility of vetoing and to protect the fundamental implementation process from politics. Even the reform of the administrative system turned out to be less ambitious than expected, given the

heterogeneity of the political forces supporting the government and the well-known fluidity of political forces, the PM decided to envisage in the reform only targeted and limited interventions in the system. This fragile equilibrium lasted until PM Draghi was able to balance the political forces and the national interest prevailed over electoral and political interests of the governing coalition. Once PM Draghi lost the “national unity”, he stepped down. The following and actual government is led by PM Giorgia Meloni and supported by right-wing political parties, which meant a drastic change in the political orientation of the Italian political system. The actual scenario is different, the political liability has increased since the PM appointed a political figure at the head of the Italian governance machinery, and it remains to be seen how the latter will manage to balance the different political forces in order to ensure a smooth implementation process. As for the Spanish case, through the lenses of RC, it was possible to determine that the government of PM Sánchez, despite the relatively new political context given the formation of a coalition government, was able to find common ground among the political forces and to establish the needed political balance to prepare an effective and inclusive governance structure for the implementation of the NRRP. Even though the disbursement of RRF resources could represent an opportunity for Autonomous Communities to gain more power and influence, possibly acting like veto players; the governing coalition cautiously prepared a governance structure in order to coordinate and integrate the participation of this important political actor. In addition, Autonomous Communities decided to bargain cautiously in order to avoid political blame and cooperate together with the central government to take full advantage of this great opportunity. As it is already mentioned, the perspectives of RC and HI are used as complementary, therefore what couldn't be explained through RC, it was explained through the perspective of HI. For the case of Italy, there is some evidence of path-dependence since the institutions within the political system and political relations follow a path very well known to Italy, which is chronic instability. As for the case of Spain it has been found that its governance structure follows the path of decentralisation, since it shares competences and resources among a vertical (centre-periphery) and a horizontal level (among Ministries). Currently, we are at the middle of the implementation process, there are still two years remaining. In Spain, the PM Sánchez has recently formed a new government after national elections in July 2023. It remains to be seen whether the bipolarization of the Spanish political system and the change of government will affect the governance structure and the implementation process. The governance structure has been envisaged to remain unaltered from changes in the formation of the government, still, from an RC perspective the bipolarization of the political forces could bring difficulties and obstacles to the implementation process. However, it is expected, based on the RC hypothesis, that at least on the dimension of the NRRP, continuity in the name of effective implementation should prevail, as the cost of political blame for failing. As for the case of Italy the future does not seem too bright, as it already mentioned, it is having major difficulties in terms of spending capacity and respecting deadlines. There is evidence showing that Italy is risking missing one of the

greatest opportunities for the country to overcome structural deficiencies and boost economic growth. In addition, it seems that the government is not taking any effective remedial action. Unsurprisingly, petty political calculations of the coalition parties, especially in relation to major reforms that might upset electoral clients of each of them, seem to prevail on the interest for the common good of the country. At the same time, it seems unlikely that public administration reforms could be delivered in time for effective implementation, while regions, for roughly the same reasons, seem unable to relieve the central government of some of its implementation burden. This is, unfortunately, a problem that might have wider repercussions beyond the relaunch of the domestic economy of Italy. Italy is the largest recipient under the RRF mechanism, it holds a great responsibility before the EU and all the Member States. It would be a blow to Italy's image and credibility if it doesn't manage to find a solution to the shortcomings of the implementation process. It would also negatively affect the European integration process, considering how the NGEU will also be judged as a "test" for furthering common fiscal policy instruments. Fiscal policy issues are already difficult to integrate at the European level, as they would touch sensitive domestic competences. The possible Italian failure would demonstrate that there are countries that do not have the necessary capacity to make a good use of this kind of instrument yet.

8. REFERENCES

- Arregui, J. (2020). Europeanization of Political Structures and Public Policies. In: Muro D. & Lago I. *The Oxford Handbook of Spanish Politics*, Oxford University Press, pp. 132-153.
- Baccaro, A. (2022, October 31). *Fitto, l'equilibrista del Pnrr. Slalom da 170 miliardi fra i ministri*. Corriere della Sera. <https://iusletter.com/oggi-sulla-stampa/fitto-lequilibrista-del-pnrr-slalom-da-170-miliardi-fra-i-ministri/>
- Bonissoni A. (2021). *The governance structures of Spain and Italy: are their PNRRs overambitious?*. Elcano Royal Institute, pp. 1-13. <https://www.realinstitutoelcano.org/en/analyses/the-governance-structures-of-spain-and-italy-are-their-pnrrs-overambitious/>
- Börzel T. and Risse T. (2000). When Europe Hits Home: Europeanization and Domestic Change. *European integration online papers (EIoP)*, 4(15). https://papers.ssrn.com/sol3/papers.cfm?abstract_id=302768
- Börzel T. (2005). How the European Union Interacts with its Member States. In Bulmer S. & Lequesne C. *The Member States of the European Union*, Oxford University Press, pp. 1-22.

