

## **Government reform in Italy**

Franco Bassanini

Cabinet Minister for Public Administration

### 1. The needs of Reform in the early nineties

An obsolete administration: no government-wide reforms since 1865

An inefficient administration: islands of excellence in a sea of general inefficiency

A costly administration: crucial need to balance the budget and reduce public debt

### **Calls for Reform**

The need of change drives large calls for Reform and consequently a large consensus among:

Public

Businesses

Labor

Parliament

### **The Tools of Reform**

A broad "delegating law" (legge delega) n. 59 of 1997:

Parliament delegates Government the power to adopt "legislative decrees" (primary level regulation) in defined areas, pursuant to the principles set by the law

The "delegislation" (delegificazione) mechanism:

Parliament authorizes Government to substitute primary laws with Governmental decrees (secondary level regulation) in two main sectors: administrative procedures and organization of public offices

### 2. The main Areas of Reform

Regulatory Reform

Devolution to Local Authorities: "administrative federalism"

Reorganization of Central Government

Civil Service Reform

A performance-oriented public sector management

The new Public Budgeting

A more transparent and comprehensible Government

e-Government

## **Regulatory Reform**

### 1 - the problems

Regulatory inflation:

over 35,000 primary laws (of State and Regions)

Regulatory costs:

unnecessary burdens on the public, on businesses and even on public administrations

Regulatory pollution:

ambiguity, contradictions, overlapping, layers of rules generate uncertainty on the existing law

### 2 - the simplification strategy

Reducing red tape: a broad program of "delegislation", deregulation, simplification, codification

"annual simplification laws" identify procedures (disciplined by primary law) that Government is authorized to repeal or to streamline with "delegislation" decrees, downgrading the level of regulation

more than 180 procedures already abolished or streamlined under the "delegislation" program

drafting of consolidated texts, containing primary and secondary regulation, that at the same time substitute every previous regulation and simplify procedures in a specific area

### 3 - simplification tools

"Self-declarations" replace 90% of the certificates

"Notification of the beginning of an activity" and silent consent replace authorizations and licenses

A "conferenza di servizi" (combined services conference) replaces many administrative acts

Fixed deadlines to end a procedure

One stop shop (on-line): a single procedure to start up a new productive plant, replacing 43 previously needed authorizations

Towards a costless and quicker establishment of new companies, of any kind: no more judicial authorization and publication on official bulletins

### 4 - a specific policy on regulatory quality (following OECD guidelines)

Regulatory impact analysis

to measure the cost of new regulations on the public and businesses

A central "Regulatory Simplification Unit"

a task force of experts in P.M.O., exclusively monitoring "regulatory quality"

Consultation

the "Osservatorio per la semplificazione": a consultative body with representatives of Ministries, Regions, Local Authorities and social parties

Coordination with EU and OECD

to learn from other countries' best practices and establish common principles of good regulation

## **Devolution**

1 - a leaner but more efficient State

Horizontal subsidiarity: focusing Government's task on its core business:

closing unnecessary Government activities

outsourcing and/or privatizing activities that can be more efficiently undertaken by the private sector (business and non-profits organizations)

liberalization of public utilities

2 - strengthening local Governments

Strengthening stability of local Governments

direct election of Majors (since 1993), Presidents of Provinces (1993), Presidents of Regions (2000)

Strengthening financial autonomy of local Governments: the "fiscal federalism"

transformation of State financial transfers to local Authorities into local taxation or participation in main State taxes (VAT, Income tax...)

