Annex 2: An example of administrative reform: the Italian Reform

The need for administrative reform in Italy in the early nineties was driven by the following factors:

1. An obsolete administration: no government-wide reforms since 1865
2. An inefficient administration: islands of excellence in a sea of general inefficiency
3. A costly administration: crucial need to balance the budget and reduce public debt

The most relevant tools of Reform have been: a broad "delegating law", where Parliament delegates Government the power to adopt "legislative decrees" (primary level regulation) in defined areas, pursuant to the principles set by the law, and the "delegislation*)* mechanism: the Parliament authorizes Government to substitute primary laws with Governmental decrees (secondary level regulation) in two main sectors: administrative procedures and organization of public offices

The main areas of Reform have been: Devolution, outsourcing and "administrative federalism", Reorganization of Central Government, Civil Service Reform, A performance-oriented public sector management , Simplifying regulatory and administrative burdens, the new Public Budgeting, a more transparent and comprehensible Government

We now discuss the most relevant areas.

<u>Devolution</u>

Devolution has several related goals: a leaner but more efficient State, strengthening local Governments, the "administrative federalism".

So called "Horizontal subsidiarity", i.e. focusing Government on its core business, is the main tool for a leaner but more efficient State, using the following leverages:

1. closing unnecessary Government activities
2. outsourcing and/or privatizing activities that can be more efficiently undertaken by the private sector (business and non-profit organizations)
3. liberalization of public utilities

Concerning the strengthening local Governments, the most relevant actions have been

- direct election of Mayors (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 approved by the Parliament)
- Strengthening efficiency of Local Administrations
- reform of control mechanisms, "city managers", local public managers chosen also from private sector, salaries linked to performance
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Finally, for "administrative federalism" laws enacted have been:

- 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: 97 Prime Minister decrees transfer groups of tasks together with related human resources (23.000 units) and financial resources (18.6 billion Euro)

Simplification

The urgent need for setting up simplification was pushed in Italy by the following 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

1. Regulatory pollution: ambiguity, contradictions, overlapping, layers of rules generate uncertainty on the existing law

In order to achieve in the short term significan results, the following tools have been set up:

- "Self-declarations" replacing more than 95% of the certificates
- "Notification of the beginning of an activity" and silent consent (in 194 cases) replace authorizations and licenses
- One "combined services conference" replaces many administrative acts
- Few consolidated texts replace thousands of laws and decrees
- Annual simplification laws enabling government to abolish or simplify existing procedures, authorizations and licenses

To provide an example, the one-stop-shop paradigm has been established for the start up of a new business, obtaining the following results:

- Before: 2-5 years to get a final answer
- Now: normally no more than 3 months in most cases, max 11 months (average time: 57 days in a sample of 100 operational one stop shops)
- One single office to deal with businesses and a new role for Municipalities in the development of their territory
- An *e*-structure, accessible through the net

Approximately every two years a new simplification law is enacted. Some initial results resulting from the 2000 law are:
- 207 procedures ruled by primary law have already been "delegislated" (ready to be abolished or simplified by Government decree)
- 91 procedures already simplified by Government (50% in the year 2000, with the support of the new central unit). They include the one-stop-shops for: new productive plants, car drivers, import-export trade
- 8 consolidated texts drafted (on local Governments, cultural heritage, administrative documentation, building activities, expropriations, university, civil service, justice expenses); 4 of them already in force
relevant progress in regulatory capacity shown by the draft report of the OECD regulatory review

A large amount of resistances exist, in order to estabilish a performance-oriented public administration, the most relevant are:

- Administrations and judges still show a legalistic culture
- The defence of irremovability and irresponsibility of top civil servants in the name of administrative neutrality
- The fear of the spoils system
- The refusal of the culture of evaluation and merit