- Bull M. (2021). The Italian government response to Covid-19 and the making of a prime minister. *Contemporary Italian Politics*, 13(2).
<https://doi.org/10.1080/23248823.2021.1914453>
- Capano G. and Sandri G. (2022). The political leadership of Mario Draghi: an historical watershed or an inevitable bump in the road?. *Contemporary Italian Politics*, 14(2), pp. 118-132. <https://doi.org/10.1080/23248823.2022.2058263>
- Corti F. and Vesan P. (2023). From Austerity-conditionality towards a new investment-led growth strategy: Social Europe after the Recovery and Resilience Facility. *Social Policy & Administration*, 57(4). <https://doi.org/10.1111/spol.12906>
- Cotta B. and Domorenok E. (2022). Catching up with the European Union's recovery and resilience agenda: green transition reforms in the Italian National recovery and Resilience Plan. *Contemporary Italian Politics*, 14(4).
<https://doi.org/10.1080/23248823.2022.2126925>
- D'Arrigo G. and David P. (2022). Next Generation EU e PNRR Italiano: analisi, governance e politiche per la ripresa. Rubbettino Editore.
- D'Erman V. and Verdun A. (2021). Macroeconomic Policy Coordination and Domestic Politics: Policy Coordination in the EU from the European Semester to the Covid-19 crisis. *Journal of Common Market Studies*, 60(1).
<https://doi.org/10.1111/jcms.13276>
- Di Lascio F. and Lorenzoni L. (2022). *Obiettivi, struttura e governance dei piani di rilancio nei sistemi europei: un confronto fra cinque paesi*. Istituzioni del Federalismo.
- Di Mascio et al. (2022). The Draghi Government put to the Test by the National Recovery and Resilience Plan. *Contemporary Italian Politics*, 14(4).
<https://doi.org/10.1080/23248823.2022.2123300>
- Di Mascio F. and Natalini A. (2023). Implementing the NRRP from the Draghi government to the government of Giorgia Meloni: Italian public administration under the pressure of too large a volume of resources. *Contemporary Italian Politics*, 15(2).
<https://doi.org/10.1080/23248823.2023.2190642>
- Domorenok E. and Guardiancich I. (2022). The Italian National Recovery and Resilience Plan: coordination and conditionality. *Contemporary Italian Politics*, 14(2).
<https://doi.org/10.1080/23248823.2022.2046099>

European Commission, *Next Generation EU*. https://commission.europa.eu/strategy-and-policy/eu-budget/eu-borrower-investor-relations/nextgenerationeu_en

European Commission (January 25, 2023), *Next Generation EU: European Commission endorses positive preliminary assessment of Spain's third payment request for €6 billion under the Recovery and Resilience Facility*.
https://ec.europa.eu/commission/presscorner/detail/en/ip_23_922

European Commission. *The Recovery and Resilience Facility*.
https://commission.europa.eu/business-economy-euro/economic-recovery/recovery-and-resilience-facility_en

European Parliament, Spain's National Recovery and Resilience Plan: Latest state of play.
[https://www.europarl.europa.eu/thinktank/en/document/EPRS_BRI\(2022\)698878](https://www.europarl.europa.eu/thinktank/en/document/EPRS_BRI(2022)698878)

Exadaktylos T et al. (2020). Europeanization: Concept, Theory, and Methods. In: Bulmer S. & Lequesne C. *The Member States of the European Union*. Oxford University Press, pp. 47- 69.

Fabbrini F. (2022). Italy's national recovery and resilience plan: context, content and challenges. *Journal of Modern Italian Studies*, 27(5).
<https://doi.org/10.1080/1354571X.2022.2124672>

Fernández-Pasarin A. and Lanaia A. (2022). The Europeanisation effects of the Next generation EU funds in Spain. In: Arregui J. *Europeanisation of Public Policies in Spain*. McGraw Hill/Interamericana by Espana, pp. 37-52.
https://digital.csic.es/bitstream/10261/279013/3/Europeanisation_Spanish_Science-Innovation_Policies.pdf

Halperin S. and Heath O. (2020). *Political methods and practical skills research*. Oxford: Oxford University Press, pp. 231-260.
<https://www.oxfordpoliticstrove.com/display/10.1093/hepl/9780198820628.001.0001/hepl-9780198820628>

Knill C. & Lehmkuhl D. (2003). The national impact of European Union regulatory policy: Three Europeanization mechanisms. *European Journal of political research*, 41(2).
<https://doi.org/10.1111/1475-6765.00012>

La Moncloa (2023), *The European Commission approves the Addendum to the Recovery Plan, which will mobilise all the resources allocated to Spain from the NextGeneration EU funds.*

https://www.lamoncloa.gob.es/lang/en/gobierno/news/paginas/2023/20231002_recovery-plan-addendum.aspx

Lijphart A. (1971). Comparative Politics and the Comparative Method. *The American Political Science Review*, 65(3). <https://www.jstor.org/stable/1955513>

Magone M. J. (2018). *Contemporary Spanish Politics*. Routledge Taylor & Francis Group, pp. 79-89.

Moran N. (2023). *The evolution of conditionality in EU financial assistance under the Recovery and Resilience Facility*. REBUILD Centre Working Paper, 5.

https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4366979

Moschella M. & Verzichelli L. (2021). Il sistema politico italiano alla prova del Piano Nazionale di Ripresa e Resilienza. *Rivista italiana di Politiche Pubbliche*, 16(3)

<https://dx.doi.org/10.1483/102152>

Nakrosis V. et al. (2023). The role of EU funding in EU member states: building administrative capacity to advance administrative reforms. *International Journal of Public Sector Management*, 36(1).

<https://www.emerald.com/insight/content/doi/10.1108/IJPSM-01-2022-0008/full/html>

Royo S. (2020). Responding to COVID-19: The Case of Spain. *European Policy Analysis*, 6(2). <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC7753436/>

Terracciano B. and Graziano R. (2016). EU Cohesion Policy Implementation and Administrative Capacities: Insights from Italian Regions. *Regional and Federal Studies*, 26(3).

<https://doi.org/10.1080/13597566.2016.1200033>