Strengthening sovereignty of local Governments

transferring general legislative powers to Regions (constitutional bill presented by the Government)

3 - the "administrative federalism"

1997: law n. 59 identifies a mandatory list of State tasks and plans the devolution of all other tasks to Regions, Provinces and Municipalities

1997-1998: five "legislative decrees" identify in detail the tasks to be transferred from central to local Government

1999-2000: Prime Minister decrees transfer groups of tasks together with related human and financial resources

January 1st, 2001: end of devolution process

## **Reorganization of Central Government**

1 - the general strategy

The first government-wide Reform since 1865: a system up to now grown only by "adding layers"

Merging bodies with similar missions; eliminating duplication and segmentation

Functions assigned by law; internal organization established by a more flexible secondary regulation. End of the traditional "pyramid model" for Ministries

Reducing the Ministries from 22 (in 1995) to 18 (present) to 12 (in April 2001)

Introducing "Agencies": non-ministerial bodies with technical and executive tasks

"Central Government Local Offices": merging several State local offices into a single "interministerial" body

## 2 - reform of the Prime Minister Office

Making the role of stimulating, guiding and coordinating more effective

A slimmer but stronger, more flexible structure

Additional specific responsibilities of P.M.O.:

Government reform, regulation, P.A., dialogue with supra- and intra- national Authorities (EU, Regions, Municipalities)

Transferring all other executive tasks to "sector" administration

## 3 - from 18 to 12 Ministries

1.Ministry of Foreign Affairs

2.Ministry of the Interior

3.Ministry of Justice

4.Ministry of Defense

5.Ministry of Economy and Finance (Ministry of the Treasury and Budget- Ministry of Finance)

6.Ministry for Production Activities (Ministry of Industry, Trade and Crafts, Ministry of Foreign Trade, Ministry of Communications, P.M.O. Tourism Dept.)

7.Ministry of Agriculture

8.Ministry of the Environment and Protection of the Territory (Ministry of Environment, Ministry of Public Works (part), P.M.O. "Servizi Tecnici" Dept.)

9.Ministry of Infrastructure and Transport (Ministry of Public Works (part), Ministry of Transport, P.M.O. Dept. for Urban Areas )

10.Ministry of Employment, Health and Social Policies (Ministry of Employment and Social Security, Ministry of Health, P.M.O. Dept. of Social Affairs)

11.Ministry of Education, Universities and Research (Ministry of Education Ministry of Universities and Scientific Research)

12.Ministry of Heritage and Culture (Ministry of Heritage and Culture, P.M.O. Dept. of Sport, P.M.O. Dept. of Entertainment)

## **Civil Service Reform**

### 1 - distinguishing Politics from Administration

"Politicians are responsible for Policies":

the Ministers define policies and strategies, assess results, appoint general directors but have no more direct involvement in administration

"Public managers are responsible for Administration":

public managers are given broader powers but also greater responsibilities, higher salaries but linked to results and performances

### 2 - the "privatization" of Civil Service

Civil law for civil servants

public administration has the same powers as private sector employers

Jurisdiction for civil service disputes

since 1998 has been moved from the Administrative to the Civil Courts

### 3 - the "contractualization" of Civil Service

Labor Contracts:

collective bargaining (at national and local levels) replaced the law in determining employment conditions, salaries and tasks. The "integrative negotiation"

promoting efficiency and professionalism through individual integrative contracts

"A.R.A.N."

an Agency created to represent the State in labour negotiations in place of the Minister (but under Government's guidelines)

Reform of labor representation

for each public sector (Ministries, Education, Health ...) bargaining with the State is allowed only to those Unions having more than 5% of the consensus in that sector

## **A performance-oriented public administration**

### 1 – the new approach

Before: a formal/judicial approach to government:

compliance with laws and procedures without regard to quality and results

Now: a consumer-oriented approach

quality service and customer satisfaction

new performance control complementing traditional legal control

public service charters

promoting professional growth: a special training program

Public administration "close to citizens and business":

favors the allocation of investment capital

acquires relevance "beyond the national borders"

partially sheds its authoritative nature

## 2 – the new public management

An interministerial body of public managers (few exceptions). Access by concours

(no more than 5% of managers may be chosen from outside the Civil Service for a fixed term)

Individual contracts (fixed term: 2-7 years) determine assignment, duties and salaries

Managers' salaries vary depending on responsibilities and performances

## **The new public budgeting**

### 1 – from financial to economic budget

Before: a segmented spending model with more than 6.000 expenditure units

Now: about 1.000 basic budget units, matching each Ministry's target and responsibility

Only one administrative office responsible for each basic unit

New economic budget showing the link between the use of resources and achievements

### 2 – new spending procedures

Drawing up the budget: no longer the traditional criteria of incremental spending

An effective cost analysis to back the annual financing law and the spending legislation

More effective constraints on Government expenditure bills and parliamentary amendments

An electronic mandate

Towards a permanent electronic market for public purchases

## A transparent and comprehensible Government

Since 1990 Administrative Procedure Law n. 241: access to administrative acts is the rule, secrecy the exception

A "Style Manual" to simplify administrative jargon:

a practical tool for employees involved in written communication

proposals for the standardization and simplification of the most common official

forms

## e-Government

IT: the best resource for a leap forward in quality change

An action plan for the "electronic government"

Electronic signature

Electronic management of administrative documents, procedures and archives

Electronic ID card

A Single Administrative Network

The "Unique Portal": a single gateway for public administrations

Towards electronic public procurements

## 3. First Achievements

Reduction of deficit and public debt

Downsizing of the Government

Increased efficiency and effectiveness

Reduction of red tape and certificates

Representation and transparency in labor negotiation

## 1 – liberalizations and privatizations

Liberalization. Three examples:

110 fixed telecommunication licenses and 86 operators instead of Telecom Italia monopoly

unbundling of local loop from end 2000

ENEL will control less than 50% of electricity market from 2003

Privatization of public utilities: ENI, BNL, INA, ENEL, Telecom, Alitalia, Autostrade ...

world largest privatization program (total revenue up to end 1999: approx. 83 million US Dollars)

## 2 – Electronic Revenue Service

100% income tax returns (30 million/year) are filed and reviewed electronically

## 4. The Future of Reform

The Reform is almost achieved in its laws and decrees, but laws alone cannot change citizens' lives but we have to.

1 – changing the culture

Acquiring and disseminating new approaches:

- to technological and organizational innovation
- to simplification (releasing unnecessary administrative burdens)
- to quality of service and performance
- to citizen-user satisfaction
- to rewarding professionalism and merit
- to promoting, encouraging and energizing citizens and business

2 – communication

we have to disseminate and share information to explain citizens their new rights

3 – Investing on Public Administration

in training, to improve knowledge and awareness of the main interpreters of the Reform

in IT, to exploit the enormous opportunities of digital revolution

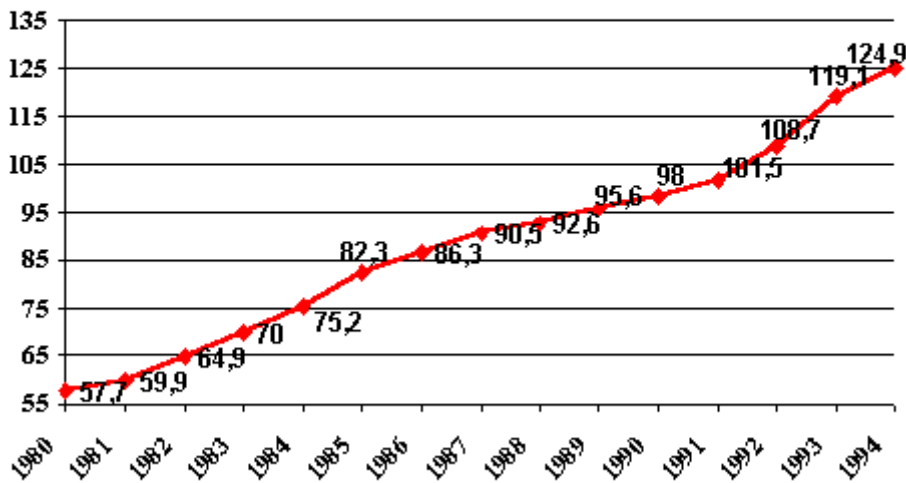
in financial incentives, to promote quality of services and professional growth

4 – The "Maastricht approach"

EURO example: Italy is a country capable of finding hidden human resources to face the most difficult tasks

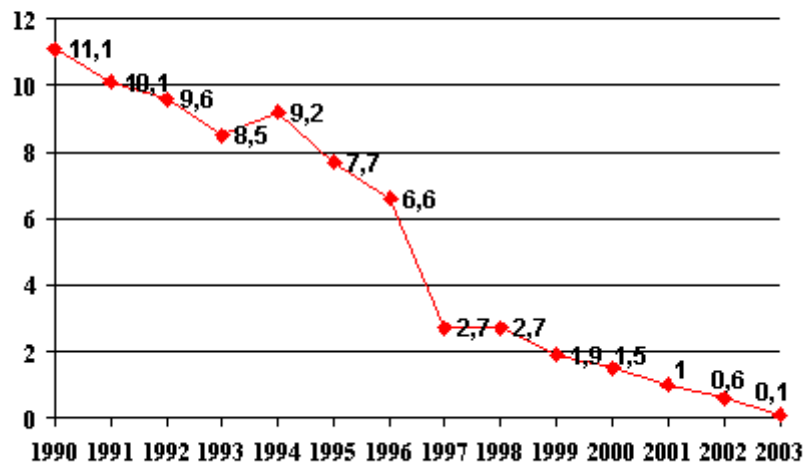
## The needs of Reform

### Public debt up to 1994 (% of GDP)



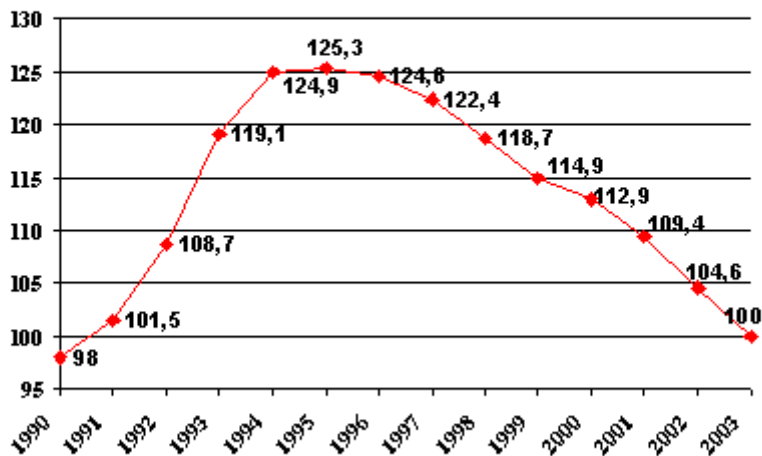
Source: Italy - Ministry of the Treasury

## First Achievements public deficit (% of GDP)



Source: ISTAT and Italy DPEF 2000-2003

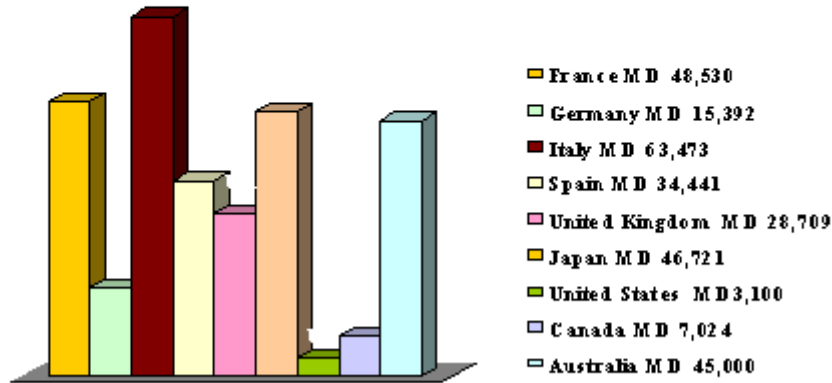
## First Achievements public debt (% of GDP)



Source: ISTAT and Italy DPEF 2000-2003

## First Achievements

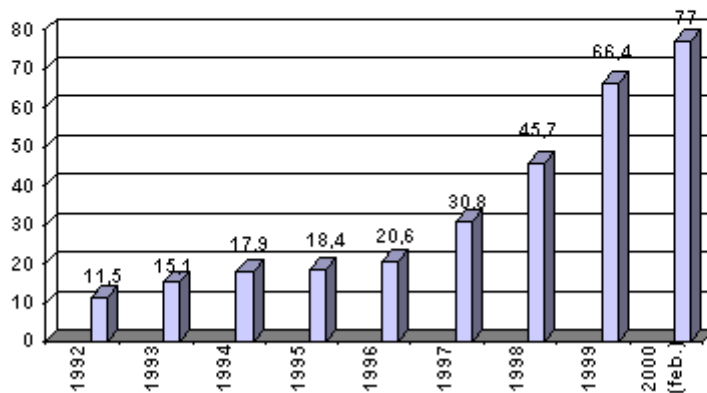
### Revenues from privatizations in OECD countries (1993 - 1998)



## First Achievements

### total stock mkt cap/GDP

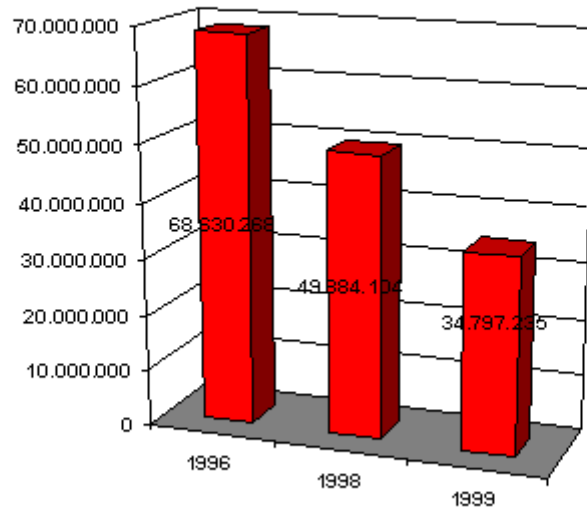
The privatization program has contributed to foster the growth of the Italian equity market



Source: Ministry of the treasury

## First Achievements

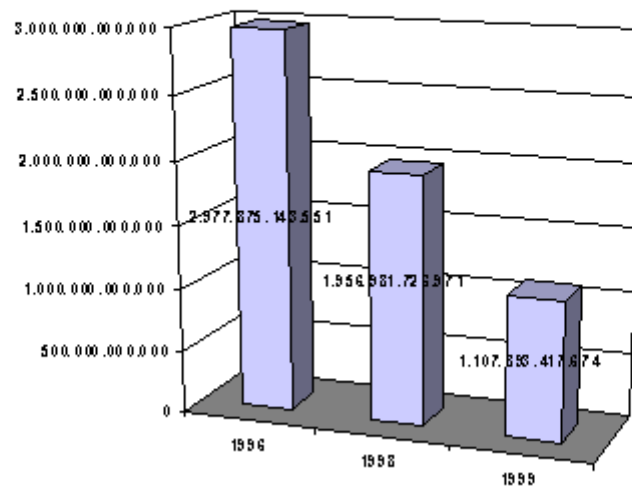
# of certificates issued per year



Source: Dipartimento funzione pubblica

## First Achievements

decrease of annual costs (in Italian *liras*)  
for certificates and certified signatures



Source: Dipartimento funzione pubblica

